MEDIATING EFFECTS OF GENERATION Y WORK VALUES’ IN HUMAN RESOURCE PRACTICES AND EMPLOYEE RETENTION IN MALAYSIA

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ABSTRACT

Employee retention has received much attention especially in Western world. However it has generated limited empirical research in Malaysia despite its perennial importance. Employee retention can improve the organisation’s competitive advantage which is currently one of the biggest challenges faced by organisations. Low employee retention or in other words, high employee turnover in Malaysia hovered around 16% from 2009 to 2016 and out of which, 78% of the total turnover was contributed by the manufacturing sector. The working environment in the manufacturing sector is generally more hazardous and strenuous in nature comparatively with other sectors. Additionally, Generation Y representing over 50% of the total workforce and holding predominant role in the employment market in Malaysia are known to have different work values as compared to their predecessor generations thus making employee retention even more complex. Therefore, organisations should not structure a one-size-fit-all and generic employee retention practices. Instead careful planning and implementation of human resources practices will be required with the aim to retain Generation Y at their workplace. Moreover, it has been argued that monetary human resource practices i.e. compensation and pay is no longer sustainable and instrumental for employee retention. Hence, in this light, this study focuses on non-monetary human resource practices such career development, succession planning and work life balance to prove its 7 research hypotheses where there are other human resource practices beyond compensation which could retain employees. The Generation Y work values do have mediating effect in the relationship of the human resource practices and employee retention. Additionally, the population of this study will be individuals employed in the electrical and electronics manufacturing organisations and the sample size will be a minimum of 384. A mixed method research will be employed to integrate the quantitative and qualitative research with the aim of providing a more complete understanding of the research problem.

Keywords: Work Values, Malaysia, Employee Retention, Career Development, Succession Planning, Worklife Balance
INTRODUCTION

Employees are the most prevalent and valuable asset of any organisation. It is a conception that productivity and profit in any organisation cannot be achieved without employees (Kostagiolas & Asonitis, 2009; Steenkamp & Kashyap, 2010). Therefore, retaining employees is essential and viewed as a strategic opportunity for many organisations in order to stay competitive since these employees will work to fulfil the organisation’s objectives (Aguenza & Mat Som, 2012; Oladapo, 2014; Nema & Nougriaya, 2015).

Unfortunately over the past two decades, employees have rampantly left their organisation for other organisation or even for other reasons. The action to leave the organisation creates low employee retention which is one of the biggest phenomenon and challenge faced by many organisations (Deloitte, 2014). Low employee retention brings negative cost implications to organisations considering the incurrence of replacement cost, recruitment cost, training cost of new employee, productivity loss during the vacant period and overtime payment to the existing employee to cover the gap which is estimated 150% of the previous employee’s annual salary and benefits package. The cost could go up to 250% to replace someone in management or sales position (Phillips & Edwards, 2009). Overall, the estimated cost to replace an employee in Malaysia is MYR30,000.00 (The STAR, 2012). Sometimes, the cost of replacement of a good employee could be even higher and the employee may even be irreplaceable (Bryson & McKenna, 2002; Zhang, 2016).

Low employee retention or in other words, high employee turnover in Malaysia hovered around 16% from 2009 to 2016 and out of which, 78% of the total turnover was contributed by the manufacturing sector (Hay Group, 2016). The manufacturing sector is experiencing low employee retention despite its significant role to the Malaysia’s economy with specific reference to the electrical and electronic industry. This electrical and electronic industry is currently the leading subsector of manufacturing and largest export sector contributing significantly to its gross domestic product (GDP) in Malaysia (MATRADE, 2013; The STAR, 2015; Department of Statistics, Malaysia, 2017). It is anticipated that this industry will further propel in this 21st century especially with the introduction of Industry 4.0 which has big influence in manufacturing (Crnjac, Veza & Banduka, 2017). Therefore, retaining employees will still remain as one of the main priorities of action in view of the importance of employees to achieve the Company’s objectives.

Additionally, it is undeniable that the working environment in the manufacturing sector comparatively with other sectors has been more hazardous and strenuous (Mc Laughlin, Hennebry & Haines, 2014) thus this could be one of the contributing factors for low employee retention. Therefore, organisations need to adopt sound and adequate practices in order to increase the employee retention as stated by Rubel & Kee (2013), good human resource practices will increase employee retention.

Problem Statement

Past studies have heavily focused on monetary human resource practices i.e. compensation and pay to retain employees (Peterson, 2005; Harell & Daim, 2010; Ng’ethe, Iravo & Namusonge, 2012; Balakrishnan & Lalitha, 2014; Haider, Rasli, Akhtar, Mohammed Yusoff, Malik, Aamir, Arif, Naveed & Tariq, 2015; Michael, Prince & Chacko, 2016; Mabaso & Dlamini, 2017). Monetary human resource practices have been overemphasized however, it is now argued monetary human resource practices alone no longer is sustainable and instrumental to improve employee retention. Some past researches instead have shown non-monetary human resource practices have great impact in retaining employees (Gadekar, 2013; Festing, Schafer & Scullion, 2013; Kwenin, Muathe & Nzulwa, 2013; Yousaf, Latif, Aslam & Saddiqui, 2014; Deery & Jago, 2015).

Fitz-enz (1990) stated no single practice can improve employee retention instead a cluster of practices will be required to retain employees in an organisation. Delery and Gupta (2016) concurred and highlighted the maximum gain in employee retention could be achieved through bundles of human
resource practices. Therefore, this study will focus on three non-monetary human resource practices i.e. career development, succession planning and work life balance with the aim to increase employee retention. These non-monetary human resource practices are effective and clustered under the rubric of good and high performance work practices which have positive impact on employee retention (Delery & Gupta, 2016; Pittino, Visintin, Lenger & Sternad, 2016; Narang, 2016).

Secondly, abundance of previous studies have fixated the direct causal relationship between human resource practices and employee retention (Johari, Yahya & Ahmad, 2012; Weng & McElroy, 2012; Ng, Lam, Kumar, Ramendran & Kadireesan, 2012; Tee, 2013; Fauzi, Ahmad & Gelaidan, 2013; Deshmukh, Joseph & Soni, 2014; Mabuza & Proches, 2014; Pritchard, 2014; Idris, 2014; Karve & Dias, 2016; Kossivi, Xu & Kalgora, 2016; Baharin & Wan Hanafi, 2018). The presence of generation in the organisations have been omitted or under emphasized since many past researches concentrated on employees as a whole. Researchers should not deny that the co-existence of employees from different generations in the workplace have also made employee retention more complex (Rani & Samuel, 2016). Moreover, the predecessor generations of Baby Boomers (born between 1946 and 1964) and Generation X (born between 1965 and 1979) were loyal to the organisation they work for thus their retention rate was high. On contrary, Generation Y (born between 1980 and 1999) showed a differing and pressing situation where a change of job among this generation is done almost every two years or they change their careers as many as seven times in their working life (Meuse & Mlodzik, 2010) thus demonstrating low employee retention.

This study will place attention to Generation Y in view of them being the core workforce since they represent more than 50% of the total workforce in Malaysia (Tay, 2011; Tee, 2013). However, despite Generation Y being the most dominant generation in the employment market, Generation Y reported the lowest employee retention compared with the previous generations in Malaysia (Queiri, Dwaikat & Yelwa, 2016).

Thirdly, plethora of studies have been conducted in USA, Europe, China and other Asian countries on the relationship between human resource practices and employee retention (Keane, Lincoln, Rolfe & Smith, 2013; Kwenin et al., 2013; Tangthong, 2014; Delery & Gupta, 2016; Presbitero, Roxas & Chadee, 2016; Pek-Greer, Wallace & Al-Ansaari, 2016) however limited studies conducted to Malaysia. Moreover, the outcome of the studies conducted in USA, Europe, China and other Asian countries may differ and contradict the outcome of studies conducted in Malaysia in view of the different culture, economy, social and political condition among these countries. In addition, an aspect of this study will focus on the work values. Work values have become the subject of research within the generation context in recent years (Sharabi, 2016). Generation work values are important consideration because these work values influence individual and organisation outcomes with specific reference to satisfaction, performance, commitment and employee retention (Smola & Sutton, 2002; Chen & Choi; 2008; Lyons, Higgins & Duxbury, 2010). Moreover, work values among each generation in each country is unique since different historical, cultural, societal and demographic factors do have an influence on the work values (Kupperschmidt, 2000; Macky, Gardner & Forsyth, 2008; Queiri et al., 2016; Ting & de Run, 2015).

Finally, past studies have differing and inconsistent findings. Although, many studies have reflected the advantages of employee retention and its relationship with human resource practices (Jusoh & Parnell, 2008; Gould-Williams & Mohamed, 2010; Tan, 2011; Chitsaz-Isfahani & Boustani, 2014) conversely, there were also some previous studies picturing employee retention in a negative intonation which could burden organisations (Loquercio, Hammersley & Emmens, 2006; Iqbal, 2010; Self & Self, 2014). Additionally, some studies found employees could still not be retained in their organisation despite the implementation of human resource practices (Kossek, Lautsch & Eaton, 2006; Hess & Jepsen, 2009; Shaw, Park & Kim, 2013). Monetary and even non-monetary human resource practices were not able to retain some employees (Allen, Bryant & Vardaman, 2010; Yaghi, 2016).
In summary, the literature in Malaysia on human resource practices, employee retention and Generation Y work values’ have been under explored despite its perpetual importance. As a result, there is substantial gap in the Malaysian literature in this area of study. Therefore, it is imperative for this study to be conducted in view of the limited past research examining the convergence of all three variables i.e. human resource practices, employee retention and Generation Y work values’ in Malaysia. Additionally, there have been inconsistent findings and outcome among past studies in this area of study. Henceforth, it justifies for this study to be conducted.

Research Objectives

It is the hope of the researcher that the findings of this study will bring new insights and provide better understanding as to what extent does Generation Y work values’ mediate in the relationship between human resource practices and employee retention in the electrical and electronics manufacturers. Therefore, the specific research objectives of this study are as follows:-

1. To examine the relationship between career development and employee retention among Generation Y in electrical and electronics manufacturers.
2. To examine the relationship between succession planning and employee retention among Generation Y in electrical and electronics manufacturers.
3. To examine the relationship between work life balance and employee retention among Generation Y in electrical and electronics manufacturers.
4. To investigate the mediating effects of Generation Y work values’ in the relationship of career development and employee retention in electrical and electronics manufacturers.
5. To investigate the mediating effects of Generation Y work values’ in the relationship of succession planning and employee retention in electrical and electronics manufacturers.
6. To investigate the mediating effects of Generation Y work values’ in the relationship of work life balance and employee retention in electrical and electronics manufacturers.
7. To investigate the mediating effect of Generation Y work values’ on employee retention in electrical and electronics manufacturers.

LITERATURE REVIEW

Money can initially attract employees but it is not the primary reason to retain employees in today’s workplace especially in consideration of the presence of Generation Y (Oladapo, 2014). In this anticipation, organisations will need to plan and implement practices to retain its employees. The focus of this study is on three non-monetary human resource practices i.e. career development, succession planning and work life balance.

Career Development and Employee Retention

Career development defined as a succession of jobs in which a person advances to higher level and responsibilities within the organization as well as it involves acquiring of new skills and knowledge which is applied to the job (McDonald & Hite, 2005). Employees with enhanced skills and knowledge are entrusted with a progressed and higher role in the organisation with the aim to fulfill the organisation’s objectives which in return results in higher satisfaction among the employee which leads to increased employee retention.
Past studies supported the notion that opportunities for an employee to grow and be promoted in its’ career can increase their interest to continue to work for the same organisation (Chen & Choi, 2008; Tee, 2013; Kaliannan, Abraham & Ponnusamy, 2016). A survey conducted by Manpower Malaysia amongst Generation Y showed career development drives employee retention and restricts them from leaving their organisation and at the same time, increases their loyalty (Haggag, 2010). Generation Y are interested in developing their career since they are able to acquire skills and knowledge that will strengthen their employability (Van Rooyen, Du Toi, Botha & Rothmann, 2012). The finding of these studies reflect career development is an important employee retention tool.

**Succession Planning and Employee Retention**

Succession planning has gained momentum in this new millennium. Succession planning is a process to identify, develop and ensure leadership continuity in key positions within the organisation. Succession planning emphasizes on the flexibility in the lateral or vertical employee movement within the organisation expected to meet the current and future needs and goals of the organisation (Bohlander & Snell, 2013; Rothwell, 2015). The key tenets of succession planning propels an employee to grow and take up higher role within their organisation.

According to Eshiteti, Okaka, Maragia, Odera and Akerele (2013), the effects of succession planning programs on staff retention amongst sugar companies in Kenya confirms succession planning emerged as a strong factor influencing staff retention mainly through provision of employee growth opportunities and increased job satisfaction. A study by Kamande and Gachunga (2014) also mirrored the positive effect of succession planning in influencing employee performance and productivity which in return is able to retain employees. The findings of these studies showed succession planning had positive effect on employee retention.

**Work Life Balance and Employee Retention**

Work life balance metaphor originated from Western however, is yet to become a genuine priority to many organisations despite its importance and benefits (Subramaniam, Overton & Maniam, 2015). Past researchers have identified work life balance as an important element to improve employee retention (Richman, Civian, Shannon, Hill & Brennan, 2008; Benito-Osorio, Munoz-Aguado & Villar, 2014).

A study by Cegarra-Leiva, Sanchez-Vidal and Cegarra-Navarra (2012) among 148 managerial employees based Spanish Metal Industry SMEs revealed work life balance leads to job satisfaction which increases employee retention. In a similar vein, a study amongst artisan in fast moving consumer goods manufacturers (FMCG) in South Africa depicted work life balance had the largest positive impact on employee retention (Schlechter, Faught & Bussin, 2014). Consistently, 550 respondents from the ceramic manufacturing industry in India stated that work life balance practices had positively related to employee retention (Umamaheswari & Krishnan, 2015).

In addition, Gholipour, Bod, Zehtabi, Pirannejad and Kozekanan (2010) stated Generation Y prefer flexible work schedules which will be able to support their demand of work life balance. In a survey conducted by Randstad Award among 200,000 respondents from different age groups and education levels worldwide fully supported the emergence of work life balance as a top priority especially for Generation Y around the world (The STAR, 2016). A healthy balance between work and life ranks is more important than financial reward. Generation Y desires to have a more balanced schedule and more time for themselves (Harrington & Ladge, 2009).
Generation Y Work Values

Mathematically, generation relates to the year of birth and age of an individual. Age is the key demographic determinant of generation membership (Costanza & Finkelstein, 2015) whereas Mannheim (1952) argued generation cannot be easily linked to the unit of time such as birth year instead it should recognize the social factor or its work values therefore postulated the qualitative definition of generation. The focus of this study will be the work values’ of Generation Y. Generally, Generation Y is described as mobile, impatient, work to enjoy life, need fast progression in their career, demanding which makes them vulnerable and have higher tendency to leave their organisation and change jobs (Hurst & Good, 2009; Simoneaux & Stroud, 2010; Kaliannan & Ponnusamy, 2016).

Some past studies had contradicting outcome postulating human resource practices i.e. career development, succession planning and work life balance alone could not retain employees (Shaw et al., 2013; Queiri et al., 2015; Darkwa, Newman, Kawkab & Chowdhury, 2015; Haider et al., 2015; Yaghi, 2016). Therefore, what are the factors which could retain employees? In other words, the employee retention may not be entirely due to human resource practices instead other factors such as work values, cultural and economic factor of the employee played an important factor in employee retention. Generation work values’ has impact on employee retention (Chen & Choi, 2008; Delery & Gupta, 2016; Gordon, 2017). Hence arguably, the notion of solely implementing human resource practices in order to retain employees is not enough instead there are other factors and in this context, work values which could influence the employee’s decision to remain in the organisation. Additionally, we need to accept the conception that every different generation has a different need and work values which will influence their decision to remain in the organisation (Spiro, 2006).

Social Exchange Theory

The underpinning theory which is used in this study is Social Exchange Theory. This theory has relevance to employee retention and widely been used in explaining workplace relationship and interaction between an employee with its employer (Osman, Noordin, Daud, & Othman, 2015). Social Exchange Theory involves and generates unlimited obligations when an individual does another party a favour and there is an expectation of some future return (Blau, 1964). It is also accepted that the employee and employer are deemed as “two actors” in a social exchange relationship and the actions of the employer will propagate the employee’s decision to stay or leave. It is asserted the norm of exchange suggest that an employee is obligated to reciprocate the good deeds of the organisation and return through their positive behavior such as to remain with the organisation. The exchange will not continue if the reciprocity is violated (Aryee, Budhwar & Chen, 2002; Bibi, Pangil & Johari, 2016).

In consequence, employee retention practice such promotion is considered as social exchange concept as employees will remain with their organisations if the management is seen to value and implement these retention practice (Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001). Social Exchange Theory positively influences employee performance, commitment and retention where it explains that the stronger the relationship between employee and employer, the higher impact it has on employee’s attitude and behavior which in return generates better performance, motivation and retention (Malik, Ahmad, Gomez & Ali, 2011; Avanzi, Fracaroli, Sarchielli, Ullrich & van Dick, 2014; Karemu, Kachori, Josee & Okibo, 2014; Osman et al., 2015).

This basic tenets of this theory looks at the process of positive exchange and acceptance of human resource practices between employers and employees for mutual gain where each employee will remain in an organisation in exchange of monetary and non-monetary benefits and concurrently, organisations will expect contribution from its employees. Therefore, this positive exchange between both parties will strengthen employee retention.
FINDINGS AND DISCUSSION

Having reviewed the literature, the research framework as presented in Figure 1.1 is developed. The focus of this study i.e. Generation Y work values’ (mediating variable) in the relationship between human resource practices i.e. career development, succession planning and work life balance (independent variables) and employee retention (dependent variable) in the electrical and electronics manufacturers.

![Research Framework for This Study](image)

**METHODOLOGY**

The population of this study will be individuals employed in the electrical and electronics manufacturing organisations. A mixed method research will be used and integrates the quantitative and qualitative research with the aim to provide a more complete understanding of the research problem. For the context of this study, explanatory sequential mixed method will be adopted and as stated by Creswell (2014), the study will start with quantitative research method executing a survey via questionnaire, analyzes the results and then builds on the results from questionnaire to explain further with qualitative research which will be conducted through interviews. Additionally, Structural Equation Modelling (SEM), the more advanced data analysis technique will be used to examine the complex relationship in view of the convergence of mediating variable in addition to independent variables and dependent variable.

**SUMMARY**

The electrical and electronic industry contributes significantly to Malaysia’s economy. Therefore, this industry will require employees as their prime resource to manufacture the electrical and electronics products. One key concern and challenge i.e. low employee retention or in other words, high employee turnover had emerged within organisations over the past two decades. This challenge is extremely pertinent in Malaysia specifically and across the globe generally.

Serious cost and organisation negative implications arising out of low employee retention is detrimental to organisation. Henceforth, organisations will have to propensity their strategy and be innovative to stem problems arising from low employee retention. One of the noteworthy efforts to improve low
employee retention is by implementing human resource practices since past researchers have established human resource practices is able to increase employee retention. The pressing question will then be which specific human resource practice or practices will be able to retain employees. Many previous studies have argued compensation to be no longer the sole human resource practice to retain employees in organisations instead non-monetary human resource practices have proven to retain employees. Therefore, organisations should implement non-monetary human resource practices such as career development, succession planning and work life balance which are embedded as effective human resource practices with the aim to retain their employees.

However, employee retention may still remain as a complex phenomenon despite implementing non-monetary human resource practices in organisations. This is inconsideration of the composition of workforce in Malaysian organisations with dramatically changes of the workforce landscape in view of the retirement of many Baby Boomers (born between 1945 to 1964), less relevant and semi-retired Generation X (born between 1965 to 1979) and surge of Generation Y (born between 1980 to 1999) who form more than 50% of the total workforce. Generation Y employees are seen as less loyal to organisation with higher tendency to leave their organisation thus leading to lower retention rate compared to their predecessor generations. They have different and unique work values and these work values could mediate the work outcome such as employee retention in the organisation.

REFERENCES


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