

**THE EFFECT OF ORGANIZATIONAL BASED FACTOR ON
WORKERS RETENTION IN PRIVATE SECTOR
IN KOTA KINABALU AREA**

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DECLARATION

The materials in this dissertation are original except for quotation, excerpts, summaries, and references which have been duly acknowledge.

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ABSTRACT

THE EFFECT OF ORGANIZATIONAL BASED FACTORS ON WORKERS RETENTION IN PRIVATE SECTOR IN KOTA KINABALU

This research investigates the impact of organizational based factors on workers retention in Kota Kinabalu Sabah. In addition the moderation effects of age and education level where also determine. The objective of this research is to examine whether independent variables (honored employee status, wage effect, promotion, effect of economy status, and employee performance) has a significant relationship on workers retention and alternative age and education level play a moderate role in the relationship between independent variables and dependent variable. The research found that independent variable (wage effect and employee performance) has a significant relationship with the workers retention and independent variables (honored employee status, promotion, and effect of economy cycle) do not have significant relationship with workers retention. Also there are no moderating effect of age and education levels on the relationship between independent variables and dependent variable. The research hypothesis tested using SPSS tools of multiple regression and hierarchical regression. From the result, the reason on why honored employee status is not significant because according to Manpower survey (2010) and employers indicated their organization does not have a proactive process in place to capture a person's job knowledge and according to Aberdeen Group (2009) human resources executives and line of business managers surveyed rated 'Capturing and transferring knowledge from those who have it to those who need it' as a top workforce-related challenge. It shows that not all private sector willing to do transfer knowledge or proactively honored their employee status. Usually this is

because they only focusing on monetary benefits. According to Singler,(1999).pay rates as their prime weapon in retaining staff, pay incentives will help align the employees interest with those of the organization's owner and efforts to improve job satisfaction through employee autonomy, training, and pleasant working conditions will help retain talented employees. Base on Lazear (1986) he stated that promoted workers may develop general human capital, making them more valuable to the firm's competitors, making turnover more likely. Accordingly, it might be said that though a recent promotion provides a timely motivation to deter turnover, on the average, promotion inversely increases propensity to turnover and reduces the length of time one retains his or her job. Meanwhile, according to Manpower survey (2010),it stated that employers cited 'to start own business or retire' as the most common reason their employees left voluntarily in 2009. A person who is working in private sectors will run their own business although they are working. This is maybe because they are having less stress, enjoying their live and at the same time getting a work life balance. Lazear (1999) he found better performers were less likely to turnover. He argued that individual performance is often closely associated with some degree of firm-specific characteristics. Better performance, thus, reflects more beneficial firm-specific skills, which may motivate retention. According to Pelled (1996) when he argued that demographics, such as, age, education level race, and gender are visible and silent. For the rejection of age, and education level, maybe this mainly because of the wage effect and employee performance is more importance in workers retention. These finding contribute to the retention of human resources in an organization.

Key word: Organizational Based Factors, Workers retention, Honored Employee Status, Wage Effect, Promotion, Effect of Economy Cycle, Employee Performance.

ABSTRAK

Kajian ini mengkaji kesan faktor-faktor organisasi berdasarkan pada pengekalan pekerja di Kota Kinabalu Sabah. Selain kesan sederhana usia dan tahap pendidikan di mana juga menentukan. Objektif kajian ini adalah untuk mengkaji sama ada pembolehubah bebas (status pekerja penghormatan, kesan gaji, kenaikan pangkat, kesan status ekonomi, dan prestasi pekerja) mempunyai hubungan yang signifikan pada pengekalan pekerja dan umur alternatif dan tahap pendidikan memainkan peranan yang sederhana dalam hubungan antara pembolehubah bebas dan pembolehubah bersandar. Kajian ini mendapati bahawa pembolehubah bebas (kesan gaji dan prestasi pekerja) mempunyai hubungan yang signifikan dengan pengekalan pekerja dan pembolehubah bebas (status pekerja penghormatan, kenaikan pangkat, dan kesan kitaran ekonomi) tidak mempunyai hubungan yang signifikan dengan pengekalan pekerja. Juga tiada kesan sederhana tahap umur dan pendidikan mengenai hubungan antara pembolehubah bebas dan pembolehubah bersandar. Hipotesis kajian diuji dengan menggunakan perisian regresi berganda dan regresi hierarki. Dari keputusan itu, sebab pada status pekerja mengapa yang mulia tidak penting kerana menurut kajian Tenaga Manusia (2010) dan majikan menunjukkan organisasi mereka tidak mempunyai satu proses yang proaktif bagi mendapat pengetahuan kerja seseorang dan mengikut Aberdeen Kumpulan (2009) manusia sumber eksekutif dan garis pengurus perniagaan yang dikaji diberi nilai 'Menawan dan memindahkan pengetahuan dari orang-orang yang menjadikan orang-orang yang memerlukannya' sebagai satu cabaran tenaga kerja yang berkaitan dengan bahagian atas. Ini menunjukkan bahawa tidak semua sektor swasta bersedia untuk melakukan pemindahan atau pengetahuan secara proaktif penghormatan status pekerja mereka. Biasanya ini adalah kerana mereka hanya

memberi tumpuan kepada faedah kewangan. Menurut Singler, kadar (1999) .pay sebagai senjata utama mereka dalam mengekalkan kakitangan, membayar insentif akan membantu menyelaraskan kepentingan pekerja dengan orang-orang pemilik dan usaha-usaha untuk meningkatkan kepuasan kerja melalui autonomi pekerja, latihan organisasi, dan keadaan kerja yang menyenangkan akan membantu mengekalkan pekerja berbakat. Berdasarkan Lazear (1986) beliau menyatakan bahawa pekerja dinaikkan pangkat boleh membangunkan modal insan agung, menjadikan mereka lebih berharga kepada pesaing firma, membuat perolehan lebih cenderung. Oleh itu, ia mungkin dikatakan bahawa walaupun promosi baru-baru ini memberi motivasi tepat pada masanya untuk menghalang perolehan, rata-rata, promosi songsang meningkatkan kecenderungan kepada perolehan dan mengurangkan tempoh masa satu mengekalkan pekerjaan mereka. Sementara itu, menurut kaji selidik Tenaga Manusia (2010), ia menyatakan bahawa majikan dinamakan 'untuk memulakan perniagaan sendiri atau bersara' sebagai sebab yang paling biasa pekerja-pekerja mereka yang tinggal secara sukarela pada tahun 2009.-mana orang yang bekerja di sektor swasta akan menjalankan perniagaan mereka sendiri walaupun mereka bekerja. Ini mungkin kerana mereka mempunyai tekanan kurang, menikmati hidup mereka dan pada masa yang sama mendapatkan keseimbangan kehidupan kerja. Lazear (1999) dia mendapati penghibur lebih kurang berkemungkinan untuk perolehan. Beliau berhujah bahawa prestasi individu sering dikaitkan rapat dengan sedikit ciri-ciri firma tertentu. Prestasi yang lebih baik, sekali gus mencerminkan kemahiran firma khusus lebih bermanfaat, yang boleh mendorong pengekal. Menurut Pelled (1996) apabila beliau berhujah bahawa demografi, seperti umur, bangsa tahap pendidikan, jantina dan dapat dilihat dan senyap. Bagi penolakan umur, dan tahap pendidikan, mungkin ini terutamanya kerana kesan gaji dan prestasi pekerja adalah lebih penting dalam pengekal

pekerja. Hasil kajian ini menyumbang kepada pengekalan sumber manusia dalam sesebuah organisasi.

Kata kunci: Faktor Berdasarkan Organisasi, penyimpanan Pekerja, Pemurah Status Pekerja, Kesan Gaji, Kenaikan Pangkat, Kesan Ekonomi Cycle, Pencapaian Pekerja.

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CHAPTER 1

INTRODUCTION

1.0 Overview

According to the research (Surin, 2012) employee retention is becoming a global issue nowadays. It has a big concern on for managers worldwide about y generation in the workplace are employee retention. In addition it also state that 66 per cent of Malaysian manager claim that managing graduate expectation is their overriding concern. Workers who have high anticipation on their work based on their scope of work, adventuring, interesting, manager who is always accept the new idea, good communication and adjustment to the .organization

The purpose of the study is to know what are the firm based factors such as honoured employee status, wage effect, promotion, performance and effect of economic cycle are the factors of job retention of workers in private sectors area in Kota Kinabalu area. Taylor (2002) state that One of the complication and involves high cost in companies face is workers retention. By losing the knowledge base of their workers because of their leaving, they need to rearrange back their source to endure that the business plan and goals will stay align in organization. The effect in a group in the company is that the team members will worry, increasing the work pressure, decrease morale and fault in attaining desired result.

1.1 Problem Statement

The problems are about the factors include honoured employee status, wage effect, promotion, effect of economic cycle, and performance and moderator organization culture influence the workers retention in private companies in Kota Kinabalu.

Worker retention is including operation cost, which can be including two type of cost namely visible and invisible according Jawahar and Hemmasi (2006).

The visible cost is including organization's asset. The invisible cost is knowledge and worker's skills. Other than that, employer need to invest in their training the new workers.

Old workers who has been stay more in the organization (Ernst & Young Global, 2010). The aging workforce of a company is a rich source of intangible knowledge (knowledge which is gained from experience and not books) and most of the time, the transition of this knowledge to young and new employee does not take place quickly enough.

Cost, skills and talent is very important in each of the sector or industry. Turnover cost is more higher than cost of retain the employees according to DeConinck and Bachman, (1994).

It is important to retain the talented group because of the knowledge and skills to gain competitive advantages in organization based on the research of Kyndt et al. (2009).

Based on Branham (2005) he stated that main reasons why employees leave, are lack of recognition, pay with low market price, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership, and dysfunctional work cultures. All the factors are closely related to human resources management practices and therefore, a good recognize of the relationship between HRM practices and employee intention to stay will help organizations make the correct decisions in achieving business results while retaining an economical or optimum level of resources.

According to Jones and Skarlicki (2003) because of the lack of workers in organization can effect of deduction of potential workers. According to Leeves (2000) workers is finding a good job and organization is finding workers to increase productivity of the organization. Based on Barney (1991) and Taplin Winterton (2007) they state that they are also challenge in attempting the employees.

Organization need to tolerate on the cost of hiring, cost of losing the workers, and their own staff according to Lockwood and Ansari (1999). Organization are more taken care on workers retention because workers who is having intent will effect on both workers and employer.

According to Acton and Golden (2003) workers retention is being appreciate and their skills for helping organization and at the same time permanently the lost is more low from other human capital and the result will make the workers retention.

Meanwhile, workers retention is the main aim and the most worried for almost most of the organization according to Deckop et al. (2006) and Moncarz et al. (2009). Workers may change the scope of the job for professional growth and personnel. Other than that, worker s may join employer that prepare an interesting pay and growth. According to Shaw, Duffy and Stark (2000) stated that that frustration and a wish to quit have relevance to low positive affectivity, and are related strongly and negatively to job satisfaction.

Recent studies of HRM practices explain that low turnover rates are associated with employers' practices of including employee participation, effectively developing staff and concrete statement of employment conditions, according to Fernie and Metcalf (1996).

It is supported by Mobley (1982) he stated that it is normal to find the suitable workers or to get a new workers but it takes time to do that. This is because employer need to think about effort and time . At the same time it also requires substantial costs.

According to (Taylor ,2002) he stated that workers need to feel that their involvement to the organization are valued. To keep employees in the company, they need to sense part of the organization. To clarify the problem about employees leaving, several relevant measures need to be taken as organizations are now competing for talent based on the idea of Mitchell et al (2001).

A variety of personal characteristics have been found to have significant effects on reports of job satisfaction including gender, race, age, marital status, children and education. Based on the investigation of comparison effects on job (Clark and Oswald,1996)and (Sloane and Williams,1996). Here individual job satisfaction is not only moved by a worker's own absolute income level, for example, but also by their income relative to some expected level or comparison group. According to Clark, (1996, 1997) Clark and Oswald, (1996) expectations have been found to vary by a worker's age, educational level and occupation

According to (Taylor,2002) the solutions to recover retention within employees such as good salaries, broad benefits, incentive programs, and similar initiatives are important to be executed. According to him pay and financial incentives also work to increase employees' commitment, and satisfaction. At the end of the study it will help the organization to identify and solves the problem of job turnover of the employees in private sectors. At the same time this study will help the students to gain more understanding on the subject of factors of workers retention.

So, closely it related to the issue of employee retention is their motivation. It is important to ensure employee work toward the goals of the organization. Two major theories are commonly used to explain this: 1) Maslow's Hierachy of Needs Theory (Maslow, 1987), 2) Herzberg's Dual Factor Theory according to (Fitz-enz, 1978). These theory share the concept of fulfilment of needs is central to motivating employees, with motivators that increase satisfaction needing to be part of the job.

Motivators are often viewed from the vantage of being internal and external. Internal motivators are concerned with intrinsic needs of the individual, such as growth, social approve, security and so on. External motivators are concerned with environmental factors brought by the organization to the individual. They are often regarded as manipulative and include praise, communication, benefits, or money.

1.2 Research Question

There are several research question of this study:

- 1.2.1 Does honoured employee status have a relationship with workers retention?
- 1.2.2 Does wage effect have a relationship with workers retention?
- 1.2.3 Does promotion have a relationship with workers retention?
- 1.2.4 Does effect of economy cycle have a relationship with workers retention?
- 1.2.5 Does performance have a relationship with workers retention?
- 1.2.6 Does age influence workers retention in company?
- 1.2.7 Does education level influence workers retention in company?

1.3 Research Objectives

There are several research objectives of this study:

1.3.1 To explore the relationship of honoured employee status and workers retention.

1.3.2 To study the relationship of wage effect and workers retention.

1.3.3 To determine the relationship of promotion and workers retention.

1.3.4 To determine the relationship of effect of economy cycle and workers retention.

1.3.5 To determine the relationship of performance and workers retention.

1.3.6 To verify if age have an impact towards workers retention.

1.3.7 To verify if education level have an impact towards workers retention.

1.4 Scope of the study

There are few limitations that will be encountered during the period of carrying out this research. This research only focusing on the issue of the individual based factors and firm based factors toward the workers job retention. Moreover, focuses on private sectors such as Tabung Haji Hotel, Tabung Haji Tours, Sutera Harbour, Grand Borneo Hotels, Zaara Hotel, Travel Agencies (Borneo Reef, Sutera Harbour) ,Vincci Construction, Inanam Terminal Busses (Dyana Express, Salam Bumimas Express, Manis Express,Sairah Express) Alken, Yayasan Sabah College, and Kiara College. Other than that there are other factors such as age and organization culture to be study if they have relationship on job retention. Furthermore the research specifically will research the trend of factors that affecting the job retention.

1.5 Significant of the study

The significance of this study is to trace the extent of the factors affecting the job retention of the workers. People should able to Identify the significant factors of

organizational based factors that will ensure that the workers will stay in the organizations. Other than that to see the relation between age and education level on job retention, are they. This research also may help HR practitioner to decrease the amount of workers retention in the organization. Lastly it might help the future researcher to enlarge the scope in the future.

1.6 Definition of Terms

Honoured employee status

Baumeister and Vohs (2002) state that the meaning of connection and having a relation to positive result for organization including improvements in organizational operation which is involving workers retention.

Wage effect

Manager believe that money is the prime retention factor and many employee cite better pay or higher compensation for leaving one employer to another (Mathis and Jackson, 2003).

Promotion

According to Lincoln and Kalleberg (1990), stated that promotion opportunities will enhance the level of organizational commitment among workers in organization.

Employee Performance

Not just focusing on the HR management but change the focus to the bundle of mutually reinforcing and synergistic HR practices that facilitate employee commitment and involvement (MacDuffie, 1995).

Effect of economic cycles

Greer et al. (2001) found that countercyclical hiring positively influences subsequent financial performance.

Workers Retention

An effort by a business to maintain a works environment which support the current staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff.

Age

A period of human life, measured by years from birth, usually marked by a certain stage or degree of mental or physical development and involving legal responsibility and capacity

Education Level

The act or process of imparting or acquiring general knowledge, developing the powers of reasoning and judgment, and generally of preparing oneself or others intellectually for mature life.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter highlight the key variables and previous research on employee retention.

2.1 Definition of key concepts

For this section, definition of each key concept of independent variables (honoured employee status, wage effects, promotion, effect of economy cycle and performance), and the dependent variables of workers retention in organization are presented.

2.1.1 Workers Retention

Retention factors are the factors that facilitate the retention or departure of employees and their decisions to leave or remain, depending on their priorities (Netswera, Rankhumise & Mavundla, 2005). Therefore researcher intends to give a short overview of a study of individual based factors and firm based factors on job retention in private sector.

In order to retain the workers from exit from the organization, this study is to find out what is the mobility of workers from the perspective of actual length of job retention, complementing existing streams of research based on intention to leave. However because a few unexamined and psychological and sociological factors may confound the findings and because only examine one firm is examined, protection should be used when generalizing the findings to other firms.

This study is focusing on firm based factors such as honoured employee status wage effect, promotion, economic cyclical effect and performance. The

moderator is organization culture also taking account if there is a relationship towards workers retention.

According to Ehrenberg and Smith (1994) in term of labour market, worker mobility represents the flow and exchange of labour forces. A worker has a decision of to stay or to go, or retention or turnover. There were involved for both turnover and retention, which may be considered as different sides of a coin. A worker's turnover indicates her/his separation from a given employment relationship. Conversely, retention means the existence of an on-going employment relationship.

But according to Lazear (1999) and Farber (1994) the research mobility that focusing to the retention and a little bit done to the retention. It is supported by Schake and Dumler (2000) because of the limitation in getting data or human error that have no intention to do that.

They are more focusing on staying worker's "propensity to turnover" instead of the length of time those who left actually kept their job. Trevor (2001) stated that most of the research is up to the individual based on the data, including demography of workers and attitude. Usually they do not allow the examination of employee status in organization nowadays (Maertz and Campion, 1998)

For the researcher worker turnover is needed in order to deduct the workers that cannot achieved the organization goals A good retention id giving the attention to the talent pool. There are seven factors that known by Walker (2001) that might help in order to ensure workers retention.

- Provision of challenging work.
- Chances to learn and be promoted.
- Appealing organizational atmosphere.
- Positive relationships with colleagues.
- Healthy balance of personal and professional life.
- Good communications.

Another strategy to find the retention issue is through exit interviews. This view usually will give an unbiased view about the management and the workplace. Through there we might find out the point on workers quit from the job which cannot be done if the worker still has relation with the organization according to Mello (2010).

Arthur (2001) he stated that workers really want are

- Opportunity to make an impact
- An appreciation for work well done
- Open communication between workers and employer

Retention is really construct and not just one variable. Researchers focus on different aspects. For example Muhammad (1990) found that stressors, such as stressors such as work overload and role ambiguity, might cause the workers to have a low job satisfaction and motivation, subsequently resulting low organization commitment, burnout and high turnover

2.1.2 Honoured employee status

Neck and Milliman (1994) stated that it is important to have an effective management of change, or greater commitment of workers and at the same time ensuring workers engagement to ensure workers retention. In other hand, less of meaning of experience in workplace environment will having a negative result.

Trust is one of psychological contract according to Rousseau (1995). Organization need to understand and knowing what is workers need in order to make sure that they stai in the organization. Talented pool will find it and if the employer fail to fulfil what they want so that they might leave the organization.

According to Baumeister Vohs (2002) he state that the connection between connection and the positive relationship for both individual and organization including organization performance (Leher and Milliman, 2004).

Bausmeister (1991) state that individual need to feel a sense of purpose of doing that job, a set of positive value to give to the life and on of the way to think positively of action justification, a sense of effectiveness, and self-value.

Other than that, workers who is more older in the organization can choose either to quit (Van Solinge and Henkens, 2007) but they will having an opportunity to get into the organization after their time of unemployment or changing the work or scope or carrier is limited and a big part of it has been decided by the employer according Berger, (2009).

According to Seligman (2002), a meaningful life where knowledge can be share and workers will stay because of the appreciation by the organization. The benefits are workers will having a good relationship and good comprehension. Workers will become efficient and effective in order to do their work. This is because of the shared knowledge than by the experience workers in organization (Kogut and Zander, 1996).

Becker (1962) explained that the differentiation in wages and productivity in desired knowledge and skilled and having an opportunity in economy and social. Resources value base view, manager thinking about their skilled and knowledge workers as a competitive source in the organization that is different from other organization.

2.1.3 Wage Effect

Worker who is gain a low pay in a market will highly will leaves their organizations according to Ehrenberg and Smith (1994). The theory made by Akerlof (1984) and Yellen (1984) entitle pay efficiency theory stated that offering the workers with high wages level other than other competitor will enhance the probability stay in organization. This is important to retain the talented pool in organization.

The workers benefits will enhance the commitment to the organization and reduce the workers to think about to leave the organization (Mitchell et.al, 2001). The commitment model that is founded by Rusbult and Farrell (1983) and a big of part of it are about benefits, it is one of the major of the reason why employee leave the organization.

Event wage and benefits is the reason on workers retention, the employer change to the cost of health insurance, life insurance, or compensation and it is show more important according Mitchelle et,al (2001).

The researcher also found out those benefits like full compensation, a worry on worker leave the organization is less. According to Chan (1996) worker wil leave the organization if their own criteria is not suit with the organization. It can be coming from the volunteer exit or involuntary exit.

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