



**THE RELATIONSHIP BETWEEN HUMAN
RESOURCES MANAGEMENT AND TURNOVER
INTENTION AMONG GENERATION Y
EMPLOYEES IN MALAYSIA**

By

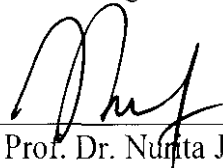
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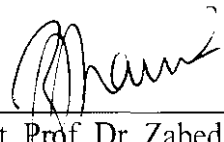
APPROVAL PAGE

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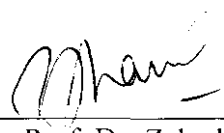
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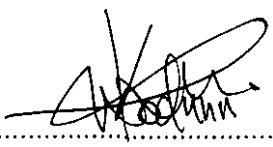
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I hereby declare that this research is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

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DEDICATION

I dedicate this work to Allah and His messenger Prophet Mohammed (S.A.W)

To my mother and all the Muslim Ummah

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All adoration is due to Allah, the continued nourisher of my soul from the cradle up to my academic pursuit in international Islamic university Malaysia. His blessings showered upon the beloved Prophet Mohammed (S.A.W) a leader and guidance for the world.

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ABSTRACT

This study examines the relationship between human resource (HR) management practices and turnover intention among generation Y employees in Malaysia. The HR management practices studied include training and development (T&D), compensation and performance appraisal (PA). Turnover intention among Gen Y has been found to be increasing over time. The study used primary data by conducting a survey on Gen Y employees in Malaysia especially in Klang Valley area. A sample of one hundred and ninety-nine (199) Gen Y employees was drawn using purposive sampling techniques. Pearson Correlation Coefficient was used to determine the relationship between Gen Y turnover intention and all the three HRM practices. The implication of this study gives some insights to the HR managers on the specific HRM practices or strategies that can be used to cater for Gen Y in employees, which will subsequently reduce the turnover intention.

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

An organization does not only consist of buildings, machines or inventories but, also of the people who take care of all the equipments that makes an organization. The success of any organization is a factor of many variables, which constitute the basis for taking strategic decisions and guarantee continuity and survival. Human resource management (HRM) constitutes one of the most valuable resources in any organization.

In addition, it also influences the production quality and productivity of any institution. For any organization to expand, it must provide ample opportunities to each individual worker to develop and grow for an organization to combine employees' potentials to a profitable outcome there is need for Human Resource Management (HRM).

HRM is a function of management, concerned with hiring, training, developing, motivating and maintaining people in an organization. It focuses on organizational environment and how to cater for people who actually perform their roles to ensure an organization is functioning (Rai, 2014). HRM applies management principles in acquiring, developing and maintaining people in the organization, an integrated decision making aimed at ensuring result on different aspects of employees is balanced with organization goals.

HR decisions influence the effectiveness of the organization input for better service to customers through efficient employee selections in order to come up with high quality products and services at reasonable prices for organisations. However, HR is not narrowed to business establishments only; rather it is also relevant to the non-business organizations, like government departments, education, health care etc.

According to Scott, Clothier and Spriegel (2012), human resource is a branch of management that is responsible for staff, it also concentrates on an operation system which merges simultaneously, the relationship between management and employees and employees to employees' relationship.

Human resource management is defined as a system of activities and strategies that focus on successfully managing employees at all levels to achieve organizational goals (Byars and Rue, 2006). Employees are the human resources of any organization and its most valuable asset. To be successful, an organization must make employee productivity a major goal. The level of productivity can vary depending on the level of skills demonstrated by the employees in their jobs and the satisfaction levels of the employees with the organization and their jobs.

Hence, based on the various views cited above, to develop a high-performance and effective workforce, an organization should use human resource management inputs such as training and development, compensation and performance appraisal to reduce turnover intention in an organisation.

1.1 PROBLEM STATEMENT

In a survey conducted on Gen Y research, consulting firm Millennial Branding and professional networking company Beyond.com in 2013, 45% of companies

experience high turnover with millennial (Gen Y) employees (ages 18-32) by a 2 to 1 margin versus older generations who are more loyal to their organisations. The results of the survey show that 30% of companies investigated have lost more than 15% of Generation Y employees in the past year and most of these millennial employees went directly to their competitors. Most of this Generation Y workforce thirst; thus, they are always on their toes in looking for plea and they will continue to move around until they come across something that matches their desire.

The future alarming problem relating to these insatiable desires and turnover intention of this generation is that by 2014, Gen Y workers will account for 36% of the American workforce and will make up 75% of the global workplace in 2025. In this respect, employee retention is one of the hottest topics among the HR challenges. With Generation Y making up 38.6% of the current workforce in Malaysia (Statistic Department of Malaysia, 2011), examining the turnover intention among Gen Y in Malaysia is timely and highly warranted.

HR practitioners and employers have to know the measures to use in retaining Gen Y and their talents. HRM practices are one of the measures to tackle the retention problems but it is also important to find out whether the HR practices are effective in reducing the turnover intention. Thus, it is important to conduct the present study because the characteristics of one generation might be different from others. As suggested by Kidwell (2003), understanding the characteristics of the various generations is a key in knowing appropriate tactics for reducing change resistance with employees, since organizational obligation is an important antecedent of turnover.

Currently, 15% of managers are Generation Y and it will be expensive to replace them when they leave. this shows that a high turnover rate when most of

companies' staff is Generation Y will be disastrous. Therefore, companies must invest in generation Y and create programs to support them. HRM, then needs to be tailored towards improving the company's bottom line with its knowledge of how human capital affects organizational success, in requiring work done correctly with the prime objective to establish ends being attained, making sure that work is soundly prepared into jobs that can be compensated honestly, and having effort that people are willing (even eager) to do.

As a result, human resource professionals face, in developing countries, an absence of focused strategies for combating high turnover rates and improving organizational performance (Khiiji and Wang, 2006). Hence, extra devotion should be done on the relationship between human resource practices and employees turnover intention to understand the specific factors that are responsible for employees' turnover decision.

Organizations prepare performance appraisal (PA) in order to determine relative rewards in the firm, in terms of who should get the merit pay increases, bonuses, or promotions. Similarly, appraisal results can be used to identify the poorer performers who may require some form of counselling, demotion, dismissal or decrease in pay. This study therefore investigates the impact organizational support such HRM practices like training, compensation and performance appraisal packages have on turnover intention of generation Y employees.

1.2 RESEARCH OBJECTIVE

The aim of this study is to:

1. Examine the relationship between training and development (T&D) and turnover intention among generation Y employees in Malaysia.
2. Investigate the influence of compensation on turnover intention among generation Y employees in Malaysia.
3. Examine the relationship between performance appraisal and turnover intention among generation Y employees in Malaysia

1.3 RESEARCH QUESTION

1. Do training and development have any relationship with turnover intention of Generation Y?
2. Is there any significant relationship between compensation on turnover intention and among Generation Y in an organization?
3. Does different performance appraisal have significant relationship with Generation Y employee's intention to leave an organization?

1.4 SIGNIFICANCE OF THE STUDY

The significance of this study includes the following:

1. It examines the HRM factors which relate to Gen Y turnover intention and suggest suitable ways to deal with the generation in organisations.

2. It provides an empirical data on problems faced by HRM to retain employees in their various organisations.
3. The study also shows the degree at which the employers are taking through during the process of training and development, performance appraisal and compensation which are their reputations.
4. It also indicates various ways used by the employer that ends up in low productivity and time wastage. This may prevent future occurrence, which only will affect the well-being of the organisations

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

2.1 Human Resource Management

Human resource management (HRM) is a relatively new approach to managing people in many organizations. People are considered the key resource in this approach. It is concerned with the peoples' dimension in the management of an organization most especially the Generation Y. Since an organization is a body of people, their acquisition, development of skills, motivation for higher levels of attainments, as well as ensuring maintenance of their levels of commitments are all significant activities. These activities fall in the domain of HRM. HRM is a process, which involves acquisition, development, motivation, as well as maintenance of human resources. The HR management system is also responsible for ongoing employee development. This progressing education keeps employees' skills fresh in bringing in new and innovative ideas to the workplace. Some of the HRM components are training and development program, based on learning principles thus: HRM agenda for a successful employee training are the employee's involvement in determining the knowledge, skills and abilities to be learned. Training leads to less turnover intentions because employees act reciprocally towards the firm's investment and therefore show increased commitment to the firm (Gouldner, 1960; Leuven, Oosterbeek, Sloof and van Klaveren, 2005).

Training and development (T&D) is based on organizational strategically means of survival. It is adverse set of drill and improvement activities for employee skills (e.g. overseas attachment, overseas training, and secretariat attachment) with timely induction exercise provided to both old and new staffs for their efficiencies and productivity in an organisation.

Investing in human resources is called in Becker's theory (1962) as human capital, which is often used in training. Organisations can invest in employees by offering training programs but this can also be a pitfall, because better skilled employees are also more employable in other organisations (Becker, 1962). Therefore, recompense of these programs consists of the improvement of employees' capacities and knowledge, which means training, improves job performance. This is also concluded by Bartel and Dearden(1995) and Reed and Van Reenen (2006), who confirmed the relationship between training and productivity is a better predictor for organisations performance. Hence, the work experiences and knowledge that employees bring to each learning situation are used as a resource and for the informal training practical problem-cantered approach on individual effort for enhancing organisation productivity. Thus, employees should be given an opportunity to reinforce what they learn by practicing them and individual employee should be shown respect for such a great prospects.

Training and development program is informal, safe and supportive skills opportunity to promote positive self-esteem of employees' past talents, work experience for motivation and encouragement aimed at ensuring that employees stay and remain committed in their various organisations.

According to Barrett and O'Connell (2001), general training is strongly correlated with productivity growth, whereas specific training has no significant relationship with productivity. The other main function of HRM is compensation. Compensation is a rewarding tool to staff in a competitive and equitable manner based on merit, competence, responsibility and accountability designed to motivate and encourage staff to develop skills, competencies and provide opportunities for career advancement on flexible, transparent and administratively in a simple manner for the goal of an organization. According to Milkovich and Newman (2005), compensation refers to "all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship" (p. 602).

There are three basic components of compensation; base pay, variable compensation and supplementary compensation. Base pay is the basic salaries and wages given to employees. It is normally constant at a given amount irrespective of the difference in organizations. These explain the fixed pay to the employees in respective of the diverse industries they work as a matter of the qualification and level of education standard. Salary should be tied to a person's skills and experience. compensation is usually the single largest component package, and not surprisingly, the most common point of comparison used by employees and potential employees. Subsequent increase need to be based on an employee's performance, value, and contribution to an organization.

Findings revealed that compensation components are important factors to retain and motivate employees (Randy et al., 2002). This is significant, especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they can perceive as

being fair and commensurate with their skills, experiences and knowledge. Therefore HRM must take note that compensation is the main consideration that provides concrete booties for the employees for their services as well as a source of recognition and livelihood. In other words, variable compensation is given for an employee extraordinary job done which deserves a higher reward supplementary given by an employer when he or she wishes to. It is not compulsory or a routine compensation that employer awards all the time. In this type of compensation employer has a right to add, deduct or even withdraw the benefits when he or she wishes to, therefore, they are all provision for employee's retention in order to satisfy them, take care for their worries, focus and be loyal to their company.

Performance appraisal (PA) is another important function in HRM. It is the process of evaluating and assessing the performance of employees in order to determine how well the job is performed. It is a mechanism that must ensure openness, fairness and objectivity of the appraisal process. The system being competency-based is to help identify the training and development needs of staff and their potential to take up higher responsibilities. All appraisals must have been properly trained on performance management system and good practices and the required skill evaluated.

The effective approaches on PA are critical to retaining good employees and achieving a productive work environment. To ensure that performance management is implemented efficiently in an organization, here is the need to set goals and plan work routinely, measure progress toward those goals, give feedback to employees, develop employees' skills so they can reach their goals, and use formal and informal rewards to recognize the behaviour and results that accomplish organizational mission. According to Denisi and Pritchard (2006) performance

appraisal is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. For instance, it is frequently argued that in order for performance appraisal to positively influence employee behaviour and future development, employees must experience positive appraisal reactions. If not, any appraisal system will be doomed to failure (Cardy and Dobbins, 1994; Murphy and Cleveland 1995). Performance appraisal satisfaction is the most frequently measured appraisal reaction (Giles and Mossholder, 1990; Keeping and Levy, 2000).

Previous researchers also state that PA is the formal process of observing and evaluating an employee's performance (Erdogan, 2002). It is a way for employee retention in an organization and to maintain good performance for employees' Generation Y era. In light of these, it gives good preservation and makes it easy to know what to put in place and get things done so that HRM practices can attend to all these practices, for organizational sustainability on Generation Y employees who are the future managers and this will enable them to be loyal to their organisations.

2.2 TURNOVER INTENTION

Turnover intention refers to estimated probability that an individual intends to leave his or her current organization in the future (Brough and Frame, 2004). It was argued that turnover intention is a strong indicator for actual quitting behaviour (Firth et al., 2004). The extreme risk is to focus on employees' turnover intention because it affects most organizations which in turn results in negative

consequences. The high actual turnover rate will lead to high turnover intention of employees who still remain in the organization. Managers become distracted in attracting grand hiring to replace employees rather than spending time in supporting employees (Bhal and Gulati, 2006). This is the reason the research looks into the turnover intention of the Generation Y in Malaysia and how HRM practices relate with the intention of Generation Y employees.

Researchers have developed a variety of conceptual frameworks to model the turnover process. As noted by Lambert et al. (2001), scholars speculate that employee turnover can be predicted using comprehensive measures of their satisfaction at work; otherwise stated' high fulfilment is associated with low employee turnover. Moreover, research shows that the relationship between work, pleasure and actual employee turnover is moderated by intentions. Schwegker (2001) noted that positive and statistically significant relationships have been reported in dozens of studies exploring leaving intentions and actual leaving behaviour. In other words, intention to leave a job is an immediate precursor to actually leaving. For this reason, turnover is defined as an employee's intention to find a new job with another employer within a very short time which means intention of employee are inversely related.

2.3 GENERATION Y

Generation Y are those born between the 1980s and 1990s (Martin and Tulgan, 2002, Howe and Strauss, 2000). They are described as demanding and unworkable in their career aspirations, comprising primarily the children of the baby boomers and typically perceived as increasingly familiar with digital and electronic

technology. Thus, the impact of HRM practices has been evaluated on turnover intention based on the Generation Y employees.

A generation can be defined as a group of individuals of a similar age who share historical experience within the same time period (Ryder, 1965). Members of a generational cohort share important life experiences such as starting school, entering the workforce, and retiring at similar age, and they also experience memorable historical events at a similar developmental stage (Kowske et al., 2010). Previous research suggests that young adulthood is critically important because events experienced during the stage have relatively stable effects on one's life. Shared experience during these formative years guides the formation of identifiable generational characteristics, which in turn guide an individual's attitudes and values with regard to various issues and entities in one's social life. Also, people perceive and interpret such historical events differently depending on what developmental stage they experienced (Duncan and Agronick, 1995, Mannheim, 1952; Schuman and Scott, 1989). Therefore, Generation Y in Malaysia will be the focus of this research in determining relationship with HRM.

In the 1920s, a Harvard research group implemented the "Hawthorne studies, which focused on changing the physical work environments of employees to assess any changes in their work habits. The results indicated an increase in productivity, as workers believed that management was concerned about their welfare, which improved their productivity. Although these experiments were eventually criticized for having a poor research design, they illustrated the importance of management treating employees well as an impetus to improved worker performance (Kinicki and Williams, 2008). Therefore, what is the faith of a company that invests on Gen Y employees in Malaysia as future managers?

HRM are seeing a significant difference in expectation of work when it comes to Generation Y workers because Generation Y grew up in an environment where information was at the touch of a button due to technology being readily available (Tulgan, 1995). Organizations today are experiencing a higher level of difficulties in relation to and retaining Generation Y employees because of these generational traits within Generation Y workers (Chester, 2005). Generation Y is now entering the workforce in droves and will shape and transform the workplace like no other generation before it (McGee 2004). Generation Y spent a good deal of time watching as their parents rose to the top of the corporate ladder, balancing work and family, and they have seen the parents lose jobs as a result of downsizing and reorganizations. Hence, for this generation, work is temporary and unreliable. They are less committed to an employer, sensing that employers are less committed to long term employment. In some respect, this group is opportunistic and will job hop to meet their immediate wants, needs and goals (Gerkowich, 2005).

A substantial amount of information researches have been conducted by Malaysian's media houses as an effort to recommend best human resource strategies to retain Generation Y employees and explain the factors that led to their efficiency. The empirical evidence for this mind-set as reported by Khatri, Fern, and Pudhwar (2001) changes in demographic setting of Malaysia society which invariably affects the composition of the workforce. The outlooks of Malaysia's Generation Y are becoming the main pillar of workforce in the upcoming years and this is in tandem with the inception of other generational workforce retirement as it is anticipated that by 2015 Malaysia's Gen Y workforce would exceed 50% of the total workforce (Baba and Sliong, 2012).

Raman et al. (2011) concurs with the fact that work mobility for Generation Y employees' characteristics in Malaysia is a current trend; probably their mind-set factors are likely to be unsuitable environment, preferences and needs for them is not adequate. The second set of independent factor referred to as uncontrollable influences, which are investigated in terms of their attributes to leading a work-life conflicts and subsequently contributes to the Generation Y employees' turnover intention (Raman et al. 2011).

2.4 UNDERLYING THEORY FOR THE RESEARCH

The focus of this study is on Gen Y employees in Malaysia between years 1980s and 1990s years of ages which are future managers (Martin and Tulgan, 2002). Many studies have been carried out but not so many on Gen Y employees' turnover intention. The underlying theory for this research is human capital theory which postulated that human capital (employees) has considerable inherent potentials which are relevant for organization growth and development (Becker 1962). McElroy (2001) and Kaye and Jordan-Evans (2000) have referred to this theory in establishing relationship between employers' responsibility in terms of developing employees' potentials and the duties of employees to be committed to their job. Therefore, investment in employees creates reputations for valuing and developing the employees that attracts and retain the best mind in an organization. For organization to develop and gain competitive advantage, the human resource department must come up with an investment scheme that will not only change employees into a more competent work force, but also affect cost savings by reducing negative attitude such as absenteeism and turnover intention rates among

employees (Maurer and Barbeite, 2002). In addition, HR managers must ensure the existence of strong commitment among employees who like to pursue personal goals, organizational goals and self-efficacy simultaneously (Joo, 2010; Vancouver and Kendall, 2006; Vancouver and Schmitt, 1991). Based on the assumption, the present study assumes that employee development is related with turnover intention among Gen Y.

2.5 RELATIONSHIP BETWEEN TRAINING & DEVELOPMENT AND EMPLOYEE TURNOVER INTENTION

Training and development on turnover intention relation is explored in previous studies and different conclusions were found. Gouldner (1960) and Leuven, Oosterbeek, Sloof and Van Klaveren (2005) opined that training of employees significantly reduces turnover intentions because employees act communally towards the firm's investment by increasing their commitment to the firm. Training makes employees to be more employable in other firms (Becker, 1962). This shows that training and development programme have a long effect on employee's turnover intentions in spite of the cost incurred by organization in providing the training.

Porter and Mowday (1974) shed more light on training and development proceeding on turnover intention. The inference of organizational binder is an active link to an organization with positive decisions to work and remain committed to work with the organization. Therefore to understand a positive return on training, organizations must ensure that the training is appropriately aligned with the organizational goals