

CHAPTER 1

INTRODUCTION

This chapter will focus on background of the study, briefly state the research problem, question and objective, and finally address the scope and organization of study.

1.1 Introduction

Organizations around the world are striving to be the best in attracting and retaining its most valuable assets – its employees. Various strategies have been practiced and implemented to attract and retain employees in the organization. In today's society, having the right pay is not the sole determinant factor for a potential candidate to accept and stay with the organization.

Monetary factors i.e. pay (salary), bonus, incentive are still important, however, non-monetary factors such as flexibility, excellent benefits are increasingly being sought after. Furthermore, the changes in today's lifestyle where work-life balance programs are a necessity, especially to the new generations – the Generation X and Generation Y have also contributed to the demand of flexible working practices. On top of that, the change in today's workforce gender compositions and the increasing number of matured baby boomers have a compelling impact on Human Resource practices particularly on recruitment and retention activities and strategies.

Kirrance (1994) attributed the rise of flexible work practices to changes in demographic (aging population, increasing longevity, longer workforce participation, differences in the perceived value of work), socio-cultural (more dual income and single parent families, increased hours spent at work), technological advances (computers, cell phones, wireless internet access), business and economic (employee productivity, minimizing cost,

downsizing) and changes in the legal environment (Family and Medical Act, Equal Employment)

Flexible working practices are now an essential component of most organization's recruitment and retention strategies. Started in Europe and later in the United States, Malaysia as well as other Southeast Asian countries is fast adopting this practice, regardless in the private or public sector.

In Malaysia, similar to Europe and US, flexible working practices were first implemented in the public sector. Pursuant to that, the private sectors are now moving rapidly into implementing flexible working practices and use it as a sustainable competitive advantage in its recruitment and retention strategies. This notion is supported by Arvantis (2005) who states that human resource managers are trying to use different means like flexible working patterns to help their organizations survive and besides they intend to use them to compete with their rivals and outshine their competitors.

There are many factors that lead to organizations practicing flexible working and one of the most talked about factor is the work-life balance (WLB) which many organizations are still striving to achieve. However, this research papers will take a different approach by examining five types of flexible working practices i.e. flex time, job sharing, flex leave, flex career and flex place, giving focus on Malaysia banking sector. It aims to determine whether these flexible working practices will help to retain employees in the banking sector and if yes, which practice will give the most effect. It will further explore if employee designation, age group and retention practices i.e. availability of flexible working practices, individual needs

requirements of flexible working practices and encouragement by employer on flexible working practices have any significant impact to employee retention in the banking industry.

1.2 Background of the Study

Employers recognize that total rewards programs beyond compensation are needed to attract, motivate and retain today's workforce (WorldatWork, 2007). Many of these programs are low-cost but it is highly valued by employees and flexible work practices are part of these programs. As such, total compensation package and employee-friendly alternative benefits are now the norm (Nordstrom).

Olmsted and Smith (1990) defined flexibility as the ability of an organization to quickly cope and adjust to the changes in economic condition. Flexibility in organization will occur when the organization expands its operations or relocates its labor supply. This mean, improvement in product/service offerings to be more competitive to increase productivity and decrease cost. Hence, flexible work practices refer to workplace policies and processes that enable a workforce to respond to changing circumstances (OPI, 2010).

In this research, flexible work practice means the ability of an organization to respond to changes in meeting the organizations needs especially on the recruitment and retention practices, and at the same time to fulfill the employees' current expectations of work-life balance.

As such, flexibility for the employee is the ability to adjust work time and personal needs when both needs occur at the same time, which may result in conflict with the work schedule. Apart from that, the ability to vary the start and end times during work, and having the

opportunity to pursue other personal errands such as returning to school is also viewed as flexibility by employees. In short, employees viewed flexibility as the ability to attend to non-working related matters freely without being punished or penalized by the employer.

Flexible work practices as such, plays a dual function. One is to provide a favorable environment to the employees where they have the flexibility in balancing work and non-work issues. Secondly, to the organization, it will help them in strengthening its capacity in meeting the challenges and demand of future needs.

Work life balance is synonym with flexible working practices. However, flexible working practices as a tool for employee retention is little being discussed. Furthermore, according to Rau (2003), research on flexible work arrangements is disjointed; most studies look at only one particular form of arrangement i.e. telecommuting, rather than attempting comparisons across the various types of flexible work practices.

In this paper, the five different types of flexible working practices i.e. flex time, part time work/job sharing, flex leave, flex career and flex place are studied in relation to employee retention as the primary objective. Employee designation, age group and retention practices i.e. availability of flexible working practices, individual needs requirements of flexible working practices and encouragement by employer on flexible working practices are examined towards retention of employee as the secondary objective. As mentioned, this research will be conducted in the context of Malaysia banking industry.

1.3 Statement of Problem/Research Question

The study of this research is designed to primarily determine the benefits of practicing flexible working practices in Malaysia banking sector, and ultimately as a tool to retain employee. Specifically, it intends to answer the following primary questions:

1. What are the impacts of flex time, part time work/job sharing, flex leave, flex career and flex place on employee retention in the bank?
2. Which of these flexible working practices impact the most to employee retention in the bank?

To further understand flexible working practices in relation to employee retention, the study will further answer the following secondary questions:

1. What is the impact of employee designation on employee retention in the bank?
2. What is the impact of age group on employee retention in the bank?
3. What is the impact of retention practices i.e. availability of flexible working practices, individual needs requirements of flexible working practices and encouragement by employer on flexible working practices on employee retention in the bank?

1.4 Aims of the Study/Research Objective

In this context, the study aims to primarily determine the effect of flexible working practices on employee retention, particularly in the Malaysia banking industry. The specific primary aims are:

1. To determine whether flex time, part time work/job sharing, flex leave, flex career and flex place affect employee retention in the bank.

2. To determine which of these flexible working practices most affect employee retention in the bank.

The specific secondary aims are:

- 1) To determine whether employee designation affect employee retention in the bank.
- 2) To determine whether age group affect employee retention in the bank.
- 3) To determine whether retention practices i.e. availability of flexible working practices, individual needs requirements of flexible working practices and encouragement by employer on flexible working practices affect employee retention in the bank.

According to AARP Public Policy Institute the following are the most frequent mentioned reasons employers give for implementing work life initiatives.

- 37% - retain employees in general
- 18% - help employees manage work and family life
- 9% - recruit employees in general
- 9% - improve morale
- 7% - it is the right thing to do
- 6% - mandated by law
- 6% - we are a caring organization
- 5% - retain highly skilled employees
- 5% - increase employee commitment/engagement

(Source: E. Galinsky, J.T. Bond, and Sakai. 2008 National Study of Employers (New York: Families and Work Institute, 2008. Also available at <http://familiesandwork.org/site/research/reports/2008nse.pdf>.)

A Hewitt Associates Survey in 2008 also revealed similar reasons. The top three reasons companies provide flexible work programs are to increase employee retention (77%), enhance employee engagement (58%) and assist with recruitment (53%). The positive results

achieved by having these programs are increased employee engagement (66%), improved retention (64%) and enhanced recruiting (49%). On contrarily, for the employees the top three reasons were work-life balance (90%), child care (79%) and commute time (73%).

1.5 Justification of Study

This research will give an insight on the various flexible working practices, particularly the five types that will be discussed which are flex time, part time work/job sharing, flex leave, flex career and flex place to see which best retain employee in particularly for the Malaysian banking sector. The research will also determine whether employee designation, age group and retention practices have an effect on employee retention. All these findings will be a useful reference for HR managers and policy makers especially in the banking sector.

1.6 Scope of Study

Since time is a limitation, the scope of research for this study is limited to banks located in Kuala Lumpur, its employees perception towards flexible working practices as an employee retention tool in Malaysia banking industry.

The banking industry was selected because it is an important industry which drives the Malaysia economy and supports other industries by providing financial facilities and advise. Thus, banking is a very important sector in a country and its stability and growth is a direct predictor of the country's economic development.

Based on the Department of Statistics Malaysia, the gross domestic product (GDP) at current prices for finance and insurance is RM16,287 million. From the Ministry of Human Resource, the third quarter of 2011 showed the number of job vacancies for the finance,

insurance, real estate and business activities sector stood at 25,442 million and the second quarter from Labor Force Survey Report 2011 saw the financial and insurance/takaful activities have employed 284.4 million people or 2.4% of the total people employed in Malaysia. Table 1.1 provides the principle statistics of labor force, Malaysia as at second quarter 2011.

Table 1.1 Principle Statistics of Labor Force, Malaysia

Main Indicators	Q2/2011
Labor force ('000)	12,506.6
Employed ('000)	12,128.5
Unemployed ('000)	378.1
Outside labor force ('000)	7024.6
Labor force participation rates, LFPR (%)	64.0
Unemployment rate (%)	3.0

Source: Labor Force Survey Report, Malaysia Second Quarter 2011

For this research, an understanding on the subject matter and opinion is sought.

1.7 Organization of Study

This research paper is structured into five chapters, in the following manner:

Chapter 1

This chapter gives a brief overview on the research topic by introducing the background of Flexible Working Practice and Employee Retention, the scope and justification of study.

Then it goes on to explain the problems that this paper aims to address and also provides the research objectives.

Chapter 2

This chapter presents the relevant literature available on flexibility working practices and employee retention, the driving factors and its benefits to both employee and employer. Definition of flexibility, the different type of flexible working practices and employee retention is also reviewed in this chapter. Journal articles, surveys which promote these flexible practices as important factors to retain employee are also reviewed.

Chapter 3

This chapter describes how the theoretical framework and hypotheses of the study are developed. It also explores the development of the survey questionnaires, sampling procedures and data collection was carried out to support this research.

Chapter 4

Data collected for this research is presented in depth in this chapter. It also discloses the various statistical tools used in testing the hypotheses that were developed for the study. The results of all the various data analysis and hypotheses testing are presented and discussed in this chapter.

Chapter 5

Overall research findings (primary and secondary) are discussed and summarized in this chapter. The significance of the relationship between flexible working practices (flex time, job sharing, flex leave, flex career and flex place), employee designation, age group and

retention practices (availability of flexible working practices, individual needs requirements of flexible working practices and encouragement by employer on flexible working practices) and employee retention is evaluated. Finally the limitations of the study and suggestions on areas that need further research are also discussed in this chapter.