

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Malaysia Banking Industry**

Malaysia banking system comprises of monetary and nonmonetary institutions. The monetary institutions are the central bank, Bank Negara Malaysia (BNM), and the commercial banks (including Bank Islam). The nonmonetary institutions falls into two groups. The first group is supervised by BNM and the second is under the supervision of various government department and agencies (Soo-Nam Oh, 1998).

Before the 1997 financial crisis, the Malaysian banking system consisted of a financial sector which was fragmented and under-capitalized. Mat-Nor (2006) states that the plan to consolidate and rationalize the banking sector was initiated as early as mid 80's when the industry was badly hit by the 1985-1986 economic recession. The period witnessed a number of weak commercial and finance banks succumb into insolvency. However, only after the 1997-1998 Asian financial crisis that the merger programs took place in October 1999. The policy, however, has always been to allow market forces to dictate the merger pace.

The 2001 consolidation witnessed the mergers of Malaysia 54 banks and financial institutions to 10 anchor groups which are Malayan Banking Bhd, Bumiputra-Commerce Bank Bhd, RHB Bank Bhd, Public Bank Bhd, Arab-Malaysian Bank Bhd, Hong Leong Bank Bhd, Perwira Affin Bank Bhd, Multi-Purpose Bank Bhd, Southern Bank Bhd and EON Bank Bhd.

Based on the 2011 official Bank Negara website, the total number of licensed banking institutions in Malaysia is 64 which consists of 24 commercial banks, 17 Islamic banks, 4

international Islamic banks, 2 other financial institutions and 6 moneybrokers. To date, we have 8 anchor (major) banks after the recent merger of Eon Bank and Hong Leong Bank as per Table 2.1.

**Table 2.1 List of 8 Anchor Banks in Malaysia**

<i><b>MALAYSIAN BANKING GROUPS</b></i>	
<i><b>Affin Bank Bhd</b></i>	
<i><b>Alliance Bank Bhd</b></i>	
<i><b>AmBank Bhd</b></i>	
<i><b>CIMB Bank Bhd</b></i>	
<i><b>Hong Leong Bank Bhd</b></i>	
<i><b>Maybank Bhd</b></i>	
<i><b>Public Bank Bhd</b></i>	
<i><b>RHB Bank Bhd</b></i>	

(Source: Bank Negara Malaysia; <http://www.bnm.gov.my>)

### **2.1.1 Human Resource issues in Banking**

The two most compelling issues in human resource, regardless of any industry are on recruitment and retention practices. In the banking industry, continuous effort and tremendous measures are taken to stay competitive in the market. Among the strategies taken are having yearly salary and benefits review to ensure that the salary and benefits offered are at par with the market practice or even better, above the market in some areas, giving the competitive edge to the bank.

In the Malaysia banking industry, 'staff pinching' is a norm and common practice among banks. Most of the time, staff pinching occurs for managerial positions or specialized positions i.e. communication specialist or niche positions such as sales positions i.e. Wealth Specialist. To minimize this practice, Bank Negara Malaysia (BNM) imposed the staff training fund (STF) on banks. STF is only applicable for employees employed with a minimum salary of RM4000 and above, and comes from financial institutions. The bank that 'pinch' other staff will have to pay BNM six times the new salary of the employee i.e. new salary  $RM4000 \times 6 = RM24,000$ . Despite the high penalty, staff pinching is a way to recruit talent with the best job fit for the managerial or specialized or niche positions required. So, it is not surprising that banks are willing to pay for this penalty. Nonetheless, this still does not assure that the pinched staff will stay with the bank because other banks can still pinch the staff and offer a highly salary with more attractive package. In short, this process will continue until the staff is satisfied with the offer. So, this is a short time and effective means in recruitment.

Lately, however, banks are engaging external consultants for Employee Engagement Survey. This survey normally runs for 3 consecutive years where employees are required to answer questions from various areas including monetary and non-monetary benefits provided by the bank. Feedback from this survey provides some insights for Human Resource managers in providing the best recruitment package for the employees and at the same time benefits the employers. Addition to that, the shift in demographic profiles, especially on the emerging of Generation X as successors and Generation Y as futures leaders, work life balance and flexibility in work has become more pertinent in the recruitment and retention of employees.

On top of that, the aging baby boomers also posed a threat to organizations since they are the talents of an organization. Failure to understand and accommodate to their needs and requirements would mean a big loss of talent to an organization. As such, all the above have force the human resource to strike a balance in developing a plan that will benefit both the employee and the employer. This is where flexibility steps into the human resource strategy framework. Thus, organizations which offer more diverse and flexible working arrangements will be more attractive to potential employees, and will also enable workers to optimize the balance between paid work and other aspects of their lives (Australian Bureau of Statistics, 2009).

## **2.2 Definition of Constructs**

### **2.2.1 Flexible Working**

The current shift in the labor market has seen an increasing participation of women, particularly those with children in the workforce. This change and other demographic factors such as the ageing of labor force and retirement of baby boomers are posing challenges for organizations.

Thus, organizations are under tremendous pressure to compete in this new paradigm in recruiting and retaining valuable employees and concurrently recognizing the need to strive a balance between work and life which has led to an increased interest on the flexible working arrangement and family friendly policy.

Furthermore, with the rapid development of technology, heterogeneous labor market, price wars, increasing changes in market and financial changes in capital market, 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 (Arvanitis, 2005: 998 cited in Gholipour, 2010).

Titze & Musson (2002) states flexibility consists of both formal and informal policies allowing workers temporal flexibility in their work schedules, while getting away from the traditional rigid forty hour 9-to-5 work week (Avery & Zabel, 2001). These include flextime (Swart, 1978), job sharing (Mattis, 1990), career part-time (O'Hara, 1994), work sharing (Hunt, 1999) and telecommuting (Avery & Zabel's 2001). Unfortunately, these substantially different programs are often grouped under a universal term such as flexibility or flextime.

According to Cully (1990), flexible working including part-time work, flexi-time, job sharing and home working may be of benefit to employees with and without children, while family friendly policies including the implementation and extension of statutory maternity rights, parental leave, help with childcare, career breaks and so on, are geared specifically to managing work and family life.

### **2.2.2 Employee Retention**

When we speak on employee retention, it refers to ensuring that our employees stay or remain in the organization. Chaminade (2007) defined retention as a voluntary move by an organization to create an environment which engages employees for a long term. Shekshnia (1994) considered retention as an all-round module of an organization's human resource strategies and Freyermuth (2004) said retention commences with the recruiting of right people and continues with practicing programs to keep employee engaged and committed to the organization.

So, retention is an initiative by the employers to ensure the employees choose to stay or remain with the organization. To achieve this, the organization will study and draw a plan that will ensure employees are satisfied with the organization and thus, decide to stay with the organization. Employee retention is important since employees are the most valuable assets of an organization. This notion is supported by Sigler (1999) who states that retention of employees are critical for organizations to maintain a source of competitive advantage, and the loss of talented employees can be detrimental to businesses. Samuel and Chipunza (2009) agreed and according to them, the main purpose of retention is to prevent the loss of competent employees from leaving the organization as this could have adverse effect on productivity and profitability. As such, companies use various strategies to retain employees since a great deal of money have been spent and invested to recruit, train and develop the employees.

### **2.3 Flexible Working Practices**

There are many types of flexible working practices. In this research, the emphasis will be on five types of flexible working practices in relation to employee retention. So, it is useful to understand and differentiate between the five flexible working practices such as flex time, job sharing/part-time work, flex leave, flex career and flexplace or telecommuting. The informal flexibility will also be discussed.

**Flex time** is a scheduling option that allows employees to select their starting and ending times within limits established by management. Normally it involves core hours when all employees must be present. Although starting and ending times vary, employees are required to work a standard number of hours within a given time period (Avery & Zabel, 2001).

**Job sharing** is a popular flexible working arrangement, whereby two employees voluntarily share one full time position with pro-rated salary and benefits. Under job sharing, each employee works part time. Sometimes, people who share jobs are termed 'partners'. Robbins (2007) defines job sharing as 2 or 3 people sharing a 40-hour working week (full time) between them i.e. one of them works from 8 A.M. to 12 noon and the other works from 1 P.M. to 5 P.M. or each person works on specific day's full time.

**Permanent or regular part-time work** on the other hand refers to a work schedule that is less than 40 hour per week. In contrast to temporary or seasonal part-time workers, these employees are on a company's regular payroll and may or may not receive benefits (Avery & Zabel, 2001).

**Flex leave** are paid time off for personal/family reasons, parental leave, and family leave to care for a sick or elderly relative (Anonymous, 2005)

**Flex career** allows workers multiple entry points to career ladders, the option of interspersing full-time with part-time work, or spending a few months to a few years out of the labor force attending to family responsibilities or simply designating some time for personal development (AARP Public Policy Institute by Worldat Work, 2007)

According to Goldenhar (2003) **flex place or telecommuting** is when some or all work is done at a location other than the regular worksite, usually the employee's home or a satellite office. Thus, telecommuting implies that the employee is linked to office via technology. This notion is supported by Baloh and Trkman (2003) that internet and information technology has transformed our lives and the way we communicate, how we learn, how we work and spend

free time, in essence – it has more or less changed every aspect of human society one can think of. This means, internet and technology has changed our traditionally way of working in the office to remote locations.

To support this argument, State of the Internet (2000) revealed that there are over 2 billion web pages and more than 17 million registered domains. These facts clearly indicate that the Internet has significant effect on how, why, where and when people work.

**Informal flexibility** on the other hand is where employees are given flexibility on an ad hoc or occasional basis to vary their schedules, to meet the demands of both the workplace and personal life.

## **2.4 Factors Driving Flexibility**

The push for work schedule flexibility started with the employees but has shifted to employers looking for economical benefits associated with work flexibility (Olmsted, 1997). Additionally, the number of employees desiring flexible work schedules have increased since the mid 1990's (DiNatale, 2001).

Globalization, shift in labor workforce and demographic changes have resulted in change of composition for public and private workplaces. With these changes, the way organization plan its recruitment, strategize its retention, motivate and increase its employees morale, and at the same time offer a balance between work and life has become more important than it used to be. Harris (2007) states due to presence of different generations in work force and their special needs this issue is of importance nowadays.



Changes in demographics influence the size and composition of the workforce. The size and composition of the population, as well as labor participation rates, determine the number and makeup of people who want to work (Karoly and Panis, 2004). Hence, it's apparent that many consider the increasing number of women in the workforce as one of the top factors driving flexibility. Avery & Zabel (2001), the increase in women in the workforce, especially more women in managerial positions, has been credited with the increasing demand for work flexibility.

Statistically, labor force participation among men, particularly older men, has gradually decline and has increased rapidly among women. In years to come, the female labor force participation is expected to continue to rise. Addition to that, the range of occupations that women now work in has also tremendously changed. Women are no longer restricted to traditionally female jobs such as secretary, nurse, and teacher. We can see women participation in all fields and at greater numbers. Thus, it is common nowadays to find women among the professional ranks of accountants, programmers, engineers, lawyers, physicians, managers, and executives, and in some traditionally blue-collar jobs, such as police officer and mail carrier. The same pattern emerged in the educational achievements of women who were a minority of academic degrees earned to now who makes up about half of all college and professional school graduates. Women are becoming permanent members of the workforce at all levels (Karoly and Panis, 2004).

Addition to that, Gholipour (2010) based on the census results in 2006, more than 36% of working women have studied at universities, while it is only 13% for working men. The increase in number of women who go to university shows that there will be a 25% increase in

rate of women participation in the coming decade. The statistics show that in recent years the rate of women taking part in concur (university matriculation) has been 65% for women.

Similar education trend is seen in Malaysia. According to Flexible Option for Malaysian Women (2007), Deputy Prime Minister, Dato' Sri Mohd. Najib stated that women had benefitted from greater access to education and training. There are only 77 female undergraduates from the University of Malaya in 1959, as compared to now where female students outnumbered males by a ratio of 61:39.

In Malaysia, women participation in the labor force has increased from 30.8 per cent to about 46 per cent between 2000 and 2006. With women comprising half the population and workforce, women should be made equal partner both in business and at home. As such, the government of Malaysia acknowledged and valued the role of women in the development and economic growth increases when women are given more opportunities in education and employment.

Due to this new wave of development, women find their selves working in work environments that require long work hours and sometimes-unpredictable work hours. With the increase in number of women in the workforce, we now have dual career couples in the workforce. These dual-career couples view their careers as equally important and these dual-career couples demand flexibility in their works (Catalyst, 1998 cited in Avery & Zabel, 2001).

Interestingly, studies in the United States reveal that 62 per cent of women in workforce have children aged 6 and below, and about 75 per cent of women with children between the ages

of six and seventeen in the workforce. (Parasuraman and Greenhaus, 1997 cited in Avery & Zabel, 2001). On top of that, more than half of all mothers return to work by the time their children are one year old (Marshall, 1993 cited in Avery & Zabel, 2001). Mothers with preschoolers comprise the fastest growing segment of the workforce (Estess, 1996 cited in Avery & Zabel, 2001).

## **2.5 Benefits of Flexible Working for Employees and Employers**

Scandura and Lankau (1997) in their review of work flexibility literature found that flexible work schedules offer benefits, including less stress, more job enrichment, reduced tardiness, reduce absenteeism, increased job satisfaction, and increased productivity. For employees increased job satisfaction (Baltes, Briggs, Huff, Wright, & Neuman, 1999) increased earnings (Gariety & Shaffer, 2001), and reduced work-family role conflict stress (Cao, 2005) are appealing.

Apart from that, flex time in particular gives the opportunity for employees to work in accordance with their biological clock (Ronen, 1981; Nollen, 1982; Grensing-Pophal, 1993; Olmstead and Smith, 1994; Peak, 1996 cited in Avery & Zabel 2001), the reduction in commutes (Ronen 1981; Nollen 1982), spend more time on their families and leisure activities (Ronen, 1981; Friedman, 1991). This will in return gives individuals enough time to attend to personal matters.

On the other hand, employers stand to benefit through employee recruitment and retention (Avery & Zabel, 2001), increased productivity through reduction in absenteeism and turnover (Dutton, 1994), and lowering costs through the use on non-territorial office sharing or job sharing (Sims, Joroff, & Becker, 1996). Other benefits include improved recruiting,

decreased overtime, improved employee morale, and better utilization of equipments (Swart, 1978; Ronen, 1981; Nollen, 1982; Levine, 1987; Tober, 1988; Friedman, 1991; Sommer and Malins, 1991; Bankston, 1996; Olmstead and Smith, 1997; Klaus, 1997; Martinez, 1997; Gill 1998 cited in Avery & Zabel, 2001).

In summary these flexible programs are not only to the benefit of the employees but it is considered a mutual cooperation between the company and employees in which both parties are beneficiaries (Harris, 2007; Kauffeld et al., 2004).

## **2.6 Flexible Working Hour and Work Life Balance**

What is Work Life Balance? In simple definition, it is a balance between work and personal life. The Encyclopedia of Management defined Work Life Balance in two different views, from the (1) employee and (2) employer perspective. From the employee viewpoint, Work Life Balance is the dilemma of managing work obligations and personal/family responsibilities. The employer, on the other hand view Work Life Balance as the challenge of creating a supportive company culture where employees can focus on their jobs while at work.

Numerous research have been conducted on work life balance (Ponzellini, 2006; Wang and Walumbwa, 2007; White et al., 2003; Smith and Gardner, 2007; Doherty, 2004 cited in Deery and Jago, 2008) and it is important to note that work life balance has become an integral part in today's society.

So it is essential for organization today to ensure work life balance is observed because failing to do so will result in work-family conflict. Carly et al., 2003 cited in Gholipour

(2010) states when an individual's effort to perform tasks at work interferes with his efforts in playing his out of work roles (family), work-family conflict occurs. Thus work-family conflict is an inter-role conflict, a conflict between work roles and family roles (Ulla et al., 2003 in cited Gholipour, 2010). This is further support by Champion-Hughes (2001), that the most important feature of flextime is that employees are permitted to strike a balance between their personal or family lives and their careers.

Based on the Encyclopedia of Management, programs and benefits that directly address work-life balance issues include:

- dependent care (child-care and elder-care programs)
- **flexible or alternative work schedules (flex-time, compressed work weeks, telecommuting, job sharing, and part time employment)**
- leaves (paid and unpaid family care leaves, maternity phase-back, and so on)

So what makes Work Life Benefit a predominant issue in Human Resource? One of the factors is change in demographic, ageing work force and emerging of Generation X and Generation Y. Holleran (2008) states that the dominate work values for Generation X is work/life balance, team-oriented, dislike of rules; loyalty to relationships, where else Generation Y looks for confident, financial success, self-reliant but team oriented; loyalty to both self and relationships.

According to (Crumpacker & Crumpacker, 2007; Zemke et al., 2000) Generation X aspires for a work/life balance to achieve professional satisfaction and personal freedom (Sayers, 2007). Generation Y is almost automatic at multitasking with technology as if it's an extension of their being (Freifield, 2007; Kofman & Eckler, 2005; Rowh, 2007; Loughlin and

Barling, 2001), and may change a job task considerably to create a more appealing outcome (Wrzesniewski & Dutton, 2001).

As stated by Guest's, 2002 cited in Deery and Jago (2008) Generation X appear to seek greater balance in their work and family life, whereas older workers may not do this. Generation Y on the other hand as Lockwood (2003) states the three major factors contribute to the interest in Work Life Balance and its importance are: 1) global competition; 2) renewed interest in personal lives/family values; and 3) an aging workforce. Thus, research suggests that forward-thinking human resource professionals seeking innovative ways to augment their organization's competitive advantage in the marketplace may find that Work Life Balance challenges offer a win-win solution.

## **2.7 Flexible Working and Employee Recruitment and Retention**

Sims (2002) defined recruitment as the process of finding and attracting individuals to fill actual or anticipated job vacancies. The recruitment process is important because it provides the organization with a pool of potentially qualified job candidates. According to Dibble (1999) recruitment covers all activities that aim to create a candidate base for the organization's open positions which includes:

- ✓ Search for potential employees
- ✓ Find methods of communicating with the potential employees
- ✓ Tell them about the position and the organization
- ✓ Determine whether they possess the necessary skills
- ✓ Describe how their career interests will be met

Olmsted and Smith (1989), also states that with the changing in demographics, the anticipated decrease in the growth of the labor force have forced organizations to place greater emphasis on recruitment practices.

All these have given rise to alternative work schedules and organizations that provide this flexibility is said to be having a recruiting edge since their labor pool has broadened and successfully attracting qualified applicants who cannot, or do not want to work a traditional schedule. Moreover, it has also been suggested that alternative work schedules may aid in attracting certain sectors of the workforce, such as dual earner couple who have multiple commitments, individuals who are pursuing educational goals, and persons with disabilities who, due to their disability, are unable to work traditional schedules. Alternative working schedules enable organizations to better meet their diversity goals by attracting particular subgroups of applicants (Hammer and Barbera, 1997).

Ronen (1981) states that flexible working hour provide organizations with recruitment advantages since it allow employees to choose schedules that best suit their preferences. Denton (1992) stated that the better the match between recruits and the organization the more likely you are to retain them.

Branch (1998) further added that money may be the reason they give when they resign, but it's like "white noise". They are conscious of it for a while but if they are bored on the job, money alone is not going to keep them there. As such as noted by Denton (1992) benefits such as flexible work hours, availability of child care tuition assistance programs and discounts on services now top the list of desired benefits.

Although employee retention is a relatively new topic with regards to flexible working, it has found itself significantly important in this diverse workforce. Chaminade (2007) said retention is a voluntary move by an organization to create an environment which engages employees for long term. Freyermuth, 2004 cited in Sheikh, Qamar and Iqbal on the hand states retention is considered as all-round module of an organization's human resource strategies. It commences with the recruiting of right people and continues with practicing programs to keep them engaged and committed to the organization.

Existing literature (Abassi and Hollman, 2000; Hewitts Associates, 2006; Sherman et al., 2006) highlight reasons for employee turnover in the organizations: hiring practices, managerial style, lack of recognition, lack of competitive compensation system, toxic workplace environment.

Organizations worldwide are competing in recruiting and retaining talent. Bush (2001) states work flexibility affect employee retention, although the majority of employee do not quit their jobs based solely on work flexibility issues alone.

Cohen (1993) on the other hand states that organizational commitment and turnover are both dynamic concepts, and employees who perceive that their organizations as flexible are shown to display more commitment and job satisfaction (Scandura and Lankau, 1997). Hence, employee retention is also seen as one of the top reasons why organizations are offering flexible working. Alan & Meyer (1990) suggested, "commitment is seen as a negative indicator of turnover."



Gallie and White, 1993 cited in Dex and Smith (2001), found that employee commitment was related to personal characteristics that they called external factors (beliefs, sense of success) and internal organizational factors including the structure and policies of the organization.

Some of the internal factors that were found to improve commitment included:

- ✓ the opportunities for personal development;
- ✓ the higher the extent to which employees felt their skills were utilized;
- ✓ the greater the access to training;
- ✓ the greater the extent the organization was seen as a caring employer; and
- ✓ the existence of teamwork as a form of supervision.

Aside from commitment, Family-friendly policy is said to contribute as factors in employee staying in a particular organization.

Family-friendly programs are widely used around the world in particular the western countries. Broadly defined, family friendly programs are programs designed to alleviate individual conflict between work and family (Sutton and Noe, 2005).

The importance of work and family programs is increasing due to the raise in the number of dual-earner families, single-parent households and employees managing the care of both elder members and children. Consequent to this, individuals are expressing growing concerns over their responsibilities at home, which still require attention and time. In an effort to facilitate employees in managing their time between work and home, many organizations have implemented family-friendly programs. Some examples of family-friendly programs

include job sharing, flexible scheduling, on-site day care, elder/child-care provisions, and condensed workweek (Avery & Zabel, 2001).

Thus, employee retention is the effort by an employer to keep desirable workers in order to meet desired business objectives (Franks et al., 2004) and it is more cost-effective and productive for management to design the work arrangements to fit the human than it is to force the human to fit the system (Barnet & Hall, 2001 cited in Sheikh, Qamar and Iqbal).

Catalyst's research findings indicate that flexibility is central to the recruitment, retention and advancement of women. Statistic shows that:

- 72% of women and 65% of men who are part of dual career couple look for flexible work program when seeking a new employer. (*"Two Careers, One Marriage: Making it Work in the Workplace," Catalyst, 1998*)
- 76% of managers and 81% of employees indicated that offering flexible work arrangements has a positive effect on retention. (*Boston College Center for Work & Family, 2000*)
- In Watson Wyatt survey of 614 companies at least half ranked flexibility as their most effective retention tool – better than above-market salaries, training and stock option. (*LifeCare, Trend Report, January 1999*)
- Multiple studies demonstrate that flexible work options have emerged as a critical tool for retaining valued employees, as increasing numbers of employees are now seeking these options. The studies show that companies offering family-friendly policies are successful at retaining employees, even when the individuals have not take advantage of the policies. (*Meyer and Natalie, 1997; Bailyn, et al., 1996*)