

CHAPTER 1

INTRODUCTION

1.1 Introduction and Background of Study

Public Service at the Federal, State and the Local Government levels in Malaysia are referring to the public sector in Malaysia. Federal agencies consist of ministries, federal departments and federal statutory bodies. State agencies include of state departments, state statutory bodies and local governments (City, Municipal and District Councils). As reported by Service Department Annual Report there are 724 public sector agencies in Malaysia including education, health, security and civil defense and transport sectors (Public Service Department Annual Report, 2008). Currently, the Malaysian public sector employees were 1,268,758 (Public Service Department Annual Report, 2016). With a large number of employees, work implementation process might become very exhausting and need total cooperation and support from top management.

One of the positive aspects of public sector organizations in Malaysia was the number of employee retention at the excellent level. Previous research regarding in high retention rates of the Extension Services in Kentucky and other states, the focus of future human resource development employment studies should not be concerned with the reasons people leave, but with why they stay (Young et. al., 2013). Many reasons contribute to this scenario. For example, introducing second time-based promotion for support staff after 13 years, provide a retirement benefit to public servants who retire on medical leave, allow cash award in place of Accumulated Leave (GCR) of more than 150 days to take during the retirement year. Other than that, increase special leave to public servants up to 7 days throughout service for 'umrah',

additional working hour from 9.00 am to 6.00pm (on the basis of optional time working from previous), flexible working hour of one day a week for medical specialist (Grade U54 and above) who have served a minimum of four years (Gazette).

Interestingly, government allow women with five months pregnant months pregnant onwards (and husband) to leave work an hour earlier (provided both working in the same location), increase total maternity leave from 300 to 360 days subject to a maximum of 90 days a year. Also, in-house masters and PhD programmes are an offer to the public sector employees. Besides, via setting minimum pension of RM1,000 per month and extend the medical facilities to the parent of retirees and the special assistance of civil servants of RM1,500 (Malaysia Government Treasury, 2017).

Employee retention is one of the most critical objectives for the human resource departments in all organizations. Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period or until the completion of the project. Employee retention is an issue that relevant to all types of an organization including the public sector. It is due to those employees who willing to remain in an organization show more dedicated to working for the organization's growth.

Having a dedicated workforce is very important, especially in the context of the public sector in Malaysia to support the transformation of the public sector. According to the Tenth Malaysia Plan (2011-2015), the transformation of the public sector is based on the four principles. First, delivery through creativity and innovation. Second, emphasis on speed of decision making and execution. Third, deliver value for money. Fourth, uphold the highest level of integrity. Also, employee retention helps the organization in reducing the cost of turnover, loss of company knowledge, interruption of work, regaining the efficiency and increasing the productivity of the organization (Mathur et al., 2013).

On the other hand, if the employer decides not to remain with the organization, the organization will face the employee turnover, which can affect the organizational effectiveness, whether public or private (Sherman, 2014; Mobley, 1982). Therefore, employee retention is considered as an imperative factor in increasing the government organization work productivity. Not only employee retention can be expressed verbally or openly, but the behavior of a person can also be an indication of his/her citizenship and embeddedness. Thus, there might be different behavior and attitude of public officials towards their job. Hence, this research is undertaken to determine the employee retention factors among public sector employees and to identify the impact of employee retention toward organizational citizenship behavior and job embeddedness.

1.2 Problem statement

The level of retention among employees in the public sector in Malaysia is very high. The data shows that the number of public sector employees has increased every year. For example, in 2012, the number of the public sector are 1,074,913. This figure rose to 1,138,080 in 2013. Similarly, the value has a continuous increase in 2014 with 1,202,684 people and 2015, 1,268,758 people (Public Service Department Annual Report, 2016). Therefore, a study related to retention in this context is significant to understand the factors that influence employees to remain in this sector.

Previous studies have identified a range of factors that influence employees to remain in the organization. The elements are including the human resource management practices (Hong et. al., 2012; Chew & Chan, 2008), leadership in organization (Caillier, 2016; Long et. al., 2012), organizational learning culture (Vatcharasirisook & Henschke, 2011; Emami et. al., 2012), and peer support (Tews, et. al., 2013; Karatepe, 2011; Sias, 2008). Previous studies have justified the impact of prior factors on employee retention. However, the effect of these

factors on retention has been tested separately in a different context. Unlike previous studies, this study will examine the impact of the earlier factors on retention simultaneously in one research context. Such research is very significant as it enables us to conclude the factors that influence employee retention in a particular context.

Besides, previous research related to retention had also focused on exploring the impact of retention on employees and organizations. Specifically, previous studies have found a significant effect of retention on organizational practices (Moncarz et.al, 2009), learning and working environment (Govaerts et. al., 2011), employee performance (Karatepe, 2011), organizational support (Karatepe, 2011), employee satisfaction (Frey et. al., 2013) and organizational learning (Vatcharasirisook & Henschke, 2011). Although, these findings are significant, which can enhance the understanding about the importance of retention, however, the impact of retention on employees' work attitude and behavior such as job embeddedness and organizational citizenship behavior have received no attention from previous studies. Exploring the implications of employee retention on both variables (job embeddedness and organizational citizenship behavior) will enhance our understanding of the significance of employee retention to organizations.

Moreover, previous research related to retention have focused more on the private sector organizations (Kyndt et. al., 2009) such as hotel and tourism industry (Karatepe, 2011; AlBattat & Som, 2013), nursing sector (Kyndt et al., 2009), construction industry (Chew, 2012), and manufacturing industry (Dash & Pradhan, 2014). There is still a lack of studies trying to investigate this issue in the context of the public sector organizations.

The public sector is essential in this study because it is ensuring the public sector employee are not only retain in the organization by doing a similar job without any purpose but coherently to examine their behavior toward the organizational citizenship and job embeddedness.

This study is conducted to address the previous gaps. Specifically, this study will examine the factors that influence employee retention and the impact of employee retention on employees' job embeddedness and organizational citizenship behavior in the context of public sector organizations in Malaysia. Exploring this issue in this context (the public sector organization in Malaysia) is very significant because of the level of retention in this context is very high. However, the factors that contribute to retention, and its impact on employees are still lacking empirical evidence in the literature.

1.3 Research Objectives

- i. What are the factors that influence employee retention in the public sector organization in Malaysia?
- ii. What is the impact of employee retention on employee organizational citizenship behavior in the public sector organization in Malaysia?
- iii. What is the impact of employee retention on employee job embeddedness in the public sector organization in Malaysia?
- iv. Does employee retention mediate the relationship between retention factors and organizational citizenship behavior in the public sector organization in Malaysia?
- v. Does employee retention mediate the relationship between retention factors and job embeddedness in the public sector organization in Malaysia?

1.4 Research Questions

- i. To examine the factors (human resource management practices, organizational learning culture, transformational leadership and peer support) that influence employee retention in the public sector organizations in Malaysia.
- ii. To measure the impact of employee retention on employee organizational

citizenship behavior in the public sector organizations in Malaysia.

- iii. To analyze the impact of employee retention on employee job embeddedness in the public sector organizations in Malaysia.
- iv. To test the mediating effect of employee retention in the relationship between retention factors (human resource management practices, organizational learning culture, transformational leadership and peer support) and organizational citizenship behavior in the public sector organizations in Malaysia.
- v. To determine the mediating effect of employee retention in the relationship between retention factors (human resource management practices, organizational learning culture, transformational leadership and peer support) and job embeddedness in the public sector organizations in Malaysia.

1.5 Scope of Study

This study is conducted to examine two issues related to employee retention. First, to examine the factors that influence employee retention. Specifically, this study examines the impact of human resource management practices, transformational leadership, peers support and organizational learning culture on employee retention. Second, to examine the impact of employee retention on a specific employee work attitude and behaviors, known as organizational citizenship behavior and job embeddedness. In the context of public sector organizations in Malaysia, both issues addressed.

The public sector in Malaysia refers to the agencies in the Public Service at the Federal, State and the Local Government levels. Federal agencies consist of ministries, federal departments and government statutory bodies. State agencies include of state departments, state regulatory bodies and local governments (City, Municipal and District Councils).

Ministries are primary components in federal agencies. There are several ministries exist with their functions and authorities. Ministries are the highest government agencies, and each of ministries has their responsibility and roles as shaping the policies, planning, coordinating the implementation of tasks placed under the portfolio of the relevant ministries (Sidang Pengarang, 1997). There are twenty-four ministries in Malaysia as summarized in table 1.1.

Table 1.1: List of Ministries

No.	List of Ministry in Malaysia
1	Ministry of Education
2	Ministry of Health
3	Ministry of Women, Family & Community Development
4	Ministry of Domestic Trade, Cooperative and Consumerism
5	Ministry of Human Resources
6	Ministry of Rural and Regional Development
7	Ministry of Agriculture and Agro-Based Industry
8	Ministry of Urban Wellbeing, Housing and Local Government
9	Ministry of Home Affairs
10	Ministry of Transport
11	Ministry of Higher Education
12	Ministry of Plantation Industries and Commodities
13	Ministry of Youth and Sports
14	Ministry of Tourism and Culture Malaysia
15	Ministry of International Trade & Industry
16	Ministry of Science, Technology and Innovations
17	Ministry of Works
18	Ministry of Natural Resources and Environment
19	Ministry of Foreign Affairs
20	Ministry of Defence
21	Ministry of Federal Territories
22	Ministry of Finance
23	Ministry of Communication and Multimedia Malaysia

Malaysia Government is the employer for the public employee sector, supervised by the Public Service Department (PSD). In 2001, the PSD moved to Complex C at the Federal Government Administrative Centre in Putrajaya, following the Government's decision to centralize all federal government offices in one location.

The PSD stated their vision as "High performing, integrity, dynamic and citizen-centric Public Service" and the mission as "Leading the Development of Public Service Human Resource". The objectives of PSD are to rationalize the size of the public service through a systematic and structured human resource planning by conducting a comprehensive human resources projection. Other than that, to provide the public service with service schemes and organizational structure that is relevant, flexible and able to respond to current needs. Furthermore, it is to develop the best and competent human capital to meet the public service's strategic needs through dynamic training policies and sponsorship programmes. Also, to manage civil servants and improve rational resource management policies through strategic and effective service policies formulation and implementation, to formulate policies and guidelines relating to psychology services according to current needs to enhance human resource development in the public service. Besides, it also emphasizes on the welfare of retirees and pension recipients through improvement of post-service policies, to introduce a competitive and comprehensive remuneration package to the civil servants and develop a harmonious employer-employee relationship. Lastly, to enhance the quality of service delivery through the application of technology in human resource management.

Generally, the public sector organization plays a vital role in supporting the government's aims and policies, which include delivering services, handling general enquiries, ensuring public security and safety, and community programs (Eleventh Malaysia Plan, 2016).

1.6 Significance of Study

From the theoretical perspective, the contribution of this study to the body of knowledge is by providing empirical evidence about the relationship between various factors (human resource management practices, organizational learning culture, transformational leadership and peer support) on employee retention in public sector organization in Malaysia. Although the previous study was justified the effect of these factors on employee retention, it was tested separately in different contexts and samples. For example, the impact of human resource management practices have been examined in previous studies by Beynon et. al, (2015), and Osibanjo et. al, (2014).

Vatcharasirisook and Henschke (2011) verified in the previous study the effect of organizational learning culture on employee retention. As a result, our understanding of the factors that influence employee retention in a particular context is limited. Conducting research that includes various elements in one framework could enable us to make an adequate conclusion about the factors that influence employee retention in a particular context.

Also, this study extended the literature by providing empirical evidence about the impact of employee retention on employees, particularly on employee organizational citizenship behavior and job embeddedness. Previous studies have provided empirical evidence on the link between employee retention and other employee aspects such as job satisfaction (Shelton, 2001), job performance (Osibanjo, et. al., 2014; Sinha et. al., 2010) and turnover (Michaud, 2000).

From the contextual perspective, this study expands the understanding of employee retention in the context of public sector organizations in Malaysia. Conducting research related to retention in this context is very relevant because the retention rates among employees in this context are very high (the turnover rate is below ten per cent). Moreover, conducting research

related to retention in this context is essential because previous studies are focusing on other issues such as turnover intention (Roslan et. al., 2014) and job satisfaction among public sector employees (Voon et. al., 2011).

1.7 Definition of concept

Employee retention is a process in which the employees are encouraged to remain with the organization for a maximum period or until the completion of the project (Giri, 2008).

Human resources management practices refer to activities in an organization such as training and development, teamwork, compensation/incentive, HR planning, performance appraisal, and employee security help improve firms' business performance including employee's productivity, product quality and firm's flexibility (Ramlall, 2004).

Peer support refers to peers behavior that assisting one another in their tasks when needed by sharing knowledge and expertise as well as providing encouragement and support (Zhou & George, 2001).

Organization learning culture is a set of norms and values that aims at achieving higher-level, or generative organizational learning through phases of information acquisition, information interpretation and accompanying behavioral and cognitive changes. (Schein, 1992: Argyris & Schön, 1996).

Transformational leadership refers to leaders' behavior idealistic, optimistic outlook on the future, communicates high expectations, focuses followers' attention on an abstract, long-term vision, facilitates change, and encourages new ways of working (Bass, 1985).

Organizational Citizenship Behavior refers to anything that employees choose to do, spontaneously and of their own accord, which often lies outside of their specified contractual obligations. In other words, it is discretionary. Organizational citizenship behavior may not

always be directly and formally recognized or rewarded by the company, through salary increments or promotions (Organ, 1988).

Job embeddedness refers to the combined forces that keep a person from leaving his or her job (Yao, et. al., 2004).

1.8 Research Outline

There are five chapters organized in this dissertation. Chapter 1 is the introduction chapter. Chapter 2 is the literature review, chapter 3 is the research methodology, chapter 4 is a research finding, and chapter 5 is a discussion and conclusion. Chapter 1 describes an introduction and background of the study, problem statement, research objectives and research questions. This chapter also discusses the scope and the significance of the study. The chapter ends with the definition of the concept used in this study.

Chapter 2 describes a work of literature from the previous study and the development of hypotheses. At the end of the chapter, the discussion in the literature review developed the theoretical framework. The research framework is proposed to provide a basis to adequately analyze the employee retention factor and the impact of employee retention toward the job embeddedness and organizational citizenship behavior.

Chapter 3 describes the methodological aspects of this study. The chapter begins with an explanation of the research paradigm and research design applied in this study. Following this, the chapter describes the population and the sample of this study. Then, the chapter explains the data collection method and procedure, and the instruments included in the study. Finally, the section describes the process for analyzing the data of this study.

Chapter 4 discusses the findings of the analyses. The chapter begins with a discussion on the demographic and profiles detail of respondents. The results of the study include the analysis of assumptions result, exploratory factor analysis, and the result of confirmatory

factor analysis. Lastly, the results of the hypotheses testing and mediating is presented deliberately on the structural model validity. This chapter will show the result of the data analyses. An evaluation of the effect will answer the research questions. The chapter will close with a summary.

Chapter 5 discusses the results of the analysis presented in Chapter 4. The chapter begins with the literature identified a brief review of the background of this study including the gaps, which provided the impetus for this study. Moreover, the chapter presents an integrated discussion of the analysis results in Chapter 4, together with the hypotheses developed and the conceptual framework described in Chapter 2. The chapter also highlights the strengths of the thesis along with a discussion of the practical implications for the management of organizations. Finally, the section addresses the limitations of this study together with suggestions for future research. The chapter concludes with a summary of the thesis.