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FACTORS THAT INFLUENCE EMPLOYEE RETENTION AMONG GENERATION Y: THE MEDIATING ROLE OF EMPLOYEE RECOGNITION

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ABSTRACT

In the current complex business environment, organizations are facing challenges in retaining their employees, especially young employees that are known as Generation Y. The purpose of this research is to determine the factors that influence the retention of Generation Y employees in the banking sector. The study also seeks to provide the theory-based empirical evidence that the role of employee recognition mediate between the factors and retention of Generation Y employees. The study used Social Exchange Theory (SET) in order to explain the theoretical rationale of the factors, employee recognition and employee retention. A total of 302 bank employees representing a range of Malaysian banks in Klang Valley have been determined using stratified random sampling. PLS-SEM was utilized in order to explain the relationship among the factors towards employee retention as well as employee recognition as a mediator. The factors for employee retention in this research study are work environment, leadership, team and co-worker, training and career development, compensation, organizational policies and workplace well-being. The results had confirmed that compensation have influence and direct relationship toward the employee retention for Generation Y employees. Meanwhile, work environment, training and career development, organizational policies and workplace well-being had positive significant mediation effects on employee retention. Training and career development as well as workplace well-being have been identified to have full mediation effects, which means that these two constructs contribute significant relationship toward employee retention via employee recognition. Even though work environment and organization policies only illustrate as a partial mediation effects, however, these two constructs have been classified as complementary mediation effects. As a complementary mediation effects, employee retention in organizations have been enhanced among Generation Y employees, with the existence of employee recognition. The research study had undoubtedly provided in depth understanding that employee recognition plays an important role in retaining Generation Y employees in organizations. Besides that, the study had established that the factors that influence retention is part of recognition practice and program toward Generation Y and organizations can emphasize the value of employee recognition in their workplace practice.

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CHAPTER ONE

INTRODUCTION

1.1   Background of Study

Organizations in today's world oppose challenges in managing and retaining employees as more and more organizations have rapidly grow and the competitiveness among those organizations is high in order to sustain the business (Aida, 2014; Tucker, 2017). Due to highly competitiveness among the business, retaining talented and young employees become more difficult to be managed by the organizations (George, 2015; Salazar, Pozo & Ruiz, 2016). This statement and issue was supported by Aruna and Anitha (2015), as long-term success of any organization always depends upon the retention of key employees. Report from Globoforce in 2015 on Employee Recognition Report had identified that employee retention is among the challenges faced by organizations. The report stated that 40 % of human resource professionals and practitioners said that they are facing employee retention issue in their organizations (Figure 1.1). Employees are contemplating as the vital asset for every organization ensuring the operation and business are well executed (Latif & Saraih, 2016). A great and established organization would be nothing without the employees because they are the ones who strive hard to deliver their best performance and commitment in order to accomplish the objectives and goals of the organization (Latif & Saraih, 2016).

To a great extent; employee satisfaction, organizational commitment and organizational performance, are reliant on the ability of the organization to retain the top employees (Margaret & Leo, 2015; Aruna & Anitha, 2015). An organization's performance and productivity could not be realized without employee's support, contribution, commitment and their loyalty (Sinniah & Kamil, 2016). Employees are comparatively responsible for the achievement and accomplishment of organization's goal and strategy. Without these, one of the pressing challenge organization needed to face most of the time is employee turnover. Employee turnover can be referred as the issue of employees leaving organizations and it has to be replaced with the new one (Latif & Saraih, 2016). In order to avoid employee turnover, the organization must