

**Faculty of Cognitive Sciences and Human Development**

**THE RELATIONSHIP BETWEEN SELECTED EMPLOYEE BENEFITS  
AND ORGANIZATIONAL ATTRACTIVENESS**

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**Bachelor of Science with Honours  
(Human Resource Development)  
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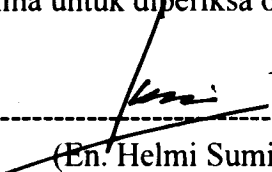
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Projek bertajuk 'Hubungan Antara Faedah Pekerja Terpilih Dengan Daya Tarikan Organisasi' telah disediakan oleh Tan Yen Yee dan telah diserahkan kepada Fakulti Sains Kognitif dan Pembangunan Manusia sebagai memenuhi syarat untuk Ijazah Sarjana Muda Sains dengan Kepujian (Pembangunan Sumber Manusia)

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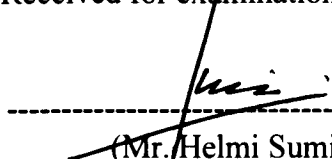
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## **ABSTRACT**

### **THE RELATIONSHIP BETWEEN SELECTED EMPLOYEE BENEFITS AND ORGANIZATIONAL ATTRACTIVENESS**

*TAN YEN YEE*

The purpose of this study is to investigate the relationship between selected employee benefits and organizational attractiveness in one of the financial institution at East Malaysia. The independent variables of this study include the flexible working hour, wellness program and medical benefits while the dependent variable of this study is organizational attractiveness. This is a correlational quantitative study where Spearman Rank – Order Correlation Coefficient and Multiple Regression were used to design this study. Pilot test was first conducted with 30 respondents to analyse the validity and reliability of the instruments using Cronbach's Alpha. Another 80 respondents then participated in actual data collection. This study was conducted using non-probability sampling technique, convenience sampling. Close - ended questionnaires with 5- point Likert Scale were used as study's instrument. Software Package for Social Sciences (SPSS) 23.0 was used to conduct descriptive statistics and inferential statistics data analysis for this study. The study showed that all of the selected employee benefits have significant positive relationship with organizational attractiveness. Wellness program is the dominant factor among the selected employee benefits in this study. This study hence brings implication and contributions to body of knowledge in organizational attractiveness, organizations' policy and HR practitioners. Future research may be conducted with different employee benefits or different research methodology like qualitative research. Not only that, this study also may be conducted in different industry or sectors including public sector or private sector.

**Key Words:** *Organizational Attractiveness, Employee Benefits, Flexible Working Hours, Wellness Program, Medical Benefits*

## ABSTRAK

### HUBUNGAN ANTARA FAEDAH PEKERJA TERPILIH DENGAN DAYA TARIKAN

#### ORGANISASI

TAN YEN YEE

Tujuan kajian ini adalah untuk mengkaji hubungan antara faedah pekerja terpilih dengan daya tarikan organisasi dalam satu institusi kewangan di Malaysia Timur. Pembolehubah tidak bersandar dalam kajian ini ialah tempoh kerja fleksibel, program kesihatan dan faedah perubatan manakala pembolehubah bersandar ialah daya tarikan organisasi. Kajian ini merupakan sebuah kajian kuantitatif dan *Spearman Rank- Order Correlation Coefficient* dan *Multiple Regression* digunakan untuk menganalisa data kajian ini. Ujian pilot telah dijalankan dengan 30 orang responden untuk mengkaji kesahan dan kepercayaan soalan kaji selidik menggunakan *Cronbach's Alpha*. 80 orang responden telah menyertai proses pengumpulan data sebenar. Kajian ini dijalankan dengan menggunakan teknik *convenience sampling* untuk mengumpul sampel. Soal selidik bertutup dengan Skala Likert 5 Mata telah digunakan sebagai peralatan untuk mengumpul data. Perisian komputer Analisis Pakej untuk Sains Sosial (SPSS) versi 23.0 digunakan untuk menganalisis statistik deskriptif dan statistik inferensi dalam kajian ini. Kajian ini telah membuktikan bahawa semua faedah perkerja yang dipilih mempunyai hubungan positif dengan daya tarikan organisasi. Program kesihatan merupakan faktor dominan antara faedah perkerja yang dipilih dalam kajian ini. Dapatan kajian ini membawa implikasi dan menyumbang kepada ilmu pengetahuan dalam daya tarikan organisasi, dasar organisasi dan pegawai pembangunan sumber manusia. Kajian yang selanjutnya disarankan untuk dilaksanakan menggunakan faedah perkerja dan cara pengumpulan data yang berlainan seperti kajian kualitatif.

Bukan itu sahaja, kajian yang selanjutnya juga dicadangkan untuk mengadakan di industri dan sektor yang berlainan seperti sektor awam mahupun sektor swasta.

**Kata Kunci:** *Daya Tarikan Organisasi, Faedah Pekerja, Tempoh Kerja Fleksibel, Progam Kesihatan, Faedah Perubatan.*

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

This research studied about the relationship between selected employee benefits and organizational attractiveness in one of the financial institution in East Malaysia. In this chapter, a few aspects were discussed. It started with background of study, followed by the problem of statement and objectives. The chapter continued with the hypothesis of the study and conceptual framework. Subsequently, definition of terms, significance of study, and limitation of study was also discussed. This chapter ends up with a summary.

### **1.1 Background of study**

Human Resource strategic planning includes strategy recruitment either internal recruitment or external recruitment. Human resource personnel also played vital role in retaining the current employees, managing talents and attracting new candidates to join the organization. The methods of retaining employees, managing talents and attracting candidates varies between country and industry. Besides basic wages, providing good package of employee benefits is one of the methods to retain current employees and attract new employees. According to SHRM (2018), employee benefits is approximately 30% of the total compensation costs of the organization. Additionally, organization is willing to bare this high cost as employee benefits are proven to be one of the factor to retain and attract employees.

There are many types of employee benefits offered as the compensation package. The employee benefits varies from different country as some of the employee benefits are mandated by the law. In USA context, there are few employee benefits packages which required by law like social security insurance, unemployment insurance, workers' compensation insurance and

family and medical leave act (Bohlander & Snell, 2010). In relation to that, Malaysian context of employee benefits are similar to USA context as social security organization (SOCSSO), employees' provident fund (EPF), Human Resource Development Fund (HRDF) and Employment Insurance Scheme (EIS) are the few employee benefits made compulsory by law. Malaysian law such as Employment Act 1955, Sarawak Labour Ordinance 1952 and Sabah Labour Ordinance 1950 had stated some of the compulsory employee benefits in order to protect employees' welfare. Some of the employee benefits stated in the Malaysia labour law including annual leave, sick leave, and maternity leave (Amminuddin, 2013).

On the other hand, organizational attractiveness appeared in the research by Thomas and Wise in 1999. The research was conducted in order to examine the factors attracted different race applicants in applying to the organization. These factors were divided into four big categories which were job, organization, recruiter and diversity. Research found that job factor in pay and having challenging work were the domains as attraction to an organization.

Besides that, research regarding organizational attractiveness started to increase as Highhouse, Lievens and Sinar (2003) developed set of questionnaires in measuring organizational attractiveness. The research examined three components of organizational attractiveness which were attractiveness, intentions and prestige. Other recent research regarding organization attractiveness were regarding corporate social responsibility, work schedule flexibility program and employer branding had positive impact in influencing organizational attractiveness (Story, Castanheira & Hartiq, 2016; Nadler, Cundiff, Lowery & Jackson, 2010; Neeti Leekha Chhabra & Sanjeev Sharma, 2014).

According to Willis Towers Watson (2013), financial institution industry turnover rate had increased from 7.9% to 13.3% in 2013. The financial institutions actively improved their

employee value proposition, salary and career growth as talent management. Looking at the development and the importance of employee benefits towards organizational attractiveness, this research focused on the relationship of selected employee benefits and organizational attractiveness particularly in one of the financial institution in West Malaysia.

## 1.2 Statements of problems

Employee benefits played vital role in retaining existing employee and enhance effectiveness in recruitment. In USA context, survey showed that organizations tend to increase medical benefits, wellness programs and family- friendly benefits in 2018. These benefits are the few contemporary benefits in order to fulfil the needs of employees in this era (SHRM, 2018). Additionally, there were few previous research indicated that employee benefits had significant positive relationship in employee retention, job satisfaction, employee engagement and productivity (Mansor & Idris, 2014; Yamamoto, 2011; Ingham & Norris, 2007).

Mansor and Idris's study in 2014 showed that only flex time has positive significant relationship in employee retention in Malaysian banking sector where the research was conducted in eight major bank in Kuala Lumpur. Prior to that, Yamamoto (2011) research showed that employee benefits management mediated relationship between family friendly policies and employee retention and enhance job satisfaction in Japan. According to Ingham and Norris (2007), business performance could improve by the implementation of wellness program in order to reduce employee absenteeism and hence increased in productivity. However, there is still lacking of research to show that employee benefits manage to attract candidates and assist in recruitment process especially in Malaysia context.

On the other hand, Nadler et al. (2010) found that organization with flexible working policy relatively attractive to respondents to work in the organization. However, this research was limited in term of respondents as respondents in this research were undergraduate students in United States which were lacking of working experience using scenario research as respondent only imagine and perceive the organization attractiveness. Therefore, this current study was proposed to collect data from employee in organization in order to understand further the relationship of employee benefits and organizational attractiveness especially in the Malaysia context by using the quantitative method in order to examine the selected employee benefits.

Subsequently, according to Hong et al. (1995), paid leave, year-end bonuses, dividends were categorized in top five important employee benefits which influenced job motivation and productivity. However, Muse and Wadsworth (2012) showed that non-traditional benefits had negative relationship on turnover intention. This showed the practical gap between traditional benefits and non-traditional benefits as different generation perceived differently regarding the employee benefits. According to Ong (2018), monetary based benefits did not really matters to millennials. Therefore, this current research was conducted in order to determine the dominant of selected employee benefits among employees in one of the financial institution at East Malaysia.

### 1.3 Research objective

The general objective of this study is to examine the relationship selected of employee benefits and organizational attractiveness in one of the financial institutions in West Malaysia.

The following are the specific objectives of this study:

- 1) To examine the relationship between flexible working hour and organizational attractiveness.

- 2) To examine the relationship between wellness program and organizational attractiveness.
- 3) To examine the relationship between medical benefits and organizational attractiveness.
- 4) To determine the dominant among of the selected employee benefits which is utilized the most by the employee.

#### 1.4 Research hypothesis

Ha<sub>1</sub>: There is a significant relationship between flexible working hour and organizational attractiveness.

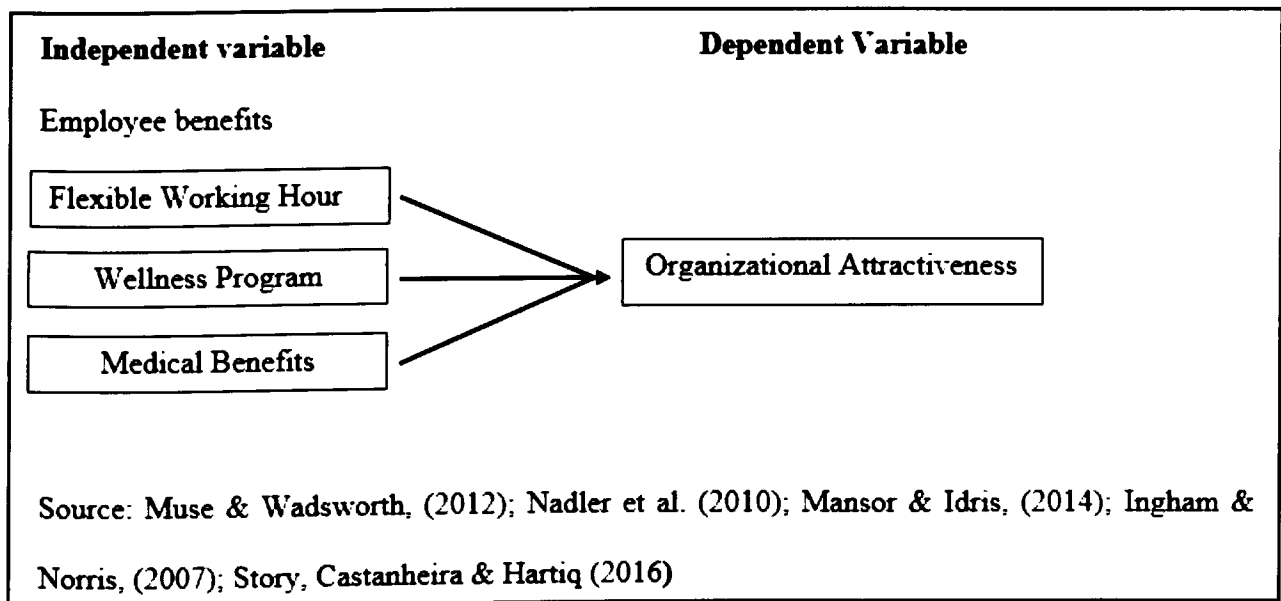
Ha<sub>2</sub>: There is a significant relationship between wellness program and organizational attractiveness.

Ha<sub>3</sub>: There is a significant relationship between medical benefits and organizational attractiveness.

Ha<sub>4</sub>: There is a dominant in selected employee benefits which have significant relationship with organizational attractiveness.

#### 1.5 Conceptual framework

The conceptual framework was developed based on topic of research and literature review. The independent variables are flexible working hour, wellness program and medical benefit while the dependent variable is organizational attractiveness. This research was conducted in order to examine the relationship selected of employee benefits and organizational attractiveness and find the dominant from the three focused employee benefits.



*Figure 1.1* Conceptual framework

## 1.6 Significance of study

### 1.6.1 Contribution to body of knowledge

There were many research been conducted regarding organizational attractiveness recently. However, research regarding organizational attractiveness mainly focused on corporate social responsibility (CSR) and employer branding. Hence, this research will contribute to the body of knowledge as there is limited research on the relationship between employee benefits and organizational attractiveness. This research also able to contribute to the knowledge in employee retention as employee benefits is one of the important factor in employee retention.

### 1.6.2 Contribution to policy

According to Bohlander and Snell (2010), about 43% of total payroll cost contributed by benefits. Therefore, it is important for the organization to have strategy benefits planning. This research will contribute to the policy of the organization in terms of improving the compensation and benefits system for the organization. Organization also able to strengthen the policy related

to the dominant of the employee benefits to enhance employee retention and organization attractiveness.

### 1.6.3 Contribution to practitioner

This research also significant to HR practitioner in assisting the organization in identifying current employee benefits which fulfill the current trends as well as the current situation in the work force. This research will provide insight to HR practitioner in order to offer better benefits to the current employees in order to ensure the wellbeing of the employees. Better employee benefits package also beneficial in attracting and convincing potential candidates to accept the job offer. This is indirectly brings positive impact to the organization as the employees are the asset of the organization.

### 1.7 Limitations of study

This research was limited to only one financial institution. The sample taken in the organization may represent the population of the organization. However, this research cannot represent all financial institution in Malaysia. Hence, future studies might need to be conducted at different financial institution at different states in order to get various set of data in the future.

Since there is limitation in location, cultural different in different states of Malaysia is also the limitation of this study. As the selected financial institution has more Chinese employees, there are also difference in culture between different races of the employees. Future study is suggested to be conducted at different states of Malaysia like Peninsular Malaysia.

As there are many other benefits offered in employee benefit, this research was limited in three focused types of employee benefits. Therefore, future study can be conducted in different types of employee benefits in order to expand this study.

## 1.8 Definitions of terms

### 1.8.1 Employee benefits

Employee benefits are defined as “an indirect form of compensation intended to improve the quality of the work lives and personal lives of employee” (Bohlander & Snell, 2010).

In this study, employee benefits refers to non- financial benefits provided by the employer which may differ in different industry and country.

### 1.8.2 Flexible working hour

Flexible working hour also known as flex time is defined as “a scheduling system in which employees are required to work a specific number of hours a week but are free to vary those hours within certain limits” (Robbins & Coulter, 2014). Flexible working hour also refers to “employees may chose when they come to work and when they leave, as long as they work during certain hours referred to as ‘core hour’” (Scandura & Lankau, 1997).

Flexible working hour is defined as the flexibility given to the employees to determine the working hour within given time in this study.

### 1.8.3 Wellness program

Wellness program is the “company – wide programs in which employees receive training regarding things they can do to promote healthy lifestyles” (Greenberg, 2011). Wellness program can also be defined as “wellness program careen employees and, at times, dependents – to identify health risks, provide interventions to address health risks and manifest disease, and promote healthy lifestyles” (Mattke et al., 2014).