



Faculty of Cognitive Sciences and Human Development

**RELATIONSHIP BETWEEN TYPES OF EMPLOYEE'S BENEFITS (LEAVE,
HEALTH/MEDICAL INSURANCE, ALLOWANCE, AND FLEXIBLE WORKING
SCHEDULE) AND EMPLOYEE'S RETENTION**

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(Human Resource Development)

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Final Year Project Report

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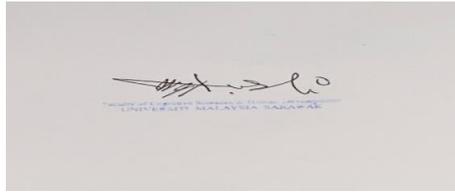
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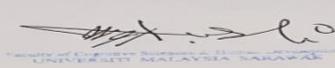
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ABSTRACT

Organization now struggling in maintaining their employees with minimum resources. This study is to determine the relationship types of employee's benefits (leave, health/medical insurance, allowance, and flexible work schedule) and employee's retention. Employees from 2 SME have been chosen as respondent in this study and data were analysed using 2 types of testing statistically relationship which is Pearson Correlation Coefficient and Multiple Regression Analysis. Allowances and health/medical insurance performed the most significant relationship with employee's retention rather than leave and flexible work schedule. It can be assumed that the money and health the factors that can influence employee behaviour and attitudes in organization.

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

In this section, the researcher introduced topic of study which is that the effect of advantage on employee's retention. This chapter will deal with several sections that include background of study, problem statements, objective of study, research question, research framework and hypothesis, significant of study, limitation of the study, definition of term and chapter summary. This chapter is very important to help reader to review and understand overall of this study.

1.1 BACKGROUND OF STUDY

Employee's benefits nowadays seem gives challenges to employers especially in increasing costs, handling benefit changes, working with brokers and dealing with health care reform (SHRM, 2015). Employers voluntarily offer benefits to recruit and retain employees in organizations. However, small business facing difficulty in providing employees with benefit package like larger companies doing for their employees. Albeit increasing costs happen in organization, the simplest ways are often done by employers is give what employees want in their workplace. (Wing, 2018)

Employee's retention is pertaining to the power of a corporation to retain and keeping their employees (McDougall, 2018). Retention very important for the organization success because their having good and enough workforce to realize organization goals and may be competitors to other organization. Important part in organization process is having and retaining skilled employees because key for companies to be economically competitive is their knowledge and skills (Hiltrop, 1999). An important part in organization is having and

retaining skilled employees because their knowledge, skills and effectiveness became the main point for companies to be economically competitive (Hiltrop, 1999). Incentive pay are often an enormous component in retaining employees and as some employees will be more motivated towards the organizational success by giving this sort of benefit.

The costs of turnover rate are increase 2.5 times of employee's salary which it can call quite high. In 2017, LinkedIn data shows a worldwide employee turnover an around 10.9 percent where technology sector showed the foremost impulsiveness employee turnover (13.2%) (Florentine, 2019). Why do employees stay? Employees tend to stay with a company until some factor that causes them to go away. There are two relevant issues within the company can affect employee retention. First is that the issue of job satisfaction and second is that the "company environment" which will comfort an individual employee feels in organization (Hughes, 1973). Employee's benefits must suit with their needs and interests, so organizations should stand by employees a budget to pick a relevance benefit.

Several past studies also have investigated the relationship between job satisfaction and turnover meaning that when employees do not feel fulfilled in their job, the turnover rate will high, and retention rate of employees will decrease. They are likely to quit the job and leave the organization. In study of Talent retention: A study in Malaysia manufacturing industry by Foong, Joy, Zheng, Phang and Thiong (2015), declared that the worth of performance of employees in manufacturing industry can be improved by determine and recognize the complexity about the aspects influencing the low retaining percentage in manufacturing industry in Malaysia.

1.2 PROBLEM STATEMENT

Employee's benefits issues will be faced by every company either smaller or larger companies especially in the current unstable economic situation, but larger companies are not too impressed because they have a secure financial position compared to small companies. Providing employee's benefits package like those provide by larger companies are being challenges to a small business. Small business usually had to provide little choices, less pliability and change rapidly their employee's benefits plan and policies to stabilize company cost (Sessoms, 2019).

Employee retention is one among process to an organization's ability to make sure the organization achieve its strategic objectives and financial stability that have been set earlier. If organizational leaders hired new workers do not fit the specified skill set of that organization, it will be wasting valuable resources once they got to spend excessive time, money, and energy recruiting replacement employees (Craig, 2015). As reported to job exodus study, not feeling being appreciated by employers have been select by 39% of employees as their major reason in leaving their job. Figueroa (2015) indicated that employee turnover rate will negatively affect an organization, like decrease in productivity, skill drain, and showing poor morale for the remaining employees in organization. In Malaysia, especially in manufacturing sector are the most distress for higher turnover staff where the rate increased from 1.1% to 13.2% in year 2014 than increased again 14.3% in year 2015 (Mystarjob, 2015). According to the Manufacturers Alliance for Productivity and Innovation (MAPI) Foundation mentioned because of the turnover issues, Malaysia's manufacturing industrial production declines from 3.5% to 1.0% for year 2015 (Material Handling & Logistics, 2015).

Employee retention strategies are often mentioned as an integral part of a successful organization's vision, values, and policies (Cloutier, Felusiak, Hill, & Pemberton-Jones, 2015). To retain valuable employees, employers should implement creative strategies that have to include factors that promote organizational attractiveness (Alshammari et al., 2016). Creative strategies that relate to pay and benefits are going to have a positive impact on attracting and retaining committed employees in an organization (Sandhya & Kumar, 2014). Alshammari, Al Qaied, Al-Mawali, and Matalqa (2016) concluded, when employees find if an organization fits with their values, personalities, skills, and job satisfaction, their intentions and motivation to remain as an employee in an organization will increase. Bisht, Chaubey, and Thapliyal (2016) report that the most important issue to determine the connection between the factors that influence turnover and therefore the use of appropriate retention strategies. In simple words, to suit the requirements of employees, it is more effective for companies to take action on their own factors that they can control by themselves rather than request by employees. Designing attractive packages of benefits by an organization can enhance an employee's interest during a business and to avoid the evasion of human resources in an organization (Carvalho, 2019).

Maslow's hierarchy of needs theory emphasizes about the necessity of companies to think about the essential requirements of their employees including health, job security and payment (EmployeePedia, 2020). Employees are going to be committed and constant to an organization when they know the organization cares about their needs. In Abraham Maslow's research, it is pointed out that if an employee's physiological needs are met, increased pay might not be a motivator (Maslow, 1999). Likewise, having all their needs especially in terms of salary and satisfaction in the working environment can make employees be more motivated at work (Retention and Motivation)

The organization got to confirm that their offerings of advantages are compliant with various laws, if not organization are going to be sued. Consistent with HR benefits platform provider by Namely, 2 most pressing issues in HR today are employee retention and engagement when millennials expecting to go away their current job in three years or less with approximately 58 percent. According to a recent employer survey by Benefits Selling 2015, increasing costs, handling benefit changes, working with brokers, and handling health care reform the absolute best four employee benefits issues in year 2015. In annual survey saying that 16 percent of the 7,300 respondents of workers are currently finding a replacement job due to flexibility issues in workplace. Annual survey respondent mentioned that they might be more loyal to their employers if that they had flexible work options which are contributed to 8% (up from 75 percent in 2018) of result (Maurer, 2019) and now the Covid-19 pandemic has had an unprecedented effect on virtually all sectors of the economy. Many businesses struggle to make sure the security of their business and customers, and lots of organizations must make the hard choice especially of requesting that their employees performing at home and take unpaid leave. Organization now struggling in maintaining their employees with minimum resources in new normal life and to form sure the business is often administered smoothly and frequently as before.

1.4 OBJECTIVE OF STUDY

Research objectives can be defined researcher desires and can be tracked to achieve researcher project of study (Insight, 2019). There are 2 types of objectives of study which is general objective and specific objective. General objective in this study is to determine the relationship types of employee's benefits (leave, health/medical insurance, allowance, and flexible work schedule) and employee's retention while, specific objective in this study is.

- I. To determine the relationship between employee's benefits (leave) and employee's retention
- II. To determine the relationship between employee's benefits (health/medical insurance) and employee's retention
- III. To determine the relationship between employee's benefits (allowances) and employee's retention
- IV. To determine the relationship between employee's benefits (flexible work schedule) and employee's retention.
- V. To identify the most dominant factors among four types of employee benefits in influencing the employees' retention.

1.5 RESEARCH HYPOTHESIS

A hypothesis can be defining a researcher expectation about what the research will achieve and can be examined with scientific research (McCombes, 2019). In this research hypothesis it will have null and alternate hypothesis because it collected by some social statistic. To test either to accept or reject null hypothesis, researcher need to collect and analyzing the related data because it is the temporary expectations in the research studies. In this study, there are 5 research hypotheses related to research objective that have been stated.

- I. Ho: There is no significance relationship between employee's benefits (leave) and employee's retention.

H1: There is a significance relationship between leave and employees' retention.
- II. Ho: There is no significance relationship between employee's benefits (health/medical insurance) and employee's retention.

H1: There is a significance relationship between health/medical insurance and retention.

- III. Ho: There is no significance relationship between employee's benefits (allowances) and employee's retention.

H1: There is a significance relationship between employee's benefits (allowances) and retention.

- IV. Ho: There is significance relationship between employee's benefits (flexible work schedule) and employee's retention.

H1: There is significance relationship between employee's benefits (flexible work schedule) and employee's retention.

- V. Ho: There is a no dominant factor among four types of employee's benefits in influencing the employees' retention.

H1: There is dominant factor among four types of employee's benefits in influencing the employee's retention.

1.6 CONCEPTUAL FRAMEWORK

A conceptual framework can be defined everything that constructs and used for entire any research project. The conceptual framework contains your views on identification of the research topic, the problem to be investigated, the questions to be asked, the literature to be reviewed, the theories to be functional, the methodology that be practice, analysis and interpretation of data findings, recommendations and conclusions that will be complete (Ravitch & Riggan, 2017). Grant and Osanloo (2014) also defined a conceptual framework are a 'blueprint' or guide for research. In this research, researcher want to

investigate whether employee's benefit in organization have relationship to employee's retention. Researcher only used specific benefits which is leave, health/medical insurance, allowances, and employee retention program as an independent variable and in dependent variable, researcher choose employee's retention in organization.

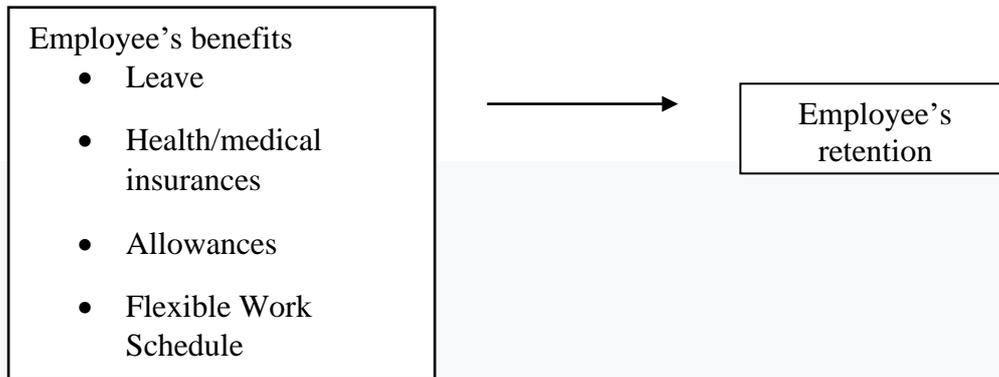


Figure 1: Conceptual Framework

1.7 SIGNIFICANCE OF STUDY

Significance of study usually for the researcher to tell the reader about importance and beneficial of the research (Insights, 2019). This study taken to find out the relationship between benefits especially leave health/medical allowances and flexible work plan and employee retention in organization. The importance of this study for body of knowledge is to find the vital of employees' benefits that can retain employees longer in organization. This study also shows and explain more that employee benefits and retention have positive connection by each other where low retention rate can increase the expenses of the organization and showing the negative of the organization's morale. This can be points for future readers or researchers' knowledge to choosing the right package of benefits will preventing the organization from losing by reducing recruitment fees to find the suitable employee for replacement (Kelly, 2018) and it also helps them to know which one

employee's benefits important and not important to employees for their future research later in this context of study.

In term benefits of policies in organization, employer can upgrade their policies by implementing of an employee retention program effectively to ensure the job performance and productivity are always maintaining also making sure employees remain employed in organization (Tutorialpoints, 2017). Happy staff will not only stay and retain in organization for longer time, but they also can be more productive and do a better job for organization business (Kelly, 2018). Employees will be more loyal and be more motivate doing they work because they believe employers can help them to meet their need and increasing their wellness (Binford, 2017). It also can increase organizations' productivity and can helps organization survive for a long time when having effective and efficient employees in organization. This study can help to find that the top goal of employee benefits program will be a retention of employees because employees have their own need and their also.

In this study, researcher also can get advantages at the same time such as building a good relationship especially between respondents in organization, supervisors, faculty, and our peers especially when having group discussions. By having good relationship with them, it can help researchers a lot in preparing a better research and help this study be more meaningful for future studies. Besides, researcher also can expand and increase the knowledge about this topic and field especially when doing at outside the classroom because it can give researcher to have overview about the topic in real life and developing researcher critical and analytical thinking about the issues (Diego, 2016)

1.8 DEFINITION OF TERM

Definition of terms is usually used an appropriate source either in book, research paper, pamphlet, etc. Definition of term usually at the first chapter of research study or can be in second chapter (Riaru, 2016). Definition or term can be divided by 2 types of definition which is conceptual definition and operational definition. According to Itulua-Abumere (2018), conceptual definition is to identify the concept of studies by clarifying the linked with a certain domain of our study while an operational definition is empirical concept that establish by researcher (Banerjee, 2018)

1.8.1 Employee's Benefits

Employee benefits is one of aspect in Human Resource Management studies and popular topic for student doing their research. Employee benefits can be defined as an indirect and non-cash, or cash compensation that paid to an employee on regular salary or wages they get in every month (Dessler, 2017). According to Mamoria (2014) in A Textbook Of Human Resource Management, employee benefits are the ways to keeping, guarantee and improving the employee's salaries. The benefits are an addition for normal wages of workers that are importance for workers and their families. To take care of basic need of employees, most organization implement employee benefits welfare programs to retain employees and to enrich the core business of organization (Vicky, 2017).

In operational definition, employee's benefits can be defined as benefits that provided by organization for employees in addition to their normal salaries . Employee benefits provide by organization also can affect and play important role in organization behaviour. It can produce positive employee behaviour as a reward to organization itself to have higher quality employees. The rewards an organization provides will be rewarded back to the organization by the positive employee behaviour. Benefits such as leave, medical insurance,

allowances and flexible work schedule given more attention by employers, it can be motivator to employees come to work with a new attitude (Kelsey, 2020).

1.8.1.1 Leave

In conceptual definition, Heathfield (2020) mention that a leave is permission of an employee to spend away from their work for a certain of time either be voluntary, mandatory, paid, or unpaid. Refer to the Employment Act 1955, there are 5 types of leaves an employee in Malaysia would normally take during their employment which is annual leave, sick leave, public holiday, maternity leave and absence due to imprisonment or court it will call paid leaves. SHRM (2008) highlight that to meet organization objectives, the paid leave must be well-planned because the effect will be significant to employee effect in paid leave program can have a significant effect on employees' efficiency and satisfaction. Statement in Harvard Business Review saying that the employees be more loyal and retain in organization if employer showing compassion on them.

In operational definition, leave can be mentioned as taking days off from their daily work that have been accepted by their employer. Employee that requests time off due to difficult time and situation, employer should start being an empathetic to employees and approve the permission without any heavy questions (Cushard, 2018)

1.8.1.2 Health/medical insurance

Health and medical insurance are an insurance that typically pays for medical, surgical, and sometimes dental expenses for employees. According to Ehealth (2020) in conceptual definition, health insurance can be defined types of benefits for members in the company including employees in terms of medical insurance policy

that cover a smaller amount of cost. Health insurance also can be used for expenses incurred from illness or injury or pay the care provider directly. It will be covered by the employer but usually it will be deducted from employee own salaries (Kagan, 2020). Employee health benefits are provided by employer to their employees and can be described as non-cash compensation for extra their usual monthly income. The main objective of these benefits is to ensure employee's physical condition and wellbeing are secure and one of the methods to make sure employees stay in a company and decrease turnover rate (Insuranceopedia, 2015).

Operational definition defined health/medical insurance as an employee's benefit protection managed by an almost of organization in Malaysia such as a public agency and private sectors. This benefit will include the full or a certain part of the risk facing by of a person and including their medical expenses. As we know organization that offering health and medical insurance as an employee benefit is generally the simplest, but most effective steps that can take to reward and attract talent to increasing productivity, boosting morale, and helping shape a positive company culture.

1.8.1.3 Allowances

In conceptual definition, Khalil (2020) mentioned that allowance, bonuses, overtime pay, etc. will be added in employees' wages that will be called gross pay. A benefit allowance can be used to give employees flexibility in creating the best benefits package that can meet all their needs. The employer could offer a base plan plus a benefit allowance rather enforcing a particular healthcare plan only for all employees in organization. In news The Edge Markets by Azizi (2020), to ensure the wellbeing and wellness of employee are secured during Movement

Control Order (MCO) period, employers should pay employees full salaries including all related allowances.

Operational definition, a benefit allowance provides to a specific purpose for employees in terms of transportation, healthcare costs, or a flexible spending account money that usually provided by a company or government agency. Benefit allowances administered to employees will be distributed through regular employee's payroll (Kagan, 2020). To meet the spending of specific nature one of factors employer giving employees an allowance (Bank, 2017).

1.8.1.4 Flexible working schedule

Conceptual definition by Heathfield (2019) mentioned that a flexible schedule is allowing an employee to work with working hour that differ from the normal time company especially in start and stop time. Flexible work schedules now are being implemented by certain organizations as an employee benefit to encourage employee retention and as a method to curb forms of employee absenteeism, tardiness, quits and on-the job leisure. Nowadays, most of the workers may need a flexible working schedule but only for a day that employees have emergency matters especially when comes from family issues (News, 2016). Acas research shows that flexible and remote work offers many benefits to companies and a strategy must be continuously developed to keep everyone aligned, supported, and engaged (McLaren, 2018).

In operational definition, flexible work schedule will consist of flex hours, shift swapping, compressed or short work weeks, be flexible with time off and create a paid time off policy that allow employees to begin and complete their

working day when they need. This indicates that employees can go to work early or later than the time that have been set by employers.

1.8.2 Employee's Retention

Employee retention refers to the conceptual definition is various practices to make sure employees stick to an organization for a longer period (Jack, 2004). Implementation of an employee retention program is an efficient way of creating sure that workers remain employed to balancing and maintaining job performance and productivity in organization (Tutorialspoint, 2018).

In operational definition, employee retention represents to the capability of an organization to keep their employees in organization. In the words of Armstrong (2010) "Employee retention is that the power of an organization to retain its best employees and hence maintain a lower turnover. An organization is in a position to realize this by adopting various employee retention programs." Retention may be a process which the workers are encouraged to stay into organization until the completion of the project (Dr. Saravanan M, 2017).

1.10 CHAPTER SUMMARY

In the nutshell, study topic of employee's benefits, and employee retention can help organization especially employer to be more sensitive of their employee by always take care of their welfare. Benefits given by employer can be a motivation for employees to remain in organization and help organization to achieve their goals and success. This chapter can help readers be ready and have full overview of the topic before proceeding to next chapter which is literature review.