Compensation and Benefits Satisfaction on Turnover Intention among Millennial Employees in Malaysia Construction Sector: A Conceptual Study

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Abstract
The construction sector is a crucial contributor to Malaysia economic growth development. However, the COVID-19 outbreak caused notable interruptions to the construction sector and the employees. One of the most significant challenges is the employee’s shortage has been prolonged issue of construction sector in Malaysia, particularly involvement of millennials, which becomes more severe due to compensation and benefits stagnant and turnover intention issues. Compensation and benefits for employees are the key components that underpin the competitiveness of an organization. The ability of an organization to provide satisfactory compensation and benefits is a major factor in attracting and retaining competent millennial employees. The purpose of this conceptual paper is to describe and provide insight into the impact of the relationship between compensation and benefits on turnover intentions, which is mediated by job satisfaction in the construction sector. The study’s literature highlights, compensation and benefits that satisfy the demands and desires of employees not only grant a competitive advantage to the dynamics of the organization but also significantly influence the degree to which they are satisfied and their possible tendency to leaves their jobs. Through assessing the role of job satisfaction, the study strongly suggests that compensation and benefits have significant correlation on the turnover intentions of millennial employees.

Keywords: Millennials, Compensation and Benefits, Financial Compensation, Job Satisfaction, Turnover Intentions
Introduction

According to the Key Statistic of the Labour Force Malaysia 2022 (Ministry of Human Resource, 2022), it has been observed that millennials constitute approximately 52 per cent of the 12.50 million total labour force in Malaysia. This demographic employee group plays a significant role in the Malaysia economy, representing a substantial share of the workforce. Millennials receive particular emphasis due to their majority representation in the current workforce. This generation is particularly worried about the status of society and is actively striving to create a balance between the issues they meet in this modernised and post-pandemic COVID-19 era and their goal setting to impact social and economic changes (Miao et al., 2020). According to the Morrell & Abston (2018), millennials are commonly perceived to possess particular characteristics that distinguish them from prior generations. This can be attributed to their nurture in a highly competitive economic environment and technology advancement, which has had a formative impact on the development. Generation Y, also known as millennials, has been identified as a cohort that holds the advantageous ability to access and take advantages of educational and employment opportunities. The millennial employees are actively encouraged to address environmental changes, particularly through their involvement in initiatives that directly contribute to the achievement of organizational goals. Sulaiman & Hussain (2018) agreed, emphasizing that keeping the most talented and potential millennial employees is crucial to bring the continued stability and growth of the organization.

In many different sectors, the high turnover rate has become their biggest problem. There are a lot of unanswered questions or worries about why millennial employees quit their jobs, one of them is inadequate broader compensation and benefits. At this moment, millennials are more likely to intended to leave their job for another if they do not think they have met their standards or been rewarded in the way they desire (Chen et al., 2023). This could be a reason if management fails to embrace to or improve what the current labour market demands and offers, such as execute strategy for competitive financial and non-financial compensation and benefits as well as employee well-being. Organizations operating in the current competitive economy must engage in strategic competition to attract and retain their employees, while also assessing the potential and quality of new hires (Kadir et al., 2019). With this increasing diversity and complexity of today’s workplaces, this study attempts to find out how millennials feel about their workplace, and what they expect from satisfaction with their compensation and benefits, and how likely they are intent to leave their present job. Hence, insufficient focus has been pointed towards millennials as the central topic, despite their entry into the workforce.

Issue of Construction Sector in Malaysia

The construction sector is widely recognized as one of the significant drivers contributing to Malaysia’s GDP. Nevertheless, the recent pandemic COVID-19 outbreak caused substantial interruptions to the construction sector in Malaysia. Several construction activities, excluding those classified as critical or necessary services, are required to suspend operations (Esa et al., 2020). Contractors and construction organizations are still dealing with a lot of difficulties even after the pandemic COVID-19. These disruptions encompass the necessity of allocating significant workloads to employees to ensure the continuation of progress in line with the outlined targets, engaging in labour market competition to acquire skilled employees, and encountering the difficulties in appropriately evaluating compensation rates and employee benefits (Alfadil et al., 2022). The economic crisis and high living expenses have led to
employees working overtime and facing increased workloads, resulting in work-related stress as no aligned compensated (Kasmuri et al., 2022). In addition, the labour force in Malaysia experienced notable growth, accompanied by a significant increase in the employee turnover rate. The increase in overall employment between 2019 and 2022 suggests a relatively moderate employment rate in Malaysia, not by much in the construction sector. Malaysia is now experiencing a notable shortage of labour and is encountering challenges in recruiting employees for the construction sector (Fateh et al., 2022).

The post-pandemic era is forecast to experience significant employee turnover as a primary challenge. The construction sector was certainly facing this problem before the pandemic, and its severity has only escalated since then. Compared to other sectors, construction sector significant disadvantages are the compensation and benefits system and the nature of the jobs, which rely on quality and productivity, and are relatively insufficient (Mahmood et al., 2021). The significant increase in employee turnover in the construction sector in several nations has become a cause of worry, as the efficient use of resources heavily relies on the employee’s productivity (Ayodele et al., 2020). Moreover, the construction sector in Malaysia is currently encountering various difficulties, such as a shortage of labour, concerns regarding sustainability, issue related to job quality, and lack of workforce productivity. These issues have resulted in the introduction of novel challenges affected by the employee’s motivation (Alaloul et al., 2021). It is challenging for construction organizations in the country to hire newly qualified workers, especially young people. Being affected by the 3D factor syndrome – difficult, dirty, and dangerous make people lost interest in the construction business. On the other hand, construction employees have a long history of disengagement from the sector, and some organizations have firmly refused to address the issue by investing in more secure and more accommodating workplaces. The inadequate wages and poor working conditions did not motivate people to meet the growing workforce demand (Moshood et al., 2020).

Nevertheless, most organizations in this sector put low pay, low skill training and development, and overhead costs on their list of priorities. This has made employees dissatisfied and motivated them to look for better job opportunities. Construction does not seem like an attractive job choice among young employees because the pay is inconsistent with the amount of physical work and overload administrative tasks that is needed. The likelihood of finding a better-paying job goes down as the wage goes up, so people are likely to quit their job (Ayodele et al., 2020). This is firmed by Keng et al (2019) where according to the Quantity Surveyors, salaries should be proportional with the amount of work assigned. Consequently, organizations should devote extra attention to the millennial generation. Employers seeking to recruit millennials should be considerate of the need to offer competitive salaries and other types of rewards in order to enhance employee job satisfaction and minimise employee turnover. Developing an appropriate and well-planned compensation strategy enhances employee job satisfaction and improves employee retention (Hee et al., 2018). Current millennials possess a strong awareness of their entitlements and have a rational inclination to demand equitable treatment. They comprehend that compensation and benefits have remained unchanged for numerous sectors over the past few decades, and they are unabashed to pursue superior prospects if their present employment fails to provide them with the necessary provisions. The absence of desired compensation and benefits, an unfavourable workplace environment, and the lack of prospects for professional advancement are among the primary factors that contribute to employees’ intentions to leave their jobs (Kasmuri et al., 2022). Millennials are actively searching for employment
possibilities that not only match their interests but also offer opportunities for professional growth and improved sustainable living costs. Moreover, they are enthusiastic to innovative approaches, such as Industry 4.0, in order to stay ahead of technological advancements (Moshood et al., 2020).

Many of the studies only looked at the organizational variables and overlooked at every dimension of compensation and benefits, which includes both direct and indirect financial compensation. The study by Vizano et al (2020) suggests that this gap need to be filled, especially when it comes to job satisfaction and turnover intentions. This is very important since the COVID-19 outbreaks, and economic instability have made millennials more mindful of what they are supposed to receive in return for the work that they perform for employment. Also, not much study has been carried out on the compensation factors that influence millennials employee’s job satisfaction towards turnover intention in Malaysian construction sector. Therefore, further study will shed light on the lack of studies on this topic issues. This study addressing the correlation and difficulties highlighted ought to help organizations acknowledge and reduce employees’ doubts about employment security, which in turn would enable them to benefit and motivate employees to make more valuable contributions to the organization. This study explores the impact of compensation and benefits that influences the turnover intention and satisfaction of millennial employees. The present study contributes to the understanding the focus on the impact of compensation and benefits on turnover intentions and employees’ satisfaction will assist organizations to re-evaluate and implement effective strategies for attracting and retaining millennials in the post-pandemic construction employment landscape in Malaysia. Hence, this study aims:

1) To examine the compensation and benefits influence the job satisfaction of millennials employees in Malaysia construction sector and how this, in turn, affects their desire to leave the organization, and

2) To identify the effect of direct and indirect financial compensation on millennial employees’ job satisfaction and turnover intentions.

Literature Review

Millennials Work Preferences

According to Safian et al (2021), “Generation Y”, or “Millennials” are those who were born between 1980 and 2000. While researchers Ramli & Soelton (2019) defined millennials born earlier in year 1977 to 2000. Millennial employees are believed to possess unique work ethics values and expectations regarding their professional lives compared to the previous generation (Rank & Contreras, 2021). Finding a satisfactory work-life balance, having a working flexibility, experiencing continuous feedback, transparency, and autonomy in their work setting, receiving salary increases and non-financial benefits are certain of the most important aspects that these millennials expected. Moreover, millennials tend to be considerate in selecting professions and workplaces that are not in the way of their private lives excessively. As an extension of their considerable personal expectations, they expect a positive setting and career development, high compensation and benefits from their job, which makes them feel good about themselves and gives them worth fulfilment (Ngotngamwong, 2019). They diligently look for employment prospects that grasp personal significance and contribution impact, which encourages them to feel more confident in their capabilities (Magni & Manzoni, 2020). According to Ravi (2020), employees are more driven to work hard and perform better when they recognise the organization’s compensation and believe they can succeed. Congruent with Vroom’s expectancy theory, employees are driven
to work for objectives when they perceive their efforts to be worthwhile and are certain that their contribution will be acknowledged, and accumulating rewards will meet their prerequisite job requirement. Therefore, millennials seek employment with organizations that share their values and principles, as well as meaningful work (Mahmoud et al., 2020).

**Turnover Intention**

High employee turnover has been a major issue for construction organization and the sector as a whole. Considering that millennials comprise more than half of the labour market in Malaysia, it is crucial for all industry sectors, including construction, to be mindful about turnover issues (Safian et al., 2021). This is particularly important in light of the disruptive effects of the COVID-19 epidemic on all sectors in recent years. Turnover intention refers to whether or not an employee intends to quit their current organization voluntarily. Employee turnover intentions clarify the correlation between employees’ perceptions and future actual turnover. The intention to leave is a common phenomenon that arises when an improper system and disagreement regarding the balance between work and personal life, as well as dissatisfaction with job dynamics, compensation, development opportunities, the external industry environment, and individual preferences, influence employees to disrupt the organization’s structure by resigning from their positions. It was expected that voluntary employee turnover would be significantly influenced by aspects such as work environment, professional development, and compensation satisfaction (Ayodele et al., 2020). Moreover, job dissatisfaction with employees’ expectations is one of the major contributors to employees’ intentions to leave (Chavadi et al., 2022). Employees will begin their job search for other opportunities and quit employment if they find these opportunities to be more beneficial to their current position (Agustine & Nawangsari, 2020).

**Employee’s Job Satisfaction on Turnover Intentions**

It is possible to tell how satisfied and pleasant someone does their job by measuring their satisfaction. An employee’s level of satisfaction can be determined by connecting their expectations with the actual experiences they are dealing with in the workplace (Mohyi, 2021). According to Panigrahi & Al-Nashash (2019), the satisfaction of employees in their employment appears to be an individual behavior, since it is mostly influenced by the attitudes held by the employees themselves. The level of job satisfaction experienced by employees can significantly impact their acts and behavior, hence exerting an effect on the overall functioning of an organization. It matters what causes employees to stay or leave the organization (Pratama et al., 2022). Chavadi et al (2022) finds that millennials have a lower level of commitment to remaining in organizations when they experience dissatisfaction with their jobs. Compared to employees who become satisfied with their workplace, satisfied employees would stay with their current organization longer and not seek out other employment. Additionally, millennials who have a positive perception of their workplace are more likely to remain employed and achieve future success in their current positions and organizations. Subsequently, employee turnover becomes likelihood to happen, thereby impacting the productivity and performance of the organization (Othman et al., 2020).

Job satisfaction is identified as one of the antecedents of turnover intention in this sector, as suggested by (Safian et al., 2021). However, it also matters to consider that job satisfaction does show a modest effect on turnover intention (Ali & Anwar, 2021). Researchers have also used Herzberg’s two-factor theory to describe job satisfaction and dissatisfaction. Employee morale is therefore not solely boosted by financial compensation.
(e.g., salary, bonuses); non-financial benefits (e.g., opportunities for professional development, workplace environment, and acknowledgment) also have the effect. Their absence will cause demotivation and turnover (Deri et al., 2021). Many studies have shown that there are several variables that could affect perceptions of an employee’s level of job satisfaction. Chen et al. (2023) identified that millennial employees place greater emphasis on certain aspects, including personal career development, compensation and benefits, work environment, task clarity, job security, and autonomy. These aspects exert a significant impact on both job satisfaction and turnover intentions. There have been proven to be the most significant job satisfaction-related factors contributing to the intention to leave one’s position (Rahman, 2020). In spite of this evidence, it is suggested that job satisfaction could play a role in clarifying why employees leave their jobs. Therefore, this study employing job satisfaction as a mediating variable can further strengthen the understanding of how compensation and benefits affect millennials construction employees’ intention to turnover.

**Compensation and Benefits on Employee’s Job Satisfaction and Turnover Intentions**

“Compensation is all forms of salary or rewards to employees and arises from their work. Rewards include direct compensation, indirect compensation, and non-financial rewards” (Wolor et al., 2019). Compensation and benefits have served as the focus topic of many studies, and the results shows that these factors are having the most significant effect on employees’ turnover intentions (Jahya et al., 2020; Mahadi et al., 2020; Salik Balwa et al., 2021), to name a few. According to Akgunduz et al. (2020), satisfied with financial and non-financial compensation have tendency to reduce the intention of young employees to quit their current organization. Study appears to show that compensation positively influences employee job satisfaction, yet on the contrary, it is found to have a negative impact on turnover intentions. Resulting in organizations securing compensation for employees who have shown more fulfilment in their jobs is one strategy for reducing employee turnover (Agustine & Nawangsari, 2020).

Based on equity theory, it is claimed that young employees who are content with their fair compensation are more motivated to have a longer tenure in their employment, in contrast to employees who are dissatisfied with their compensation. It is suggested for organizations to provide with increasing the equal and just amount of compensation and benefits provided to employees in the sector will likely lead to higher levels of job satisfaction, depending on the job contributions and outcomes ratio of the employee performance (Mensah et al., 2020). Adam’s equity theory affirms that in order to achieve a higher level of job satisfaction and performance, there must be a fair balance of the inputs and outputs, together with the presence of organizational justice. According to this theory, employees exhibit behaviour that may cause them to choose to depart or stay when they perceive that they are being either inadequately or overly compensated for based on their inputs (Adams, 1965).

Moreover, having the impression that the organization puts compensation at the top of its priorities list is the good approach to explain a competitive compensation. It led to the understanding that appropriate compensation would make employees more content with their jobs, encourage them to stay (Vizano et al., 2021). It has been clarified that better compensation and benefits can, at the very least, contribute to an increase in both employee loyalty and performance (Prasetio et al., 2019). Therefore, it is generally acknowledged that compensation serves as an important factor in the satisfaction of employees and the organization objectives as a whole. Competitive compensation packages have the potential...
to attract and retain competent and skilled employees. The underlying justification for this is that compensation has a major influence on the employment choices of individuals aligned with the job’s requirements.

**Direct and Indirect Financial Compensation on Employee’s Job Satisfaction and Turnover Intentions**

Irawan & Komara (2020) defined financial compensation refers to all forms of compensation, whether in the form of money, direct commodities, or indirectly received compensation as return for their service performed for the organization. According to Kadir et al. (2019), employee compensation encompasses all types of direct and indirect compensation. Direct compensation often consists of a combination of salary, commissions, and bonuses. Indirect compensation consists of various incentives such as welfare assistance programmes including child and family support, stock options, retirement funds, and insurance benefits. Financial compensation can be referring to incentives that specifically promote the employee’s financial well-being as compensation should be strongly correlated with the employees’ performance and job satisfaction. Dedicated employees looking for fair and satisfy compensation that adequately fulfils their financial requirements. Furthermore, Mutiso et al. (2022) finds that there is a correlation that statistically significant between direct and indirect financial compensation and intention to leave the organization. A different analysis conducted by Irawan & Komara (2020) similarly reveals a negative correlation between financial compensation and turnover intention. This indicates that direct and indirect financial compensation variables have an impact on turnover intention of employees. Azeez et al. (2019) points out that it is not surprising that financial compensation was mentioned as an important reward. The construction sector evolves and depends heavily on its skilled and physical workforce for growth. Thus, financial compensation is a demand to satisfy the physical hierarchy of need of employees. A significant portion of the survey respondents, 25 percent expressed doubt that they were financially compensated. For this reasons, direct and indirect financial compensation meant that employees considered they need to be treated adequately for the time and effort the spend on their work, as well as appropriately compared to other jobs in the same firm or in the same industry.

Following the application of Herzberg’s theory to a representative sample of 176 construction employees in United State, Azeez et al. (2019) study found that the findings provided support for the theory. It is noteworthy to highlight that the findings determined the extrinsic value is significant contributor to job satisfaction. Millennials, according to Manuti et al. (2018), prove that this generation thinks of work more as a privilege than see an obligation and that they prioritize the extrinsic needs of work values such as pay, bonuses, promotion over the intrinsic value. The study conducted by Hee & Rhung (2019) revealed a consistent finding indicating that millennial employees highly appreciate extrinsic values. They will be less satisfied with their employment and may even seek a new one with better extrinsic rewards if these are not adequate. Nevertheless, the individual’s behaviour would be influenced by extrinsic value such as money, reputation, and even recognition. Furthermore, employees in the construction sector rely heavily on extrinsic work values to meet organizational productivity and objectives. This form of extrinsic rewards can be recognized as an effective strategy for an organization to enhance employee satisfaction and productivity across work backgrounds. Thus, extrinsic value as pointed out by Lee et al. (2022), differ from intrinsic value in that they do not necessarily motivate, but they could reduce
dissatisfaction and even improve it. On the other hand, when they are lacking, demotivation and turnover would take place.

Why are Compensation and Benefits Important to Construction Employees?

One of the most important factors determining the long-term viability of any organization in the highly competitive construction sector is the ability to both recruit and retain skilled employees. It is undeniable that an equitable salary is of utmost importance, however, an extensive benefits and compensation packages has the potential to be the distinguishing feature that sets construction organization apart in the consideration of competent employees. Employees in the construction sector are leaving their jobs for a variety of reasons, the most common of which is that their salary and benefits do not adequately satisfy their requirements.

In the construction sector, there are particularly risky circumstances. Work in the construction sector can be physically demanding and comes with several inherent hazards. When it comes to the environment of the workplace, the organization has the ability to promote a decent workplace, but it is exceptionally challenging to do so for employees who work on construction sites, more specifically in the case that COVID-19 becomes prevalent (Soliman et al., 2023). In order to address this issue, it is essential for a compensation package to include incentives; for example, safety and health and work accident in service incentives, periodic break, or paid time off, supervising safety training and fostering a secure work environment. Through the contribution in these programs, construction organization have shown their commitment to and support for the entire welfare of their employee’s well-being, resulting in enhanced job satisfaction, reduced employee turnover, and elevated levels of productivity. Employees are more invested in producing high-quality outcomes when they have a vested interest in seeing the organization trust and succeed (Chagadama et al., 2022; Ihedigbo et al., 2023).

The construction sector, in contrast to other sectors that depend on technological advancements to increase output, this sector builds upon its skilled labour force and physically uses it to generate profit. There needs to be more of a balance between work and personal life for construction employees, who may be suffering from burnout. A major health risk within the construction sector is work-life conflict. There are a number of reasons that lead to high levels of stress among construction employees; the challenging nature of workloads, strict schedules, extended working hours and economic concerns are a several issues that contribute to heightened level of fatigue among construction employees (Mohd Rasdi et al., 2021; Panojan et al., 2022). Many employees spend tireless hours not just because they are passionate about their job, but also because they are expecting an appropriate salary and other rewards to compensate for all the dedication that they put in and are satisfied with their jobs. As a consequence, these factors faced by employees should be aligned and compensated in an equitable manner Pratama et al (2022), in order to at least acknowledge their contribution and encourage them to maintain their level of productivity and performance to avoid employee turnover. Although some studies suggest that work stress, burnout, and work-life balance are independent with compensation satisfaction. Otherwise, a good package might boost satisfaction with one’s job. Indirectly reducing such issues on construction employees can be straightforward (Carvajal-Arango et al., 2021; Prasetio et al., 2019).

Aside from that, it is a fact that one of the most notable characteristics of millennials is their extraordinary intelligence for technology. Many refer to this generation as “tech-savvy”,
as they were born into an era of development of technology and networks all around them. They are naturally more attracted to fields and organizations that are highly technologically proficient. On the other side, they have a certain degree of reluctance when it comes to associating themselves and their credibility with organizations they could be regarded as being outdated or in their way of being irrelevant (Ngotngamwong, 2019). Additionally, the construction sector is being confronted with one of the most critical issues that it is currently facing, which is a shortage of young professionals entering the sector. In view of this, it is important for the construction sector to develop and adapt appealing compensation and benefits packages that are on par with those that are provided by other organizations in order to recruit and retain the most talented employees in the sector (Mahmood et al., 2021). It is of the utmost importance that these should take into consideration the specific requirements and developing tendencies in the construction sector, as well as the shift in organization and employer characteristics that are most likely to catch the attention with the perspective and attitude of millennials.

Conclusion and Implications
This conceptual study aim is to find out that the compensation and benefits related to direct and indirect financial compensation are the most important components that exhibits the greatest influence on job satisfaction among construction employees in Malaysia, resulting in employee turnover intention possibility. Given the changing demographic dynamics in Malaysia, it is essential for employers to demonstrate more thoughtfulness and understanding of the psychological, social, and economic needs of their employees. The Malaysian authorities and organizations should enhance their awareness regarding compensation matters, ensuring that the most suitable approach is adopted. Additionally, they should demonstrate greater attention and evaluation towards comprehensive compensation and benefits, across all sectors, with particular emphasis on the construction sector, which experienced a prolonged period of stagnation. The previous discussions highlighted a noteworthy correlation between satisfaction with compensation and benefits and desire to leave one’s position. Employees who are satisfied with the compensation they receive are able to fulfil their responsibilities efficiently. The absence of job satisfaction will have an unfavourable effect on the productivity of the construction operation, leading to elevated construction expenses, and by any chances of employee intention to turnover. Thus, this study has the potential to provide significant insight on the implementation of retention as well as turnover strategies for employees, boosting the value of comprehensive compensation and benefits packages, and improving employee job satisfaction.

Theoretical Implications
By obtaining a deeper understanding on the particular demands of millennials local employees in relation to workplace compensation and benefits schemes, the organization may effectively design suitable measures to address the shortage of representation of millennial local hires in the construction sector. This study has the potential to make significant contributions to the existing body of knowledge in the corresponding academic disciplines. As well as, for the author, this study can be reference in the further study about this issue of the mediating effect of job satisfaction on compensation and benefits and its dimensions towards employee turnover intentions among millennials in Malaysia construction sector. Hence, based on two theoretical approaches, Herzberg’s two-factor theory and expectancy theory, the study intends to ascertain the importance of employees’
job satisfaction in shaping their influence on compensation and benefits towards turnover intentions. To provide more clarity to the relationship between the constructs and improve the understanding behind the relationship, this study aims to expand upon the current research by assessing the mediating role of job satisfaction in the relationship between compensation and benefits and turnover intentions. Interestingly, increasing job satisfaction is another objective of this compensation increase. Organizations can improve compensation by increasing both monetary and benefits in addition to compensation.

Practical Implications
This study aims to shed light on the significance of offering competitive compensation elements that influence job satisfaction and turnover intentions, in the anticipation that these will assist human resource professionals, and company executives in their pursuit of the best ways to retain their workforce. In modern labour competition, construction organizations must restructure and improve their compensation and benefits packages to attract and motivate more millennials and retain skilled employees. This study shows that employee participation in compensation and benefits packages formulation and redeployment increases their sense of responsibilities and provide superior perspectives on their expectations. This allows organizations to act swiftly to retain employees and reduce losses in human resources practices.

References


