

The influence of employer value proposition in talent demand towards talent shortage in the Malaysian Islamic banking institutions: A SEM approach

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ABSTRACT

During the past three years, Malaysian Islamic banking Institutions' (IBIs) asset has shown an aggressive growth of 13%. Furthermore, Malaysia is currently focusing to become the world hub leader in Islamic banking. Hence, these two factors have increased the competitiveness among IBIs to find qualified talents in various fields to be attracted. Despite abundant new talents in the job market, the IBIs could not attract the qualified or right talent into their institutions. This paper attempts to identify an appropriate EVP for new Malaysian IBIs talents to attract qualified talents. To do so, a study is conducted with a structured interview of the questionnaire. The questionnaires were evaluated by a group of Malaysian graduates on the required EVP for IBIs. The results indicate that basic salary, employee benefit package and flexible working hours play an important role for talent shortage.

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1. Introduction

The astonishing growth of the Islamic banking institutions during the past few years has been underpinned by several factors, including enhancement of regulatory clarity, supportive demographic factors, product changes, and technology advancement. Indeed from 2009 to 2013, the asset in Islamic banking institutions grew averagely at 17% and expected to achieve USD dollar 1.8 trillion of assets in 2019. The market expansion of the Islamic banking around the world has been distributed in 82 countries.

In addition, Malaysia's strong solid development and growth have been accompanied by the ample regulations or legal framework, especially in key Islamic banking jurisdiction. The evolution of Islamic banking started by the Islamic Banking Act (1983) followed by Banking and Financial Institutions Act (1989) and the latest Islamic Financial Service Act (2013). This regulation significantly strengthens the foundation of the IBIs growth since within the past three years, IBIs assets have shown an average growth at 13%. With the splendid growth sign, IBIs are expected to achieve 40% of the total Malaysian banking assets in the recent future.

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Overall, with excellent records achieved by IBIs, it is important to ensure adequate talent pool to support the IBIs to keep sustainable banking market. Nevertheless, according to the Malaysian Islamic Finance Centre (MIFC) (2013), to maintain the long-term positive growth IBIs will merely need 200,000 workforces in 2020. The demand of talent in IBIs would support in various fields and functions such as Shariah expertise, product development, risk management, legal and information technology. In contrast, currently, there are only 17,621 workforces available in IBIs that is only 11% of workforce required by IBIs. This enormous talent requirements in IBIs has created a talent war among IBIs in Malaysia. Recently, a report from AIF (2015) stated that IBIs are currently faced not only with shortage of employees but also the scarcity of talent for about 82%. This shortage does not only arise from talent war but also can be derived from talent attraction. Interview findings by IBBM (2014) founded that employer value proposition plays an important role in attracting a qualified talent.

Therefore, this paper aims to identify and examine the extent that EVP affects the talent shortage in Malaysian IBIs. Moreover, this paper also examines the positive relationship between EVP components; namely basic salary, employee benefit, and flexible working hours.

2. Talent Shortage

The evolution of talent generation from baby boomers, Gen X to Gen Y in the job market nowadays, has created a new demographic in the job environment. The contrast needs and preferences by the new generation have made many organisations cope with their new job style. The paradox situation happens when the talent cannot find the employers that suit his/her needs and preferences while employers may not also find the talent that suits with their needs and preferences. Despite having abundant talent in the job market, the employers could not attract the qualified talent into their organisations. The big question is why? Are those employers having difficulty to offer attractive EVP to the talent or the availability of EVP is outdated to fulfil the current generation's needs and preferences? This scenario has spawned the talent shortage in IBIs. According to Asian Islamic Finance (AIF) (2015) finance service institutions were persistently faced with the highest level of talent shortage from 2011 to 2014. Furthermore, this talent shortage was also derived from the employers' experience difficulty in filling the job at 77%, competition from other employers at 33% and IBIs less attractive at 14%. Meanwhile, Institutes of Bankers Malaysia (IBBM) (2014) indicated that talent shortage exists in all levels including entry, specialist, middle, and senior. This shortage of talent could impede the IBIs business performance, especially in productivity as stated by AIF (2015) at 50%, 39% at profitability and 30% at recruitment and retention of talent in IBIs. Given the acute talent shortage from the statement and implication perspective in the IBIs, further holistic approach is required to attract the qualified talent into the organisations. Hence, modern EVP basis that is aligned with the new generation preferences approach by the management should be an essential points to attract new talent.

3. Employer Value Proposition

EVP is the monetary and non-monetary benefits received through employment (Watson, 2008). Previous studies on the employer value proposition agreed that EVP could encourage and attract talent. Botha et al. (2011) found that a unique and different employer value proposition could attract talent for the organisation. In another study, it is found that talents are attracted organisations to offer remuneration that suits with their preferences. In line with that statement, Manpower Inc. (2009) identified that an effective EVP provides three benefits that are improved attractiveness, greater employee commitment, and compensation savings. Meanwhile, Watson (2008) stated that a robust, effective EVP as a tool in the war for talent would critically increase the factor of winning the qualified talent. In the same vein of the research findings by Newman and Milkovich (2008), it is agreed that talents are attracted to companies with benefits that can cope with their inherent preferences or needs. Meanwhile, in other research findings by the Corporate Leadership Council (2002), the research drew the calibration among the EVP and employees' requirements to establish an offer match. The competitive EVP for the talents are comprised of economic, psychological, and functional preferences (Sartain & Shumann; 2006; Moroko & Uncles, 2009; Minchington, 2010).

There are three most discussed attributed in the employer value proposition that are basic salary, employee benefit, and flexible working hours. According to Ram (1985), we need to pay more attention to the role of real income level that is important for the fulfilment of the basic needs. According to Florida (2002), basic salary is the reason to attract talent, and this statement has been supported by various studies (Kucherov & Zavyalova, 2012; Docquier & Machado, 2015). Apart from that, benefit package also needs to be included in the talent demand side offered for the talent as a method of complement for the effort of employees (Beam & McFadden, 2001; Milkovich et al., 1999). Besides, flexible working hours would be required in talent demand offered for talent because of the quality of work life, employee satisfaction and performance (Orpen, 1981), and productivity (Schein et al., 1977). These findings are supported by Maslow's Theory of Human Motivation and McClelland's Acquired Needs Theory that stated a talent desire is outlined by needs and attracted to an offer that could confirm the new generation preferences (Armstrong, 2007; McClelland, 1961). Maslow's theory of motivation conceived humans are motivated by a hierarchy of needs that a person must meet the level condition required to move into the further level need. Maslow's theory asserts that humans are motivated in obtaining certain needs, thus as the conditions of these are achieved the human will seek to achieve further needs (Steel & König, 2006). Action need theory is a motivational model that explained about the need for power, achievement, and affiliations affect the action of people in the context managerial. Moreover, the theory defined that each individual has different driven factors from their life experience, culture and preferences into motivation towards need for achievement (Weiler, 2005). From those point, there is a need for the integrating of motivation theories to postulate relevance model for new generation preferences (Lox et al., 2016). Fig. 1 demonstrates the proposed model of this paper.



Fig. 1. The proposed study of the paper

4. Methodology

The main purpose of this paper is to answer whether EVP attributes; namely basic salary, employee benefit, and flexible working hours may predict antecedents towards talent shortage in Malaysian IBIs. For this purpose, the objectives of the paper are divided into two stages. First, an objective of the paper is to focus on identifying an attribute of EVP that affects the talent shortage in Malaysian IBIs, which is the theoretical objective approach. Second, the objective of the paper focuses on examining the extent of the relationship between EVP dimension and sub-dimension that affect talent shortage in the Malaysian IBIs, which is more empirical approach. Therefore, this paper has two characteristics which are explorative and descriptive. Thus, to achieve the overall objectives of the paper, theoretical and empirical studies are conducted phase by phase and sequential.

4.1. Sampling

This paper has a confirmatory nature and a quantitative method approach is followed by the examination, which includes questionnaires and content analysis. In the first place, for the sampling purposes, there were seven Malaysian public universities (UAs) that produced Islamic banking related graduates; namely UITM, UNiSA, UUM, UMK, UMS, IIUM, and USM (MQA, 2014). For that purpose, cluster sampling approach was used for this study followed by the cluster sampling for UAs, 335 Malaysian public universities graduates graduated from Islamic banking bachelor related out of the total 2,507 population, selected respondent determined by Krejcie and Morgan (1970).

Moreover, the chosen respondents in this study used systemic sampling technique, as that probability sampling are suitable for SEM analysis and can avoid bias (Zikmund, 2012; Bryman, 2015).

4.2 Data Collection Method

The data collection was comprised of two methods. The first method was library research, and the second was the questionnaire. The first stage of data collection method was performed through library research by an extensive review of the literature for talent shortage in IBIs. The objective of this stage was to identify and determine the dimension and sub-dimension of talent shortage and EVP. Meanwhile, the second phase of data collection was to develop the questionnaire as the survey instrument. The questionnaire was divided into 3 sections consisting A, B, and C. Each section represented each variable comprising A for Demographic (6 items), B for Talent Shortage (6 items), C for EVP (6 items) followed by three subcategories; Basic Salary (6 items), Employee Benefit (6 items) and Flexible Working Hours (6 items). Each question was measured by Likert scale technique at 10-point scale (Hair et al., 2014; Norman, 2010; Dawes, 2008). Both phases were meant to meet the objectives of this study.

4.3 Data Analysis

In the quantitative approach, the research data were analysed using the Analysis of Moments Structures (AMOS). Then, Exploratory Factor Analysis (EFA) was run to reduce and manage the number of variables that belong together and overlapped in measurement characteristics. After that, AMOS was used to handle the Confirmatory Factor Analysis (CFA) to validate the measurement model of a construct and to test the stated hypothesis in the path model. On the other hand, SEM (Structural Equation Modelling) was used to test the path model by employing the statistical method. SEM was the second-generation method of statistical analysis developed to cater for limitations in the traditional Ordinary Least Square Regression (OLS) especially when dealing with latent constructs in a model (Aimran et al., 2017, Mo-hamad et al., 2013).

5. Findings

In this section, we present the results of the implementation of the structural equation modelling on the data gathered from the participants on our survey.

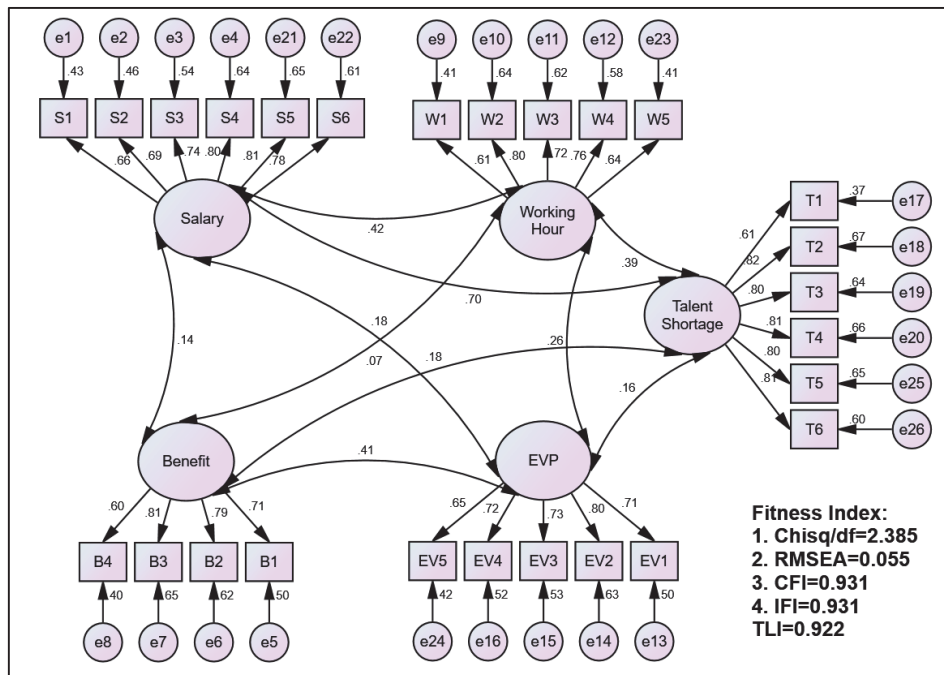


Fig. 2. Pooled CFA

Table 1
The results of the implementation of SEM

	CR	AVE	Talent Shortage	EVP	Salary	Benefit	Working Hours
Talent Shortage	0.902	0.608	0.780				
EVP	0.843	0.519	0.162	0.721			
Salary	0.883	0.558	0.703	0.181	0.747		
Benefit	0.818	0.533	-0.181	0.413	-0.141	0.730	
Working Hours	0.833	0.502	0.389	0.264	0.419	0.069	0.709

Fig. 2 and Table 1 present the results of the pooled confirmatory factor analysis for the talent shortage model. As mentioned above, there are five first-order constructs involved in the current study to ensure the research hypotheses. In this study, we have figured out that there were 26 indicators remained in the model. Thus, 4 out of 30 items have been removed from the model due to lower indicator loadings (below 0.60 of indicator loadings). Hence, it is as proposed by Kline (2005) and Afthanorhan et al. (2017) in accepting the model if the removal items are below than 20%. Also, the fitness index result was reported to assess the fitness of measurement model. That is, all the fitness index requirements were achieved as $Chisq/df=2.385 < 3.0$; $RMSEA = 0.055 < 0.08$; $CFI = 0.931 > 0.90$; $IFI = 0.931 > 0.90$; and $TLI = 0.922 > 0.90$. Subsequently, Composite Reliability (CR), Average Variance Extracted (AVE) and discriminant validity were tested. From Fig. 1, CR and AVE for each measurement model (CR= 0.902, 0.843, 0.883, 0.818, 0.833; AVE = 0.608, 0.519, 0.558, 0.533, 0.502) were higher than threshold of 0.70 and 0.50, respectively. Additionally, square root AVE posits at the diagonal column must be higher than the latent variable correlation (Hair et al., 2013; Afthanorhan et al., 2018; Aziz et al., 2016). Based on the results of Table 1, discriminant validity has been achieved as the latent variable correlation seemingly below than square root AVE.

5.1. Structural Model

Fig. 3 and Table 2 present the results of the implementation of SEM for the standardized model.

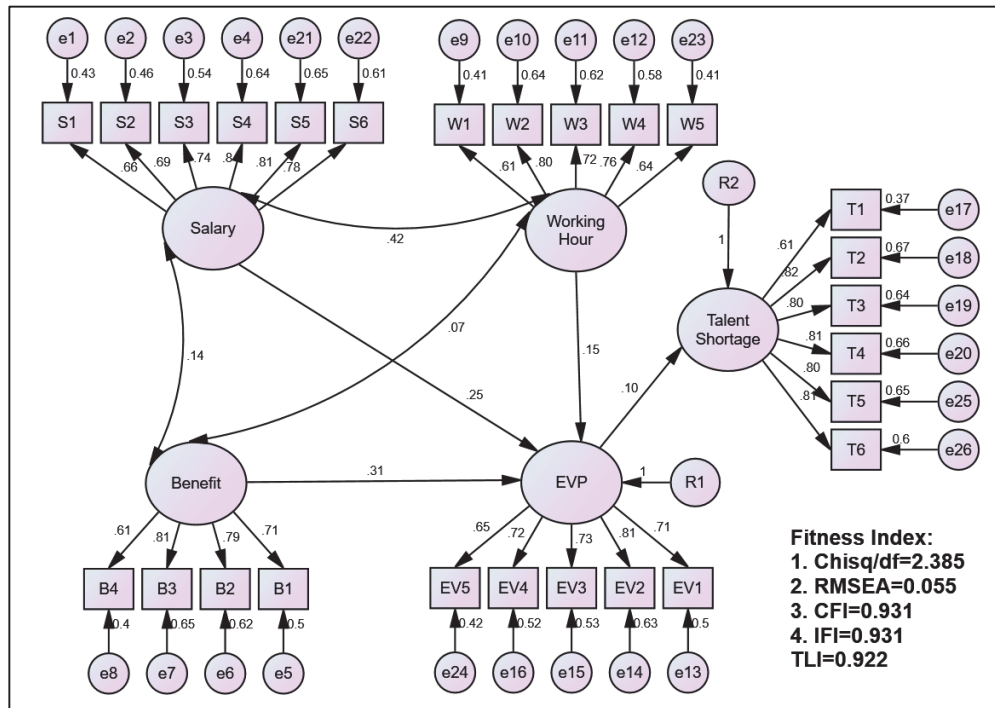


Fig. 3. Standardized Structural Model

Table 2

The results of the implementation of SEM for standardised model

Hypothesized Model	Estimate	S.E	C.R.	P
Salary on EVP	0.259	0.078	3.332	***
Benefit on EVP	0.327	0.045	7.257	***
Working Hours on EVP	0.183	0.066	2.784	0.005
EVP on Talent Shortage	0.118	0.036	3.306	***

Fig. 3 and Table 2 present the hypothesized model based on theory the proposed in the study. In this case, EVP construct was determined as the mediator construct where all exogenous constructs must impose on it and at the same time it imposes on endogenous construct (Talent Shortage). Therefore, the path coefficients and critical ratio are obtained and Null Hypothesis Significant Testing (NHST) can be determined. Based on the output revealed, all exogenous constructs were positive impact on mediator construct that is Salary \rightarrow EVP ($\beta = .259$, S.E = .078, $\rho = ***$), Benefit \rightarrow EVP ($\beta = .327$, S.E = .045, $\rho = ***$), Working Hours \rightarrow EVP ($\beta = .183$, S.E = .066, $\rho = .005$) and finally EVP \rightarrow Talent Shortage ($\beta = .118$, S.E = .036, $\rho = ***$). Among exogenous constructs, Benefit factor is the most important in contributing a high impact on EVP. Therefore, one can conclude that all the research hypotheses proposed are supported.

6. Discussion

The research has identified that EVP has become an essential tool in the quest to win talent war among Malaysian IBIs (Heger, 2007). Additionally, the sub-dimension of EVP also has been identified, in which to suit with the needs and preferences of the new generation of talent. Basic salary, employee benefit, and flexible working hours were found to be the new generation talent choice of EVP package, in fact, their preference is the EVP. Since the EVP value has a significant impact in affecting talent shortage in IBIs, employee benefit is the factor which gives a high impact on attracting talent into IBIs. From the theoretical standpoint and theory building, this study has contributed towards building the EVP model for IBIs that suit with the needs and preferences of the new generation of talent. These findings can facilitate the relevant stakeholders in improving their mismatch understanding and information on the EVP. Applying this strategy as the best practice to win talent war could reduce the talent shortage in the IBIs (Chambers et al., 1998). In another point of view, the advantage of EVP is not only as a tool to win the talent war but also to retain, build up the organisation image and brand name in the market. In addition, it motivates the employer to increase productivity and efficiency (Guthridge et al., 2008).

In summary, IBIs have the responsibility of providing EVP that matches with the needs and preferences of the desired talent. The IBIs shall alert on the level of the generation that has a different needs and preferences (Uthamaputhran, 2018). The mismatch occurs in providing a right EVP would make a desired talent loss interest to join the organisation and run to other institutions that provide a better competitive EVP. It makes the organisation lose the talent, face an ineffective talent, and acute talent shortage. Nevertheless, this matter happens when the demographics of previous talent has evolved to another dimension of demographic affected by rapid technology changes and globalisation environment (McCrinde, 2006). Hence, the influence of EVP in talent demand that affects talent shortage in the Malaysian IBIs would significantly give the positive impact on the talent shortage in the job market, since Malaysian economy faced the turbulence of uncertainty economy state.

6.1 Implications

The implication of this paper can be seen in two aspects namely theoretical and practical aspects. From the theoretical viewpoint, this construct has been the focus of many practitioners related study but limited in academic studies discover. This paper has focused on the exploration factors of EVP towards talent shortage in the Malaysian IBIs. Furthermore, it can be extended to be applied to the other industries in Malaysia in attracting their desired talent. Apart from it, this paper also can be extended by future research toward Islamic EVP approach in the Malaysian Islamic banking. While from the practical aspect, this research subsists of three elements of the practical dimension. First, it has concluded on the fact that

the suitable needs and preferences of the new generation of qualified talent desired by Malaysian IBIs. Second, the study has identified the existence of EVP package in talent attraction of Malaysian IBIs. Then, it has updated the EVP package to suit with the needs and preferences of current talent generation. Third, despite the EVP package suggest to be used for talent attraction, yet it can be extended to the talent retention programme package (Frow & Payne, 2011).

6.2 Limitations

Given the objective of the study, three limitations have been identified that provide the extent chance for future research in this study. The first limitation is associated with the respondents of the sampling used in this study which was only limited to the Islamic banking graduates. The second limitation is the EVP constructs that define the need and preferences for the new talent. The last limitation of this study is about the 335 sample size which is relatively suitable from statistical viewpoints only. Therefore, it should be extended bigger sample size for robust generalisation findings of the study.

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