

Impact of Work-Life Balance on Employee Retention: Home Mortgage as Moderator

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Abstract

Purpose: Although extensive studies on work-life balance and employee retention relationship have been carried out in various contexts, factors that may influence this relationship are unclear. Hence, this study was conducted to examine the moderating effect of home mortgage in the relationship between work-life balance and employee retention.

Design/methodology/approach: The data was collected through questionnaires among youth workers who work in Kuala Lumpur. The samples were selected by nonprobability sampling method, which is the convenience sampling technique. The statistical method used was SPSS software, with hypothesis testing using a hierarchical multiple regression analysis.

Findings: Result of this research shows that home mortgage moderates the relationship between work-life balance and employee retention.

Research limitations/implications:

Practical implications: This research is expected to be able to give insights to organizations to develop programs or policies to retain their current workforce, particularly the youth generation.

Originality/value: This study improves the existing literature by providing empirical evidence that home mortgages can strengthen the relationship between work-life balance and employee retention.

Keywords: Work-life balance, Employee retention, Home mortgage

Introduction

Organizations are continuously experiencing a retention crisis (Hannay and Northam, 2000). Therefore, research related to employee retention is the focus of current researchers, particularly in the field of human resource management (Kossivi, Xu and Kalgora, 2016). Employee retention is a scenario where employees choose to stay on with their current organization and don't actively seek other job prospects. Employee retention is vital if organizations want to remain successful. It is due to experienced employees able to help organizations to improve efficiency and productivity (Tirta and Erika, 2020).

Organizational factors such as work-life balance is a significant factor for employee retention. The practice of work-life Balance can attract outside talent and reduce conflict among current employees, which ultimately improves organizational performance (Garg and Yajurvedi, 2016). Work-life balance refers to an overall appraisal of the extent to which an individual's effectiveness and satisfaction in work and family roles is consistent with their life values at a given point in time (Greenhaus and Allen, 2011). The association between work-life balance and employee retention has been verified from various perspectives including the nurses (Aamir, Hamid, Haider and Akhtar, 2016), executive (Akila, 2012), and information technology professional (Garg and Yajurvedi, 2016).

Yet, despite the consistent association between work-life balance and employee retention, factors that may influence this relationship are unclear. In other words, there is a need to identify the factor that can reinforce the relationship (Shockley, Smith and Knudsen, 2017). Home mortgage may moderate the relationship. The term mortgage refers to a loan used to purchase or maintain a home, land, or other types of real estate. According to Lau and Leung (2014), home mortgage is by far the largest component of total debt and constitutes more than half of a household's liabilities. Therefore, home mortgages are more likely to influence employee attitude and behavior. In addition, previous study has demonstrated that debt (i.e., home mortgage) can influence an individual's psychology (Selenko and Batinic, 2011). In specific, debt that allows for investment in homes is associated with greater socioemotional well-being. This suggests that debt is not universally harmful for an individual's well-being, particularly if used to invest in a home (Berger and Houle, 2016). Other study also indicated that the prevalence of home loans, due to its normalcy, may result in home loans being less negative for well-being or even having positive effects on well-being, given that it serves to fulfil a basic need for shelter (Tay, Batz, Parrigon and Kuykendall, 2017). Based on previous findings and the fact that well-being can improve the level of employee retention (Sears, Shi, Coberley and Pope (2013), this study suggests that home mortgages may reinforce the effect of work-life balance on employee retention.

Literature Review

Work-life balance and employee retention

Work-life balance can be facilitated by organisation through flexible working time, option to work from home or outside office, and family-friendly culture (Kumar and Velmurugan, 2018). Researchers have consistently suggested a positive effect of work-life balance on retention (Tirta and Enrika, 2020; Sharma and Gupta, 2020; Aamir, Hamid, Haider and Akhtar, 2016; Garg and Yajurvedi, 2016). These findings show the importance of work-life balance, particularly in retaining the employees. In other words, employees who experience work-life balance will tend to stay (Tirta and Enrika, 2020). There are few possible reasons. First, employees may intend to remain in organizations that provide a work-life balance environment because such conditions can facilitate them to achieve a good productivity (Garg and Yajurvedi, 2016). Second, the balance between work-life also can decrease their stress, improve their level of work attitude and performance (Aamir, Hamid, Haider and Akhtar, 2016). Third, work-life balance also enables enhanced emotional support to employees (Osman, 2013).

While there are studies that have justified the work-life balance – employee retention relationship, others have found unconvincing results regarding this association. For example, a study among 16813 employees, who work in the private commercial sector, public sector and not-for-profit organisations indicate that employees with higher work-life balance demonstrate less intention to stay (Parkes and Langford, 2008).

The previous reviews reveal that there is uncertainty regarding the relationship. Although several studies support the relationship (Tirta and Erika, 2020; Aamir, Hamid, Haider and Akhtar, 2016; Garg and Yajurvedi, 2016), there is a study that reported insignificant results (Parkes and Langford, 2008). It is likely that there are potential moderating factors that may enhance the work-life balance – employee retention relationship (Memon et al., 2019). The following section will discuss the role of home mortgage as a moderator in the work-life balance – employee retention relationship.

Home mortgage as a moderator

There is still limited research that explore the role of debt (Tay, Batz, Parrigon and Kuykendall, 2017; Lau and Leung, 2014). Debt is recognized as a factor that able to play the role as a moderator to attenuates or accentuates a particular relationship (Muhammad, Migliori and Mohsni, 2021; Fatima, 2018). Pengeran (2018) found debt acts as moderator on the relationship between active family control and financial performance. In specific, the type of debt that has ability as a moderator is home mortgage. There is evidence showing the moderating ability of home mortgages. A study shows that home mortgages moderate unemployment – poor health relationships (Lau and Leung, 2014). While this study is important in demonstrating the moderating ability of home mortgage, no study has as yet examined the possibility that home mortgage helps to intensify the impact of work-life balance on retention. It is expected that when employees have home mortgages, the impact of work-life balance retention will be greater. One possible reason is due to home mortgage liability resulting in higher probability of remaining employed over the long term (Moulton, Pierce, Chun and Brown, 2020). Therefore, the hypothesis below is proposed:

Hypothesis 1: Home mortgage will moderate work-life balance – employee retention relationship.

Methods

Sample

This study focuses on youth, who work in various sectors in Kuala Lumpur, Malaysia. Youth in this study refers to workers between the ages of 15 and 30 (Youth Societies and Youth Development Act (Amendment) 2019 (Act 668). This study applies a convenience sampling technique to choose the sample for this study.

The data were gathered through a survey. 201 youth workers have participated in this study. All respondents provided informed consent. 40.8 percent ($n = 82$) were male, and 59.2 percent ($n = 119$) were female. 23.4 percent ($n = 47$) are still single, while 76.6 percent ($n = 154$) of them have married. In terms of workplace, the majority, 69.7 percent ($n = 140$) of them working in the private sector, 13.4 percent ($n = 27$) of them working in the government sector, and 10 percent ($n = 20$) of them having their own business.

Measures

Employee retention was assessed using three items by Langford (2009). The three items have been validated by Presbitero, Roxas and Chadee (2016).

Work-life balance was assessed using three items by Langford (2009). The three items have been validated by Presbitero, Roxas and Chadee (2016).

For home mortgages, respondents were asked ‘Do you have a commitment with a home loan?’. Respondents were asked to answer the question based on scale of 1 for ‘yes’, and 2 for ‘no’.

Findings

The role of home mortgage as a moderator in the work-life balance – employee retention relationship has been tested using a hierarchical multiple regression technique. In the first step, two variables were included: work-life balance and home mortgage. These variables accounted for a significant amount of variance in employee retention, $R^2 = .344$, $F(2, 198) = 52.00$, $p < .001$. To avoid potentially problematic high multicollinearity with the interaction term, the variables were centered and an interaction term between work-life balance and home mortgage was created (Aiken and West, 1991). Next, the interaction term between work-life balance and home mortgage was added to the regression model, which accounted for a significant proportion of the variance in employee retention, $R^2\Delta = .036$, $F\Delta(1,197) = 11.38$, $p = .001$, $\beta = .364$, $t(197) = 3.37$, $p < .001$.

Discussion and Conclusion

The analysis results indicate that home mortgage has an important role towards employee retention. If a youth worker has home mortgage liability, the intention to stay will be higher, as the youth worker requires cash to fulfill monthly commitment to the financial institution. As Moulton, Pierce, Chun and Brown (2020) argue that home mortgage liability results in higher probability of remaining employed over the long term. This study also provides additional evidence on work-life balance – employee retention relationship from the perspective of youth workers. A youth worker may intend to remain in an organization that provides a work-life balance environment because such conditions can facilitate them to achieve a good productivity (Garg and Yajuverdi, 2016). The balance between work-life also can decrease their stress, improve their level of work attitude and performance (Aamir, Hamid, Haider and Akhtar, 2016). In addition, work-life balance also enables them to enhance emotional support to them (Osman, 2013). Moreover, the youth worker has their own work values, compared to adult or old workers. They emphasize on quality of life than compensation (Twenge et. al., 2010). As a conclusion, both predictors, work-life balance and home mortgage are important elements for employee retention in an organization. Specifically, the work-life balance – employee retention relationship would be stronger if employees have home mortgage commitment.

Theoretical Implications

From a theoretical perspective, this study extends the literature by examining the influence of home mortgages in the work-life balance – employee retention relationship. Although the relationship has empirically justified (Tirta and Enrika, 2020; Aamir, Hamid, Haider and Akhtar, 2016; Garg and Yajurvedi, 2016), this study enhance the literature by providing empirical evidence that home mortgage can strengthen the work-life balance – employee retention relationship.

This study discusses employee retention from the perspective of a youth worker. Generally, prior studies have been conducted based on a specific profession such as nurses (Aamir, Hamid, Haider and Akhtar, 2016), executive (Akila, 2012), and information technology professional (Garg and Yajurvedi, 2016). There is a need to explore employee retention issues based on age due to organizations facing turnover crisis among youth workers (Zulbahari and Alias, 2014). Till date, the discussion on this issue in the context of Malaysia is still limited in the literature.

Practical and Social Implications

This study enhances organizational understanding about the predictor of employee retention. Specifically, it highlights the important role of home mortgages on employee retention. Therefore, it is recommended for organizations to provide a loan as one of the benefit packages to their employees. It can be a financial loan, home mortgage, auto loans or education loans.

This study proves that a commitment to debt is able to make employees remain in the organization.

In addition, the current study also justifies the significance of work-life balance to retain the youth workers in organizations. There are many ways to create a work-life balance culture in an organization. For instance, flexible working time, option to work from home or outside office, and family-friendly culture (Kumar and Velmurugan, 2018).

Limitations and Recommendations for Future Research

This study focuses on home mortgages as a moderator. Future study may select other potential individual factors (e.g., job satisfaction, organizational engagement) or other types of debt such as credit card loan, auto loan or education loan as a moderator between work-life balance and employee retention.

The sample in this study are youth workers who work in various sectors in Kuala Lumpur. Future research could conduct study among senior employees (age above 30 years old) at the specific organization to validate the findings of this study.

This study includes work-life balance as the only predictor to employee retention. Future study may include other work practices that may influence employee retention. It is due to the work practices that are effective at retaining employees are not necessarily the same (Parkes and Langford, 2008).

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