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**GEN Y: EMPLOYEE REWARDS, MOTIVATION AND**  
**WORKPLACE LOYALTY**

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***Abstract***

Generation Y workforce often linked to job hopping and their loyalty towards their organization has been questioned and attracted many research. The present study investigated motivation and reward relationship with loyalty among generation Y. In this study, we argue the function of motivation and rewards of organization in building loyalty of generation Y employees. Rewards are studied from two types of rewards namely extrinsic and intrinsic in which it effects on employee especially their loyalty is discussed. The function of motivation also discussed particularly the way it directs employee behaviour in achieving organizational goals and improving employees' loyalty towards the organization. Both motivation and rewards offer benefits possibly gain from working in the organization but the implementation of both variables are differed. While rewards are more related to a system in handling employer-employee relationship and contract, motivation is more incline to managerial practice that requires good leadership quality. Structural equation modelling (SEM) constructed to test the hypotheses with 202 participants from various sectors and level of employment. Result of SEM analysis showed that motivation correlated with rewards and predicted higher loyalty while rewards have no significant relationship with loyalty. The result is consistent with characteristic and traits of generation Y workforce as discussed.

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**Keywords:** Motivation, rewards, loyalty, generation Y.



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## 1. Introduction

Due to high competition for great talent of human capital, retention of quality employee has emerged as the biggest challenge in human resource in which loyalty among employees is much appreciated especially among generation Y. The loyalty issues are more acute with generation Y due to high turnover among them and the shortage of talents in Malaysia (Downe, Loke, Ho, & Adegbite Taiwo, 2012; Queiri, Wan Yusoff, & Dwaikat, 2015). Loyalty is beneficial in employee-employer relationship as it shows the inclination of employees to invest their efforts, making sacrifices as well as staying gratified with the organization (Reichheld, 2003; Solomon, 1992). Nowadays, loyalty is also expanding to the level of commitment employees make to their company (Phanuef, 2013). In an effort to maintain employee loyalty towards the organization, many organizations construct rewards system with different kind of benefits.

The reward constructed is a programme that organization created to attract talented employees, to retain them and to motivate employee to give high performance for the organization (Fay & Thompson, 2001). Many definitions of reward are directed to monetary and non-monetary exchange in employment between employees and employer. The monetary exchange is an extrinsic reward employees received for their work and it must satisfy basic human needs and security (Lawler, 2003). Previous research found that employee is motivated to do their job as well engaging better with their organization if they believe that they are being paid well by organization (Adeyemo & Aremu, 1999; Stajkovic & Luthans, 1997). Meanwhile, intrinsic reward is an intangible mean that much related to employees' satisfaction and psychological reward which can be described as job satisfaction, feeling joy and interest after employees achieving their job objectives (Zaman, Hafiza, Shah, & Jamsheed, 2011). The psychological reward employees received after realising job objectives is an internal factor that will motivate employees and make the job become more inspiring (Cummings & Worley, 2007). Thus, intrinsic and extrinsic reward not only work as contract fulfilment between employees and employer but also function to motivate employees to fully commit to the organization.

Motivation from psychological perspective is the need and wants that provoke, direct and assimilate one behaviour and activity (Dann, 1981; Uysal & Hagan, 1993). In the organizational context, motivation is the set of attitudes, and values that affect employees' behaviour in achieving certain organizational goals (Rival, 2014). It is a planned managerial process to inspire employees to work at their best capabilities and part of the process to influence others to act towards desired goals (Kuppuswamy, Saminathan, Udhayakumar, Vigneash, & Gopalakrishnan, 2017). Based on the two-factor theory, employees remain in an equilibrium state between satisfaction and dissatisfaction which will be swayed due to other factors (Bassett-Jones & Lloyd, 2005; Herzberg, 1959). It can be a result of success, recognition, and sense of usefulness, as well as satisfaction with organizational systems, supervision, and working environment (Suryana, 2016).

Unlike rewards that have controlling and information properties, motivation needs internal and contextual considerations in managerial practices. It is not a permanent traits organization provided for employees as it can change and influenced by personal and situational factors (Wiley, 1997). However, both play an important role in encouraging loyalty in organization. Previous study found that employer inability to provide rewards and motivation as expected by employees, betraying their trust and loyalty may

face high intention to quit (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008; Salahudin, Alwi, Baharuddina, Santhasarana, & Balasubramaniam, 2016; Zahra Malik & Khalid, 2016).

## **2. Problem Statement**

The struggle of many companies in retaining their talent has creating the biggest challenge in human resources and human capital management. Generation Y until recently known as a generation with lack of loyalty and keep jumping from one organization to another. They only show their loyalty when they can gain job satisfaction, good reward system policy, flexibility in work and ability to achieve their objectives in the organization (Kerslake, 2005; Martin, 2005). Previous research found that generation Y will accept job offer and stay loyal with the organization due to the rewards system such as salary, benefits and career advancement (Randolph, 2008). Their ambitiousness which usually related to the benefits they can gain from the organization either monetary or non-monetary provided challenge for organization (O'Reilly, 2000).

High turnover will impact the organization, leading to decline in productivity, service delivery and knowledge transfer (Mohd Hanif & Chia, 2013) either as a result of low loyalty among employees or other factors. The turnover also incurred organization with direct cost such as replacement and transition cost as well as indirect cost like low performance level and low morale (Asian Institute of Finance, 2014). In decreasing turnover rate, many companies rely heavily on many factors that may increase employees' loyalty towards their organization. One of the direct methods of encouraging loyalty is improving reward system which employer hopes can improve employees' motivation to commit to organization.

The purpose of this study is to investigate the relationship between rewards and motivation on employee loyalty. Previous research found that employee motivation affect employee loyalty (Ikhram & Sudjatno, 2017).

## **3. Research Questions**

This study aims to answer 3 main questions:

- RO1: What is the relationship between reward and employee loyalty among generation Y workers?
- RO2: What is the relationship between motivation and employee loyalty among generation Y workers?
- RO3: What is the relationship between reward and motivation among generation Y workers?

## **4. Purpose of the Study**

The purpose of this study is to investigate the relationship between motivation and rewards on employee loyalty among generation Y. There are three hypotheses tested in this study:

- H1: There is a significant relationship between reward and employee loyalty among generation Y workers.
- H2: There is a significant relationship between motivation and employee loyalty among generation Y workers.

- H3: There is a significant relationship between reward and motivation among generation Y workers.

## 5. Research Methods

A quantitative survey method is employed in this study. Questionnaires were distributed to various companies in Kuala Lumpur area and its vicinity. The respondents were at first asked their year of birth to ensure that they are indeed generation Y. The targeted year of birth is between 1980 and 2000 (Robbins, Judge, & Vohra, 2011) and the range is consistent with the Malaysian classification of labour workforce ages. In total 300 questionnaires were distributed and 202 were used for this study with response rate 67.3%. Table 1 shows summarize demographical profile of the respondents.

The demographic profiles of respondents were based on descriptive analysis done using IBM SPSS version 22. Further analysis used two-step approach; measurement and structural models of Structural Equation Modelling. The measurement model of confirmatory factor analysis was assessed for unidimensionality, validity and reliability using AMOS version 18. Once the requirement was made, structural model then used for hypothesis testing.

**Table 01.** Demographic profile of the respondents

Characteristics		Frequency (%)
Gender	Male	42.6
	Female	57.4
Age	16-20	7.9
	21-25	50.0
	26-30	22.8
	31-36	19.3
Sector	Insurance	3.0
	Retail	2.0
	Financial Institution	13.9
	Hospital	35.1
	Construction	5.4
	IT	0.5
	Others	40.1
Employment Level	Non-executive	65.3
	Executive	23.3
	Senior Executive	6.4
	Manager	5.0
Qualification	PMR	1.5
	SPM	22.3
	STPM	7.9
	Certificate	4.5
	Diploma	27.2
	Degree	35.1

## 6. Findings

### 6.1. Measurement Models

Confirmatory factor analysis (CFA) was used to establish the measurement model. The measurement model consists of 34 items which represents 4 construct. The goodness of fit of model was evaluated based on one fitness index from each category of model fit (Hair, Black, Babin, & Anderson, 2010). Initially, the measurement model did not satisfy goodness of fit requirement. Thus, items with low factor loading were deleted one by one and since the fitness index is still not achieved, high value of modification indices (MI) which more than 15 were observed. It shows the problem of redundant items and solved by setting the pair of redundant items as free parameter estimate. Once all steps were taken, the measurement model showed good fitness model. Table 2 below shows fitness index of the model

The factor loading of the manifest indicators onto their respective latent variables were all statistically significant, ranging from 0.632 to 0.898.

**Table 02.** Fitness of index

Name of category	Index	Level of acceptance	Literature	Study values
Parsimonious fit	$X^2/df$	< 5.0	Marsh and Hocevar (1985)	2.283
Absolute fit	RMSEA	< 0.08	Browne and Cudeck (1993)	0.080
Incremental fit	CFI	> 0.90	Bentler (1990)	0.903

The reliability of each construct and dimension was measured using Cronbach alpha coefficient. The result of Cronbach alpha showed values range from 0.860 to 0.904 which indicated good internal consistency. The composite reliability of each variable ranges from 0.69 to 0.91, more than 0.6 acceptance value by Fornell and Lacker (1981). Convergent validity was assessed using average variance extracted for each measure and the results showed that it ranges from 0.66 to 0.73, above than 0.5 (Fornell & Larcker, 1981) suggested. For discriminant validity, it was assessed using test by Fornell and Larcker (1981) where the average variance extracted for each construct is above the standardized correlations between the constructs. Based on table 3, the discriminant validity is achieved.

**Table 03.** Discriminant validity matrix

Variables	Motivation	Rewards	Loyalty
Motivation	<b>0.72187583</b>		
Rewards	0.651	<b>0.73448</b>	
Loyalty	0.52	0.448	<b>0.698698</b>

### 6.2. Structural Model

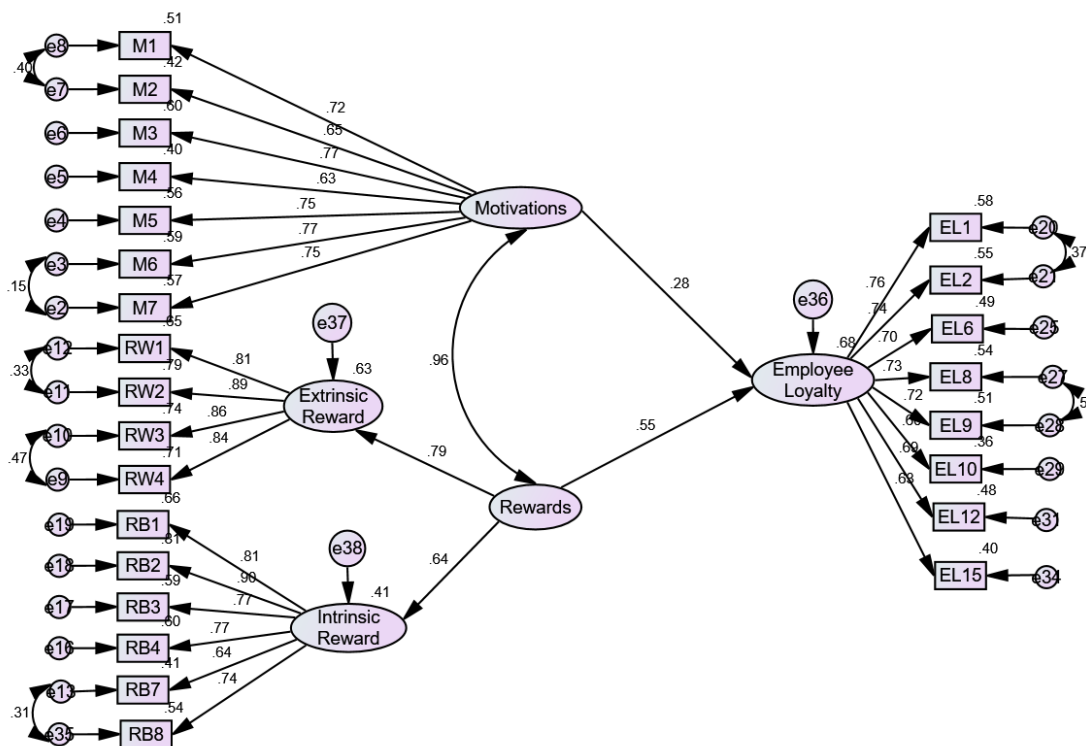
In this study, 3 hypotheses were examined and the result of hypotheses testing showed in table 4 and figure 1. Figure 1 depicted structural model in this study and table 4 shows the path coefficient between variables. Based on the analysis, extrinsic reward and intrinsic rewards contribute to 63 per cents ( $R^2 = 0.63$ ) and 41 per cents ( $R^2 = 0.41$ ) of its variance to rewards, respectively. However, as seen in table 4, the

regression weight for rewards in the prediction of loyalty is not significantly different from zero ( $p = 0.22$ ). Therefore, Hypothesis 1 is not supported. Meanwhile, hypothesis 2 and hypothesis 3 are established via the positive and significant coefficient (H2: 0.281,  $p < 0.05$ ; H3: 0.964,  $p < 0.05$ ). Thus, only motivation has positively influence loyalty and reward.

**Table 04.** Path coefficients between variables

Hypothesis	Path Description	Path Coefficient	Conclusion
H1	Rewards -> Loyalty	0.553	Hypothesis is not accepted
H2	Motivation -> Loyalty	0.281*	Hypothesis accepted
H3	Motivation <-> Reward	0.964*	Hypothesis accepted

\* Significant at  $p < 0.05$



**Figure 01.** Structural Model.

## 7. Conclusion

The aim of this study is to investigate the relationship between motivation and rewards on employee loyalty among generation Y. Based on the results, only motivation has a significant positive relationship with loyalty and rewards while rewards has no significant relationship with loyalty. This study further highlighting the loyalty issues among generation Y. Availability of alternative jobs with better rewards and benefits enable job-hopping among generation Y and become the major reasons of turnover (Gohlisagoh, 2012). Their loyalty lay to their own life and growth rather than towards the organization (Solnet, Kralj, & Kandampully, 2012). However, based on the results, motivation is able to positively influence loyalty of generation Y. This might be due to their unique traits that desire aspiration in work that guide and direct

their behaviour (Twenge & Campbel, 2008). Motivation to works influences their loyalty rather than rewards as generation Y also prefer more challenging and meaningful work that encourages growth in life (Solnet & Hood, 2008). It is align with motivation concept that represent motivation as internal self-changing battery which requires energy and desire to move forward from within (Bassett-Jones & Lloyd, 2005).

However, this research focuses solely in generation Y without comparing the results with other generation. Thus, it cannot be generalized to the whole population with arguments that generation Y only loyal to the organization if they feel motivated to do so. Even though, the generational workforce will have absolute difference but it still requires the management attention in order to build a better rewards system and motivation practice (Markert, 2004; Twenge & Campbel, 2008). Besides that, other factors like culture also play important role in influencing employees' loyalty. Culture influence employees view on their goal, and their most valued incentives will then differentiate rewards satisfaction among employees (Erez, 2008). Thus, in the future, more research especially empirical study need to be done in order to get better understanding of generation Y workforce for better human resource management.

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