

RETRENCHMENT STRATEGY IN HUMAN RESOURCE MANAGEMENT: THE CASE OF VOLUNTARY SEPARATION SCHEME (VSS)

T. Ramayah, Muhamad Jantan and Chandra Mohan Krishnan
School of Management, Universiti Sains Malaysia, 11800 USM, Pulau Pinang, Malaysia

ABSTRACT

One of the major challenges of business leadership in this millennium is to manage continued improvement in a competitive position. In order to stay competitive, companies are trying to become more "mean and lean". To achieve this, many major corporations have adopted the "downsizing and rightsizing" strategy. Voluntary Separation Scheme (VSS) has been a global phenomenon since the 1980's and is common particularly in larger companies. In this study, the reaction to the VSS program involving the employees of a government agency embracing privatisation was studied, specifically the influence of the basic needs and referent power on the choice of acceptance and non-acceptance of VSS. The second objective of this study was to evaluate the success or failure of the VSS from the workers perspective in particular, whether their decision met their needs. The results showed that basic needs had an influence on the acceptance and the non-acceptance of VSS, namely health needs, security needs and self-esteem needs. All the referent powers (subjective norms) had an influence, but surprisingly close friends had the strongest influence. Differences were also found between the expectations and the perception of the workers who accepted or rejected the VSS. From the workers' perspective, it appeared that the VSS carried out in this organization was not a success.

INTRODUCTION

Laid off, made redundant, retrenched, delivered, planned retrenchment, optional resignation packages and Voluntary Separation Scheme (VSS) are all fancy words to take away the negative effect of an employee's most dreaded fear of hearing those three magic words "you are fired" (Roch 2001).

Workforce reductions can range from being forceful in nature (retrenchment) to milder approaches such as resignation incentives and job sharing (Sutton & D' Aunno 1989). However, Hollet (2000) classified three forms of workforce reduction and these are:

- Voluntary Early Retirement (VER) in which employees nearing the age of retirement are offered incentives to retire.

- Involuntary Separation in which positions are eliminated, forcing employees to depart at the company's discretion.
- Voluntary Separation Scheme (VSS) in which employees of any age or level can be offered incentives to leave.

Since the 1980s, about 10 million jobs have been eliminated in an effort to reduce costs and improve performance (Turner 2000). This trend is expected to grow in the near future as there is a lot of uncertainty in the global economy due to recent outbreaks of war and violence in many parts of the world.

At the local front, the Malaysian economy, which has been one of the fastest growing economies in Southeast Asia since 1987, has seen some dramatic downturn in 1998, which in turn led to the collapse of the Malaysian economy due to the impact of the East Asian financial crisis. Retrenchment then was the order of the day by a number of companies. The Malaysian government changed its policies on retrenchment because of this economic crisis.

The recent merger exercise by the banks in the year 2001, shed about 10–15% of its workforce by effecting the VSS (Hamisah 2001). Most of those who opted for the VSS scheme were clerical staff as when the branches closed the staff most likely affected are the tellers.

Data from the Ministry of Human Resources, Malaysia (www.mohr.gov.my) revealed that there were about 13,920 workers who were retrenched in the year 2000, of which 50% was through the VSS. In 2001, there were 28,801 employees who were retrenched whereas in 2002, 26,452 employees were retrenched. For the first half of 2004, there were 12,765 employees who have been retrenched. These are only figures from official sources and the figures might be higher if the unofficial figures are added to it. Again it would be safe to assume that of these 50% would have been through the VSS. It is interesting to note that whilst the Malaysian Trades Union Congress (MTUC), an umbrella body for trade unions in Malaysia, regards VSS as "a fashionable form of retrenchment" and warns banks using the VSS not to victimize employees. Some employers are still inclined to use VSS because it gives them the option of accepting or rejecting a worker's application (*New Straits Times*, August 2001).

There is very little literature on the subject of VSS. At present, the existing literature on VSS is limited and appears largely anecdotal. Bashar (2001) referred to VSS as a newly coined term for a Golden Handshake, or an Early Retirement Incentive. It appears that an employee separation, be it Voluntary Separation Incentive (VSI), Voluntary Retirement Scheme (VRS), Golden Handshake or VSS, refers to a form of Incentive Early Retirement Program which is defined as

"an arrangement between an employer and an employee that provides a tangible inducement or reward for early retirement. The decision is voluntary on the part of the employee and the incentives are structured so that within the institutions established criteria, the employee identifies himself" (Kepple & Thomas, 1988). The main objective of the paper is to ascertain if the VSS effected by this organization was successful from the perspective of the employees. Further to that, this paper also would like to look at the factors that influenced the acceptance or rejection of VSS in this particular organization in Malaysia that has recently completed the exercise.

Background of the Organization

The organization used in this study was a company fully owned by the Ministry of Finance Incorporated Malaysia, whilst its operations was under the purview of the Ministry of Transport Malaysia. It was corporatised under the Ports (Privatisation) Act 1990 of Malaysia on 1st of January 1994. Its function is to manage, operate and maintain, the port facilities including future expansion and development.

After the corporatization in 1994, the management of the company then realized that the bottom line profit was very important. As a corporatised company, it had to maintain its profitability since government funds would be curtailed. Therefore, in meeting the challenges of the future, initiatives had to be taken to meet new standards, with customer focus being the priority. The management also realized that as a commercial entity, the company would face stiff competition in the market place. Being a trans-shipment based port, other means of transportation could pose a threat; for example, the improvement of Malaysian road system has made the land transport an attractive option. One issue that needed to be scrutinized is the excess staffing, i.e., the labor cost which consumed a large percentage of the operating expenditure. However, as a corporatised entity, the company had to justify to the shareholder, the Ministry of Finance Incorporated Malaysia if there was a need to trim its staff strength. To implement this, the management appointed a team of external consultants in 1997 to carry out the Business Process Re-Engineering Study (BPR). The main focus of the proposed review was the systematic analysis of the business processes of each SBU/CSU. The intention was not to conduct a highly sophisticated analysis to introduce the best practices, but to implement and apply the data that was available in a practical application towards some fairly tough decision-making that needed co-ordination objectively across the company. The challenge was in the complexity of the work, as what was needed was to retain objectivity and determination to proceed until the reductions were achieved. The review of the business processes identified surplus jobs as one critical factor towards staying competitive. Therefore a mechanism, that released staff from employment and

also supported the process review, was selected. Owing to restrictions imposed in the Corporatisation Agreement, the VSS was recommended as the preferred mode for this staff reduction exercise.

LITERATURE REVIEW

Theoretical Foundation

The theory of reasoned action proposes that behavior results from the formation of specific intentions to behave (Ajzen & Fishbein 1980). According to the Theory of Reason Action (TRA) model, two major factors determine behavioral intentions namely: first, a person's attitude toward the behavior, and second, the subjective norm. According to the theory, the most important determinant of a person's behavior is behavior intent. The individual's intention to perform a behavior is a combination of attitude toward performing the behavior and subjective norm. The individual's attitude toward the behavior includes: behavioral belief, evaluations of behavioral outcome, subjective norm, normative beliefs, and the motivation to comply (Figure 1).

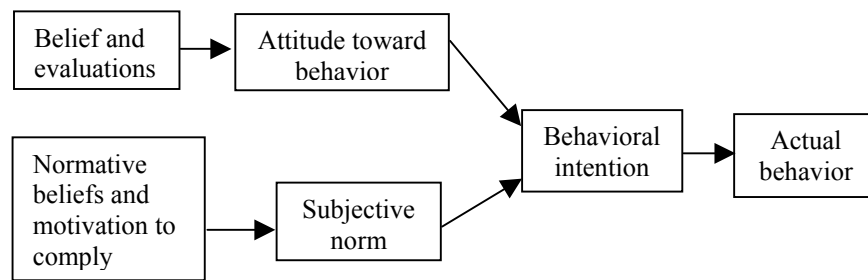


Figure 1. Theory of Reasoned Action (TRA)

Source: Ajzen, I. and Fishbein, M. (1980)

Attitude toward the behavior refers to the person's judgment that performing the behavior is good or bad. The subjective norm reflects the person's perception of social pressures put on him/her to perform or not to perform the behavior in question. According to the theory, attitudes are a function of beliefs. In general, a person who believes that performing a given behavior will lead to positive outcomes will hold a favorable attitude toward performing the behavior. Similarly, a person who believes that performing a given behavior will lead to negative outcomes will hold an unfavorable attitude toward performing the behavior. According to the TRA model, attitude toward the behavior is

determined by the beliefs that the behavior leads to certain outcomes, and by the person's evaluation of these outcomes.

Additionally, subjective norms are a function of normative beliefs. In other words, a person who believes that most referents with whom he/she is motivated to comply think he/she should perform the behavior will perceive social pressure to do so. Conversely, a person who believes that most referents with whom he/she is motivated to comply think he/she should not perform the behavior will perceive social pressure to avoid performing the behavior. According to the TRA model, the general subjective norm is determined by the perceived expectation of specific referent individuals or groups, and by the person's motivation to comply with those expectations.

Factors Affecting Acceptance or Rejection of Early Retirement Scheme

A wide array of factors has been identified as predictors of early retirement decision. The first set contains the demographic status, health and income, which are the traditional factors such as age, gender, health, employment tenure, income and benefits represents the first set of factors (Beehr 1986). The second set of factors includes expectation of future incentives, opportunities for part time work, current work productivity, status of the family and spouse employment (Feldman 1994). Perceived health and job satisfaction were also found to be significant factors (Martikainen 2000). Coombs (1996) found that fear of retrenchment, over work and stress encouraged workers to take the VSS package.

Most of the previous researches on early retirement had focused on individual perspectives; thus the consideration of factors such as demographics, socio-economic and health status. However, with the introduction of incentives, early retirement programs like the VSS has been a fundamental shift in the early retirees' conceptualization of their personal needs, family, organizational and environmental factors that makes early retirement decisions much more complex. Feldman, (1994) proposed three significant elements that researchers should address, these are: (a) physiological well-being, (b) psychological well-being, and (c) financial well-being. These are essentially the human needs as propounded by Abraham Maslow in the Maslow's Hierarchy of Needs. Thus, this research seeks to identify the influences of the five basic needs namely health needs (physiological), social, self-esteem and self-actualization needs (psychological), and security needs (financial) on the acceptance or rejection of the VSS. A focus group interview was conducted to gather some background information from some of the employees who had taken the VSS and also from some who did not accept the VSS prior to the development of the research model and the questionnaire. The interviews helped to narrow the focus of the research to the

use of Maslow's Hierarchy of Needs as the basis of the study and thus we embarked on this research with that as the guide.

Sheldon et al. (2001) provided the following conceptual definitions of the basic needs as it appeared in Maslow's Hierarchy of Needs:

- Health needs (physical or bodily needs): Feeling that your body is healthy and well taken care of rather than feeling out of shape or unhealthy.
- Security control (security needs): Feeling safe and in control of your life rather than feeling uncertain and threatened by your circumstance.
- Belongingness or relatedness (social needs): Feeling that you have close regular contact with people who care about you rather than feeling lonely and uncared for.
- Self-esteem or self- respect: Feeling that you are a worthy person who is as good as anyone else rather than feeling like a "loser".
- Self-actualization or self-realization: Feeling that you are developing your best potentials and making life meaningful rather than feeling stagnant and that life has no meaning.

With the above definitions in mind, the following section will discuss each needs and the related hypothesis.

Health Needs

There has been a considerable amount of research conducted on the relationship between health status and early retirement (Feldman 1994) and the bulk of the researches lead to the conclusion that poor health contributes to early retirement (Muller & Boaz 1988). Davies, Mathew and Wong (1991) found that perceived health need status was an important factor in the choice of early retirement. In another study on early retirement among auto-workers in the United States, Meyer and Quadango (1990) found that early retirees cited health factors as the reason for accepting early retirement incentives. In the same study poor working conditions were cited as a stimulus for accepting early retirement incentives. Wolcott (1998) found that health issues were the dominant reason given for early retirement. In a study comprising 126 retirees, Hanks (1990) found that 46% of the retirees reported positive health changes, 42% reported no changes and 12% reported negative health change and health improvement was attributed to work

stress reduction. Isaksson and Johansson (2000) found that retirees (acceptors) had the lowest mean value of health complaints and had more time for healthy physical activities whilst the reject group reported higher levels of health complaints. Thus we hypothesize that:

H₁: Health needs will influence the decision to accept/reject VSS.

Security Needs

Studies have indicated a positive relationship between higher salaried workers and acceptance of early retirement (Ruhm 1989; Feldman & Turnley 1995) largely because they are more able to sustain their financial well-being and can afford to be engaged in other valued activities. Feldman (1998) found that older workers would not want to retire early if it means a major decline in their financial well-being. However, this may not be true in the present scenario where VSS provides monetary incentives to early retirees. In fact, monetary value of the offer itself is now an influential factor in determining the acceptance or rejection of such a separation scheme. Monetary value of the offer itself is now an influential factor in determining whether an employee accepts or rejects the VSS (Kopach 1999). In a study of 14 industrial centers of various states in India by the Sri Ram Centre for Industrial Relations and Human Resources, Shetye and Chopra (2001) found that the major reasons for workers to opt for the VRS were the need to clear their debts and to meet their children's educational needs. Shetye and Chopra (2001) also observed that discrimination in promotional prospects and apathy towards this disadvantaged groups was forcing these workers to opt for the VRS. Wolcott (1998) found that neither having enough income nor financial independence prompted workers to retire early and attributed reasons for accepting early retirement due to "wanting to do other things" or to pursue different activities and goals. Thus we propose that:

H₂: Security needs will influence the decision to accept/reject VSS.

Social Needs

Social needs, was identified as a predictor of early retirement (Moen 1996; Wolcott 1998). This included the need for leisure activities (Paul & Townsend 1992). Daniels and Daniels (1991) and Grant (1991) looked at the involvement in church activities and hobbies as predictors of accepting the Golden Handshake but found the results to be modest. The need to have more time with the family and involvement in community activities were found to influence the acceptance of early retirement (Wolcott 1998). In another study, increased contact with friends community (Teshuva, Stanislavsky & Kendig 1994) has been shown to promote psychological health amongst early retirees. How many friends, not how

much money one has predicts how happy one is likely to be after one retires (*USA Today Magazine* 1998). Thus the third hypothesis is formulated as:

H₃: Social needs will influence the decision to accept/reject VSS.

Self-Esteem Needs

Self-esteem and personality traits were found to be the motivators of acceptance of early retirement and life satisfaction (Moen 1996; Harlow & Cantor 1996). Gowan (1998) found that employees who had rejected early retirement incentives had lower self-esteem and were more likely to appraise early retirement as harmful. Reitzes, Mutran and Fernandez (1996a, 1996b) found that older workers with low self-esteem and lower occupational status were less likely to retire early than workers with high self-esteem. Lower level of self-esteem and happiness were also found among the acceptors of the Golden Handshake (Daniels & Daniels 1991). However, Wolcott (1998) found that almost all the early retirees had stated that they were satisfied with their sense of self-worth and meaning in their life. Shetye and Chopra (2001) also found that discriminatory practices in promotional practices that devalues the person's self-esteem forces one to accept the VRS. The fourth hypothesis is that:

H₄: Self-esteem needs will influence the decision to accept/reject VSS.

Self-Actualization Needs

The literature on self-actualization and acceptance of early retirement incentives is rather varied. The *Dictionary of Business* (1996) expresses self-actualization as:

the drive people have to realize their potential and to be fulfilled; self-actualization encompasses the human need to challenges, responsibilities and variety at work, enabling employees to take pride in their achievements as well as their professional expertise.

The need to have new learning experiences and to contribute to society (community works) has been mentioned as predictors of early retirement (Wolcott 1998; Stein 2001; Whipple 2001). The need to fulfill childhood dreams and self-employment of becoming "own boss" were also mentioned as predictors of early retirement (Paul & Townsend 1992). Stein (2001) identified the need to attain a sense of self-respect and to accomplish things worthy of a worker's highest and best skills as a predictor of early retirement. The last hypothesis that we formulated is that:

H₅: Self-actualization needs will influence the decision to accept/reject VSS.

It can be said that most of the factors identified in the early retirement literature are in one way or another linked to the five basic needs of Maslow's Hierarchy of Needs. Needs play an essential part in human decision process. In this study, the needs takes the form of an employee's beliefs (expectations) that accepting or rejecting the VSS will provide for their needs. Therefore the theoretical foundation of this study is based on the TRA Model (Ajzen & Fishbein 1980), which integrates the components of behavioral beliefs and subjective norms and their impact on the behavioral choice of acceptance and non-acceptance of the VSS.

RESEARCH FRAMEWORK

TRA (Ajzen & Fishbein 1980) is based upon the choice of behavior and in this case the acceptance or non-acceptance of VSS. This theory originates from the basic understanding that an individual considers the implications of his or her actions before he or she decides to engage in a given. The model follows the norm that behavioral beliefs and normative beliefs leads to attitude and subjective norms influence the intentions of performing the behavior. TRA has been successfully applied in many research areas, even in the study of "extra-terrestrial beliefs and experiences" (Patry & Pelletier 2001). In a meta analysis by Sheppard, Hartwich and Warshaw (1988) the theory's performance was better in studies involving choice. The frequency weighted average correlation was 0.47 for non-choice activities and was higher at 0.77 for choice activities. Therefore, TRA was chosen as an appropriate model for the framework of this study. The crux of this study is the impact of beliefs and subjective norms on behavioral choice of acceptance and non-acceptance of VSS. However, the process of VSS was already over, therefore, the component "intention" in the model has no significance in this study. Similarly the component "attitude" in the TRA model is also insignificant to this study. Therefore, the theoretical model as shown in Figure 1 is not a direct application of the TRA model. The model was adjusted to focus only on the behavioral beliefs and subjective norms. The exclusion of the components is not new as Moore and Benbasat (1995) used only attitude and subjective norm components in their study.

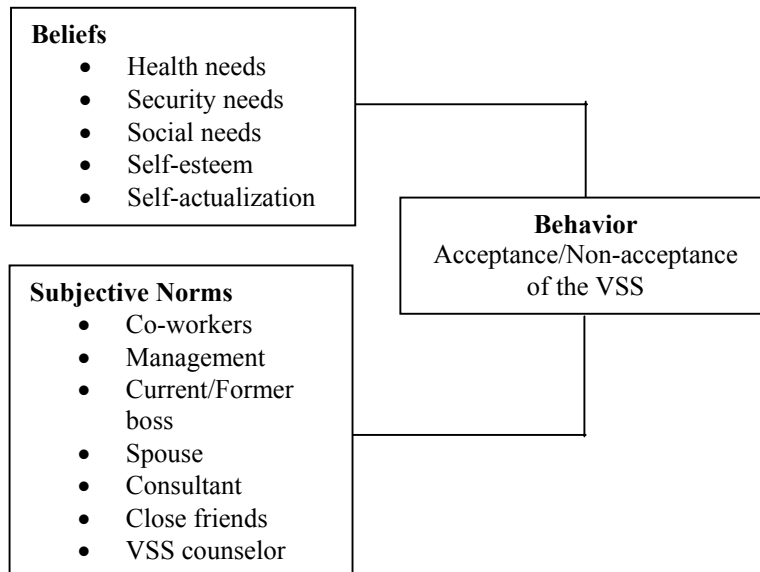


Figure 2. Research model

Subjective Norms

One of the potential determinants of behavior are subjective norms. Subjective norms as defined in TRA (Ajzen & Fishbein 1980; Moore & Benbasat 1995) are formed from one's motivation to comply with what one believes others expect one to do (termed normative beliefs). Several individuals may serve as potential "referents" in influencing one's behavior with respect to the decision of acceptance or non-acceptance of the VSS. These include one's co-workers and senior management (Moore & Benbasat 1995), and close friends (Kaewjareon 2001). Preliminary interviews conducted at the onset of this study also indicate that spouses, VSS consultants and VSS counselors are important referents. Thus we hypothesize that:

H₆: Subjective norms will influence the decision to accept/reject VSS.

Success of VSS from the Workers' Perspective

As indicated earlier, one of the objectives of this study is to assess the success of VSS from the worker's perspective. This essentially means measuring the difference between the expectations, held by the employee and how they perceived their present situation based on the beliefs (perception) and the difference between the expectation and perception, i.e. the gap gives rise to a disconfirmation (Redman et al. 1995) either positive (good) or negative (bad).

The gap analysis has been used in a number of studies. Porter (1985) used the gap analysis to measure satisfaction and communication style. Parasuraman, Zeithaml and Berry (1985) used it to measure service quality. Packard and Motowildo (1987) used it to measure job satisfaction. Hence, the gap model proves to be a suitable tool to measure the impact of the VSS.

RESEARCH METHODOLOGY

Population, Sample and Sampling Method

The population in this study comprised of 2,176 individual workers, divided into two groups. The first group of 676 individuals has accepted the VSS, whilst the second group comprised of 1,500 individuals who rejected the VSS and are still working in the organization. The sampling frame includes the VSS register for those who accepted the VSS and also the employee register for those who rejected the VSS were used. Since the listings were available from the company's records, a systematic sampling method was used. Using this technique, a target sample size of 400 individuals comprising 200 from each group was identified. However, of the 400 questionnaires distributed, there were only 225 completed and useable returns, making a response rate of approximately 56%. This is made up of 131 from the group who accepted VSS, and 94 from the group who did not accept the VSS.

Almost 86% of the respondents were male and 96% were married. About equal number of respondents had working and non-working spouse. Majority of the respondents were from the technical and clerical job category, about 47% with a net monthly salary of between RM1,001 to RM2,000. This group comprised assistant traffic supervisors, engineering assistants, ship planning, yard assistants and clerks. Therefore, the sample is also indicative of the workforce. The mean age of the respondents was 45.6 years with a standard deviation of 4.7 years. This was as expected of a government owned company. Average tenure was 21.7 years with a standard deviation of 6.16 years. Once again this is typical of government employees whose notion is that government jobs are normally secure. A profile of the respondents is given in Table 1.

TABLE 1
RESPONDENT'S PROFILE

Demographic items	Frequency	Percentage
Gender		
Male	193	85.8
Female	32	14.2
Marital status		
Single	4	1.8
Married	216	96
Divorced	5	2.2
Spouse status		
Working	113	50.2
Not working	107	47.6
Job categories		
Management	32	14.2
Technical and clerical	106	47.1
Skilled labor	53	23.6
Manual labor	34	15.1
Income per month		
Less than RM500	14	6.2
501 to 1,000	47	20.9
1,001 to 2,000	103	45.8
2,001 to 3,000	35	15.6
3,001 to 4,000	10	4.4
4,001 to 5,000	8	3.6
5,000 and above	7	3.1
Item	Sample mean	Standard deviation
Age	45.6 years	4.70
No. of dependants	5	1.87
No. of school going children	3	1.47
Tenure	21.7	6.16

Measurement

The scale items used in the questionnaire were developed from the literature review and other relevant instruments. The dependent variable in this study was the respondent's choice of behavior, which was operationalised by asking the respondents to indicate their acceptance/non-acceptance of VSS. The independent variables consist of two main constructs, i.e., behavioral beliefs and subjective norms. To measure the basic needs, the main behavioral belief was further broken down into five sub-constructs namely health needs, security needs, social needs, self-esteem needs and self-actualization needs. The constructs normative beliefs and motivation to comply had seven individual scale items for each of the referents believed to have some influence over the respondents namely "co-

workers", "management", "current/former boss", "spouse", "VSS consultant", "close friends" and "VSS counselors". All the basic needs variables and the subjective norms were measured on a 5-point Likert scale anchored with "strongly disagree" (1), to "strongly agree" (5). For example, in the expected health needs, the respondents were posed the question: "When I made the decision to accept the VSS, I expected the decision will improve my mental and physical health". To measure the gap, the questions were repeated but reframed with a slight variation. For example, in the perceived health needs the respondents were posed the question: "After months of having made the decision I believe the decision has improved my mental and physical health". On normative beliefs for example, the respondents were asked: "My co-workers thought I should accept the VSS". In the case of motivation to comply the respondents were presented with the question: "I did what my co-workers thought I should do".

How good are the above measures? To test the dimensionality of the belief variable a principal component factor analysis with varimax rotation was done. As presented in Appendix 1, the results showed a five factors solution with the Measures of Sampling Adequacy value of 0.90 ($\chi^2 = 5540.66$, $p < 0.01$) with a total variance explained of 74.30% indicating good construct validity. Further the discriminant validity was also tested using correlation analysis (Campbell & Fiske 1959). The result (presented in Appendix 3) shows that all the five factors are not perfectly correlated where their absolute correlation coefficients ranging from 0.01 to 0.7. Hence, we can say that discriminant validity has been established.

Further to both the validity tests, the construct reliability (refers to the degree of consistency; Kerlinger 1986) was tested using internal consistency measure of Cronbach alpha values. According to Nunnally (1978) alpha values equal to or greater than 0.70 are considered to be a sufficient condition. The constructs in this study have the Cronbach alpha values ranging from 0.61 to 0.95. Thus, it can be concluded that these measures possess sufficient reliability except for one which is moderate.

FINDINGS

Success of the VSS Exercise

One of the objectives of this study is to determine the success of VSS from the worker's perspective. This was addressed by the degree of workers' satisfaction with the decision they have made. Satisfaction in this study has been measured by the difference between the expected needs and the perceived needs. The

difference in the expectations and the perceptions (the gap) will then determine the positive or negative impact of the VSS. If the gap (P-E) score is zero, the workers' beliefs (expectations) are the same as their perceptions (DiDomenico et al. 1998). If the gap (P-E) is negative than their expected needs have not been fulfilled or vice-versa. Table 2 below summarizes the gap scores for each of the five needs, together their associated statistical significance.

TABLE 2
GAP SCORE

Variables	Gap mean P-E	t-value
Health needs	-0.68	-8.98**
Security needs	-0.52	-7.99**
Social needs	-0.53	-8.60**
Self-esteem needs	-0.52	-8.16**
Self-actualization needs	-0.56	-7.89**

** p < 0.01

As can be seen from Table 2, the VSS exercise was not successful from the workers' perspective as the gap shows negative values for all the dimensions indicating that the workers' expectations were not fulfilled. This was supported by the overall test comparing the overall satisfaction between those who accepted the VSS and those who did not accept the VSS using a t-test. The results clearly indicated that those who accepted the VSS (M = 2.74, SD = 1.64) and those who did not accept the VSS (M = 4.07, SD = 1.21) clearly shows that those who accepted were more dissatisfied with the decision than those who stayed on.

Relationship between Beliefs, Subjective Norms and Choice of Behavior

Discriminant analysis was conducted for the main purpose of: (i) determining whether significant relationships exist between the independent variables and the acceptance or non-acceptance of the VSS, (ii) testing the predictive accuracy of the model, and (iii) determining which of the variable had the most influence on the acceptance or non-acceptance of the VSS. The sample was divided randomly into two groups based on a 65 to 35 ratio with the first group as the analysis sample and the second group as the holdout sample. The analysis sample was used for estimation whereas the holdout sample was used for validation.

The summary of the discriminant analysis results is presented in Tables 3, 4, 5 and 6.

TABLE 3
HIT RATIO FOR CASES SELECTED IN THE ANALYSIS

Actual group	Category	No. of cases	Predicted group membership	
			Accept	Did not accept VSS
Accept VSS	1	91	78 <i>85.7</i>	13 <i>14.3</i>
Did not accept VSS	2	63	15 <i>23.8</i>	48 <i>76.2</i>

Percentage of "grouped" cases correctly classified: 81.8%. Numbers in italics indicate the row percentages.

TABLE 4
HIT RATIO FOR CROSS VALIDATION* (LEAVE ONE OUT CLASSIFICATION)

Actual group	No. of cases	Predicted group membership	
		Accept	Did not accept VSS
Accept VSS	91	74 <i>81.3</i>	17 <i>18.7</i>
Did not accept VSS	63	17 <i>27.0</i>	46 <i>73.0</i>

Percentage of "grouped" cases correctly classified: 77.9%.

*In cross validation, each case is classified by the functions derived from all cases other than that case. Numbers in italics indicate the row percentages.

TABLE 5
HIT RATIO FOR CASES IN THE HOLDOUT SAMPLE

Actual group	No. of cases	Predicted group membership	
		Accept	Did not accept VSS
Accept VSS	40	35 <i>87.5</i>	5 <i>12.5</i>
Did not accept VSS	30	3 <i>10.0</i>	27 <i>90.0</i>

Percentage of "grouped" cases correctly classified: 88.6%. Numbers in italics indicate the row percentages.

TABLE 6
COMPARISON OF GOODNESS OF RESULTS

Measure	Value	Hit ratio for holdout sample
Maximum chance	58.5%	88.6%
Proportional chance	51.6%	88.6%
Comparison with Hair et al. (1998) 1.25 times higher than chance		73.12%
Press Q Table value		6.635
Calculated value		58.51**

**p < 0.01

As shown in Tables 3 4 and 5, the predictive accuracy of the model for the analysis sample was 81.8%, the cross validation sample was 77.9% and the holdout sample was 88.6% respectively. The values in Table 6 indicate that the hit ratio of 88.6% exceeded both the maximum and proportional chance values. The hit ratio also exceeded the chance criteria by more than 25% (Hair et al. 1998) thus providing support for the predictive accuracy of the model. The Press Q statistics of 58.51, was significant. Hence, the model investigated has good predictive power. With a canonical correlation of 0.611, it can be concluded that 37.3% (square of the canonical correlation) of the variance in the dependent variable was accounted for by this model. A summary of the univariate analysis indicating the influential variables to the acceptance or non-acceptance decision is presented in Table 7.

TABLE 7
SUMMARY OF INTERPRETIVE MEASURES FOR DISCRIMINANT ANALYSIS

Independent variable	Discriminant loading (rank)	Discriminant function	Univariate F ratio
Close friends	0.687	0.649	42.751**
Spouse	0.506	0.608	23.180**
Health needs	0.497	0.396	22.344**
VSS counselor	0.396	0.401	14.198**
Co-workers	0.395	-0.396	14.124**
Security needs	0.388	0.308	13.610**
Current/ex-boss	0.335	-0.328	10.171**
VSS consultant	0.253	-0.108	5.799*
Management	0.225	0.045	4.595*
Self-esteem needs	0.209	-0.010	3.941*
Self-actualization needs	0.157	0.183	2.226
Social needs	0.101	-0.328	0.920
Group centroid for acceptors		0.638	
Group centroid for non acceptors		-0.922	
Wilks lambda		0.627**	
Canonical squared correlation		0.611	

*p < 0.05, **p < 0.01

Thus, based on the discriminant loadings, it can be concluded that close friends, spouse, health needs, VSS counselor, co-workers, security needs, current/ex-boss, VSS consultant, the management and self-esteem needs were ranked as relatively important in the workers acceptance or non-acceptance of the VSS. Hence, the hypotheses H₁, H₂, H₄ and H₆ were accepted whilst hypotheses H₃ and H₅ were not supported.

A closer examination of the discriminant function indicates that close friends, spouse, VSS counselor, health needs, security needs and the management were the significant discriminators between those who accepted VSS and those did not.

DISCUSSION

Health needs has a big influence on the acceptance or non-acceptance of the VSS. This could be due to the fact that presently all medical expenses are covered by the company. The medical cost could be a burden to the individual. The data also revealed that the mean age of the respondents, who were predominantly male, was 45.6 years. This is a critical age where men generally are more prone to illnesses such as heart diseases and other age related illnesses. The reason could be due to the better working conditions and less work stress after corporatisation which have contributed to them staying on with the company (Meyer & Quadango 1990; Hanks 1990).

This study also found that security (financial) needs is a significant discriminator of acceptance or non-acceptance of the VSS. The result of the discriminant analysis indicates that this is an important factor for those who chose to reject the VSS. This is because the workers in a corporatised organization were basically dependent on their monthly wages to support their financial needs. From the demographic information, majority of the respondents earned a salary of RM1,000 to RM2,000 a month, which could be considered high. This could be due to the nature of the industry. Being a port worker, it is open 24 hours a day and 365 days a year and the majority of the workers were from the technical, clerical and skilled labor who were entitled to overtime claims. Therefore, the priority for financial security could be a valid reason for the rejection of the VSS. This would commensurate with the previous research by Feldman (1998) who found that older employees did not want to retire early if their retirement life would require them to cut their standard of living. Having been a port worker for many years, the monetary attraction offered by the VSS was a lifeline solution to their financial problems. This seems to match the findings of Kopach (1999) who found that the monetary value of the offer had a direct impact on the acceptance of the VSS. To a question on security needs and settling their debts and support towards their children's education, 64% and 68% respectively, agreed showing support to the previous study by Shetye and Chopra (2001).

As for the hypothesis that social needs influence the acceptance of the VSS, the findings of this study showed that it was not an influential factor. This finding contradicts that of Moen (1996) and Wolcott (1998). This can be attributed to the nature of the respondents, where the majority is from the lower employment level who were tied down with routine work and family.

This study also shows a strong relationship between self-esteem and the decision to accept or reject the VSS; where high needs for self-esteem is associated with the group who chooses to accept the VSS. This can be attributed to the fact that the respondents who feel that self-esteem is important would like to move on in life rather than be stuck with the present organization. Most have served the organization on an average of 21.7 years. This is a long time and compounded with the fact that most have not progressed in terms of promotion, thus the decision to accept the VSS. This supports the findings of Moen (1996), Harlow and Cantor (1996) who indicated that self-esteem and personality traits were the motivators of acceptance of early retirement.

The variable self-actualization was found not to influence the acceptance or non-acceptance of VSS. This could be due to the fact that most of the respondents were from the lower level technical, clerical and skilled labor; and as such, their needs may not have reached the actualization stage, as "self-actualization is an endless drive to be all that one can be" (Stein 2001).

It is interesting to note that for subjective norms (all the seven referents) have a strong influence on the decision to accept the VSS. The results of the discriminant analysis showed the discriminating power of each of the referent group. Close friends took the lead followed by the spouse, VSS counselor, co-workers, current and ex-boss, VSS consultant and lastly the management. This is an important finding as a number of conclusions can be drawn. Firstly, the cultural norm that exists among Malaysians, i.e., the consultative norms or practices. Malaysians do things on a collectivistic, rather than on an individualistic basis (Abdullah 1994). Secondly, the concept of VSS is rather new to the Malaysian workers who were quite ignorant about VSS. They had to rely on people close to them as allies. This finding is consistent with the findings of Kaewjareon (1998) who found that the most influential referent group in the case of turnover was the employees' close friends. Spouses' influence ranked next and earlier studies, Hanks (1990), Wolcott (1998) and Taylor (2001) have all highlighted spouses' influence as an important factor in early retirement. The significance of the counselor is rather a controversial finding as a number of those who accepted VSS claimed it was either VSS or retrenchment in the near future. The co-workers would have been expected to be the number one influence, however, they were only ranked lower after the VSS counselor. This is due to what we called a matter of the blind leading the blind.

By looking at the discriminant function we can conclude that those who accepted the VSS were influenced by co-workers, current or ex-boss and also the VSS consultant; whereas those who stayed on were influenced by close friends, spouse, VSS counselor and the management. Thus, we can safely stated that the decision to accept the VSS was largely a function of co-workers, current/ex-boss

and also the VSS consultant which indicates that the decision was externally rather than internally motivated.

Success or Failure of VSS

In this study, the success was measured from the worker's perspective, namely their satisfaction with the decision they made. Satisfaction being a gap between what they expect from their decision and what they perceived the decision provided them. From the gap analysis it was found that gap rating between the expected basic needs and the perceived outcome (P-E) was negative, meaning what was expected was not achieved. There could be a number of reasons for this, namely:

- The lack of knowledge of VSS among the workers
- Over expectation from the VSS
- Traumatic experience from an unplanned retirement
- Unable to maintain current and anticipated life-style
- Still chasing entrepreneurial dreams
- Emotionally unprepared to leave a secured job

Implications

These findings have provided important feedback to organizations embarking on this perilous exercise as their future strategy. Having a VSS alone to achieve its objectives is not sufficient and should consider other actions in preparing a worker towards VSS such as early retirement counseling. The findings can also be useful to workers' unions to look into their workers' needs before conducting negotiations with the management in their Collective Agreement. The findings that close friends and spouse as two major referent groups also have implications to future VSS schemes. More timely and accurate information and greater transparency in educating workers is critical as the findings have shown that the motivation to accept were influenced to a great extent by co-workers, current/ex-boss and also the VSS consultant which indicates the ignorance of those accepting the VSS based on the advice of these people. Companies can even provide invitations to all referents about the VSS program to create awareness. Union members should be aware of the varying needs of the workers when devising such separation schemes. One particular issue that has come out of this exercise is the influence of co-workers and the VSS consultant who to certain extent has not been beneficial to the workers as they were not really prepared for what was in store for them after accepting the VSS. They made the decision to accept the VSS based on these two referents and from the study it has been shown that the choice that they made was not the best.

One positive note is that one of the factors which was found significant for those accepting the VSS is the self-esteem need. For this group of people the need to increase their self-esteem has led them to accept the VSS and look for greener pastures for them to nurture their self-esteem which is exactly what the VSS program was intended for, i.e., provide avenue for employees to move on to a better life.

RECOMMENDATIONS

It may be appropriate for a study of this nature to be conducted on a regular basis so that those responsible for the administration of the retirement programs may stay abreast of changing conditions. It may be better to advertise and stress the importance of VSS seminars in order to reach a wider audience.

The importance of VSS planning to be successful needs to be stressed to employees as early in their careers as possible. The provision for financial planning and financial counseling need to occur at an early rather than later stage.

Counseling should include programs specific to the emotional problems of the personnel involved. Employers need to recognize the value of providing benefits such as counseling and career development opportunities. By providing these, employers are more likely to have more employees willing to opt for VSS because they will then have the financial resources and marketable skills to succeed without the current employer.

The importance of health and physical fitness must be stressed both prior to and after VSS. In practical terms, mismanagement of the financial rewards from VSS may lead to poverty which has the effect of leading people to adopt inadequate diets and exercise and other undesirable activities such as smoking, alcoholism and shying away from participation in community activities.

Limitations

The limitations of this study are as follows:

- This study is limited in scope as it relates only to one organization.
- This study is also limited in terms of sample size, sex and nature of job and it is difficult to generalize the information.
- The study is also restricted to the middle and the lower rung workers of the port and as such, the findings cannot be generalized.

Suggestions for Future Research

This study has provided support for the applicability of the TRA to some extent can be applied to the decision making process of acceptance or non-acceptance of the VSS. Further, the incorporation of Maslow's Hierarchy of Needs provided greater relevance of the TRA model in VSS decision making. Further research needs to be conducted to corroborate this finding in other VSS situation.

This research study utilized partly the TRA, which is based on two assumptions, i.e. that human beings are rational and makes systematic use of information available to them. People also consider the implications of their actions before they decide to engage or not to engage in certain behaviors. In this aspect, this is one of the very few studies that has utilized the TRA in the aspect of acceptance or non-acceptance of the VSS. TRA works most successfully when applied to behaviors that are under a person's volitional control. However, he/she may not actually perform the behavior due to intervening environmental conditions. The Theory of Planned Behavior (TPB) (Ajzen 1985, 1991) was developed to predict behaviors in which individuals have volitional control. It is suggested that future researchers consider utilizing TPB to assess whether VSS is truly voluntary or otherwise.

CONCLUSION

The findings of this study showed the significance of basic needs as an influential factor towards the acceptance or non-acceptance of the VSS. It is hoped that this study will help organization as well as individuals to have a better understanding of the basic needs that govern human expectations. It is also important to note the subjective norms that influence human decisions. Therefore, the top management's efforts should focus on managing the right attitude towards the implementation of the VSS in order to mitigate fears and prepare the employees for any such eventualities.

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APPENDIX 1

Summary of Factor Analysis

Factor/statement name	Cronbach's alpha	Dominant statements	Factor loadings
Factor 1 Social needs	0.95	Give me ample time for vacation/holidays	0.808
		Enable me to indulge in my hobbies	0.808
		Give me more time to be with my family	0.826
		Give me more time to meet new friends	0.769
		Give me more time for my community activities	0.845
		Give me more time for my religious activities	0.837
		Better my marital relationship	0.789
Factor 2 Self-esteem needs	0.95	Give me a positive view of myself	0.860
		Increase my self respect	0.868
		Make me feel cheerful	0.793
		Increase my self worth	0.863
		Enable me to do things as well as most other people	0.801
Factor 3 Security needs	0.87	Give me a strong sense of well being	0.663
		Enable me to settle my debts (if any)	0.603
		Give me financial independence	0.799
		Give me financial means to further my goals	0.869
		Help me support my children's further educational needs	0.852
Factor 4 Health needs	0.89	Improve my mental and physical health	0.540
		Reduce work stress	0.846
		Relieve me from my poor working conditions	0.785
		Give me ample time for recreational activities	0.801
		Give me time to do things that keeps me from becoming physically unhealthy	0.711
Factor 5 Self-actualization needs	0.61	Make me my own "boss"	0.756
		Make my life more challenging and exciting	0.618
		Strengthen my image in society	0.566
		Fulfill my childhood dreams	0.513
		Help me accomplish things worthy of my best and highest skills	0.583

APPENDIX 2

Exploratory Factor Analysis Summary

	Eigenvalue	% of variance	Cumulative (%)
1. Social	5.52	20.45	20.45
2. Self-esteem	5.50	20.38	40.83
3. Security	3.46	12.80	53.63
4. Health	3.38	12.48	66.11
5. Self-actualization	2.21	8.19	74.30

APPENDIX 3

Intercorrelation of Major Variables

	Health	Security	Social	Esteem	Actual	N1	N2	N3	N4	N5	N6	N7
Health	1.000											
Security	0.517**	1.000										
Social	0.558**	0.331**	1.000									
Esteem	0.445**	0.443**	0.519**	1.000								
Actual	0.340**	0.336**	0.411**	0.578**	1.000							
N1	0.141*	0.088	0.039	0.072	0.090	1.000						
N2	0.047	-0.087	-0.020	-0.041	-0.051	0.643**	1.000					
N3	0.066	-0.042	0.003	0.000	0.022	0.696**	0.628**	1.000				
N4	0.214**	0.051	0.164	0.078	-0.002	0.617**	0.507**	0.618**	1.000			
N5	0.081	-0.070	0.064	0.065	0.008	0.476**	0.699**	0.676**	0.435**	1.000		
N6	0.266**	0.215**	0.044	0.090	0.073	0.697**	0.441**	0.553**	0.512**	0.434**	1.000	
N7	0.186**	0.010	0.112	0.016	0.015	0.404**	0.537**	0.552**	0.276**	0.604**	0.409**	1.000

**p < 0.01