



**TURNOVER INTENTION AMONG OPERATORS
IN ELECTRICAL AND ELECTRONIC (E&E) SUB-
SECTOR**

by

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Niat Berhenti Kerja dalam Industry Pembuatan di Kalangan Operator Pengeluaran Sub-Sektor Elektrik dan Elektronik

ABSTRAK

Niat berhenti kerja yang semakin tinggi dalam industri pembuatan di Malaysia telah menjadi isu penting yang perlu dikaji kerana ia mendatangkan masalah yang serius kepada operasi dan kewangan organisasi seperti merekrut, memilih dan melatih pekerja baru dan ia juga boleh menjejaskan produktiviti dan prestasi syarikat. Di Malaysia, jumlah berhenti kerja secara sukarela adalah 7,070 pekerja pada tahun 2016. Sejumlah 8400 pekerja dalam sektor pembuatan dan 3556 adalah jumlah operator pengeluaran pada tahun 2015. Kajian ini bertujuan untuk menentukan peranan kepuasan kerja, komitmen organisasi, kecerdasan emosi, keseimbangan kehidupan-kerja dan budaya organisasi yang membawa kepada niat berhenti kerja. Jumlah populasi operator pengeluaran tahun 2015 adalah sekitar 1,622,400 di Semenanjung Malaysia. Data akan dikumpulkan dari operator pengeluaran yang tertinggi di tiga negeri dari Malaysia iaitu Selangor, Johor dan Pulau Pinang manakala penyelidikan ini akan mewakili satu syarikat dari ketiga-tiga negeri tersebut. Berdasarkan formula Krejcie dan Morgan (1970), saiz sampel adalah 384 pekerja. Soal selidik yang dijalankan sendiri akan digunakan untuk mengumpul maklumat daripada responden adalah pekerja operator pengeluaran. Instrumen yang diadaptasi daripada Price and Mueller pada tahun 1981 (Niat Berhenti Kerja), soal selidik Kepuasan Minnesota (MSQ) Weiss, Dawis, England, & Lofquist pada tahun 1967 (Kepuasan Kerja), Allen dan Meyer pada tahun 1991 (Komitmen Organisasi), Goleman pada tahun 1998 (Kecerdasan Emosi), Sumaiti pada tahun 2010 (Keseimbangan Kehidupan-Kerja) dan Hofstede pada tahun 1984 (Budaya Organisasi). Data akan dianalisis menggunakan Pakej Statistik untuk Sains Sosial (SPSS). Analisis regresi berganda akan digunakan untuk menguji hipotesis. Penemuan ini menyokong hipotesis bahawa kepuasan kerja, komitmen organisasi, keseimbangan kehidupan-kerja dan budaya organisasi menunjukkan signifikansi secara negatif terhadap niat berhenti kerja. Di samping itu, kecerdasan emosi didapati tidak signifikan dengan niat berhenti kerja. Berdasarkan penemuan kajian, beberapa cadangan telah dikemukakan pada akhir laporan.

Turnover Intention among Manufacturing Operators in Electrical and Electronic Sub-Sector

ABSTRACT

High employee turnover rate in Malaysia's manufacturing industry has become an important issue that needs to be discussed because it leads to serious problems in terms of operations and financial consequences such as recruiting, selecting and training of new employees. Employee turnover may also affect the company productivity and performance. In Malaysia, the overall number of voluntary turnover is 7,070 employees in year 2016. A total of 8400 employee turnover in manufacturing sector and 3556 total operator's turnover in year 2015. The study aims to determine the role of job satisfaction, organizational commitment, emotional intelligence, work-life balance and organizational culture that lead towards turnover intention. The total population of manufacturing operators in year 2015 were about 1,622,400 in Peninsular Malaysia. Data were collected from the highest operators in three states from Malaysia which are Selangor, Johor and Pulau Pinang and the research represents one company from the three states. Based on the formula of Krejcie and Morgan (1970), the sample size is 384 employees. A self-administered questionnaire will be used to collect information from the respondents are machine operators. The instruments adapted from Price and Mueller in 1981 (Turnover Intention), Minnesota Satisfaction Questionnaire (MSQ) short form Weiss, Dawis, England, & Lofquist in 1967 (Job Satisfaction), Allen and Meyer in 1991 (Organizational Commitment), Goleman in 1998 (Emotional Intelligence), Sumaiti in 2010 (Work-Life Balance) and Hofstede in 1984 (Organizational Culture). The data will be analyzed by using the Statistical Package for Social Sciences (SPSS). Multiple regression analysis will be used to test the research hypothesis. The findings support the hypothesis that job satisfaction, organizational commitment, work-life balance and organizational culture were significantly negative towards turnover intention. Besides that, emotional intelligence was found to be non-significant related to turnover intention. Based on the findings of the study, several recommendations have been put forward at the end of the report.

CHAPTER 1: INTRODUCTION

1.1 Introduction

A research background that discusses the turnover issues in Malaysian context is established in this chapter. It helps readers to gather opinions and ideas for current research with regard to the turnover intention phenomenon among the Malaysian manufacturing operators. Furthermore, chapter one also highlights the problem statement, research questions, research objectives and study significance. The scope of study, definition of key terms and organization of thesis will be provided in the last part of the chapter.

1.2 Background of the study

1.2.1 Employees Turnover

In today's organization all over the world, industries face challenges with the economic globalization and the flourishing marketplace. However, being globally-oriented as it is today, an organization is struggling to thrive in the marketplace (Nor, Omar, Sumilan, Siong & Johari, 2015), especially with regard to increasing turnover rate among employees (Nor et al., 2015).

High turnover rate is among the key issues often highlighted because most of the companies nowadays try to obtain talented employees and keep them in their organizations (Thomas, 2013). Also, the organization needs to have some budget for both the recruitment and advertisement of the vacancies. After hiring, training needs to

be provided to their new employees. Thus, because of high rate employee's turnover, organization will incur high cost for hiring them (Nor et al., 2015).

A study done by Singapore Human Resource Institute (SHRI) in 2010 indicates that the U.S. Department of Labour estimates that it would cost about 33 percent of a new recruit's salary to be in place of a lost employee. In other words, it could cost \$11,000 in direct training expenses and lost productivity to replace just one experienced employee who earns \$33,000 annually (Al-Qahtani & Gadhoum, 2016).

Another study in Saudi Arab revealed that approximately 25% of the employees in Saudi Arabia serving in the manufacturing sector fail to come to work on a regular basis and this leads to high rates of employee turnover (Bhuian & Al-Jabri, 2012). In addition, in South Korea the construction industry has been facing high voluntary turnover rates. Quoting the statistics from the Ministry of Labour in South Korea (2016), the average voluntary turnover rate between 2011 until 2015 was 2.1% in South Korea as reported by Yang and Wittenverg (2016).

Apart from the U.S., Saudi Arabia and South Korea, a similar scenario could be seen in Thailand. Despite, the retail market was expected to grow at least 3% to 5% in the year 2011 and provided an abundance of jobs (Wu, 2012), employee turnover rate was on the rise in Bangkok, Thailand. The employee turnover rate in Thailand was higher than 10% for the year 2009 (Bangkok Retail Market Report, 2010 as cited in Wu, 2012). This high employee turnover could have a severe effect on a company progress.

However, the same phenomenon is also noticeable in the Malaysian context and it is has become critical. For example, as seen in Figure 1.1, Malaysia places itself at the second highest rank in terms of voluntary turnover with 17.4 percent, followed by Singapore (16.0%), China (15.9%), Australia (14.1%), Korea (11.0%) and Japan reported the lowest turnover with 6.9 percent in the year 2011. In effect, employee

turnover will certainly bring about a negative impact to the organization (Rahman, 2012 as cited in Azami, Ahmad & Choi, 2016).



Figure 1.1: Percentage of voluntary turnover from 2010-2011 (Source: Radford Trends Report, 2010-2011)

Furthermore, in 2011 until 2012 as shown in Figure 1.2, China recorded the highest at 19 percent, followed by India (16%), Taiwan (14%). Malaysia and Hong Kong (13%), Thailand, South Korea and Indonesia (12%), Japan (9 %), Philippines (8%) and Vietnam (7%). Looking at Malaysia, our country is still ranked among the highest in the region there is an immediate action to investigate and seek for the solutions towards this issue.

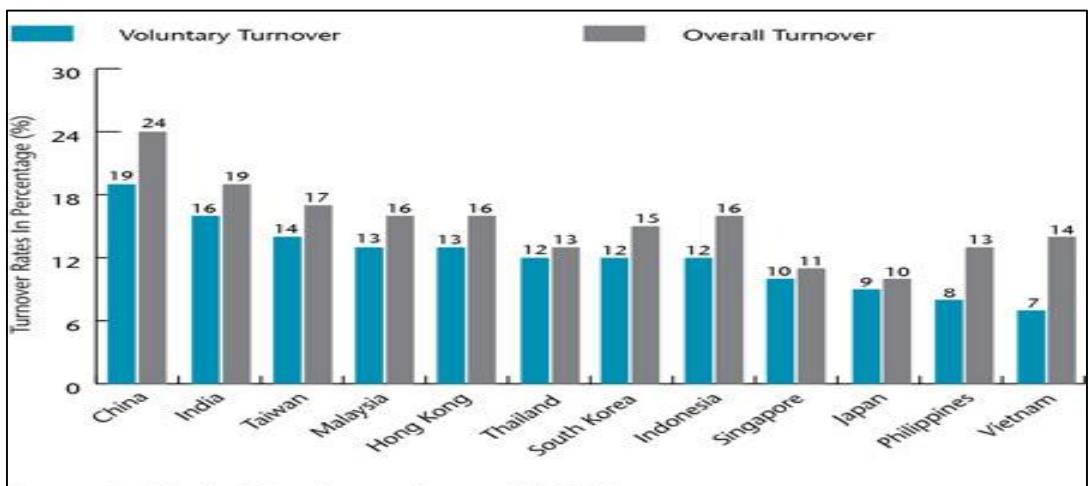


Figure 1.2: Percentage of overall and voluntary turnover rates from 2011-2012
(Source: Aon Hewit Salary increase survey, 2011-2012)

This is considerably a serious issue, because as a relatively smaller country compared to China and India, we were not far behind them in terms of turnover rates. Even though, the turnover rate was high in India and China, it is still less severe compared to Malaysia given their vast population. Thus, the turnover rate in Malaysia would appear to be critical for relatively smaller country as we are not that far from China and India.

In Malaysia, as clearly shown in Table 1.1, turnovers of labour from January until June 2016 have to be analysed. According to statistics data from the Department of Statistics (2016), the total turnover was reported as 14,138 labours. This turnover is divided into two categories namely involuntary and voluntary turnover. 7,068 employees consist of involuntary turnover and 7,070 labours voluntary turnover. The Table 1.1 shows the current number for voluntary turnover which considers another indication to study the reason and factors determining turnover intention.

Table 1.1: Turnover of Labour January until June 2016 (Source: Department of Statistics Malaysia, 2016)

Total Turnover of labour (till Jun 2016)	14,138
Involuntary	7068
Voluntary	7070

Noor (2012) stated that the high rate of turnover is related to turnover intention compared to employees who plan to stay in companies. Thus, the aim of this study is to look into the factors that contribute to turnover intention among manufacturing employees in the Malaysian setting.

Based on the statistics by Ministry of Human Resource (2015) as depicted in Figure 1.3 the manufacturing industry has the highest employees turnover (8400 employees), followed by wholesale and retail trade, repair of motor vehicles and motorcycles (2160 employees) and mining and quarrying (1302 employees). Another report from The Sun Daily (2013) as cited in Azami et al., (2016) mentioned that turnover rate was increased in manufacturing sectors by 24%. Since then the manufacturing sector has recorded the highest turnover rates. Thus, the scope of this study will shed light on the manufacturing industry sectors in Malaysia.

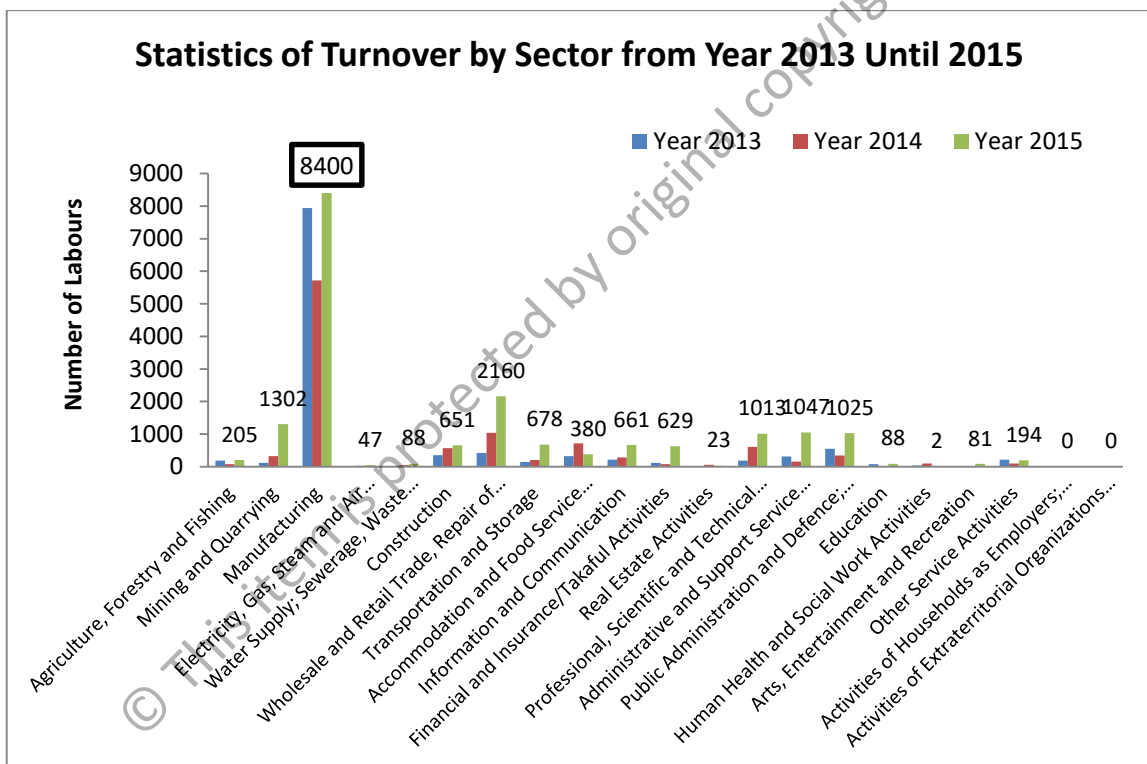


Figure 1.3: Turnover by Sector from Year 2013 until 2015 (Source: Ministry of Human Resource, 2015)

According to Figure 1.4 and Table 1.2, turnover rate could be grouped into several occupational categories. The highest turnover rate according to the occupational sector in Manufacturing was plant and machine-operators and assemblers (3556 employees), followed by technicians and associate professionals (3460 employees) and managers (3060). The total number of employee's turnover was reported at 18,674.

Therefore, based on this classification, it was evident that the machine operators had the highest occupational turnover in Malaysia. Machine operators keep their machines arranged properly, functioning well in order to give high quality products in a safe environment and well maintained. Zainuddin, Nor and Johari (2015), stated that high turnover in Malaysia among operators may also impact the achievement of the manufacturing sectors in terms of economics growth. Hence, the examination on the turnover problem of manufacturing operators is also very crucial.

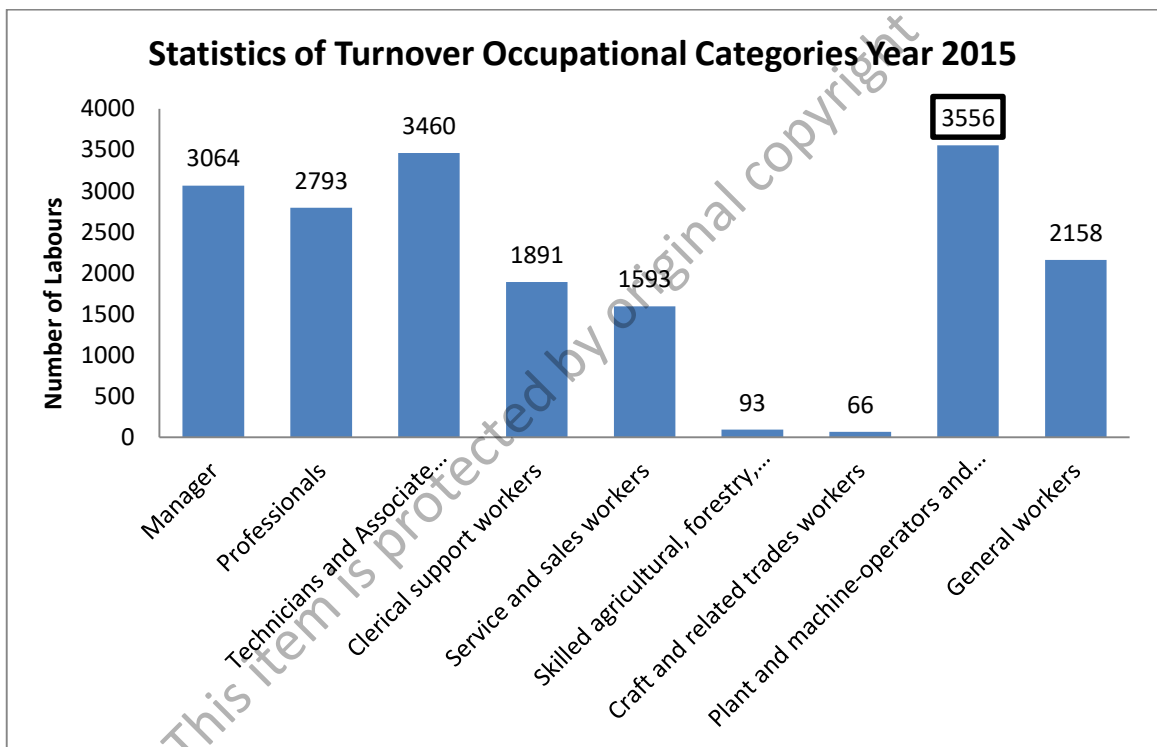


Figure 1.4: Turnover by Occupational Categories Year 2015 (Source: Ministry of Human Resource, 2015)

Table 1.2: Turnover reported to the Labour Department by Occupational categories, Malaysia, 2015 (Source: Ministry of Human Resource, 2015)

Number	Occupational Categories	Number of employee Turnover (2015)
1.	Plant and machine-operators and assemblers	3556
2.	Technicians and Associate Professionals	3460
3.	Manager	3064
4.	Professionals	2793

5.	General workers	2158
6.	Clerical support workers	1891
7.	Service and sales workers	1593
8.	Skilled agricultural, forestry, Livestock and Fishery workers	93
9.	Craft and related trades workers	66
Total		18,674

In this turnover situation the competition for hiring and retaining talented employees has become intense among Malaysian industries. According to Salleh, Nair and Harun (2012) the organization will have to take in the negative impacts because they need to allocate budgets for advertising and hiring. After hiring new manufacturing operators, the organization has to provide training to them. Long, Thean, Ismail and Jusoh (2012) said turnover could cost the organization in term of productivity and deteriorating customer base.

Therefore, it is apparent that turnover intention should be closely examined. It is because through the voluntary turnover, companies and industries will lose very skilled manufacturing operators. Therefore, when employees with this quality leave the organization, it automatically brings down the quality of the services of the organization and increases the workload to those left in the organization (Melaku, 2014). In addition, it will also demotivate manufacturing operators from staying in the organization or even those new manufacturing operators who are job-hunting.

1.2.2 Labour Force in Malaysia

As previously mentioned, this study pays attention to the manufacturing sector in Malaysia because of its high turnover rates. Table 1.3 shows the principal statistics of labour force in Malaysia. Malaysia's labour force prospered 1.8 percent to 14.5 million persons in 2015 compared to previous year which had 14.2 million persons. The number

of employed persons increased from 215,100 persons (1.6%) to 14.1 million persons and the number of unemployed persons also increased from 39,200 persons (9.5%) to 450,300 persons. The labour force participation rate (LFPR) increased 0.3 percentage points in 2015 to 67.9 percent. The unemployment rate during the same period increased from 2.9 percent to 3.1 percent.

Table 1.3: Principal statistics of labour force, Malaysia, 2014(r) and 2015 (Source: Department of Statistics Malaysia, 2016)

INDICATOR		2014(r)	2015	CHANGE
Labour force	('000)	14,263.6	14,518.0	1.8
Employed	('000)	13,852.6	14,067.7	1.6
Unemployed	('000)	411.1	450.3	9.5
Outside labour force	('000)	6,821.0	6,869.9	0.7
Labour force participation rate (LFPR)	(%)	67.6	67.9	0.3*
Unemployment rate	(%)	2.9	3.1	-0.2*

*Percentage
rUpdated

On the other hand, Table 1.4 shows the labour force by sector in 2015. Services sector emerged as the largest contributor to the Malaysia's labour force which generated 60.9 percent in 2015. This is followed by Manufacturing with a contribution of 18.0 percent. Agriculture and Construction sectors contributed 11.7 percent and 8.8 percent respectively. The lowest contribution recorded mining which is 0.6 percent.

Table 1.4: Labour force by Sector, 2015 (Source: Economic Planning Unit and Department of Statistics, Malaysia, 2016)

Sector	Labour force ('000) labour (2015)	Percentage (%)
Services	8395.6	60.9
Manufacturing	2469.4	18.0
Agriculture	1615.2	11.7
Construction	1219.6	8.8
Mining	81.6	0.6

Total labour force	13,781.4	100.0
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In addition, Table 1.5 points to the principal statistics of manufacturing sector in Malaysia from 2012 and 2014. The Value of Gross Output increased for RM103, 211 million while Value of Intermediate input rose at RM80, 799. The Value Added increased at RM 22, 412 million. Salaries and wages paid increase RM 10, 718 and Value of Fixed Assets owned as the end of the year at RM 35, 105.

Table 1.5: Principal Statistics of Manufacturing Sector, 2012-2014, Malaysia (Source: Department of Statistics Malaysia, Industrial production and construction statistics division, 2015)

	2012	2014
	RM Million	RM Million
Value of gross output	908,067	1,011,278
Value of intermediate input	703,834	784,633
Value added	204,233	226,645
Salaries and wages paid	50,320	61,038
Value of fixed assets owned as at the end of the year	204,924	240,029

In Malaysia, there are four main economic sectors namely services, manufacturing, agriculture and construction demonstrating positive growth during the period of 2011-2015. In 2015, services sector remained to be the largest contributor to the country's GDP at 53.5% to Rm569 billion. It was also the largest employees with 8.6 million. The contribution of the manufacturing sector remained at 23% to RM244 billion with 2.3 million employees. Agriculture and construction sectors contribution to GDP were at 8.8% and 4.4% to the value of RM94 billion and RM47 billion respectively. In terms of employment, agriculture employed 1.8 million people while construction employed 1.3 million people as can be seen in Table 1.6 and Figure 1.5.

Table 1.6: Gross Domestic Production (GDP) by main economic sectors year 2014 (Source: Department of Statistics Malaysia, 2015)

Economic sectors	GDP (billion)	GDP (%)	Employment (million)	Employment (%)
Services	RM569	53.5%	8.6	61.0

Manufacturing	RM244	23%	2.3	16.5
Agriculture	RM94	8.8%	1.8	12.5
Construction	RM47	4.4%	1.3	0.7

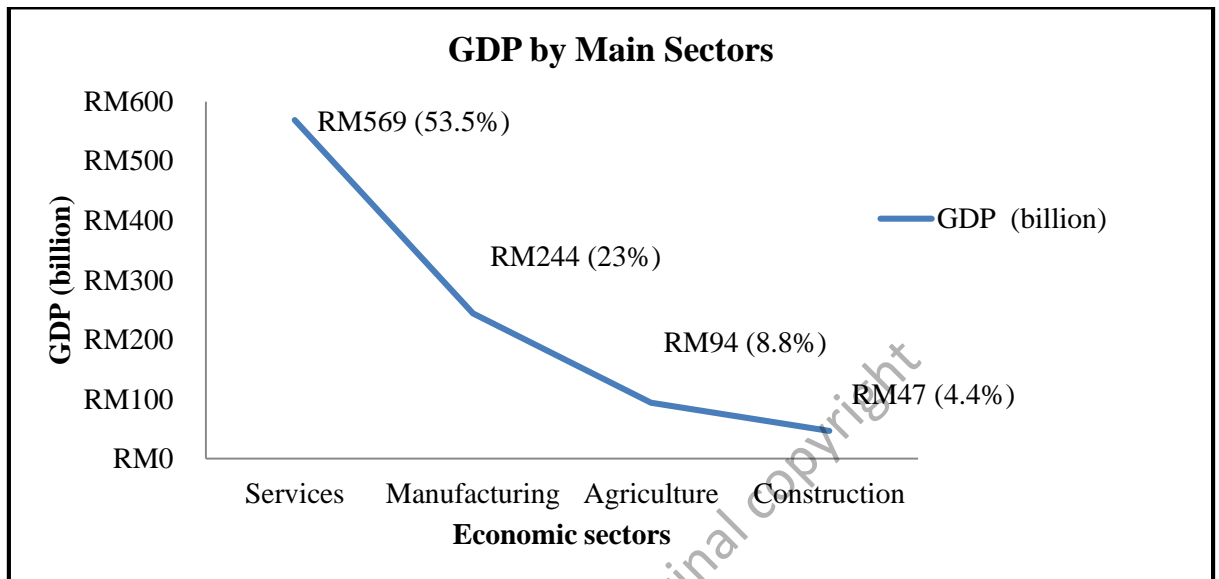


Figure 1.5: GDP by Main Sectors Manufacturing Subsectors year, 2014 (Source: Department of Statistics Malaysia, 2015)

Even though the services sector has the highest GDP the manufacturing sector also plays its part as one of the biggest industries which play an important role in producing the national income. Since 2010, the manufacturing sector in Malaysia has shown a strong economic growth through large investment in economic activities. Manufacturing is an industry that is transformed from raw materials into finished goods on a large scale or quantity. Also, manufacturing necessitates labour and machines, chemical, and tools for the use, produce, and sell merchandise to retailers.

This can be seen in Figure 1.6, where the highest productivity performance level accounted for (RM 105, 156 billion) in manufacturing while in terms of productivity growth, manufacturing registered the highest flow at 7.1% followed by construction at 5.5% while services only registered 3.2%. However, agriculture experienced a drop in the productivity which is 2.4% in the same year (Malaysia Productivity Corporation, 2016).

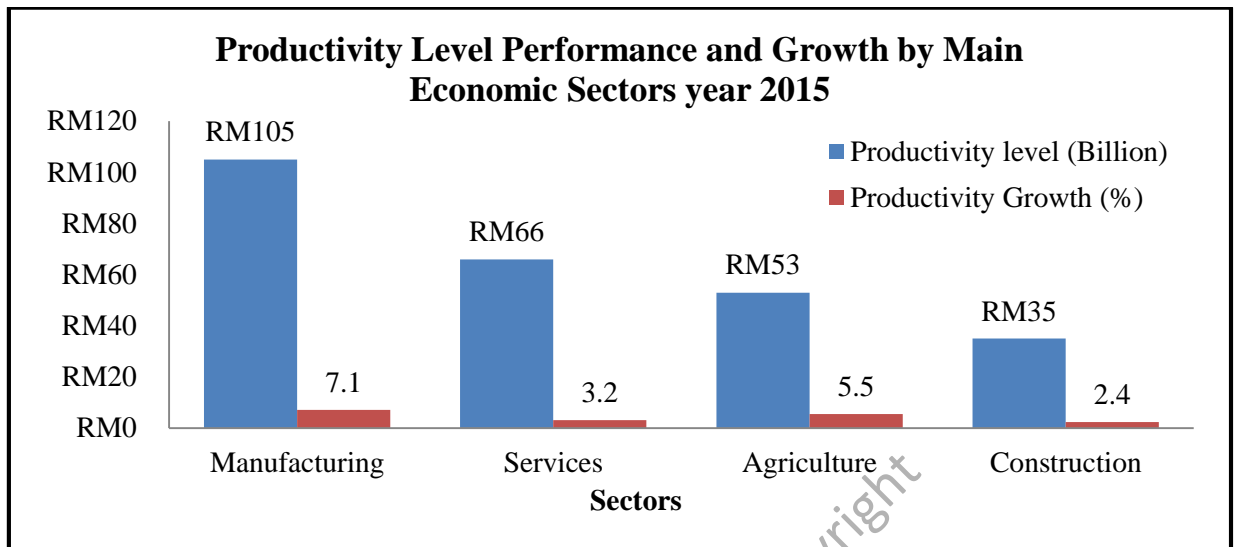


Figure 1.6: Productivity Level Performance and Growth by Main Sectors year 2015
(Source: Malaysia Productivity Corporation, 2016)

Moreover, the sales value of the manufacturing sector also escalated at 2.5 % (RM1.3 billion) to record RM54.3 billion in November 2014. On a seasonally adjusted month-on-month, the sales value in November 2014 had gone up by 3.5 %. The sales and exports of personal computers and related parts rebounded strongly as the global demand had improved and inventory diminished (Bank Negara Malaysia 2014).

In the manufacturing sector, there are three main sub-sectors that have contributed to the economy. Figure 1.7 shows that in November 2014, the electrical and electronic products show the highest performance (10.2 %) for petroleum, chemical, rubber and plastic products (1.8 %) and non-metallic mineral products, basic metal and fabricated metal products (2.7 %).