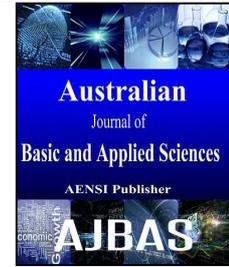




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Factors Influencing Employee Turnover in Private Sector in Malaysia: A Concept Paper

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ABSTRACT

Background: As turnover trend increases from a year to another in Malaysian private sector until it becomes a crucial issue nowadays. **Objective:** The overall objective of this study will be to identify the relationship between factors that contribute in the employee turnover in Malaysian private sector. **Results:** This study provides the concept of how will these three factors (overtime, overworked and office politics) will affect employee turnover and more data, findings and comparisons will be presented in future journal on selecting the best factors that have impact on employee turnover the most. **Conclusion:** In conclusion, this research will examine the interrelation of internal affairs and conflicts which are based on those three independent variables happened in the working environment and their cultures practiced by employees in the organization and how do them relate to employee turnover.

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INTRODUCTION

Employees are considered as the essential asset for every organization ensuring the operation to be run smoothly. An organization would be nothing without its employees because employees are the one who strive hard to deliver their best performance in order to achieve objectives and goals of the organization. One of the pressing challenge organization needed to face most of the time is the employee turnover. Employee turnover refers to an issue of employees leaving the organization and it has to be replaced with the new one.

According to Randstad World of Work Report (2013/2014), as cited by Malaysian Insiders (2014) Malaysians are not just switching jobs to boost their careers but the decision to leave also hinged on “uncompetitive salary” (55%), “lack of recognition at the workplace” (35%) and “lack of trust in senior leaders” (21%). This study will be digging more deeply on the conflicts that have occurred in those presented percentages.

In Malaysia, turnover rate has started to increase in early 1991 due to high demand and huge opportunities that exists in the market. With the increase trend of turnover and its impact, it has be monitored seriously by the senior management, human resources and industrial psychologists in Malaysia due to major impacts to the organization’s

long-term plan and sustainability (Keni *et al*, 2013). The turnover rate in Malaysia has increased from (9.3%) in year 2009 to (10.1%) in year 2010. The highest turnover rate found to be recorded by financial services (18.3%) and high-tech/IT industry (20%). However, the chemicals industry with (6.3%) of turnover rate is the lowest rate among the industries. The top three reasons for the employees to leave an organization are due to better external opportunity (67.3%), limited growth opportunities (46%) and further studies (38%) (Hewitt, 2009/2010) as cited by (Keni *et al*, 2013).

Findings of the 2013 General Industry Total Rewards Survey – Malaysia has found that employee turnover rate in the general industry has increased to (13.2%) in 2013 from (12.3%) in 2012. Manufacturing, conglomerates and financial services industries were experiencing high staff turnover, with manufacturing experiencing (24%) employee churn, conglomerates at (14%), BPO at (19%) and financial services at (13.3%) in 2013. These percentages have shown the trend of turnover rate was continuously increasing from a year to another.

Based on data above, financial services industry will be the focus of this study as this industry has greatly impacted Malaysian private sector employees. According to Bank Negara Malaysia (2011), Malaysia’s economic transformation will rely largely on the private sector to drive greater

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productivity and innovation to move to higher value-added activities. The Malaysian financial sector now has a sizeable presence of global players, accounting for approximately 20% market share of the banking sector, and two-thirds market share in the insurance and Takaful sector. This has facilitated international trade and investment flows, supported the development of new economic growth areas and created employment opportunities for Malaysians. Based on the statement, Malaysian financial sector has always been moving forward to compete and be equivalent along with other developed nations. Therefore, this will put more weight or pressure on the private sector employees to maintain and improve the standard excellent performances.

Problem Statement:

Turnover intention issue has getting more serious when previous studies found the trend was increasing from time to time. High percentage of turnover rate will affect the company to spend excessive amount of money replacing empty seat for the most suitable candidate and fill the position. At the same time, all criteria must be met by new employee to meet the standard and requirement of the organization. Huge cost will be involved in recruiting, training and development of new employees. This biggest issue is contrary to the mission of private sector institution that is always looking to increase profits and reduce costs. This study will look in details of factors that caused the increasing of turnover trend with analyzing overtime, overworked and office politics factors which have not been used in any other studies yet.

Previous studies have shown relationship of employee turnover towards many aspects in management and human resources areas including job satisfaction, job requirement, job stress, human resource practices and others but none exactly discover in details of what factors that have contributed the most on reasons why employees in private sector of financial services industry are leaving the organization. According to ETP Annual Report (2011), over the decades the Malaysia's economy has been growing which makes financial services sector crucial with its Gross Domestic Product (GDP) share increasing from an average of 9.9% between 2000 and 2005 to 10.9% over the period 2006 to 2009. These days, Malaysia's financial services sector contributes to 11.6% to nation's real GDP and it targets to increase Malaysia's total Gross National Income (GNI) by RM121.5 billion to RM180.2 billion and create 275,400 new jobs by 2020. The data shows by 2020 more job vacancies have to be filled and this will be a burden for organization to handle them if existing problems cannot be reduced or solved.

Overtime:

Jobs in financial services industry have known for their pressure, stressful and always chasing the datelines to providing the best services for customers. More importantly, when it comes to time according to world clock, it is considering time for countries all over the world. For this reason, some employees might be required to work extra hours from Malaysian normal working hours (8.00am-5.00pm) and this effect will lead to rise in turnover rate in Malaysia. According to Circadian (2014), it follows that another adverse effect of excessive absenteeism will be increased turnover, as the lack of work-life balance and fatigue resulting from excessive overtime finally catch up with some employees. Again, as with absenteeism, companies with high turnover are also likely to have high overtime, as employees must work to make up for vacant positions if demand is to be met. Turnover as a direct result of working excessive hours is more likely in non-hourly positions, where the employees are not being paid a premium to work the extra hours. Therefore, in financial services industry overtime is appeared to be the significant factor that creates impact on turnover intention.

Previous studies John (2000) as cited by Mbah & Ikemefuna (2012) explain on these replacement costs include for example, search of the external labor market for a possible worker, selection between competing applicants, induction of the chosen applicant, and formal and informal training of the new worker until he or she attains performance levels equivalent to the individual who quit. Prior to these replacement costs, the resulting performance would not be the same and affected or the output can be maintained at the cost of overtime payment. Apart from effects in economic, uncontrolled employee turnover can actually have social and psychological effects too (Mbah & Ikemefuna, 2012). This study will explore more on worthiness for Malaysian private sector employees in financial services industry to do overtime work as they are doing now.

Overworked:

A researcher (Qureshi et. al, 2013) has found a result showing positive relationship with workload and turnover intentions having value 0.36 and p value 0.004 shows the significance of results. Moreover, the result shows that with the increase in workload turnover intentions are also increased. The phenomenal overworked case usually happened in financial services industry when employees are given tasks more than what they were supposed to do. A further explanation from previous researcher Walonick (1993) as cited by Raza et. al (2014), the major issue of the employees for the organizations in both developed and the developing countries and become massive challenge for employer mostly in developing nations where the employer doesn't provide much attention and weight to the employee pressures. Therefore, this issue has caused

dissensions in role conflict, role ambiguity, work overload and work family conflict and their consequences are work ineffectiveness, absenteeism and in extreme, turnover. In addition to this explanation Nnuro (2012) as cited by Sajuyigbe (2015), describes working long hour, work pressure, workloads, and pressure from customers were elements of job-stress which can lead to some illness and diseases in the working environment in banking sector. Therefore, this study will review overtime factor as a whole in Malaysia as one of the developing country. Hence, the impact of overload of the turnover among employee from financial service industry in Malaysia will be revealed.

Office Politics:

In Malaysia, most of studies have investigated 'office politics' in the public sector as many considered public sector acts as the backbone of the country (e.g. Mensah, 2013). Hence, lack of empirical evidence are known regards the roles of office politics in the private sector. Whereas the Malaysian private sector especially in financial services industry has actually plays a major part in controlling economic growth (Vinals & Singh, 2013). Therefore, this study will fill the gap. According to Kacmar et. al (1999) as cited by Zulkiflee et. al (2013) exhibited that intent to turnover and job satisfactions were among the consequent outcomes from office politics. As most of this political game occur in managerial level, thus, it becomes vital to more deeply on this issue.

Recently, Malaysian economic stability has been affected with some inevitable tragedies in airline industry in 2014, oil price rises and implementation of GST (Goods and Service Tax) early 2015. More importantly, Malaysian currency has depreciated as low as it could be in the middle of 2015. All these issues have forced some companies to shut down the operation, downsizing employees and caused turnover rate to rise. All these issues also have triggered some to play around with political game for their own benefits. Weissenberger (2010) as cited by

Zulkiflee et. al (2013) describe office politics as about manipulating power and authority to build relationship to achieve what they exactly wanted. In other words, it is about "stabbing" others to achieve own objectives. Furthermore, office politics is the use of one's individual or assigned power within an employing organization for the purpose of obtaining advantages beyond one's legitimate authority. Therefore, this study will explore more of this kind of issues happened in among employees in Malaysian private sector focusing on financial services industry.

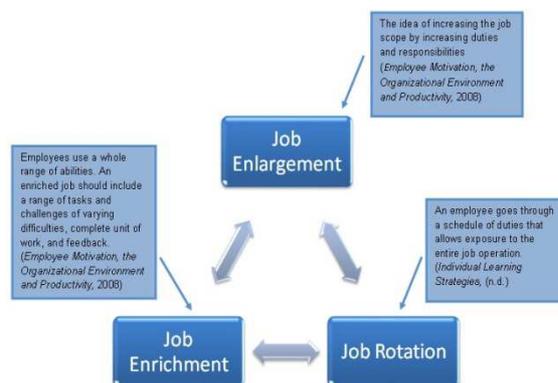
Objective:

The overall objective of this study will be to identify the relationship between factors that contribute in the employee turnover in Malaysian private sector.

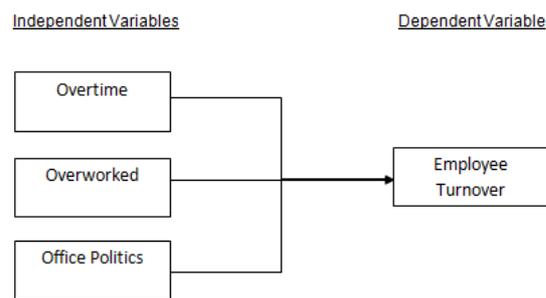
Literature Review:

This study will apply on Herzberg's Job design model as a theory in the connection of overtime, overworked and office politics towards employee turnover in private sector in Malaysian financial services industry. Herzberg's theory is one of the most empirical and compelling theories about motivation. It's the only theory that splits out demotivating factors from motivating factors; it introduces the concept of movement vs. motivation. And it "has produced more replications than any other research in the history of industrial and organizational psychology."

According to Herzberg, the factors leading to job satisfaction are separate and distinct from those that lead to job dissatisfaction. Therefore, manager who seeks to eliminate factors that create job dissatisfaction can bring about peace, but not necessarily motivation. Herzberg suggests that work be enriched (or 'vertically loaded') for true motivation to spark up. This is different from horizontal job loading, which reduces the personal contribution rather than giving opportunities for growth.



Herzberg's Job Design Model

Theoretical Framework:

Factors Influencing Employee Turnover in Private Sector in Malaysia.

Methodology:

The research will be conducted in quantitative data collection method. Since the focus is up to the employees who worked in Malaysian private sector therefore, the research will be using questionnaires to be distributed to some number of employees which are also the respondents of this research in order to collect their responses.

The reason is to know how far these employees agreed or disagreed on those three factors have influence on employee turnover. Besides, the questionnaire will be designed in Likert Scale to let employees express how much they or disagree with the particular statement given. Next, all data collected from questionnaires will be run through SPSS system and then be transformed to numerical data to be analyzed.

On the other hand, primary and secondary data also will be collected. In primary research, the research will be conducted using data from the questionnaires that have been distributed to employees in private sector. Then, in secondary research the sources will be gained from published articles, previous journals and theses that related to this research in order to gain as much information about employee turnover and what are the causes and the impacts to the working employees.

Benefits And Contributions:

There are millions of private companies have registered and operating in Malaysia, including the local and foreign companies. Over the years, these companies have contributed so many values to offer, countless benefits and convenience to the society. In fact, it is undeniable that private sector companies play an enormous part in strengthening the national economy. This shows how important a company to have the very efficient and seamless management system in order to maintain their businesses. Therefore, the main contribution from this research is to prove whether these factors (overtime, overworked, and office politics) are some of those causes for employee turnover problem. Even though the scope is focusing to human resource area, it is

actually involves all employees in the company and have a huge impact to the industry.

Apart from that, this research will contribute to educate employer/employee and enhance strategies of handling employees in future. Furthermore, Malaysians have to reevaluate some of the regulations and guidelines that have been used for too long and might be no longer relevant along with nation's development and growth. In addition, this research also helps Malaysia to achieve Vision 2020 and overcome all nine strategic challenges in it. Lastly, this research also helps to defend welfare and rights of the employer/employee from any bias and discrimination. Finally, working culture and good values should be applied in the working environment.

Conclusion:

In conclusion, this research will examine the interrelation of internal affairs and conflicts which are based on those three independent variables happened in the working environment and their cultures practiced by employees in the organization and how do they relate to employee turnover. Plus, it will test the trueness of the variables meanwhile this research will also answer to the research questions.

This research can be a major contribution to the industry, as no previous researchers have investigated the details of some problems that need to be faced by human resources officers daily but nothing is done to improve and upgrade company's efficiency in performing tasks. In addition, other researchers can use this data to deepen their understanding or to find the solution about these conflicts will be even better. This is because; this research can be a stepping stone to achieve the better level of effectiveness in management in future.

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