

Employees' Turnover Intention in Malaysian Manufacturing Company

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Abstract: Employee turnover is a significant issue in human resource management, which refers to the employees' willingness to leave their current organization within a predetermined time frame. Thus, it is essential to pinpoint the factors affecting this decision, which include salary, working environment, employer-employee relationship, and leadership styles. The primary data was collected from a sample of 136 employees from a manufacturing company in Johor, Malaysia, and all questionnaires were successfully collected from the respondents. The data were analyzed using the Statistical Package for the Social Sciences (SPSS) software version 23, and Pearson Correlation and regression analysis were carried out to investigate the influences between the variables. The results from the correlational study revealed that all independent variables have a negative relationship with the dependent variable. Multiple regression analysis showed that the four independent variables substantially explain 54% of the variance for employee turnover intention. However, when assessing the coefficient for each independent variable, only salary, employer-employee relationships, and leadership styles were significant, and the remaining variable was insignificant. For future research, it is recommended that an explicit sample size should be adopted so that the findings can be generalized to other similar populations.

Keywords: *Employee turnover intention, Salary, Working environment, Employer-employee relationship, Leadership styles.*

1. Introduction

Employee turnover is indeed one of the popular human resource terms, which refers to the percentage of workers who leave the organization for a certain period. Meanwhile, employee turnover intention is the willingness of the employees to leave their current job or organization. In multinational corporations, the employee turnover rate has been a major ongoing issue across Malaysia (Hassan et al., 2023). This is because the costs of employee turnover can have a significant impact on an organization's productivity, sustainability, competitiveness, and profitability (Al-Suraihi et al., 2021). If employee turnover is not properly managed, it may result in worker retirements occurring sooner than expected (Hassan et al., 2023). As reported by Randstad (2022), 30% of Malaysians would have changed jobs by June 2022, with salary and benefits playing a crucial role in this trend. This claim was then supported by Chung (2023), a salary survey indicating that 60% of employers in Malaysia might struggle to retain their top talent, which implies a potential turnover issue. In the year 2019, the manufacturing sector experienced a high turnover rate of 24%, making it the highest contributor in this country (Kin et al., 2022).

According to Sinha and Shukla (2013), low salary and benefits levels remain one common cause influencing this decision. Moreover, poor physical working conditions have also been linked to higher employee turnover (Abesinghe, 2021). Other factors leading to high employee turnover also include poor relationships between employer and employee (Ugoani, 2016) and leadership style (Hamstra et al., 2011). To develop effective retention strategies, it is essential to understand the factors influencing turnover intention. It has become a significant problem faced by industries since human capital is the key to preserving competitiveness (Sekar et al., 2021). Overall, emphasizing the strategy to reduce the intention to leave the organization is crucial for keeping employees engaged and motivated, which has a positive effect on organizational success. Therefore, this study aims to determine how salary, work environment, employer-employee relationships, and leadership styles influence employees' intentions to leave their jobs.

2. Literature Review

Employee Turnover Intention: Employee turnover often results from employees' ongoing search for better and more satisfying job opportunities. Turnover intention involves negative psychological responses that lead to withdrawal cognition and behaviors, ultimately resulting in actual turnover (Takase, 2010). Despite this intention to leave the organization is just the employee's plan or tendency, if it is not managed from the start, it could become a reality (Falahat, Kit & Min, 2019). Hence, researchers classified turnover into either voluntary or involuntary categories. The constant increase in voluntary turnover hinders business growth and causes more stress among current staff due to additional responsibilities (Falahat, Kit & Min, 2019). Apart from that, according to Chiat and Panatik (2019), when an employee leaves, additional costs for training and recruiting new workers will also arise as a result of the turnover. Therefore, understanding and managing employee turnover is crucial for Human Resource departments and business leaders to ensure a healthy and productive work environment.

Salary: Pay is undoubtedly one of the driving forces affecting employee performance and intent to leave (Kwon, 2014). Salary is a regular payment received by employees in exchange for their work and services during their employment contract. Thus, one of the major expenses for a business's operations is salary, which varies depending on the position and can be used by management to reward employees or influence their behavior (Falahat, Kit & Min, 2019). As stated by Rahman and Chowdhury (2012), salary is a key factor in determining job satisfaction, and when employees are satisfied with their jobs, it leads to minimizing turnover. Thus, a dissatisfied employee will have the intention to leave the current organization. Wangiri (2015) also stated that when employees are dissatisfied with their pay, they are more likely to start their businesses to supplement their income, which will increase the turnover rates. Therefore, salaries and employee turnover are correlated.

Working Environment: Employee turnover has become an inevitable issue to deal with since employees, constantly look for a better workplace that may satisfy them. Dissatisfied employees in their present workplace tend to leave their positions. Hossain, Roy, and Das (2017) describe the working environment as places where employees perform tasks or activities to receive compensation or reward. It encompasses every aspect of the physical, social, and psychological environments, which might change depending on the businesses and industries. The physical, mental, and social settings compose the three basic components of the working environment (Jain & Kaur, 2014). This working environment has a significant impact on a person's productivity, job satisfaction, and overall well-being. Employee dissatisfaction may be minimized by providing modern facilities and equipment and ensuring that they have a proper personal workspace (Groen et al., 2019; Kent et al., 2021). Moreover, as stated by KC Prakash et al. (2019), to ensure employee retention, additional criteria including working hours, leave policies, and a fair workload are also necessary.

Employer-employee Relationships: Job satisfaction is also a result of positive employer-employee relationships which result in retaining employees inside the organization (Xesha et al., 2014). A key component of the modern workplace is the relationship between the employer and the employee which represents the good interpersonal relationships between both parties. As stated by Holston-Okae (2017), good interpersonal relationships may enhance employee engagement and reduce turnover rates. This will also enhance the employees' ability to provide the organization with their knowledge, skills, and expertise. Additionally, employment is a relational contract that benefits both the employer and the employee by considering social and economic factors. When workers feel that management is treating them unfairly, there may be a high percentage of turnover. Therefore, from the employee's perspective, the most important factor in retaining employees is a positive employer-employee relationship (Kot-Radojewska & Timenko, 2018).

Leadership Styles: Leadership styles are the methods and behaviors adopted by leaders to influence, motivate, and direct their followers. These styles are varied among leaders, and they are essential in developing organizational culture and achieving objectives. Leadership is regarded as being of utmost importance in any organization since it aids in designing the organization's future orientations as well as motivating the followers to achieve those goals (Maaitah, 2018). Positive relationships with supervisors can influence employees' attitudes toward one another and their ability to perform their jobs. Supervisors who are kind, competent, honest, and fair are preferred by employees. Moreover, the leader is responsible for the

team members' safety while engaged in any activity or work and that they consistently feel satisfied with the facilities or benefits received (Bazzoli & Curcuruto, 2020).

3. Methodology

A quantitative method was employed to collect data from a sample of 136 employees in a manufacturing company located in Malaysia. The questionnaires to measure employee turnover intention were adopted from previous studies by Kariuki (2014), Walton (2017), Brown (2018), and Voigt, (2017). A pilot study of 30 respondents has been conducted to test the reliability of each measurement. Each of the construct measurement items had high consistency and reliability, as each variable has a Cronbach's alpha between 0.707 and 0.880 respectively. A self-administered questionnaire with a 5-point Likert scale that ranges from strongly disagree to strongly agree was used as the instrument. The survey is divided into three sections: the first item questions respondents' demographics, while the second and third sections seek information about employee turnover intention and the four factors influencing this decision.

4. Results and Discussion

The responders from this manufacturing company located in Malaysia are mostly female (67.2%), with men making up the remaining 32.4%. Most respondents, or 30.1%, are between the ages of 24 and 29. This is followed by 25.7% and 21.3%, who are, respectively, between the ages of 30 and 40 age gaps. The remaining respondents are either over 40 or below 23 years old. The statistics show that 25.7% of the population is from the Operator department, 22.8% is Packaging department, and 17.6% of the population is from the Scanning department. Additionally, the results showed that 27.2% and 25.7% of respondents had worked for the company between five and twelve years. Respondents with less than RM3000 income level made up the highest percentage at 60.3%. Meanwhile, 70.6% of the population has Sijil Pelajaran Malaysia (SPM), which represents their level of education. Following with 14%, 11%, and 4.4%, respectively, are those with diplomas, certificate, and bachelor's degrees.

Table 1: Correlation Coefficient Table

	Pearson Correlation	Sig. (2-tailed)	N
Employee Turnover Intention			
Salary	-0.520**	0.000	136
Working Environment	-0.150**	0.081	136
Employer-employee Relationship	-0.228**	0.008	136
Leadership Styles	-0.537**	0.000	136

** . Correlation is significant at the 0.01 level (2-tailed).

Through Pearson's analysis shown in Table 1, a relationship between the four predictors and turnover intention was examined. The analysis revealed a significant and negative correlation between salary and turnover intention ($r = -0.520$, $p < 0.01$). Based on this result, employees' intention to leave the organization decreases when they have higher levels of satisfaction with their salary. Additionally, work environment and employee turnover intention indicate no significant and negative correlation ($r = -0.150$, $p < 0.01$). The other two factors, notably employer-employee relationship and leadership styles, both show a strong negative correlation between salary and intention to leave ($r = -0.228$, $p < 0.01$) and ($r = -0.537$, $p < 0.01$).

Table 2: Multiple Regression Analysis

Model	Beta (β)	Sig.
Salary	-0.434	0.000
Working Environment	-0.100	0.101
Employer-employee Relationship	-0.293	0.001
Leadership Styles	-0.434	0.000
R²	0.540	
Adjusted R²	0.526	
F-stat	38.523	
Significant value	0.000	

The results of the multiple regression analysis are shown in Table 2. Based on the R-squared value of 0.540, salary, working environment, employer-employee relationship, and leadership styles explained 54% of the variance in employee turnover intention. The model has a p-value of 0.000, and the f-statistic is 38.523. However, when looking at the coefficient value for each independent variable, three out of four variables are significant: salary ($\beta = -0.434$, $p = 0.000$), employer-employee relationship ($\beta = -0.293$, $p = 0.001$), and leadership styles ($\beta = -0.434$, $p = 0.000$). Since the P-value for the working environment ($\beta = -0.100$, $p = 0.101$) is greater than 0.05, it is regarded as insignificant. These findings thus demonstrate how salary, employer-employee relationship, and leadership styles influence turnover intention. On the other hand, working environment has no impact on the outcome. Thus, only H1, H3, and H4 were therefore supported.

5. Discussion and Conclusion

This finding shows that the employee turnover rate in Malaysia is influenced by a combination of factors such as salary, employer-employee relationships, and leadership styles. Based on the result, these three predictors play a crucial role in determining turnover intention among employees in this manufacturing company. A study by Guan et al. (2014) also found a negative relationship between salary and turnover intention. Thus, as salaries or compensation levels increase, the likelihood or intention of employees to leave their current jobs decreases. In other words, higher salaries are associated with lower turnover rates. The results are consistent with the other factors which are employer-employee relationship and leadership style. Effective leadership styles including participative and transformational have been proven to reduce the intention of employee turnover (Magbity, Ofei & Wilson, 2020). This negative association between leadership styles and employee turnover highlights the significance of good leadership in retaining talented employees inside the organization. Leaders who prioritize employee engagement, satisfaction, trust, and a positive work environment can increase employees' attachment and commitment, which lowers their tendency to leave the company.

A positive and supportive relationship between employers and employees can lead to higher job satisfaction (Al-Suraihi, 2021). As a result, when employees feel valued and appreciated, they are more likely to be satisfied with their jobs, reducing the likelihood of them seeking new employment. Organizations are encouraged to address these factors to enhance their talent retention strategies and foster a supportive environment that aligns with employees' values and expectations. Hence, implementing strategies will increase job satisfaction, motivation, and productivity of individuals and organizations, which can reduce employment problems, absenteeism, and employee turnover (Al-Suraihi et al., 2021). Future researchers are recommended to replicate the study in other organizations by industries or sectors since the results may have a greater impact considering that the data was only gathered from one organization. As a result, the findings may not be precise and may not be generalizable to other organizations. By concentrating on other industries or sectors, a more extensive analysis can be conducted with a larger sample size. Furthermore, as only 54% of the variance in employee turnover intention was explained by the independent variables found in this study, other contributing factors should be selected for future research.

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