



Faculty of Cognitive Sciences and Human Development

**FACTORS THAT INFLUENCE TURNOVER IN PRIVATE SECTOR**

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**FACTORS THAT INFLUENCE TURNOVER IN PRIVATE SECTOR**

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## **ABSTRAK**

Kajian ini bertujuan untuk mengenalpasti faktor-faktor yang mempengaruhi pekerja berhenti bekerja di sektor swasta. Sebanyak 80 borang soal selidik diedarkan di Rimbunan Hijau Sdn. Bhd. Instrumen kajian ini akan menggunakan skala likert lima peringkat dalam borang soal selidik. Data-data yang diperolehi akan dianalisis dengan menggunakan perisian SPSS (Statistical Package For Social Science) versi 16.0. Dalam kajian ini terdapat 12 hipotesis yang hendak dikaji. Semua hipotesis akan dikaji dengan menggunakan uji bebas-t , Anova satu arah dan kolerasi pearson. Hasil kajian menunjukkan terdapat perbezaan yang signifikan antara faktor berhenti kerja menurut kedudukan pendapatan. Selain itu, hasil dapatan menunjukkan perkaitan antara kepuasan bayaran, faedah, promosi pekerjaan, komitmen organisasi dan keinginan untuk berhenti kerja.

## **ABSTRACT**

**This study aims to identify the factors that influence turnover in private sector. A total of 80 set of questionnaires were distributed in Rimbunan Hijau Sdn. Bhn. Questionnaires with five-point likert scale are used as an instrument in this study. The data are analyzed using Statistical Package for Social Sciences (SPSS) version 16.0. There are 12 hypotheses in this study. These hypotheses are being tested by Independent sample t-test, One-way Anova and Pearson Correation Coefficient. The result show that there is a significant difference in turnover based on level of income. Besides that, the results obtained indicated that there is relationship between pay satisfaction, fringe benefit, advancement, organization commitment and turnover.**

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter is divided into nine sections. Section 1.1 describes the background of the study. The next section, Section 1.2 discusses the statement of the problem. Then, Section 1.3 discusses the objective of the study. Section 1.4 presents the research questions, followed by Section 1.5 presents the research hypothesis. Section 1.6 presents research framework and Section 1.7 discusses significance of the study while Section 1.8 discusses limitations of the study. Section 1.9 covers the definition of terms and Section 1.10 discusses the scope of the study. After this, Section 1.11 is a short of the chapter.

### **1.1 Background Of Study**

In 2009, the government forecast a downturn in its economy. The recession might cause the turnover of many employees. Employees are important economic resources in an organization. Without employees, the operations of the organization can come to a stop. According to Rusli (2007:1), for every organization, employees play a vital role in determining its survival. Employee is asset to organization and is the key or prerequisite factor to ensure the

operations of the whole organization will run smoothly as scheduled. Employee will affect productivity, effectiveness, efficiency and profitability of the organization. The more employees can contribute to their organization, the more profit will be earned by organization. On the other hand, if the employees do not cooperate with the organization and have poor working attitudes this will cause organizational deficit. Therefore, turnover always happens in the organization.

Job turnover is a norm of downsizing and layoffs in today's business environment (Gomez-Metjla, Balikin, Cardy and David, 1997). As there are various factors influencing job turnover, organization which is facing job turnover will suffer the cost of job turnover. If it fails to maintain, it can cause disorders to the organization. On the contrary, the organization that is well maintained can help in retaining the best employees that improve the performance of employees. At the same time, productivity of the organization can also be enhanced. Therefore, the organizations need to know and understand the factors that influence job turnover and should implement better policies to reduce the impact of turnover.

Turnover can be divided into two types which are identified by Robbins, 1993: 256; Ham & Griffin, 1995: 4-9; Gomez. et. al., 1997: 182; Werner, 2001: 450, Taylor, 2002: 568. The 2 types of identified turnover are voluntary and involuntary turnover. Fong (2004) defined voluntary turnover as the employee on his or her own willing plan to end his or her service with the organization or terminate his or her relationship with the employer. In short, this means that the employee choose to resign from his or her organization without any threats. Employees can make their own decisions to get better jobs and for their career development. According to Bureau of National Affairs cited in HRFocus (2007), the rate of the voluntary turnover has increased slowly and steadily.

On the other hand, involuntary turnover will arise if the employees do not have their own choice for termination of their employment due to factors such as

death, long-term sickness or out of employer-initiation. Mabengano (2003) found that involuntary turnover will occur if the employer decides to terminate the employment relationship with employee due to economic recession. This means that under involuntary turnover, employee is being requested by the top management to leave the organization due to economic downturn and/ or due to certain specific reasons such as the skills of the employees were out-dated and no longer being requested by the organization. According to Mabengano (2003), 2 sub-types of involuntary turnover are dismissal and layoff. Those employees with poor performance or poor working attitudes which are unacceptable by the top management will be dismissed by the organization. Change of company's environment or strategies may force the employees to lose their jobs under layoff situation.

Organization should identify whether the employee turnover is voluntary or involuntary. If the rate of voluntary turnover is high, then the organization has to find out the factors that cause the employees to leave obviously (Johnson, 2007). The factors that cause turnover can be classified into intrinsic and extrinsic factors. Extrinsic factors are due to the conditions surrounding the job. Example of the extrinsic factors is organizational and administrative policies, salary, interpersonal relationship and supervision. Intrinsic factors are directly related to the job (Syptak & Marsland & Ulmer, 1999). For instances, the work itself, achievement, recognition, responsibility and advancement.

If the rate of involuntary turnover in the organization is high, then the organization needs to exercise great caution in staff recruitment, selection, training, and implementation of motivation strategies (Ongori, 2007). This means that once the basic structure of the company has something wrong this will lead to high turnover rate. The high turnover rate will adversely affect the productivity of the organization. Therefore, the organizations need to know and understand the factors that cause job turnover and should find better ways to handle turnover so as to reduce the impact of turnover and its related cost to the organization.

Job satisfaction is one of the factors that will influence turnover. According to Feinstein (2001), most of the managers in the food servicing line do not know and fail to satisfy their employees and fail to realize the importance of employees' job satisfaction which strongly influences their intention to leave their post. Failure of the management towards employee job satisfaction will create lots of conflict between employees and management which will directly lead to high the employee turnover rate. Many researchers have applied different satisfaction facets to forecast employee attitudes, performance, service level (Dienhart & Gregoire, 1993; Oshagbemi, 2000a, 2000b; Yousef, 1998). According to Hoppock (1935) cited in Yew (2007), combination of psychological, physical and environmental circumstances will make an employee say "I am satisfied with my current job."

Besides that, organizational commitment level will affect the employee turnover as well. Lower organizational commitment level will lead to negative consequences such as high turnover, low productivity and high absenteeism. Hence, most organizations tend to raise organizational commitment level so as to increase productivity and reduce employee turnover. Organizational scientists strived to understand the various component of commitment and analyze the relationships between the various forms of commitment which affect work performances (Meyer & Allen, 1990; 1991; 1997; Meyer & Hersovitch, 2001; Alqurashi, 2005). This means that the commitment levels will affect job performance, productivity and turnover differently. Some studies have discovered that the organizational commitments are related to the personal characters of the employees which will affect to their job performance at their workstation (Schultz, 2000).

The research done by Ongori (2007) examined the source cause of employee turnover, its effects and implementation of the various advising strategies on how to minimize employee turnover in the organizations. Several studies have been conducted on the causes of employee turnover but there is lack

of research which examined the source cause of employee turnover, its effects and devising various advising strategies which can help the management to retain employee to enhance organization competitiveness.

The primary aim of this study is to identify the factors that influence employee turnover in the private sector. High rate of employee turnover will adversely affect the quality of services rendered by the organization. The organization will face problems of recruiting and retaining employees to continue their service with the organization. Johson (2007) estimated that the cost of training an employee is \$11,000 and the productivity loss suffered for losing an experienced employee is \$33,000. All these problems will negatively affect the organizational systems, programs. The quality of organization services rendered. Projects may unfortunately be stopped or delayed due to lack of manpower.

## **1.2 Problem Statement**

High job turnover will adversely affect the achievement of organizational goals. Fitz-enz (1997) study reported that for every 10 managerial and / or professional staff resignation it will cause the organization to suffer loses of around \$1million. Therefore, the employers should offer good monetary rewards to attract and retain employees so that they will continue to work and help the organization to achieve its goals. Schmitt (2001) cited in Fong (2004) showed that money is not the only factor that become a 100% reason cause the employees to resign from their job. But in practice about 89% of managers still believe money is a much better way to retain employees (Branham ,2001, cited in Fong ,2004; Mabengano, 2003). There are several other factors like job satisfaction, organizational commitment and demographic factors which in one way or another influence employee turnover.

According to Boxall and Baldwin (2002), employee turnover will affect the productivity of the organization. Turnover will lead to the lack of manpower

in the organization. All those plans, scheduled, works and programs cannot be completed successfully on time. Thus, the productivity of the organization would be affected adversely. A study by Sheera (1998) cited in Fong (2004), in the Malaysian context, many local organizations fail to see their cost implications in relation to efficiency, productivity and training.

According to Steers and Mowday (1981), not much research had been done for the study on the reasons for the employees to leave their organizations and did not wish to continue their contribution to the organization. Thus, they suggested that more researches need to be done to understand fully the major reasons for employees leaving their organization and find ways to retain good employees with the organization.

For this study, retention of employees is a very important issue. This is because employee shortage in the organization could cause the remaining employees to be overloaded with work pressure, resulting in burnout, lots of dissatisfaction on their workplace and many other related problems. Private sector might experience high turnover rates. Past researches that survey the factors influencing turnover in Sarawak amongst the private sectors are lacking. Hence, this research study might help us to know the factors that influence turnover and how to reduce the turnover rates amongst the private sectors. This is because the reduction of turnover rate can save lots of money for the organization, stable workforce will increase the productivity of the organization and employees are happy with their works. This study intends to identify the factors that lead to high turnover rates in private sector.

### **1.3 The Objective Of Study**

#### **1.3.1 Main Objective**

To identify the factors that influence turnover among the employees in the private sector.

### **1.3.2 Specific Objectives**

1. To determine differences in turnover based on gender.
2. To determine differences in turnover based on age.
3. To determine differences in turnover based on education level.
4. To determine differences in turnover based on length of service.
5. To determine differences in turnover based on level of income.
6. To identify the relationship between pay satisfaction and turnover.
7. To identify the relationship between fringe benefit and turnover.
8. To identify the relationship between work on present job and turnover.
9. To identify the relationship between supervision and turnover.
10. To identify the relationship between advancement and turnover.
11. To identify the relationship between co-workers and turnover.
12. To identify the relationship between organizational commitment and turnover.

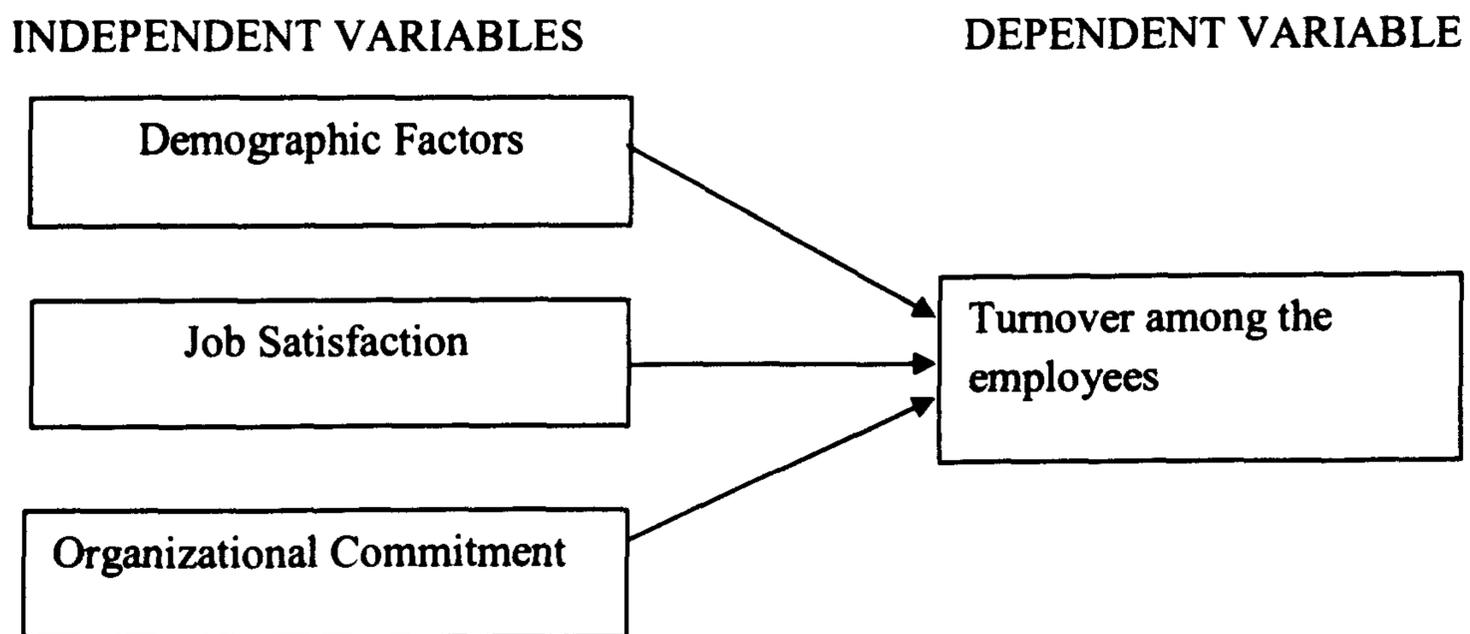
### **1.4 Research Question**

1. Is there any significant difference in turnover based on gender?
2. Is there any significant difference in turnover based on age?
3. Is there any significant difference in turnover based on educational level?
4. Is there any significant difference in turnover based on length of service?
5. Is there any significant difference in turnover based on level of income?
6. Is there any relationship between pay satisfaction and turnover?
7. Is there any relationship between fringe benefit and turnover?
8. Is there any relationship between work on present job and turnover?
9. Is there any relationship between supervision and turnover?
10. Is there any relationship between advancement and turnover?
11. Is there any relationship between co-workers and turnover?
12. Is there any relationship between organizational commitment and turnover?

## 1.5 Research Hypothesis

- H1: There is a significant difference in turnover based on gender.  
H2: There is a significant difference in turnover based on age.  
H3: There is a significant difference in turnover based on educational level.  
H4: There is a significant difference in turnover based on length of service.  
H5: There is a significant differences in turnover based on level of income.  
H6: There is relationship between pay satisfaction and turnover.  
H7: There is relationship between fringe benefit and turnover.  
H8: There is relationship between work on present job and turnover.  
H9: There is relationship between supervision and turnover.  
H10: There is relationship between advancement and turnover.  
H11: There is relationship between co-workers and turnover.  
H12: There is relationship between organizational commitment and turnover.

## 1.6 Research Framework



**Figure 1.1: Research Framework**

The research framework includes the independent and dependent variables. The independent variables are demographic factors, job satisfaction and organization commitment. The dependent variable is employee turnover. The

figure 1.1 depicts demographic factors, job satisfaction and organizational commitment that influence job turnover among employees in the private sector.

### **1.7 Significance Of Study**

This study can help future researchers to understand the factors that influence employee turnover. It will also recommend ways to this study will find to reduce the rate of turnover and improve the retention rate of the employees with sound HR policies. The employer can successfully direct the labor force to move towards achievement of the organizational goals. Besides that, the employer will be able to manage and retain the employee to continue their services with company. This can help to increase the productivity of the organization and reduce the employee turnover rate and save lots of money for the organization. The employers also have to explain clearly to all the employees the organizational goals and their contribution towards the achievement of these goals which will benefit both employers and employees. This study will provide a guideline for employers to structure and implement sound systematic HR policies towards better employee management.

### **1.8 Limitations Of Study**

This study limits its focus on job satisfaction, organizational commitment and demographic factors as the main factors influencing employees' turnover among private sector. Hence, the results may not reflect fully all the factors that influence employee turnover.

Different types of industries with different nature of business operations will have different factors that influence turnover. The findings of this study are collected from one private sector. Hence, it is limited and may not be representative of the whole. Those factors influencing turnover will also adverse have effect on job performance level, productivity, absenteeism of employees.

Besides that, respondent's attitude might influence the result of the study. Many factors such as time given understanding of the questions, respondent's attitude towards questionnaire, emotional factors will affect the accuracy of the data collected.

There is limitation in the inability to get all the organization to return the questionnaire to the researches. One of the private sectors has refused their participation in the study.

## **1.9 Definition Of Terms**

### **1.9.1 Turnover**

#### **Conceptual Definition**

According to Johnson (2007), employee turnover occurs when employees leave their jobs and will have to be replaced.

#### **Operational Definition**

Employee turnover means that the employees do not continue their service with the organization and that particular jobs must be taken over by other employees so that the business operations will not be adversely affected. That vacant position need to be replaced by other new employees or the existing employees who are qualified to take up that particular job.

### **1.9.2 Job Satisfaction**

#### **Conceptual Definition**

European Nursing Early Exit Study, cited in Camerino (2006) state that job satisfaction is the extent which the nurse like or enjoy the job.

#### **Operational Definition**

Job satisfaction is achieved if the employer can fulfill the needs of his or her employees and make the employees feel happy and satisfy with their job. This

means that they are comfortable and feel happy and want to continue their works with the organization.

### **1.9.3 Organizational Commitment**

#### **Conceptual Definition**

According to Hahn (2007), organizational researchers and social psychologists have different perspective on organizational commitment. Organizational researchers study attitudinal commitment focus on how employees can achieve the goals and identify their values in the organization. Social psychologists study the behavioral commitment focusing on how to retain employee in the organization. Once behavior shows commitment, people must adjust their attitudes. Employees' attitude towards works and responsibilities need to be reviewed once their behaviors reflect organizational commitment.

#### **Operational Definition**

The writer assesses that organizational commitment occurs when the organization has clearly explained the organizational goals and employees are committed to work towards achievement of organizational goals. Once employees are committed they will change their working attitude and want to stay with the organization so as to provide perform well in their job. The higher the organizational commitment the lower will be the rate of turnover and the more willing will be the employee to contribute for the organization.

### **1.9.4 Gender**

#### **Conceptual Definition**

Accurate @ Reliable Dictionary (2008) define gender as the properties that distinguish organisms on the basis of their reproductive roles.

#### **Operational Definition**

The writer assess gender is difference from sexuality which concerns physical and biological differences that distinguish males from females.