

# Staying or Leaving? The Influence of Employees' Engagement towards Turnover Decision Among Employees of A Semi-Government Organization in Malaysia

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Corresponding Author

Romiza Md Akhir<sup>1</sup>  
Siti Nor Bayaah Ahmad<sup>2</sup>  
Huwaina Ahmad<sup>3</sup>  
Nor Azira Hashim<sup>4</sup>

<sup>1,2,3,4</sup> UNITAR International University, Malaysia

## ABSTRACT

The success or failure of an organization is relevantly depending on its employees' turnover decision. Employee engagement is one of the factors, which may contribute towards the human resource seasoned issue. This study stands with the purpose to examine the effect of employee engagement towards the staying decision among the employees of Selangor State Economic Development Corporation or Perbadanan Kemajuan Negeri Selangor (PKNS). PKNS is a semi-government organization where its core business is property development. A quantitative experimental design has been conducted to analyze the relationship between independent and dependent variables. Non-probability sampling designs using convenient sampling were run among 250 PKNS employees. Previous literature from EBSCO, Proquest, and Emerald online databases were referred as secondary data. Data analysis was conducted by using the Statistical Package for the Social Science (SPSS). It accepted the hypothesis developed during the study. Employee engagement was discovered to have a significant relationship with employees' intention to stay.

**Keywords:** *Employee engagement, Employee commitment, Employee turnover.*

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## 1. INTRODUCTION

Turnover is a critical issue facing by any organization today. It is understood that the normal practice for cost of employee turnover to a company is between 30% and 250%; depending on employees' last salary. This is supported by 40% of surveyed executives who agree that employee turnover is one of the critical parts in ensuring the success of their organization. In addition, the Bureau of Labour Statistics had reported that average voluntary turnover rate in the construction industry is 21%. This is somewhat worrying as the industry is definitely needs to keep high numbers of employees with certain level of skills and experience to be able to perform effectively and efficiently.

It has been identified that attracting and retaining talent in architectural, engineering and construction industries is the number one strategic issue facing by them. This problem will only be exacerbated when global economy starts to rebound.

While economic environments have eased hiring burden temporarily, talent management stays key concern that will become even more obvious once hiring executed and competition for talent deepens. On this matter, executives are evaluating their current strategies for finding, hiring and managing employees and for developing future leaders of their organizations. As this happens, the challenge for companies is not simply to recruit enough people but also to recruit the right people, who understood as those who have the training and skills to succeed in an evolving industry. This can clearly be seen as the industry consolidates and the size and complexity of projects increases, the demands placed on managers will grow.

On the other hand, another important trend in construction that influences the demand for talent is a new emphasis on value. In order to be more efficient, construction companies are looking to effectively leverage the experience, talents and skills of their employees to create more value for their customers.

In Malaysia, Selangor State Economic Development Corporation (PKNS) is a semi-government organization, which was established on 1<sup>st</sup> August 1964, under State Development Corporation Enactment. It stands as a legislative body and state government's development body. Its formation aims to fill the country's independence through equal distribution of socio-economic growth centered on state's government rules and guidelines that create stability, peacefulness and social equality, focusing Selangor.

Since its commencement date in 1964, PKNS has grown to be one of the prominent property developers in Selangor. It has vast experience in property construction industry, which includes building houses, commercial properties and eleven townships. Some of the more well-known townships developed by PKNS is Petaling Jaya, Shah Alam, Bangi, Kota Damansara and Setia Alam. At this point, retaining its highly talented employees who are equipped with vast experience is a crucial approach for the organization, especially in ensuring the company's sustainability.

Table-1. Employee Turnover Rate of PKNS

Years	Total Employees	Total Employees who Left PKNS	Percentage (%)
2011	984	15	1.5%
2012	1010	31	3.1%
2013	1017	51	5.0 %
2014	1014	30	2.9 %
August 2015	1020	16	1.6 %

Source: PKNS Human Resource Department (2015)

According to the table 1.0, PKNS's turnover rate in the year of 2011 was only 1.5%. The rate increased in the year of 2012 as 3.1% personnel left the company, which consist of 31 out of 1010 personnel. A significant increment of rate for employees leaving the company happened in the year of 2013, as 51 out of 1017 personnel quit the

company due to various reasons bringing the turnover rate of 5%. In contrast, the year 2014 shown that the turnover rate dropped to 2.9%, followed by another drop of turnover percentage rate as at August 2015. The turnover rate is only at 1.6%, as only 16 out of 1020 employees quit the organization. Overall, we can conclude that from 2011 until 2015, the turnover rates in PKNS ranges between 1.5% and 5%, which is significantly lower than the property development and construction industry turnover reported of 21%.

Based on the data presented, this study will therefore assess employees' views on the variable of employee engagement in the PKNS organization and their intention to stay is also investigated. At this point, the study attempts to accomplish one objective, which is:

- i. To examine the influence of employee engagement towards their intention to stay.

Based on the underlined objective, one research question was raised:

- i. Does employee engagement influence the intention to stay among employees in PKNS?

### 1.1. Research Framework



Figure-1. Employee Retention Framework

Source: The research framework that derived from Pearson Engagement Theory (Kahn, 1990) Herzberg's Two Factor Theory of Job Satisfaction (2003) and Maslow's Theory of Needs (McLeod, 2007).

Based on the Theoretical Framework highlighted, one hypothesis has been developed:

H<sup>1</sup>: There is a relationship between Employee Engagement and Intention to Stay

This study is especially important to those developers who surely have the intention to retain their internal talent especially specialist, who were involved in high impact construction development such as iconic building or sustainable property. This is in relation to the high training cost that companies would have to bear, and long time needed to train these personnel every time they hire new talent into their company. In short, the findings of the study were perhaps; generate some ideas for the management to formulate strategies in effort to retain employees in the property and construction industry in Malaysia.

## 2. LITERATURE REVIEW

Employee engagement is defined as the organization's approach aimed to ensure that all staff are loyal and devoted to give their best and work towards company's goals and values. They would have the will to continuously, contribute towards organizational success and are concurrently capable to raise their sense of well-being. Parallel with the notion, Larkin (2009) described employee engagement as the degree to which an employee is involved in and enthusiastic about his or her work, committed to the values of the organization and goes beyond the basic responsibilities to drive the business forward. He also mentioned that currently only 30% of employees internationally are engaged in the companies, where they work at. This is a problem, as disengaged employees are not committed to the organization's goals. Therefore, they have the potential to not giving their best to achieve good results.

The level of employee engagement can be further understood through Maslow's Hierarchy of Needs. It is the same theory to employee engagement. Maslow argued that individuals needed to satisfy basic needs such as warmth, safety and security realizes their own personal growth and development. The same theory can be applied to how an organization treats and engages with their staff (Smith, 2014).

Maslow's hierarchy of needs is a pyramid comprises of five levels, as seen in the diagram from bottom to top: physiological, safety, social/belongingness, esteem and self-actualization needs (McLeod, 2007).

Engagement of employees increases in relation to the needs being met. The lowest level is physiological needs, which is "the survival needs". In understanding the survival needs, the employee would consider the job as something he would need to survive, paying bills and financial independence. These employees would be disengaged employees, the employees who would not motivate other employees. They would be working for money and would not be very satisfied with their jobs. They would not stay overtime, nor put extra effort into their work (David, 2014; Smith, 2014).

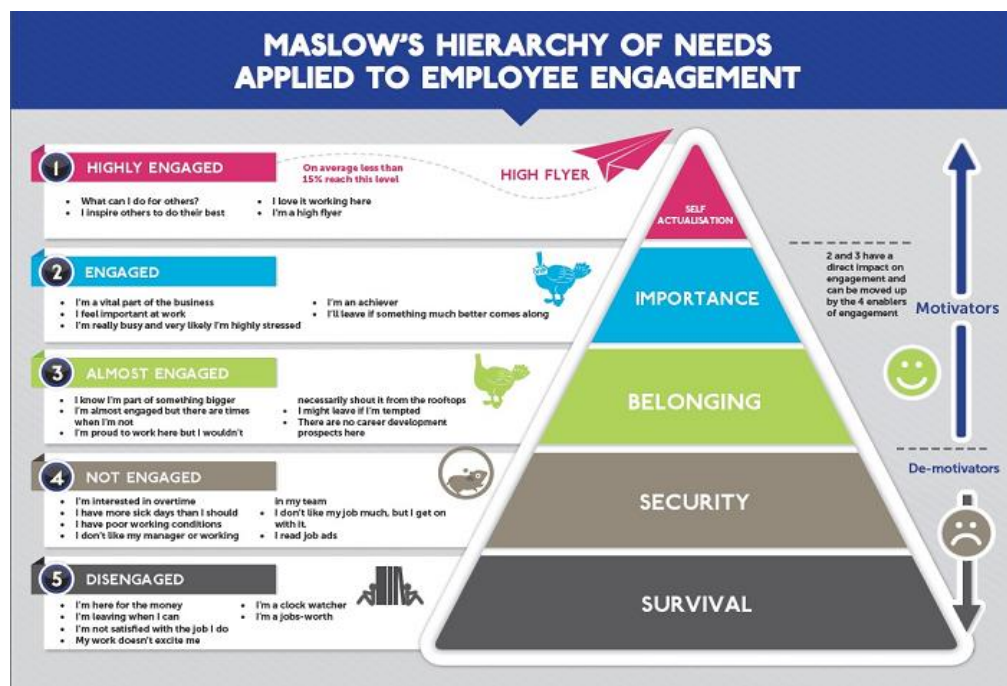


Figure-2. Maslow's Hierarchy of Needs (McLeod, 2007)

Source: www.linkedin.com/How Maslow's Hierarchy of Needs influences Employee Engagement (Smith, 2014)

Next is the security level. Employees at this level would be employees that is not engage to their job. The disengagement might be due to their fear of losing the job. They might not feel secure with their jobs. Employees' working conditions might be poor as they would please more sick days, do not like their manager, co-workers or team and they might actively be looking for another job.

In contrast, employees would be almost engaged when they reached the belonging level. In order to achieve this stage, the employer could make sure that these employees feel like they were part of the organisation and that their work had special meaning in their life as they would be proud to work for the organization. The employees can be accepted as almost engaged when they are already improves the atmosphere in organisation by becoming a motivator to other employees as well. However, David (2014) and Smith (2014) noted that almost engaged employees might still leave the organization if they receive a job offer with better career prospects.

Any employee who reached the importance level of Maslow's Hierarchy of Needs can be accepted as an engaging their life with the organization. Employees at this level would be vital for the business and they are already feel the importance of their work. At this stage, they will still leave the company where they are working, but it must be with something much better of benefits (Smith, 2014).

Finally, the highest level in relation to highly engaged employees would be self-actualisation. Highly engaged employees would be a great asset and they love working in the organisation. In addition, they would help and inspire other employees thus creating better atmosphere in the whole organisation (Smith, 2014).

Employee's intention to stay reflects employee's level of loyalty to his or her company and the readiness to stay employed. Employee's intention to stay can be agreed as employee's loyalty towards organization over long period. This concept is opposite with turnover intention or intention to quit concept. The definition of intention to quit is individual's probability that they are leaving their organization forever at some point in the near future. Undesirable, unwanted, and voluntary attrition that companies experience. When most valued employees quit an organization and take another job elsewhere, it is a more crucial problem than the frequency of corporate layoffs reported. This has become more and more important especially when competition for talent is stiff and continue to increase.

People have the need to feel that their work, support and involvement in the company is appreciated and highly valued. In order to get employees' loyalty, they need to feel involved and very much attached to the company. Therefore, to improve turnover within employees, reasonable wages, reasonable benefits, incentive activities, and any initiatives are important to be executed. Wages and financial incentives can act as motivation for employees to be more committed and satisfied with their current organization.

## **2. RESEARCH METHODOLOGY**

Owing to the budget, time constraints and geographical dispersion, a quantitative approach is used as a means of information gathering. A self-reported experience through a questionnaire survey has been developed to obtain the employees' views towards employee engagement attributes and their intention to stay. The Perbadanan Kemajuan Negeri Selangor (PKNS) employees have been selected as the study setting. With regard to the sufficient number of respondents, Roscoe (1975) rules of thumb have indicated that sample sizes larger than 30 and smaller than 500 are appropriate for most research. With this benchmark, A final sum of 250 surveys were distributed at random and only 230 questionnaires returned were usable. Tokens were used to attract the willingness of respondents to participate in the survey.

Surveys, interviews, objective tests or measures and secondary data sources are the most popular data collection techniques (Avison and Jan, 2005). In this study, questionnaires or paper survey method were applied. The survey comprised of several parts that required respondents about their profile and background, employee engagement and intention to stay. The questions were written in English and Malay. Items were calculated using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

This study was conducted with highly precision process in order to remove every possible misleading data when quantifying a related subject. The survey was segmented into certain sections proportionally to examine the main characteristic of variables that determine relationship between employee engagement and intention to stay among employees in PKNS. Items of measurements adopted for the variables are from various sources. Factor analysis was done for validity purpose. Reliability analysis was done to get Cronbach alpha readings for reliability purpose.

Reliability analysis via Cronbach's Alpha is done to check the level of reliability of all variable used in the study. The Cronbach Alpha value for employee engagement is 0.860 and intention to stay is 0.736. Thus, the reliability coefficients of the independent variables and dependent variable are above accepted rate of 0.70. This result suggested very good internal consistency reliability for the scale with this sample. In other words, all the independent variables and dependent variable are reliable variables in this study.

Table-2. Reliability Test

Variabilities	Cronbach Alpha ( $\alpha$ )
Employee Engagement	0.860
Intention to Stay	0.736

### 3. FINDINGS & DISCUSSIONS

#### 3.1. Respondent Profiles

Table-3. Respondent's Profile

Variables	Frequency N = 230	Percent (%)	
<b>Gender</b>	Male	84	36.5
	Female	146	63.5
<b>Marital Status</b>	Single	84	36.5
	Married	143	62.2
	Others	3	1.3
<b>Age</b>	20 - 29 years old	110	47.8
	30 - 39 years old	65	28.3
	40 - 49 years old	28	12.2
	50 years old & above	27	11.7
<b>Education Level</b>	SPM	39	17.0
	Diploma	115	50.0
	Bachelor	60	26.1
	Master	9	3.9
	Others	7	3.0
<b>Working Experience</b>	Less than 5 years	92	40.0
	5 to 10 years	69	30.0
	More than 10 years	69	30.0
<b>Job Type</b>	Technical	83	36.1
	Administrative	83	36.1
	Finance	64	27.8
<b>Employment Status</b>	Permanent	114	49.6
	Contract	116	50.4

Out of 250 surveys, a total of 230 employees responded to the questionnaires. This made up a response rate of the study at 92%. A total of 83 employees (36.1%) who answered the survey are from technical department. The result also revealed that employees from Administrative employment have the same figure, which is 83 respondents (36.1%). 64 respondents (27.8%) are from finance department. The result indicated that female respondents have a higher percentage of respondents with total samples of 63.5% as compared to the male respondents (36.5%). The result also shows the most respondents are married (62.2%). Majority of respondents are in the group age between 20 to 30 years old (47.8%), followed by 30 to 39 years old age group (28.3%), 40 to 49 years old age group (12.2%) and finally the 50 years old and above age group (11.7%).

In terms of service duration, 40.0% or the majority of the respondents have served the organization for less than 5 years. The second largest employee group comes from those who have served between 5 to 10 years (30%). The same percentage is also rated for those employees who have working experience of more than 10 years. For the employment status, 49.6% respondents were permanent while 50.4% of respondents were on contract basis.

Majority of the respondents were Diploma holders (50.0%), followed by bachelor's degree holders (26.1%). 17.0% of the respondents have SPM certificate and 3.9% of the respondents are holding master as their highest education qualification level.

3.2. Regression Analysis

Table-4. Coefficient

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.484 <sup>a</sup>	.235	.231	.55716

a. Predictors: (Constant), Employee Engagement

b. Dependent Variable: Intention to stay

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients			Standardized Coefficients	
		B	Std. Error	Beta	t	Sig.
1	(Constant)					
	Employee Engagement	1.391	.312		4.458	.000
	(Constant)	.649	.078	.484	8.360	.000

a. Dependent Variable: Intention to Stay

The p-value is 0.000. Since p-value 0.05 is greater than the p-value 0.000 therefore we reject H0. Therefore, the relationship between employee engagement and intention to stay is significant. In the Model Summary table, the correlation coefficient, R squared is 0.235. This means 23.5% of the variance in employee engagement and intention to stay is explained by the model. From the Coefficients table under the column Unstandardized Coefficients, Beta readings is 0.649. This indicates that this variable contributes 0.649 to the prediction of the dependent variable. Thus, null hypothesis (H0) is rejected. At this point, it can clearly be stated that there is a relationship between employee engagement and intention to stay.

Although the results highlighted a range of interesting and significantly meaningful findings, the limitations encountered during the research processes merit clarification. Since this study only focused on PKNS organization in Selangor, the findings therefore cannot be generalized and represent the whole population of the similar organization in the country. The question arises whether the findings would be the same or different if the survey was conducted in all property developer firms throughout the country.

The second limitation is related to the time consumed to complete this study. As mentioned earlier, it was done only on PKNS population of 1020 employees and not its group of companies or its subsidiary and privatization companies. The researchers are only able to distribute 250 set of questionnaires towards the sample population. As it proceeded, only 230 questionnaires were completely answered and valid for further analyses. At this point, results might be differed if longer period of data collection process is taken, perhaps more complete answers of the questionnaires could be collected. It is highly recommended for future research to be conducted in other top property developer companies in Selangor and Malaysia. This is to see whether similar result would be concluded or otherwise. Future research should also be conducted in private property developer companies as well as government-based organization such as UDA Holdings Berhad. Future study between private and government-based companies should be done separately in order to gain significant conclusion due to different nature of these organizations in conducting business. By doing this, more knowledge can be gained from the conclusions; either to mitigate any flaws or to improve all good actions when it comes to sustaining highly trained employees in the industry or both. Future research should also be conducted in other industries than just a property developer

industry. This is to enhance body of knowledge in human resource study and to understand human psychology when it comes to the working industry and sustaining its workforce. In addition, it is also interesting to see the result if such study is conducted in other country than Malaysia such as the Southeast Asian region or other region in the world. This would definitely benefit larger group of people as to whether we would get similar result or otherwise and the reasons behind all studies.

#### 4. CONCLUSION

Despite limitations, some useful insights and information relating to the managing of property developer firms were obtained and will thus encourage other potential researchers to explore further this kind of the operation for similar organization. All in all, it is hoped that the findings of this study will facilitate the managements of PKNS to better understand the employees' needs. Understanding the employees' needs in turn will help the company to position itself and be more competitive in the rapidly growing property businesses in the country. This, on the other hand, would also provide valuable information, so they can be more sensitive and effective in all facets of operation management and improve employees' engagement and improve their intention to stay. There is a tremendous change in today's business operations and competition level. Employees are now exposed to various choices of competitions from other companies. Thus, one of the reasons for a successful organization is related to the approach it made to satisfy the needs of the employees and keep them to perform in the company. This can be achieved through good human resource policies and employees' benefits. This study intended to propose a better understanding of employee turnover factors that indeed, is a significant problem in any business firm. This study also attempts to add on to the existing literature and render support for the past theories of employee turnover that will further enhance public understandings towards the matter. With stiff competition among the similar institutions, the findings can assist PKNS to strategize methods to reduce turnover rate among the employees.

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