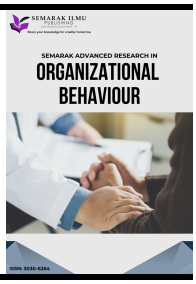
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Investigating Factor Influencing Employee Turnover Intention in Malaysia's Private Manufacturing Sector

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ABSTRACT

Turnover intention represents an employee's likelihood of leaving their current organization, often influenced by factors such as job satisfaction, career opportunities, and compensation. This study investigates the key factors driving employee turnover in Malaysia's private manufacturing sector, where high turnover rates significantly impact productivity, operational efficiency, and overall organizational performance. The primary objective of this study is to analyze the multifaceted relationship between compensation, workload, and employee retention within the manufacturing sector. Specifically, the research investigates the impact of financial benefits and workload adjustments on job stress level while evaluating how perceptions of fairness influence turnover intention. Ultimately, the study aims to identify optimal workload management practices that mitigate stress and foster long-term organizational stability. To gather empirical data, use a quantitative method which is a questionnaire survey for collecting sample size which is targeted to collect a sample size of 384 respondents. The reliability and validity of the survey were ensured through comprehensive validation using SPSS software version 30. Key findings from this study aim to provide significant implication for management within Malaysia's manufacturing industry to develop equitable compensation strategies and effective workload management systems, aimed at enhancing employee well-being and reducing turnover rates.

1. Introduction

Employee turnover intention is one of the most critical challenges faced by Human Resources departments globally, including in Malaysia. According to Kumar [1], turnover is a significant Human Resources issue across all sectors of the economy, as it negatively affects productivity, product and service quality, and profitability. It refers to an employee's intention to resign from their current position, often stemming from dissatisfaction with the organization, mental health issues, or an

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unfavorable work environment which contribute to high turnover rates. Generally, turnover intention can be categorized into three core components: Psychological, Cognitive, and Behavioral. The psychological aspect reflects the emotional and negative experiences that employees encounter within the organization.

Numerous contributing factors have been identified regarding turnover intention, including dissatisfaction with compensation and benefits, low productivity, toxic work culture, lack of motivation, and limited opportunities for skill and knowledge development. Furthermore, researchers have emphasized various factors influencing turnover intention, such as job satisfaction, salary, career advancement opportunities, compensation and benefits packages, supervisor support, job-person fit, individual values, organizational culture, and access to professional training are taken from previous studies [2].

In today's workforce, employees worldwide are resigning in large numbers, sometimes with 20 to 30 employees resigning at once. This trend is often driven by dissatisfaction with current roles and a desire for improved working conditions. If employers fail to prioritize key factors, particularly compensation and benefits, employee turnover is likely to increase. Turnover intention is intrinsically linked to compensation and benefits, as they are primary drivers of attrition. As supported by studies, compensation is a form of recognition and reward provided to employees, encompassing both financial and non-financial aspects as a fair acknowledgment of their contributions toward achieving organizational objectives. It is a crucial component for any company aiming to enhance employee performance and motivation [3]. Furthermore, compensation serves as a form of recognition given by the company to appreciate the efforts and ideas of employees in achieving corporate goals [4].

According to recent studies, the term remuneration refers not only to salary or other cash payments but also to indirect forms of compensation for work performed [14]. Compensation and benefits extend beyond a basic salary to include bonuses, medical insurance (such as outpatient or panel clinic coverage), pensions, monetary incentives, commissions, flexible working arrangements, and retirement plans. These studies further suggest that compensation includes formal recognition, promotions, and employment benefits that are derived from the employment relationship rather than just the specific tasks performed [14].

Currently, the manufacturing sector plays a significant role in driving economic growth and generating income. According to a Malaysia Employers Federation (MEF) survey, employers have reported high turnover rates among local employees, leading to a growing preference for recruiting foreign workers, who are perceived to have a lower tendency to switch jobs [2].

Employee turnover serves as a key indicator of internal organizational health and influences Malaysia's broader labor trends. Focusing on the manufacturing sector, this research analyzes why employees frequently exit due to poor compensation and high-pressure work environments. It evaluates the impact of occupational stress on organizational stability and the effectiveness of policies designed to reduce attrition. Additionally, the study examines the relationship between financial benefits and mental health, suggesting that a misalignment between workload and compensation drives the excessive stress that leads to turnover. This study aims to provide valuable insights into the factors influencing employee turnover intention and contribute to the development of strategies for mitigating workforce attrition in the manufacturing sector.

Various studies have been conducted to determine the potential effects and drivers of turnover intention. Current research identifies several key factors that prompt employees to leave their jobs, including financial wellness and inflation-adjusted perks, mental health support, burnout culture, work flexibility, and toxic environments. The objective of this paper is to investigate the impact of compensation and benefits on job stress levels among employees in the manufacturing industry.

Additionally, this study examines how workload adjustments influence both job stress and subsequent turnover intentions. The importance of this research is underscored by global trends; for instance, the manufacturing industry experienced 16% turnover rate in 2016, the fifth highest among all sectors globally. In the Malaysian context, these statistics suggest that turnover remains a significantly more pressing concern than in many other industries.

2. Literature Review

Employee turnover intention refers to an employee's conscious and deliberate decision-making process to leave an organization. Understanding turnover intention is crucial for organizations, as it directly impacts operational continuity, talent retention, and overall business performance. This discussion aims to explore empirical definitions and the key factors influencing turnover intention, synthesizing insights from a range of studies.

Furthermore, turnover intention can significantly affect an individual's personal life, the workplace environment, and their career development. In many cases, employees choose to leave their current positions due to ineffective management practices, particularly within the manufacturing sector. This article examines four major aspects that influence employee performance and retention are work-life balance, competence, employee welfare, and career advancement based on previous studies [5].

2.1 Employee Turnover Intention

Turnover intention has been widely recognized as a reliable predictor of actual employee turnover, and numerous empirical studies have validated its significance in forecasting resignation behavior. In practice, employees who express high levels of turnover intention are statistically more likely to leave their current organization. In such cases, organizations may be able to identify the variables that contribute to an employee's decision to leave rather than stay. For instance, it is suggested that recognizing these factors can help organizations implement effective strategies to reduce turnover; one approach involves ensuring that employees experience high levels of job satisfaction, which has been found to mitigate turnover intention [6]. Furthermore, turnover intention is often elevated due to inadequate Human Resource Management (HRM) practices. Consequently, individuals with high turnover intention are often perceived as less effective and frequently seek opportunities to leave the organization [6].

2.2 Compensation and Benefits

Compensation and benefits represent a critical component of Human Resource Management, directly influencing employee satisfaction, productivity, and retention. According to Cummings and Worley [7], a compensation scheme should be driven by policy, structure, and employee engagement, serving as an integral part of how HR practitioners design organizations and train employees. This is especially significant in the manufacturing industry, where the workforce plays a pivotal role in ensuring operational efficiency and maintaining product quality. As such, understanding the dynamics of compensation and benefits in this sector is essential.

Furthermore, this literature review aims to examine empirical definitions and key factors that influence compensation and benefits within the manufacturing context. In the contemporary workforce, compensation serves as a motivational tool to sustain high productivity levels. Total compensation includes all forms of financial returns and tangible services or benefits that employees receive as part of their employment relationship.

Compensation can be divided into two primary types which are financial and non-financial. Direct financial compensation consists of payments received by an employee in the form of salary, wages, commissions, and bonuses. Meanwhile, indirect financial compensation—also referred to as employee benefits—includes social security, unemployment compensation, workers' compensation, paid time off, overtime, health and life insurance, retirement plans, disability protection, and various employee services [8].

Higher levels of perceived compensation and benefits are associated with lower employee turnover intention, as employees feel adequately rewarded and valued for their contributions. Additionally, studies state that compensation is the reward received by employees in return for their contributions to the organization [4]. High compensation can positively impact retention, and research confirms that the power of compensation and benefits cannot be neglected, as many studies have proven that inadequate compensation leads to significant dissatisfaction and difficulties in retaining talent [2].

Empirical evidence generally shows that compensation and benefits negatively influence turnover intention. Research examining the relationship between compensation, job stress, and turnover intention found that compensation has a significant negative effect on turnover intention, meaning that better compensation helps reduce the desire to quit. Furthermore, compensation and benefits are negatively correlated with job stress, implying that higher and fairer compensation can help mitigate stress in the workplace.

H1: There is a significant relationship between compensation and benefits and employee turnover intention

H2: There is a significant relationship between compensation and benefits and job stress

2.3 Workload

Understanding the dynamics of workload and its impact on employees is essential for developing effective management strategies and ensuring operational efficiency, particularly in the manufacturing sector. Workload is a critical factor that significantly influences employee performance, job satisfaction, and overall well-being. It is defined as a series of tasks that an employee must complete within a given timeframe. A current issue in the manufacturing sector is the high rate of turnover intention, which has been shown to adversely affect employee performance [9]. This literature review synthesizes findings from various studies to explore the underlying causes of high turnover, with a primary cause being excessive workload. Research suggests that a high workload can be detrimental to both employees and the organization; if demands exceed an employee's ability to cope, the organization may require additional working hours for tasks to be completed [11].

In addition, mental health has become an increasingly important concern, especially among employees in high-demand environments like manufacturing sector. Mental workload encompasses the cognitive demands associated with job tasks, including problem-solving, decision-making, and sustained attention to detail. Excessive physical and mental workload can lead to a decline in job performance and overall well-being. Studies indicate that workload can have a negative impact on health due to excessive pressure, leading many employees to resign [10].

Furthermore, from a theoretical perspective, the Job Demands-Resources (JD-R) Model posits that high job demands, such as an excessive workload, require sustained physical and psychological effort. Job demands are defined as the physical, cognitive, and emotional requirements of a role, which are associated with specific physiological or psychological costs [16]. Empirical studies consistently demonstrate a positive relationship between workload and turnover intention.

Specifically, evidence indicates that workload has a significant positive relationship with job stress, whereby excessive demands and time pressure increase employee psychological strain and stress levels.

H3: There is a significant relationship between workload and employee turnover intention
H4: There is a significant relationship between workload and job stress

2.4 Job Stress

Job stress refers to the physical, mental, and emotional strain experienced by individuals in response to perceived pressures, work demands, and high expectations that exceed their ability to cope effectively. According to the "Malaysia's Healthiest Workplace by AIA Vitality Survey 2017," which surveyed 47 organizations and 5,369 employees, more than half of the respondents suffered from mental health issues. Specifically, 12% of employees reported high levels of depression, and—most importantly for this study which 53% of Malaysian employees experienced at least one dimension of work-related stress [12]. According to the survey, job stress is one of the biggest challenges employer's faces, often leading employees to decide to leave their positions.

In the modern work environment, job stress is prevalent in high-demand sectors such as manufacturing. Employees often face excessive workloads, time pressure, role ambiguity, a lack of autonomy, interpersonal conflicts, organizational changes, job insecurity, low motivation, staff shortages, and a poor work-life balance. These factors frequently lead employees to consider leaving their current roles. Studies indicate that work stress negatively impacts employee performance across various sectors; in the industrial sector specifically, pressure from superiors can cause frustration, resulting in high turnover [12].

Stress in a work setting may arise from a loss of actual or potential resources, such as personal health, coworker support, financial stability, or departmental budgets [15]. Job stress can also have severe consequences on personal health, resulting in burnout, decreased job satisfaction, reduced productivity, absenteeism, and physical or mental health problems, including anxiety, depression, and cardiovascular disorders.

Generally, organizations must recognize that implementing stress management strategies, providing organizational support, and facilitating effective coping mechanisms are crucial to mitigating stress and enhancing employee well-being. Job stress is becoming pervasive, especially in the manufacturing sector. If high stress levels are not managed, negative outcomes such as increased absenteeism and high turnover rates will follow [13]. Empirical studies consistently show that job stress has a positive and significant relationship with turnover intention; as stress levels increase, the intention to resign also increases. In high-pressure environments, factors like heavy workloads, long hours, role conflict, and insufficient compensation further intensify this intention.

H5: There is a significant relationship between job stress and employee turnover intention

3. Theoretical Literature Review

The theoretical review examines key frameworks that explain why employees develop the intention to leave their organizations. This study focuses on three theories related to employee turnover: **Herzberg's Two-Factor Theory**, **Vroom's Expectancy Theory**, and the **Job Demands-Resources (JD-R) Model**. These serve as the primary models for investigating the causes of high turnover intention within the manufacturing industry. Furthermore, these theories provide valuable insights into the motivational and cognitive processes that influence an employee's decision to remain with or leave their current organization.

3.1 Herzberg's Two-Factor Theory (1950)

Herzberg's Two-Factor Theory, developed in 1959, distinguishes between motivator factors and hygiene factors that influence employee satisfaction and dissatisfaction. In the context of this study, hygiene factors are aspects of the work environment that, when inadequate, lead employees to feel pessimistic and dissatisfied, making them more likely to leave their current jobs. stated that motivational factors enhance job satisfaction and encourage employees to perform at a higher level.

To begin with, motivational factors—such as achievement, recognition, personal growth, and career development—contribute significantly to job satisfaction and employee retention. According to this theory, motivation can inspire employees to work diligently and enjoy their roles. These factors include intrinsic drivers, such as a sense of achievement, opportunities for advancement, job interest, recognition, and a sense of responsibility. Furthermore, employees derive motivation from engaging in meaningful tasks, having autonomy, and accessing opportunities for career progression, all of which can reduce turnover intention.

In addition, hygiene factors relate to the work context rather than the work itself; these include salary, company policies, supervision quality, interpersonal relations, job security, and physical working conditions. While these factors do not inherently increase long-term job satisfaction, their absence or inadequacy can cause dissatisfaction, reduce morale, and increase turnover intention. For instance, poor salary structures, a lack of job security, or inadequate working conditions in the manufacturing industry may prompt employees to seek opportunities elsewhere.

In a nutshell, Herzberg's theory suggests that to effectively reduce turnover intention, organizations must address hygiene factors to eliminate dissatisfaction while simultaneously enhancing motivational factors to promote long-term engagement and retention.

3.2 Expectancy Theory by Vroom (1964)

Expectancy Theory was developed in 1965 by Victor Vroom to explain that an individual's motivation is based on their expectations regarding the outcomes of their actions. In general, this theory relates to an employee's decision to leave their current job. Furthermore, the theory asserts that employees are driven to engage in behaviors they perceive as leading to favorable outcomes, while refraining from actions that may produce unfavorable consequences. Motivational tendencies vary among individuals; for example, early-career employees may be more motivated by extrinsic rewards, whereas tenured faculty tend to be intrinsically motivated, particularly in conducting research. This theory comprises three key components: **expectancy, instrumentality, and valence.**

In relation to employee turnover, these components play a crucial role in turnover intention:

- **Expectancy:** A strong expectancy belief encourages sustained effort.
- **Instrumentality:** High instrumentality ensures that employees trust that their job performance will be rewarded.
- **Valence:** Positive valence strengthens the attractiveness of staying with the organization.

In a nutshell, when all three components are aligned, turnover intention is likely to decrease within the manufacturing industry.

3.3 Job Demands – Resources (JD-R) Model

The Job Demands-Resources (JD-R) Model is a theoretical framework that explains how job characteristics influence employee well-being, motivation, and work outcomes. The model categorizes workplace factors into two distinct types: job demands and job resources. According to research, JD-R theory is a unifying job design theory that integrates various perspectives on job stress and motivation [16]. Specifically, the theory explains how job demands and resources influence performance through employee well-being, including burnout and work engagement—and how employees use proactive and reactive behaviors to influence these factors [16].

Furthermore, job demands refer to the physical, psychological, social, or organizational aspects of a job that require sustained effort and are associated with physiological costs; examples include workload, time pressure, and emotional demands. Therefore, job demands are aspects of the role that require continuous effort and are linked to physiological and psychological costs [17]. For instance, high workloads, conflicting demands from managers, and workplace bullying are all significant job demands [17].

In contrast, job resources are aspects of a job that help achieve work goals, reduce the impact of job demands, or stimulate personal growth and development. These include supervisory support, autonomy, feedback, and opportunities for career advancement. According to recent studies, examples of job resources include social support from colleagues, the freedom to choose between working from home or the office, and opportunities for promotion [17]. Overall, the JD-R Model is widely applied in organizational and occupational research due to its flexibility across different professions and its ability to explain key outcomes such as burnout, work engagement, job satisfaction, and turnover intention.

4. Conceptual Framework

The conceptual framework is a structure that identified the theories and related literature review for this study as illustrated in Figure 1:

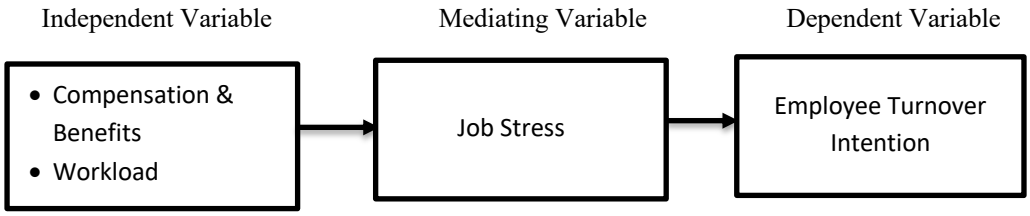


Fig. 1. Conceptual framework

5. Research Methodology

The basic components of this study's research methodology include data collection, data analysis, and the presentation of findings. This study will utilize a quantitative research method, which involves the collection and analysis of numerical and measurable data.

5.1 Research Method

This study focuses on employee turnover intention within the manufacturing industry and is structured to systematically capture and measure the factors influencing an employee's decision to leave. According to the statistics, the total number of employees in the manufacturing sector in Selangor is 414,257 [18]. This study proposes targets the manufacturing sector in Klang and Shah Alam. Based on

Krejcie and Morgan [19] table, a sample size of 384 respondents will be targeted to ensure that the sample is representative of the population, thereby enhancing the generalizability of the findings [19]. The study utilizes a simple random sampling technique, ensuring each member of the population has an equal chance of being selected.

Data will be collected using a structured survey questionnaire, divided into three parts for background information and four parts corresponding to the research framework. The data collection will propose to involve employees in the manufacturing industry and propose including a pilot study to ensure the instrument's validity and reliability. The questionnaire is designed in English to maintain the accuracy of the research findings. Finally, this study utilizes SPSS version 30.0 to analyze the data collected from the surveys and the pilot study.

6. Conclusion

In a nutshell, employee turnover intention remains a significant challenge for organizations, as it negatively impacts productivity, employee morale, and overall performance. Furthermore, this study highlights the importance of understanding the multifaceted factors that contribute to turnover intentions, including job satisfaction, organizational commitment, and work-life balance. The findings can assist organizations—particularly executives and managers—in enhancing job satisfaction and improving retention rates in the face of increasing competition across various sectors. Implementing effective strategies, such as enhancing employee engagement, fostering a supportive workplace culture, and introducing targeted retention initiatives, can help mitigate turnover risks. Theoretically, this study contributes to a deeper understanding of the underlying causes of employee turnover within the manufacturing industry in Malaysia.

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