

**A STUDY OF SALARY AND RUMENERATION IMPACT ON TURNOVER RATE  
AT ASIA METROPOLITAN UNIVERSITY (AMU)**

**BY**

**AHMAD SUHAIMI BIN ALIAS**

**THESIS SUBMITTED TO**

**OTHMAN YEOP ABDULLAH GRADUATE SCHOOL OF BUSINESS**

**UNIVERSITI UTARA MALAYSIA**

**IN FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER  
OF SCIENCE (MANAGEMENT)**

**APRIL 2013**

## **PERMISSION TO USE**

In presenting this master project paper in partial fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia (UUM), I agree that the University Library make a freely available for inspection. I further agree that permission for copying of this master project paper in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or, in their absence by the Dean of Othman Yeop Abdullah Graduate School of Business. It is understood that any copying or publication or use of this project paper or parts thereof for financial gain shall not be given to me and to Universiti Utara Malaysia (UUM) for any scholarly use which may be made of any material from my project paper.

Request for permission to copy or make other use of materials in this project paper, in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

## ABSTRACT

The volume of literature on the causes of employee turnover continues to grow. Despite, attempts to distinguish between the way to minimize voluntary and involuntary turnover in organizations, though recognized for quite some time, receive little attention from researchers. This study examines the way to minimize the turnover or retaliation of employees at Asia Metropolitan University (AMU), formerly known as Masterskill University College of Health Sciences (MUCH). The study also hypothesized that there are significant differences in the ways to curb turnover. Basically the term turnover and retaliation has a significant value on the basis of how business runs. If any company or institution denies the absence of this two occasion, that must be a lie or a fraudulent. These two really go hand-in-hand with each other as it indirectly portrays the check and balance of the ongoing in the organization, between the employees and the employer. The variables that will be analyzed are on staff salary (*starting salary, present salary, and expected salary*) and staff satisfaction (*present job, present organization, top management, immediate supervisor, colleagues, human resource policies and work environment*). The result of the job satisfaction and turnover intention generally support the hypothesis. In addition, the result of this study could be used to warrant further more empirical based research in the area of jobs and turnover behavior. This study had highlighted 4 main ideas, recruitment, selection and early socialization, pay, performance and supplementary benefits; leadership and supervision and career planning and development.

## ABSTRAK

Pengajian sastera mengenai sebab-sebab penukaran kerja semakin meningkat. Walau bagaimanapun, usaha untuk mengecam atau membezakan antara kesukarelaan dan paksaan untuk mencari kerja tidak mendapat perhatian yang sewajarnya. Kajian ini mengkaji cara-cara untuk mengurangkan atau pembalasan pekerja di Universiti Asia Metropolitan (UAM), dahulu di panggil sebagai Kolej Universiti Sains Kesihatan Masterskills. Kajian ini juga menganggap bahawa ia mempunyai perbezaan yang nyata dalam usaha mengurangkan atau mengatasi masalah mencari kerja. Secara keseluruhan istilah penukaran dan pembalasan mempunyai nilai yang signifikan terhadap perniagaan terutama untuk mereka yang hendak mengetahui bagaimana perniagaan berjalan. Bagi mana-mana syarikat yang cuba menafikan kewujudan kedua-dua elemen ini, ia memang merupakan satu pembohongan. Kedua-dua elemen ini memang tidak boleh dipisahkan, ia merupakan satu pengimbangan antara pekerja dan majikan. Pembolehubah yang akan dianalisis adalah gaji kaki tangan (gaji permulaan, gaji sekarang, dan gaji yang dijangkakan) dan kepuasan kakitangan (pekerjaan sekarang, majikan sekarang, pengurusan atasan, penyelia terdekat rakan sekerja, dasar-dasar sumber manusia, dan persekitaran kerja). Keputusan kepuasan kerja dan keinginan bertukar kerja secara umumnya menyokong hipotesis ini. Selain itu, hasil kajian ini boleh digunakan untuk memastikan lebih banyak lagi penyelidikan dalam bidang pekerjaan dan penukaran kerja dapat dihasilkan. Penyelidikan ini telah menitikberatkan empat (4) idea utama iaitu pengambilan, pemilihan dan sosialisasi awal; pembayaran, prestasi dan kebaikan sampingan; kepimpinan dan pengawasan; dan perancangan kerjaya dan pembangunan.

## **ACKNOWLEDGEMENT**

Praise to ALLAH SWT for giving me the strength in completing this project paper. My deepest thanks to Dr. Amlus b. Ibrahim, my supervisor, for the support, guidance, encouragement, critiques and advice giving to me during the process of completing this research work. To my beloved parent, Alias b. Mohd Sharif and Hanipah Bt. Abdul Kadir, I thank both of them for the “never-ending” and “immortal support” given to me. I also would like to special thanks to my sisters Noraliza bt. Alias and Norhaslina bt. Alias, who helped me a lot in completing my project paper. I thank all of you for your patience and understanding throughout the duration of my study at Univeristi Utara Malaysia (UUM). Special thank to my friend Miss Bawani Krishnasamy and Norhuzaima bt. Muhd. Rasyid for their support and guidance. Finally, to all my friends, thanks for the marvelous support that I have received, for the friendship, the critique and the guidance given.

## **PENAKUAN TANGGUNGJAWAB (DISCLAIMER)**

Saya dengan ini, mengaku bertanggungjawab di atas ketepatan semua pandangan komen teknikal, laporan fakta, data, gambarajah, ilustrasi dan gambar foto yang telah di sertakan di dalam kajian ini. Saya bertanggungjawab sepenuhnya bahawa bahan yang diserahkan ini telah disemak dari aspek hakcipta dan keempunyaannya. Universiti Utara Malaysia (UUM) tidak bertanggung terhadap ketepatan mana-mana komen, kajian dan maklumat teknikal dan fakta lain serta terhadap tuntutan hakcipta dan juga hak keempunyaan.

I am responsible for the accuracy of all opinions, technical comments, factual reports data, figures, illustration and photographs contained in this project paper. I bear full responsibility for the checking in case material submitted is subject to copyrights. Universiti Utara Malaysia (UUM) should not be liable for the accuracy of such comments, reports on technical and factual information and the copyrights or ownership rights claims.

RESEARCHER

AHMAD SUHAIMI B. ALIAS

.....

SIGNATURE

## TABLE OF CONTENTS

<b>CONTENT</b>	<b>PAGE</b>
Title	
Permission to Use	ii
Abstract	iii
Abstrak	iv
Acknowledgement	v
Disclaimer	vi
Table of Contents	vii
List of Tables	x
List of Figures	xi
<b>Chapter One – Introduction</b>	
1.0 Background	1
1.1 Study of AMU	2
1.2 Problem Statement	5
1.3 Research Questions	7
1.4 Research Objectives	7
1.5 Significant of Study	8
1.6 Scope and Limitation of the Study	9
1.7 Organization of the Project Paper	10
<b>Chapter Two - Literature Review</b>	
2.0 Turnover Rate	11
2.1 Forecasting the Demand of Human Resource	15
2.1.1 Zero-Base Forecasting	15
2.1.2 Bottom-up Approach	16
2.1.3 Trend Projection Approach	17
2.2 Recruitment, Selection and Early Socialization	18
2.3 Pay, Performance and Supplementary Benefits	20
2.3.1 Minimum Wage Policy	23
2.3.2 Employee’s Social Security Act (1969)	26
2.4 Motivation	28

2.4.1	Myth of Motivation	28
2.4.2	Impact of Work De-motivation	28
2.5	Leadership and Supervision	29
2.5.1	Leadership and Supervision Impact to Turnover Rate	29
2.5.2	Delivery of Quality Services	31
2.5.3	The Future of Malaysia Trade Union	32
2.6	Career Planning and Development	32
2.7	Potential Reason for Employees To Resign	35
2.7.1	Cost to the Companies Due to High Turnover	36
2.8	Research Framework	39
<b>Chapter Three – Research Methodology</b>		
3.0	Theoretical Framework	40
3.1	Research Method	41
3.2	Dependent and Independent Variables	41
3.3	Measurement of Variables	43
3.4	Research Design	44
3.5	Sampling Method	45
3.6	Questionnaire	45
3.7	Limitation of the Study	45
<b>Chapter Four – Data Analysis</b>		
4.0	Profile of Respondents	46
4.1	Satisfaction of Employees	51
4.2	Reliability	51
4.3	Hypothesis Testing	52
<b>Chapter Five – Conclusion</b>		
5.0	Recommendations	58
<b>Appendixes</b>		
	Appendix A	61
	Appendix B	63
	Appendix C	64
	Appendix D	67



Appendix E

74

**References**

78

## List of Tables

Table 1: Types of Variables to Measure	43
Table 2: Cronbach's Alpha	51
Table 3: Correlations	53
Table 4: Regression Coefficients	57

## **List of Figures**

Figure 1: Research Framework for Staff Turnover	39
Figure 2: Cause of Staff Turnover	40
Figure 4.0.1: Gender Profile	46
Figure 4.0.2: Age of Profile Respondents	47
Figure 4.0.3: Marital Status of Respondents	47
Figure 4.0.4: Education Profile	48
Figure 4.0.5: Starting Salary of Respondents	48
Figure 4.0.6: Present Salary of Respondents	49
Figure 4.0.7: Expected Salary of Respondents	50

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

In any organization key indicator of effective human resource management is employee turnover rate and customer satisfaction. This report will attempt to analyze reasons for people decide to quit from being employed with certain organization and joining others and will provide methods to ensure that this turnover rate is minimum or zero. Normal method of calculating Turnover rate is defined by number of people leaving the organization within a specified timeframe divided the average number of employees within that timeframe. Turnover is further defined into two categories which are voluntary and involuntary. Voluntary is for employees who are leaving their organization based on their own accord while involuntary refer to employees who being dismissed from the organization. Scope of this study will focus only on reducing voluntary turnover.

At ASIA Metropolitan University (AMU), there are five (5) faculties and two (2) schools of studies. There are faculty of business and law, faculty of biomedicine and health, faculty of therapeutic sciences, faculty of pharmacy, faculty of medical sciences, school of nursing, and school of foundation studies. For each school might have different division. This is according to the subject or course that provides to our students. There are around 1,200 academic staffs that already include part-timers, lecturers, moderators and examiners.

The contents of  
the thesis is for  
internal user  
only

## References

### Books References: -

Arvey. R.D. (1979), Fairness in selecting employees. Reading Mass.: Addison-Wesley.

Becker,G.S (1964), Human Capital. New York: Columbia University Press.

Beile, PM & Adams MM (2000), “Other Duties as Assigned: Emerging Trends in the Academic Library Job Market”, Other Duties as Assigned 337, pp. 336-347.

Borman,W.C.(1978), Exploring the upper limits of reliability and validity in job performance ratings. Journal of Applied Psychology 307-11.

Cascio, W. (1991), Costing Human Resources: The Financial Impact of Behavior in an organizational relations” Journal of Social Behavior and personality model”, Human Relations, Vol.39, pp. 245-264.

Carver, R.H. & Nash, J.G. (2009), Doing data analysis with SPSS Version 16. Belmont, CA: Brooks/Cole.

Coakes, S.J. & Steed, L.G. (2003), SPSS: Analysis with anguish. Version 11.0 for Windows. Milton : John Wiley & Sons Australia.

D. Dalton, W. Todor and D. Krackhardt, “Turnover overstated: The functional taxonomy,” Academy of Management Review 7 (1982): 118.)

Field, a. (2005), Discovering statistics using SPSS (2nd ed.). London: Sage Publications.

Gay, L.R.,Mills, G.E. & Airasian, P. (2009), Educational research: Competencies and reference 11. Update, 4th ed. Boston: Allyn & Bacon.

Goh Chen Chuan (2007), Guide to the Employment Act and Labor Laws of Malaysia. LeeDs Publications.

Heneman III, HG & Judge, TA (2009), Staffing Organization, 6th edn, McGraw Hill, Singapore.

Johnson, B. & Christensen, L. (2000), *Educational Research: Quantitative and Qualitative Approaches*, Boston, MA: Allyn & Bacon.

Kerlinger, F.N. & Lee, H.B. (2000), *Foundations of behavioral research* (4<sup>th</sup> Ed.), Orlando: Harcourt College Publishers.

Lawler III, E.E. (1994), *Motivation in Work Organization*. San Francisco: Jossey-Bass Publishers.

Mathis, RL & Jackson, JH (2007), *Human Resource Management, essential perspectives*, 7th ed., Thomas South-Western.

Mobley, W.H, Griffith, R.W, Hand, H.H & Meglino (1979), Review and Conceptual analysis of the employee turnover process. *Psychological Bulletin*, 86, 493-522.

Mondy, RW, Noe, RM & Premeaux, SR (1999), *Human Resource Management*, 7th ed., Prentice Hall, United States of America.

Noe. Hollenbeck. Gerhart. Wright. (2006), *Human Resource Management Gaining Competitive Advantage* (5th edition), McGraw Hill International Edition.

Porter, L.W; Lawler,E.E., and Hackman, J.R.(1975), *Behavior in Organizations*. New York: McGraw-Hill.

Price J.L. (1977), *The Study of Turnover*, Ames: The Iowa State University Press.

Price, J.L. (1975), A theory of turnover. In B.O. Pettman (Ed.), *Labor turnover and retention*. Epping, Essex: Gower Press Limited pp. 51-57.

Schein,E.H.(1978), *Career Dynamics: Matching Individual and Organizational Needs*, Reading, mass.: Adison-Wesley.

Schmidt, F. L., and Hunter, J. E. (1983), Individual differences in productivity: An empirical test of estimates derived from studies of selection procedure utility, *Journal of Applied Psychology*, 68, 407–414.

Schultz, D.P & Schultz, S.E. (1994), *Psychology and Work Today: An Introduction to Industrial and Organizational Psychology* (6th ed), New Jersey: Prentice Hall, Inc.

Shaw, J. D., Delery, J. E., Jenkins, G. D. Jr., and Gupta, N. (1998), An organization-level analysis of voluntary and involuntary turnover, *Academy of Management Journal*, 41(5), 511–525.

SPSS Inc. (2002), *SPSS Base 11.5: User's Guide*, Chicago: SPSS Inc.

SPSS Inc. (2003), *SPSS 11.5 Brief Guide*, Chicago: SPSS Inc.

Stephen P. Robbins, Timothy A. Judge. (2009), *Organizational Behavior* (13<sup>th</sup> edition). Upper Saddle River, New Jersey: Pearson/Prentice Hall, 2009.

Stone, RJ (2009), *Human Resource Management*, 1st ed., John Wiley & Sons, Australis, Ltd.

Wanous, J.P. (1973), Effects of a realistic job preview on job acceptance, job attitudes and job survival. *Journal of Applied Psychology* 58: 327-329.

Wiersma, W. (2000), *Research methods in education: an introduction*, Boston, MA Allyn and Bacon.

### **Website References: -**

Activity Report. Retrieved April 1, 2011, from [www.perkeso.gov.my](http://www.perkeso.gov.my)

Docstor 2010, 'human resource planning'. Retrieved 11 May 2011, from [http://www.docstoc.com/docs/18360056/Human-Resource-Planning-\(HRP\)](http://www.docstoc.com/docs/18360056/Human-Resource-Planning-(HRP)).

Employment Trends in the Biotech Industry. Retrieved April 25, 2011, from <http://www.genengnews.com/gen-articles/employment-trends-in-the-biotech-industry/1154/>.

Enote.com 2010, 'forecasting businesses. Retrieved 11 May 2011, from <http://www.enotes.com/business-finance-encyclopedia/forecasting-business>.

Higher SOCSO rates likely. Retrieved April 1, 2011, from <http://thestar.com.my/news/story.asp?file=/2010/8/4/nation/6790608&sec=nation>.



Manage the Executive Fast Tract 2010, 'Bottom up approach'. Retrieved 11 May 2011, from [http://www.12manage.com/description\\_bottom\\_up\\_approach.html](http://www.12manage.com/description_bottom_up_approach.html).

Marquardt, F 2009, Green Tech Job Hunt: Track the Trends. Retrieved April 25, 2011, from <http://blog.cleantechies.com/2009/05/29/green-tech-job-hunt-track-the-trends/>.

Russell C 2009, The Future of Job Boards. Retrieved April 30, 2011, from <http://www.jobboardsecrets.com/the-future-of-job-boards/>.

5,000 bosses fail to register workers with SOCSO in 2009. Retrieved April 1, 2011, from <http://thestar.com.my/news/story.asp?file=/2010/7/23/parliament/6716458&sec=parliament>.