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THE RELATIONSHIP BETWEEN EMPLOYEE ENGAGEMENT, AFFECTIVE
COMMITMENT AND RETENTION

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This report submitted in partial fulfillment of the requirements for the award Bachelor
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DECLARATION

“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

First of all, I would like to thank Allah S.W.T and praise to Prophet Muhammad. This study is wholeheartedly dedicated to my beloved family especially my parents, Mrs. Yuslira binti Mohd Yusoff and Mr. Zahari bin Udin who have been as source of inspiration and gave the strength to complete my final year project. In addition, I also dedicated this research paper to my supervisor, Dr. Amir bin Aris for the guided, encouragement and determination throughout to complete this study. His enormous help allowed me to keep moving on and finish this project well in time. Finally, I would like to express thank you to my friends and classmates who always shared their words of advice and encouragement to finish this study.

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ABSTRACT

According to the Productivity and Innovation Alliance (MAPI) Foundation, manufacturing industry experienced one percent (1%) decrease in 2015 compared to three percent (3.5%) in the previous year. This is due to the shortage of skilled workers and the decline in the retention rate of employees in most industries, especially in manufacturing industry, where employee dissatisfaction, external environment, engagement and employee commitment are the key factors in the challenge of retaining workers in the industry. This is supported by the study of Othman, Alias, Ariadi, & Abdullah (2017) which described that employees in the manufacturing industry has recorded a low percentage of employee retention which only twenty-four percent (24%). This has led Malaysian government to provide full initiative through the 11th Malaysia Plan on addressing the issue of employee retention with the belief that the manufacturing industry plays an important role in Malaysia's economic growth. Therefore, this study was conducted to study the relationship between employee engagement, affective commitment and employee retention at Sumitomo Electric Interconnect Product Sdn Bhd (SEPM). A total of 132 employees were involved as respondents through random sampling. Questionnaires are a major research tool for data collection. Descriptive analysis, Pearson correlation and liner regression were used through the Statistical Package for Social Sciences (SPSS). The findings indicate a significant positive relationship between employee engagement and retention. This study is believed to benefit industry practitioners and academics as a reference for future research.

Keywords: Employee retention, employee engagement, affective commitment, manufacturing industry, Sumitomo Electric Interconnect Product (M) Sdn Bhd (SEPM)

ABSTRAK

Berdasarkan Yayasan Perikatan Produktiviti dan Inovasi (MAPI), industri pembuatan telah mengalami kejatuhan keuntungan sebanyak satu peratus (1%) pada tahun 2015 berbanding tiga persepuluh lima peratus (3.5%) pada tahun sebelumnya. Ini disebabkan oleh kekurangan pekerja mahir dan penurunan kadar pengekalan pekerja di kebanyakan industri khususnya dalam industri pembuatan di mana cabaran ketidakpuashatian pekerja, persekitaran luaran, penglibatan dan komitmen pekerja menjadi faktor utama terhadap cabaran pengekalan pekerja di dalam industri. Ini disokong oleh kajian Othman, Alias, Ariadi, & Abdullah (2017) yang menjelaskan pekerja dalam industri pembuatan merekodkan peratusan rendah bagi pengekalan pekerja iaitu hanya dua puluh empat peratus (24%). Keadaan ini telah menjadikan kerajaan Malaysia menyediakan inisiatif penuh melalui Rancangan Malaysia ke-11 dalam menangani isu pengekalan pekerja ini dengan kepercayaan bahawa industri pembuatan memainkan peranan penting dalam pertumbuhan ekonomi Malaysia. Justeru, kajian ini dilaksanakan bagi mengkaji hubungan antara penglibatan pekerja, komitmen afektif dan pengekalan pekerja di Sumitomo Electric Interconnect Product Sdn Bhd (SEPM). Seramai 132 pekerja terlibat sebagai responden melalui persampelan rawak. Soal selidik merupakan alat kajian utama untuk menngumpul data. Analisis deskriptif, korelasi Pearson dan regresi liner digunakan melalui Pakej Statistik untuk Sains Sosial (SPSS). Dapatan menunjukkan hubungan positif yang signifikan antara penglibatan pekerja dan pengekalan. Kajian ini dipercayai memberikan manfaat kepada pengamal industri dan ahli akademik sebagai rujukan untuk penyelidikan masa depan.

Kata Kunci: Pengekalan pekerja, penglibatan pekerja, komitmen afektif, industri pembuatan, Sumitomo Electric Interconenct Product Sdn Bhd (SEPM)

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LIST OF ABBREVIATIONS

EE	Employee Engagement
AC	Affective Commitment
CC	Continuance commitment
NC	Normative commitment
HRM	Human Resource Development
SPSS	Statistical Package for Social Science
ERG	Existence, Relatedness and Growth
JD-R	Job Demands-Resources
OCB	Organizational Citizenship Behaviour
SEPM	Sumitomo Electric Interconnect (Malaysia) Sdn Bhd

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter revolves a research around an overview of the relationship between the effect of employee engagement and affective commitment on retention. The intention of the study is to analyse the engagement of the employee and how they commit in order to remain employed in the workplace. Other than that, this chapter will cover the background of the study and the problem statement. The researchers also will provides the research questions, research objective, scope, limitation and significance of the study and definition of concept and operational.

1.2 Background of the Study

In an increasingly global talent market, organizations faced difficulties in managing the employee retention as retention are getting more challenging to handle (Gordon, 2018). AL-Jabari (2017) noted that human resource developments (HRD) in most organizations focus on how retention can be increased (i.e., retention is employees staying in the organization). In facts, a key responsibility of HRD is aiming for the perfect employees that can encourage them to stay in the organization. Nevertheless, one of the elements which prevent the retention growth is turnover. The turnover employee (i.e., employee leave the organization) is psychologically painful

for both employee and organizations because it disrupts not only the professional front, as well as the social life of the organization (Satyawadi, Joshi, & Shadam, 2013).

In this organization environment, employees retention in the organization is become one of the profits for the organization. According to Bangwal & Tiwari (2019), most of employees in hospitality industries have a good retention of employee rather than healthcare industries where they experienced lower retention of professional employees (Dhanpat, Manakana, Mbacaza, Mokone , & Mtongana, 2019). While in the industries of manufacturing, the research that has been conducted by Zeiss (2014) mentioned that manufacturing industry experienced declining of workforce populations. In the other words, it received a high turnover compared to employee retention. This shows that the level of retention is challenging.

Manufacturing industry is one of the biggest outcomes economies in the world. These industries indicate that employee commonly leaves the organization because of the several factors such as lack of promotion, job dissatisfaction and external environment (Ampomah & Cudjor, 2015). But, according to UKessays (2016), manufacturing sector gained large number of employee but most of the organization in the companies are not really concerned about employee retention. This research also been studied by Zeiss (2014) where he stated that manufacturing industry experienced declining of workforce populations. In the other words, it received a high turnover compared to employee retention. Basically, employee who working in manufacturing industry and leave the organization simply because, they not satisfied with the working condition (Ampomah & Cudjor, 2015). This could affect the organizational performance where the more employee intent to leave, the more money and time has to spend.

Retention of employee continues to be a key consideration of organization. Malaysia is not excluded in facing the phenomenon of retaining the valuable employees as it is the important and significant attention among organization nevertheless of the sector and size of the organization (Othman, Alias, Ariadi, & Abdullah, 2017). In Malaysia context also, Fauzi, Ahamd, & Gelaidan (2013) stated

that, organizations are bothered because of the retention of employees. Most organizations failed to retain the employees even though all strategies have been thought to ensure the performance of employee. The retention of employees in Aon's 2017 Trends in Global Employee Engagement Report supported this issue (Malaymail, 2017). The data shows that Malaysia is the second lowest among employee engagement in Asia. (Malaymail, 2017)

Nowadays, manufacturing industry in Malaysia is very important sector in order to increase the productivity and economy country. But, the decreasing of retention rate in manufacturing industry are because of the organization are not implement their human resource strategy very well (Leng, Hwei Mum, Zheng, Bin, & Yi, 2015). To increase the productivity and performance in manufacturing industry, it is necessary to determine and understand about the factors that influencing the high retention rate in electrical and electronic manufacturing industry in Malaysia. By the year of 2020, Malaysia has intentions to become a fully developed country and aims to become a high income status nation (Mohd Jefri & Daud, 2016). To support those objectives, Malaysia requires more skilled and productivity employees.

From the outset, the purpose of the research is to find out why the retention in the manufacturing industry may impact. There will be two independent variables that include employee engagement and affective commitment, which researchers have chosen to study how retention affects the manufacturing industry. In the context of this study, the researcher will focused the research in Sumitomo Electric Interconnect Products (M) Sdn Bhd that located in Johor Bahru which is one of the manufacturing companies that supplies and provides an electric services in Malaysia. The selection of this organization is because there is no any research study that conducted in that organization. Thus, the study is expected to explain in depth about the relationship between the effect of employee engagement and affective commitment on retention.

1.3 Problem Statement

International research from 32 countries, 266 industries and 506 employees worldwide shows that labour shortages are at risk in a major issue that will be the focus of every country in the future. Manufacturing industry as one of the biggest economies in the world, experienced and skilled employees are required in order to increase the productivity. According to Rajagopalan (2016), manufacturing industries are committed to retain their valuable employees because of these employees could command organizational success. Moreover, as retention is the most important factor in manufacturing industry, these industries also face difficulties of motivating and retaining the employee in an environment of augmented uncertainties. Career development, compensation, relationship and proximity are the elements that include in affecting the employee retention within the manufacturing organizations (Rajagopalan, 2016).

Since 1980, a framework for Malaysian economy has been presented by the manufacturing sector as a driver of economic growth, a tool for alleviating poverty. Malaysia began to shift its focus from primary to secondary industries in order to achieve sustainable national income (Perumal, Sinniah, Haji Mohamed, Mun, & Murthy, 2018). According to Department of Statistics Malaysia (2019), in the previous quarter, the manufacturing sector moderated 4.7% to 5.0% as the manufacturing industries have continued to play a major role in the sector. Furthermore, the total numbers of manufacturing employees in Malaysia were increasing 1.8% in March 2019 compared to last year (Department of Statistics Malaysia, 2019).

However, the manufacturing sector in Malaysia also suffered from a high turnover of employees. This is supported by the Manufacturers Alliance for Productivity and Innovation (MAPI) Foundation, which observed that Malaysia's industrial production profitability fell at an annual rate of 1.0 percent in 2015 following a 3.5 percent increase in 2014. (Alias, Rohmanan, Ismail, Koe, & Othman, 2018).

In addition, the study by the National Association of Manufacturers (NAM) Manufacturing Institute Skills Gap shows that most manufacturers have a medium or critical shortage of skilled workers and 5% of all manufacturing jobs are empty due to lack of skilled talent. Besides, manufacturing employees are generally willing to leave the organizations over the next 10 years or 55 years of age (Leng, Hwei Mum, Zheng, Bin, & Yi, 2015).

Sumitomo Electric Interconnect Product (Malaysia) Sdn Bhd (SEPM) is an electrical and electronic manufacturing industry that located in Johor Bahru. SEPM was established in March 1988 as a subsidiary of Sumitomo Electric Industries, Ltd., Japan. Sumitomo Electric's corporate mission is basically "to serve society by applying to the development of tomorrow's products and services". In order to aiming to become a "Glorious Excellence Company", SEPM are trying to continuous the HRD through training and education of employee. In addition, the productivity employees need to be absorbed within the organization

Nowadays, the turnover trend in the working environment is growing considerably even the numbers of employee in manufacturing industry are increasing; the turnover rates of employees are more higher compared to employee retention. This problem also effect to SEPM, as they faced a similar major challenge in finding and retaining the employee. The retention of manufacturing workforce is more troubling as exposed by Tower Watson, the highest percentage in manufacturing (24 %), conglomerates (14 %) and finance (13.3 %) industries (Othman, Alias, Ariadi, & Abdullah, 2017). Certainly, the Malaysian government was much more extremely worried about this critical phenomenon, as the 11th Malaysian Plan, the services and manufacturing sectors keep going to play an important role in Malaysia's economic growth.

As stated before, turnover is one of the challenges in retention growth. High employee turnover has become a serious phenomenon facing management in many organizations because of its non-flexible nature (Perumal, Sinniah, Haji Mohamed, Mun, & Murthy, 2018). From the previous research, the results show that it is important to know what their employee's intentions are and how they engage with

these motivations. This is because an employee may fall back in performance due to the lack of organizational training programs and cause them to leave an organization and then affect productivity. According to Leng, Hwei Mum, Zheng, Bin, & Yi (2015), high turnover will adversely affect organizations such as productivity losses and profitability. This is necessary to maintain employees in turn address high employee turnover issues and ensure that business performance and future development will not be affected by the loss of skilled and knowledgeable employees (Seong, 2015).

However most of the research is focused on the question of employee turnover, while empirical studies on retention of employees are still lacking (Pietersen & Oni, 2014). This research is crucial in searching for key factors that affect employee retention in Malaysia's manufacturing industry, given all the impacts associated with employee retention. There is much factor influence the retention of employee such as supervisor support, employee communication, compensation, work environment and career development opportunities (Agyeman & Ponniah, 2014). However, most of the research shows that employee engagement and affective commitment is more impact to retention.

According to Saks & Gruman (2014), employee engagement can have a positive impact on retention of employees as employees are inspired to stay with the organization due to feelings of choice and control, appropriate recognition and reward, and meaningful and valued work. While for the affective commitment it could be the positive effects too of employee to an organization during the preceding period of turnover that can be valuable to HRD by increasing the intention of employees to stay with the organization (Meyer & Herscovitch, 2001). Employee engagement and affective commitment are critical factors that affect the retention of employees. Thus, this study explored employee engagement and affective commitment as predictors of retention.

This study examines why employees stay and how these retention factors affect employees. Therefore, the gap is evident and the researchers are convinced to carry out the study in examining the factor of employee engagement and affective

commitment toward employee retention. In the previous research, these variables have been studied but in a different context. The research question developed on the problem statement occurred in this study. The research objectives can be used to answer this research question.

The research questions are:

- i. What are the level of employee engagement and affective commitment in organizational study?
- ii. What are the relationship between employee engagement and retention in organizational study?
- iii. What are the relationship between affective commitment and retention in organizational study?

1.4 The Research Objectives

The aim of the study will be stated as below:

1. To identify the level of employee engagement and affective commitment in organizational study
2. To study the relationship between employee engagement and retention in organizational study
3. To study the relationship between affective commitment and retention in organizational study