

Determinants of Employee Job Satisfaction in the Malaysian Manufacturing Sector

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Abstract: Employee job satisfaction becomes one of the most popular research topics which has been investigated by the researchers around the world. Employee job satisfaction is crucial to reduce the turnover rate of the companies and enhance the employee efficiency. The manufacturing sector has significant contributions to the Malaysia economy and growth. Therefore, this study focuses on investigating the factors that contribute towards the job satisfaction level of employees who work in Malaysian manufacturing sector. The 200 employees who work in Batu Pahat and Seremban manufacturing companies are targeted as the respondents for this study. The data is analysed by using the multiple regression. The results show that all factors which are included in this study are contributing to the employee job satisfaction. Leadership style, compensation and working environment have a strong positive relationship with the employee job satisfaction. Job stress has a strong negative relationship with employee job satisfaction. Thus, Malaysian manufacturing companies should pay greater attention on these factors in order to improve their employee job satisfaction.

Key words: Job satisfaction, manufacturing sector, compensation, working environment, job stress, leadership style

INTRODUCTION

The manufacturing sector is a vital component of Malaysia's economy. Its significance can be verified through its contributions to Malaysia's Gross Domestic Product (GDP), Foreign trade and job market. The manufacturing sector witnessed a moderate growth over the years and dedicated 4.1% to Malaysia's economy in the second quarter of 2016 as shown in Fig. 1 (DSM, 2016). The performance of the Malaysian manufacturing sector in June 2016, indicated an increase in the sales value by 2.9% or RM55.8 billion as compared to RM54.3 billion reported in the previous year while the productivity increased by 3.0% to RM54,585 (Anonymous, 2016).

According to the Department of Statistics Malaysia as shown in Table 1 the manufacturing sector became the second highest employment sector in Malaysia in 2014 (Anonymous, 2015a, b). Export of Malaysian manufactured goods is among the main sources of revenue. The exporting volume index of manufactured goods grew by 13.8% in June 2016 (Anonymous, 2016a-c). Malaysia has been ranked as the world's top manufacturing country by Cushman and Wakefield (Anonymous, 2014). To maintain



Fig. 1: The contribution of every industries towards Malaysia's GDP in second quarter 2016 (DSM, 2016)

the manufacturing sector's contributions to the Malaysian economy, employee job satisfaction should be the main concern of organisations.

According to a survey conducted by the job street in 2015, 74% of respondents working in Malaysia are unhappy at their workplace (Anonymous, 2015a, b). Several reasons lead to job dissatisfaction. Thus, it is

Table 1: Employment by industry in Malaysia

Industry	2014 (0.000 persons)	Share(%)
Total employment	13532.1	100.0
Agriculture forestry and fishing	1659.80	12.30
Manufacturing	2266.00	16.70
Construction	12226.4	9.100
Wholesale and retail trade; repair of motor vehicle and motorcycle	2275.40	16.80
Accommodation and food and beverage service activities	1112.40	8.200

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important for Malaysia manufacturing companies to identify and understand factors which have a significant impact on job satisfaction. In this study, the employee job satisfaction determinants that will be tested are: compensation, working environment, job stress and leadership style.

Ismail *et al.* (2011) stated that employee's income is the main factor that influences his or her job satisfaction. According to a survey done by job street in 2015, only 11% of the respondents working in Malaysia consider compensation as the main determinant of their job satisfaction. However, the respondents of this survey are employees from a variety of industries and this survey was not solely focused on the manufacturing sector (Anonymous, 2015a, b).

Raziq and Maulabakhsh (2015) believed that work environment has a significant impact on employee job satisfaction and can become the internal strength which can help an organization to create competitive advantage. The focus of this study was mainly to determine how job security and physical working environment will influence the job satisfaction of employees in Malaysia manufacturing sector.

There are several researches about job stress done in Malaysia and these come up with many recommendations to reduce employee job stress (Zakaria *et al.*, 2012). However, according to a survey done by Regus, almost 70% of the Malaysian workforce has stress-related issues and 42% of the employees cannot sleep well because they are worried about their job and job security (Anonymous, 2013). However, this survey is not industry specific.

The study by Saleem (2015) believes that the employee job satisfaction tends to be higher when leaders exercise transformational leadership rather than transactional leadership. This study was conducted in the educational sector of Pakistan. Therefore, the result of this study may not apply to other countries or industries. Thus, the main aim of this study is to examine the factors that contribute to employee job satisfaction particularly in the Malaysian manufacturing sector, since this sector is one of the key contributor to the Malaysian economy and also offers highest employment opportunities.

Research objectives:

- To investigate the relationship between compensation and employee job satisfaction
- To determine the relationship between working environment and employee job satisfaction
- To understand the relationship between job stress and employee job satisfaction
- To study the relationship between leadership styles and employee job satisfaction

Literature review: Job satisfaction can be defined as to whether or not an employee likes their job (Lo and Ramayah, 2011). Aziri (2011) defined job satisfaction as an individual's perception that the job fulfils his or her monetary and psychological needs. When the personal needs are fulfilled, the employee will feel satisfied with his or her job. Etheridge (2011) defined job satisfaction as a combination of psychological, mental and environmental situations. The result of a survey proved that the job satisfaction has significant relationship with employee turnover because 57% of respondents who are not satisfied with their jobs plan to leave the organizations within 1 year (Anonymous, 2015a,b). According to Ahmad *et al.* (2014), job satisfaction will not only increase the productivity but also reduce absenteeism.

This study focuses on four factors namely the compensation, working environment, job stress and leadership style. Compensation is defined as the association of financial (base pay, allowances and bonus) and nonfinancial payments (health insurance and vacations) offered unconditionally by the employers to subordinates in return for the work exercised (Pan, 2015). Employees perceive compensation as the first consideration when beginning of their career. Later on, employees will consider the other factors such as career opportunities and workplace safety (Maslow, 1970). The degree of compensation also influences job satisfaction as employees will compare their own inputs (the effort and time) and outputs (monetary and nonmonetary rewards) with other's (Adams, 1965).

Another key factor contributing to employee job satisfaction is the working environment. Society by Anonymous (2016a-c) defined working environment as

desirable working conditions which include the physical work setting, job stability, devoted group members, inclusion of employees in decision making, work compliment and the value of the work itself. According to the two-factor theory, job security and physical working environment belong to hygiene factors. This indicates that both of them will not create additional satisfaction but cause dissatisfaction if said factors are not provided (Herzberg *et al.*, 1959). Employees prefer to work in a safe working condition with low compensation rather than in a dangerous workplace that rewards handsomely (Sell and Cleal, 2011).

Bemana *et al.* (2013) defined job stress as the extent to which employees perceive an exertion of anxiety caused by their jobs. According to Ali and Newaz (2010), job stress is a destructive physical and emotional reaction that takes place when there is a mismatch between the capabilities, resources or needs of employees and the demands of the jobs. Excessive workload, long working hours and lack of support from colleagues are several possible reasons which could lead to job stress. When employees can adapt to the factors stated above they will experience positive stress, termed as eustress. However, when employees are unable to adapt, they instead face distress (NIOSH, 1999). Bemana *et al.* (2013) proved that there is a reverse relationship between distress and job satisfaction.

According to Lattimore (2013), leadership is a process where leaders affect, stimulate and cause their group in the organization to contribute to the organizational effectiveness and success. How a leader influences his or her subordinate's belief towards the accomplishment of goals will influence the employee job satisfaction (Saleem, 2015). According to theory X and Y, leaders use transactional leadership to motivate theory X employees who are unwilling to take extra accountability and are lazy by implementing punishment, rewards, rules and regulation. Transactional leadership style will lead to lower job satisfaction because employees feel that they do not have the authority and freedom to participate in decision making (McGregor, 1960). In contrast, leaders exercise transformational leadership style to motivate theory Y employees who are more willing to take responsibility and trustworthy by giving them autonomy, more responsibilities and freedom to make decisions (McGregor, 1960). Employees will be happier and experience high level of job satisfaction (Shibru and Darshan, 2011).

Thus, it is important to identify which factors influence employee job satisfaction from the perspectives of employees who work in

Malaysia's manufacturing sector to better improve and enhance their job satisfaction in the near future.

MATERIALS AND METHODS

Employee job satisfaction is the dependent variable while the compensation, working environment, job stress and leadership style are the independent variables of this study. Figure 2 represents the research framework of this study.

Hypothesis development: Based on the research framework, four hypotheses were developed and showed as follow:

- H₁: there is a significant relationship between compensation and employee job satisfaction
- H₂: there is a significant relationship between working environment and employee job satisfaction
- H₃: there is a significant relationship between job stress and employee job satisfaction
- H₄: there is a significant relationship between leadership style and employee job satisfaction

A questionnaire was designed as a technique for data collection and its development is based on the literature review. The questions used Likert scale ranging from 1 strongly disagree to 5 strongly agree. The questions are borrowed from the previous studies and be modified. The main sources of the questionnaires are Adeoye and Fields (2014), Popovic *et al.* (2017) and Otoum (2010). The convenience sampling method was utilized in this study. The 200 sets of questionnaires are distributed to the employees who work in the Batu Pahat and Seremban manufacturing sector. The age range of the respondents is from 18-60 years old because different generations have different needs and wants. Data analysis was conducted using Statistical Software Package for Social Science with analyses such as descriptive, reliability and multiple regression tests after collecting the survey questionnaires from the respondents.

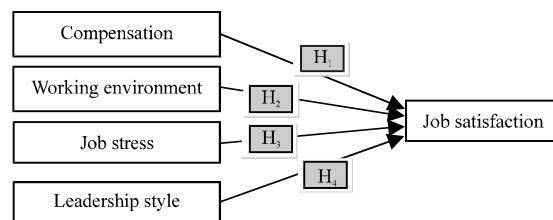


Fig. 2: Research framework

RESULTS AND DISCUSSION

There are totally 200 respondents involved in this survey. In terms of the gender distribution, around 53% of the respondents are male. The majority of the respondents is between 18-30 years old (32.5%). The respondents are from three races which are Malay (35.5%), Chinese (40%) and Indian (26.5%). In terms of the educational level, the majority of the respondents are bachelor degree holders (36%). The 32% of the respondent's monthly incomes are between RM3, 000 to RM4, 999. Only 12% respondents said that their monthly salaries are RM7, 000 and above. In terms of the years of working experience, most of the respondents who participated in this survey have only <5 years working experiences (30%), followed by 11-15 years (25.5%), above 16 years (24%) and 6-10 years (20.5%). According to Table 2, all of the variables are considered as reliable because their Cronbach's alpha value are above 0.60.

As shown in Table 3 the R² value of this study is 0.732 which means that 73.2% of job satisfaction of employees who work in Malaysia manufacturing sectors can be explained by the four independent variables. The four independent variables are compensation, working environment, job stress and leadership style.

Table 4 illustrated the result of the coefficient analysis. All of the four independent factors have a significant relationship with the employee job satisfaction as the significant values showed all of the factors have the p-value of below 0.05. Job stress is the most significant influencing variables on the employee job satisfaction as it has the highest β value (-0.349). It is followed by the leadership style (β = 0.297) and the compensation (β = 0.257). Last but not least, working environment has the lowest beta score (β = 0.214) which indicates that it has the least impact on employee job satisfaction.

Based on the results, the compensation has a strong positive relationship with the employee job satisfaction and this is supported by several previous studies which include, Teoh *et al.* (2012) and Pan (2015). Besides that, Umar (2014) which was a research conducted in the Indonesia manufacturing industry also proved that if employees fail to receive a fair and adequate compensation, they will not be motivated and they will have negative feelings towards their job and organizations. Employees will also compare their own effort and compensation received with others (Ismail *et al.*, 2011). Thus, it is essential for organization to design a fair compensation system which able to let employees believe that there is a proportional relationship between their effort and compensation

Table 2: Reliability analysis

Variables	N	No. of items	Cronbach's alpha
Compensation	200	6	0.696
Working environment	200	6	0.717
Job stress	200	6	0.786
Leadership style	200	5	0.819
Job satisfaction	200	10	0.754

Table 3: Model summary

Model	R	R ²	Adjusted R ²	SE of the estimate	Durbin-watson
1	0.856	0.732	0.727	0.31694	1.755

Table 4: Coefficient analysis

Model	Unstandardized		Standard		t-values	Sig.
	coefficients (B)	SE	coefficients (β)			
Constant	2.045	0.207			9.862	0.000
Comp	0.200	0.036	0.257		5.539	0.000
WE	0.197	0.042	0.214		4.733	0.000
JS	-0.237	0.029	-0.349		-8.292	0.000
LS	2.240	0.037	0.297		6.030	0.000

Analysis of the survey data

received. Apart from this, the working environment also contributes positively to employee job satisfaction. The findings of several previous researches are coherent with the findings of this study such as Raziq and Maulabakhsh (2015) and Noah and Steve (2012). The respondents of a study which was conducted in India manufacturing sector ranked working environment as the most important factor that affected their job satisfaction level compared to the promotion opportunity and working conditions (Ravichandran *et al.*, 2015). Thus, it is recommended for companies to build a working environment which is free from hazard and comfortable.

Next research objectives which is to investigate the correlation between job stress and employee job satisfaction also been fulfilled in this study. The result showed that the job stress has a strong negative relationship with the employee job satisfaction. Several researches such as Brewer and McMaha-Landers (2003) and Bemana *et al.* (2013) have the findings which are consistent with the results of this study. People work under high stress level experienced lower job satisfaction level compared to those work with less stress and they are more likely to quit from their jobs (Mansoor *et al.*, 2011).

Lastly, the leadership style also contributes positively towards employee job satisfaction. The findings of several previous studies such as Riaz and Haider (2010) and Hamidifar (2010) consistent with the result of this study. Tepret and Tuna (2015) claimed that all types of the leadership styles have a positive significant impact on employee job satisfaction. It is because normally the employees whose managers adopt the transactional leadership style have the highest influence on intrinsic

satisfaction. The employees whose managers adopt the transformational leadership style have the highest effect on extrinsic satisfaction.

CONCLUSION

This study has successfully satisfied the objective set which was to examine the factors contributing to job satisfaction of employees who work in Malaysia's manufacturing sector. Employee job satisfaction is essential for organizations to sustain high performance. The study provides an in depth understanding on the concept of employee job satisfaction for the managers and human resource practitioners. The results of this study add to existing literature to make the job satisfaction theory more complete. From the policymaker's perspectives, this study can be served as a guideline when establishing new rules and governing existing regulations which was built to improve employee job satisfaction. Sample size is one of the major limitations of this study. Future studies should carry out the related studies at a larger scale in order to make the results more accurate and sufficient to represent the entire targeted group of respondents. Besides that, other data collection techniques such as observation and interview also can be used in future studies in order to obtain more detailed information.

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