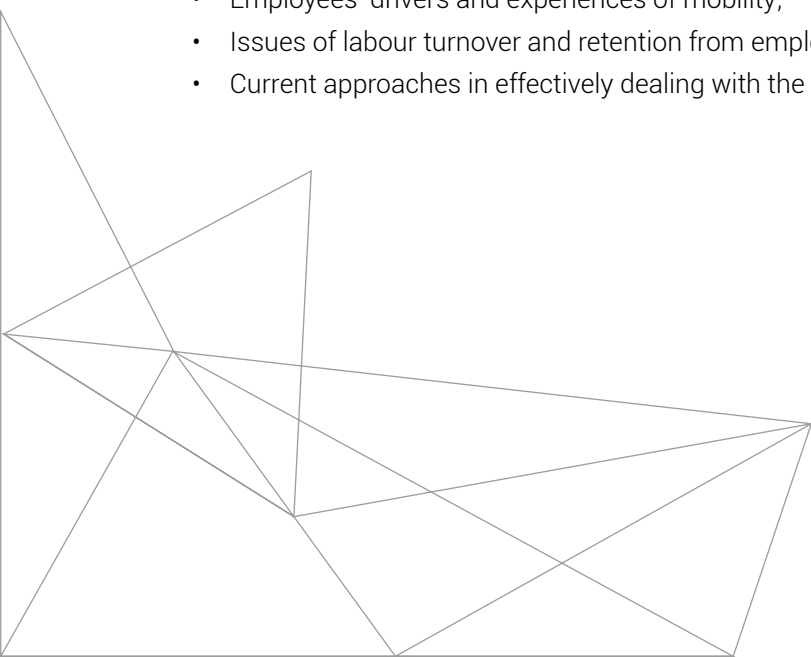


## MOBILITY OF HIGH-QUALIFIED LABOUR



This chapter delves deeper into mobility in the Penang labour market. The analysis and discussion here take an experimental approach – as stated in the methodology – with a focus on emerging GBS activities. We cover:-

- Existing research on job mobility of higher-qualified labour in Malaysia;
- General labour mobility patterns in Penang, and those associated with GBS activities from employee and employer perspectives;
- Employees' drivers and experiences of mobility;
- Issues of labour turnover and retention from employer perspective; and
- Current approaches in effectively dealing with the issue of labour retention in firms.



## 9.1 High-qualified labour mobility in Malaysia

As noted in an earlier chapter, in Malaysia, the issue of brain drain has received considerable attention in recent years. Brain drain is considered as international mobility (border crossing) and implies a loss to the national labour force. It can be compensated by enhancing entry into the labour market by school-leavers (a larger turnout from educational institutions) and by inflow from abroad. The latter is currently receiving more attention (see Chapter 6). By now, the drivers of international graduate mobility are rather well known: (perceived) differences in opportunities, wages and employment conditions, self-assessed employability skill readiness, work and life experience/enhancement, personal traits and family concerns.

In- and out-mobility of higher-qualified labour also occurs in regional and local labour market areas, with similar drivers and effects as international mobility. The framework of this study is intra-regional labour mobility, inter-firm, and intra- or inter-industry; intra- or inter-occupational. Local mobility, so far, has received little attention in Malaysia. This can be understood from the significant obstacles in researching local labour circulation, with the unavailability of data sources being one of them.

The existing studies have generally two focus areas. They deal with (a) specific group(s) in the labour market, and also with mobility drivers rather than mobility patterns. Millennials or Generation-Y are a favoured group, while more sporadic talent group (such as MBA graduates or academicians) is singled out. Alternatively, these studies are also focused on examining two groups of issues as predictors, job-related and non-job-related. To our best knowledge, there is no comprehensive research looking into the context of Malaysia in examining patterns of mobility in Malaysia.

Career mobility in the workforce has become a key component of any organisation's talent management

strategy. This is facilitated by employability, which contributes to an individual's "movement capital". To move from one position to another or from one industry to another, there is a positive relationship between employability and mobility because the higher the employability, the higher the chances for making intra- or inter-organisational movements.

Boundaryless careers are characterised by mobility not only across organisations, but also across boundaries of occupations, industries, geographic locations and employment forms in a non-linear and unconventional manner driven by employability. This places the responsibility for career management and development on the employees themselves. It paves the way for what is known as the new career, which is self-managed. Success in the new career is measured by employability, mobility and work-life balance. A positive relationship is found between employability and mobility, and this relationship is stronger when work-life balance is higher. Hence, the importance of work-life balance cannot be ignored to ensure success can be achieved, and also maintained for a long time. Organisations should draw up procedures and policies to enhance this balance among employees to allow for more adaptability and flexibility. This can drive retention even further.

Employability skills are the key to workplace success. First, some employers are disappointed by the apparent lack of employability skills in graduate applicants, leading to unequal access to favoured jobs and selection processes that work against the employees reaching their career goals. Second, mobility-based jobs are not favoured by most employers as they perceive a negative relationship between workforce productivity and mobility. This can be resolved through mutual understanding and assurance that there has to be a balance between personal and professional life if employers want their employees to remain productive and efficient. Other responses to skill shortage include under-skilling and risk of counterproductive if salary is perceived as low.

The above aspects frequently surface in debates on millennials or Generation-Y employees. In Malaysia, research has been focused on the aforementioned groups in the forms of turnover, and intention to quit in different industries, including global business services (GBS)<sup>69</sup>.

Generally, this research confirms anecdotal evidence about the factors contributing to Generation-Y's frequent work changes in Malaysia: dissatisfaction with salary and fringe benefits, preference for work-life balance, low normative employer commitment and perceived availability of alternative jobs. Generation-Y employees in Malaysia (and elsewhere in the Asia-Pacific region) by far hold the shortest job tenure compared with other generations (Generation-X, baby boomers). This shows that job satisfaction coupled with good remuneration and fringe benefits, perceived availability of alternative jobs and job-hopping are positively significant to Generation-Y employees.

Dissatisfaction with pay and fringe benefits has been the most influential factor prompting the decision to quit. We found that this is a strong indication that Generation-Y employees prefer extrinsic rewards, and if these rewards are not sufficiently provided, it will have adverse consequences on employees' work fulfillment, ultimately driving them away in search of jobs with better extrinsic rewards. This contradicts the claim that Generation-Y employees seek intrinsic rewards over making money. While salaries have gone up in recent years, these increases have been modest. At the same time, Generation-Y workforce faces challenges coping with increased cost of living, seeing this generation has different lifestyles and expectations, leading to higher expenditure and financial commitments. Therefore, they will continue to shift from one job to another for better wages and benefits.

The decision to quit is not solely due to HR practices, as it is also influenced by economic situation and cultural factors expressed in job-hopping trends. These two factors are less within management control. The steady growth of the Malaysian economy may have created the perception among the new generation workforce that there are ample job opportunities in the market. Our research, however, observe an anomaly here, where

the reality of the Malaysian labour market is just the opposite, and with many positions remain unfilled due to the gaps in skill demand and qualifications.

The model of compartmentalisation of the Penang economy and labour market combined with worker preferences suggest favourable attraction and retention characteristics in "favoured" compartments, lowering the quit-rate. The compartments of manufacturing and services sectors are still heterogeneous, thus leading to differential quit-rates. The research looking into global business services (GBS) confirms this. It also reveals specificity and/or overlap pertaining to the reasons employees in this industry quit, compared with the pattern observed in the research as reported earlier. GBS as our case study, will be analysed in further detail.

It is found that organisational commitment, lack of training, career planning and empowerment have direct effects on the intention to quit for Generation-Y employees in GBS. Lack of training and empowerment are the most influential effects on resignation, followed by organisational commitment and lack of career planning. The training factor counters the idea that out-mobility is positively influenced by employer-provided upskilling programmes. The reasoning for the latter is simple: upskilling enhances an employee's employability, which then induces the employee to move into bigger firms and better jobs to obtain monetary returns. Lack of training being the most significant predictor of the intention to quit may indicate that employees in the GBS sector rely heavily on receiving adequate training. Such reasoning fits the argument that Generation-Y workforce strives to increase their employability in an economy where a secure job is not guaranteed.

Organisational commitment is not the highest predictor of intention to quit among Generation-Y in GBS. On the other hand, contentment with salary and job stress are found to be insignificant predictors of intention to quit for Generation-Y GBS employees. However, those who express displeasure with their salaries are less committed to the organisations and will eventually leave. Furthermore, organisational commitment is mainly influenced by role clarity versus ambiguity.

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<sup>69</sup> See Queiri et al. (2015) and Queiri and Dwaikat (2016)

The relationship between organisational stress and intention to quit is not significant. However, this does not exclude the fact that stress has a significant indirect impact on job satisfaction.

In the following chapters, a number of observations and findings are discussed in regard to the mobility pattern of Penang's labour market. The next section presents findings on our observations of the Penang case by specifically taking GBS as a case study even though it is still exploratory.

## 9.2 Mobility I: Labour flow analysis in Penang

The higher-qualified employment flow between key sectors and key industries in the Penang economy (and labour market) can be regarded as either a change of employer, a change of sector, or industry (inter- and intra-sector/industry). In the dataset containing 20,494 profiles, 33,781 valid job moves have been detected from work histories. About 14.0% (or 4,712) are intra-company, inter-departmental moves, while the remainder (86% or 29,069 moves) are intra-industry or inter-industry labour flow.

In work histories, the earliest move occurred in 1972 and the latest is in 2016. The employment histories show the mobility of labour from 1972 to 2016. Employer-to-employer (E-to-E) mobility flow can be shown:-

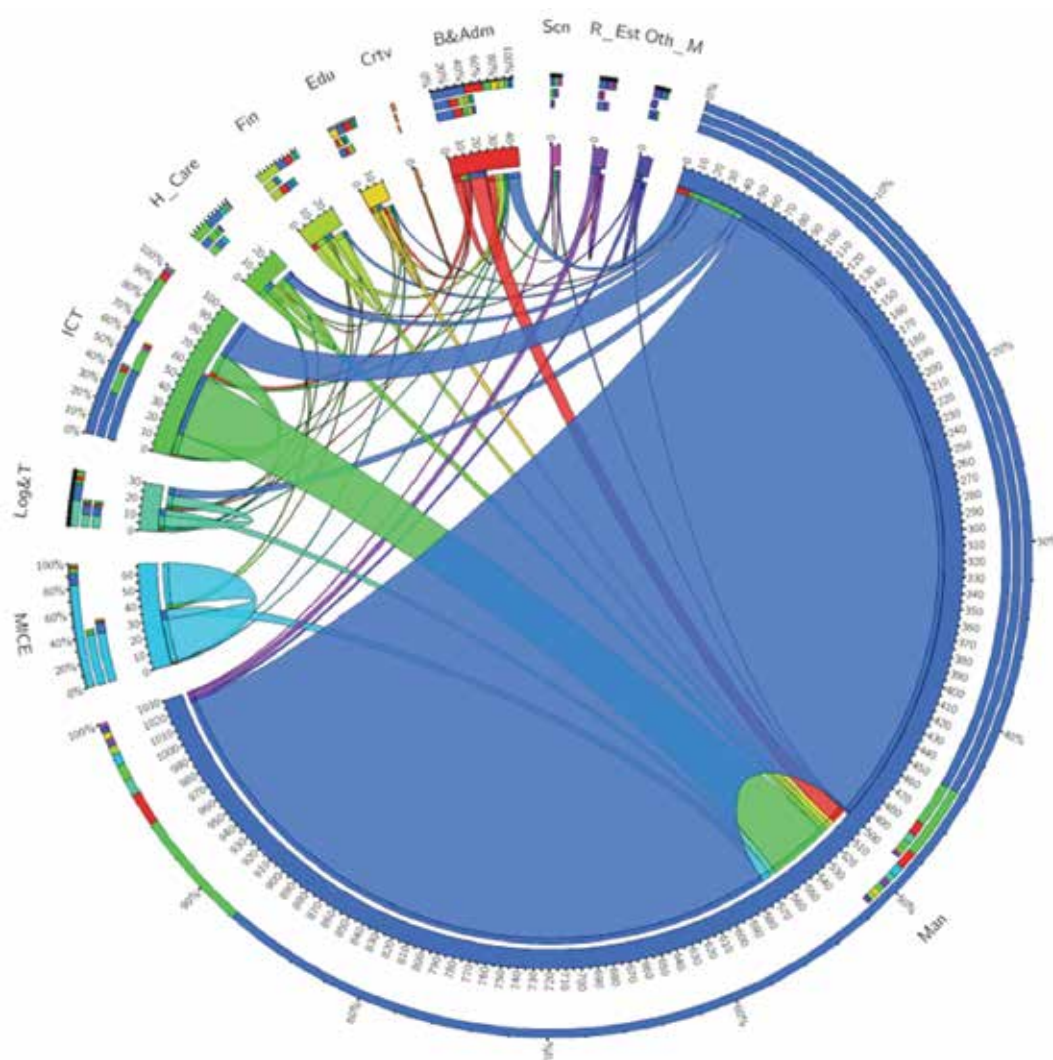
- a) between defined sectors and industries. A classification has been adopted that is based on LinkedIn, yet also is in line with the key industries that this report deals. The classification is shown in Appendix G.
- b) disaggregated in several periods, specifically 1972–2000, 2001–2005, 2006–2010 and 2011–2016. Such disaggregation allows a view of the development of mobility over time.

The size of the labour move to and/or within sectors and industries can be depicted using Circos diagrams, and the explanation of such diagrams is given in Technical Report: Annex 7. It should be noted that in the Circos diagrams, minor flows (small cell numbers) have been excluded from the analysis to maintain the clarity of the flows. As a result, the total number of moves for industries during the specified periods may (slightly) differ from the total number of moves depicted in the sector diagrams.

We omit the analysis of period 1972–2000 here as the total number of moves in the dataset is relatively small. The following diagrams depict E-to-E labour flows in intra- and inter-sector, as well as at a more detailed level – inter- and intra-industry, for three periods: 2000–2005, 2006–2010 and 2011–2016. Several general observations are highlighted below corresponding to Figures 9.1 through 9.6.

- Over time, the pattern of moves shows increasing diversity and complexity; this is in line with the development trajectory of Penang's economy.
- It is evident that labour flows, in terms of sector/industry of origin, feed labour availability in different sectors and industries.
- This gives a first indication of skill-relatedness; as upgrading of the Penang economy over time appears evident.
- However, to hypothesise whether the moves bring about advancement for individuals and imply enhanced employability, subsequent moves in employment history have to be mapped out and compared in detail.

Figure 9.1: Sectoral moves between 2001 and 2005 (N = 681)



Legend: Man = Manufacturing; MICE = Meetings, Incentives, Conventions & Exhibitions; Log & T = Logistics & Transport; ICT = Information & Communication Technology; H\_Care = Healthcare, Medical Devices, Biotechnology & Pharmaceuticals; Fin = Financial Services; Edu = Education; Crtv = Creative Industry; B & Adm = Business & Administration; Scn = Research & Scientific; R-Est = Real Estate; Oth\_M = Other Manufacturing; Ret = Retail; PS = Public Sector; Env = Renewable Energy & Environment  
Source: Own calculations based on LinkedIn

### Labour flow: 2001–2005

- Manufacturing still dominates labour flow, as can be seen with substantial intra-sector mobility.
- Intra-sector mobility is also marked in a number of other sectors.
- Inter-sectoral mobility is dominated by flows between the ICT sector and manufacturing; switches to the manufacturing sector from the ICT-

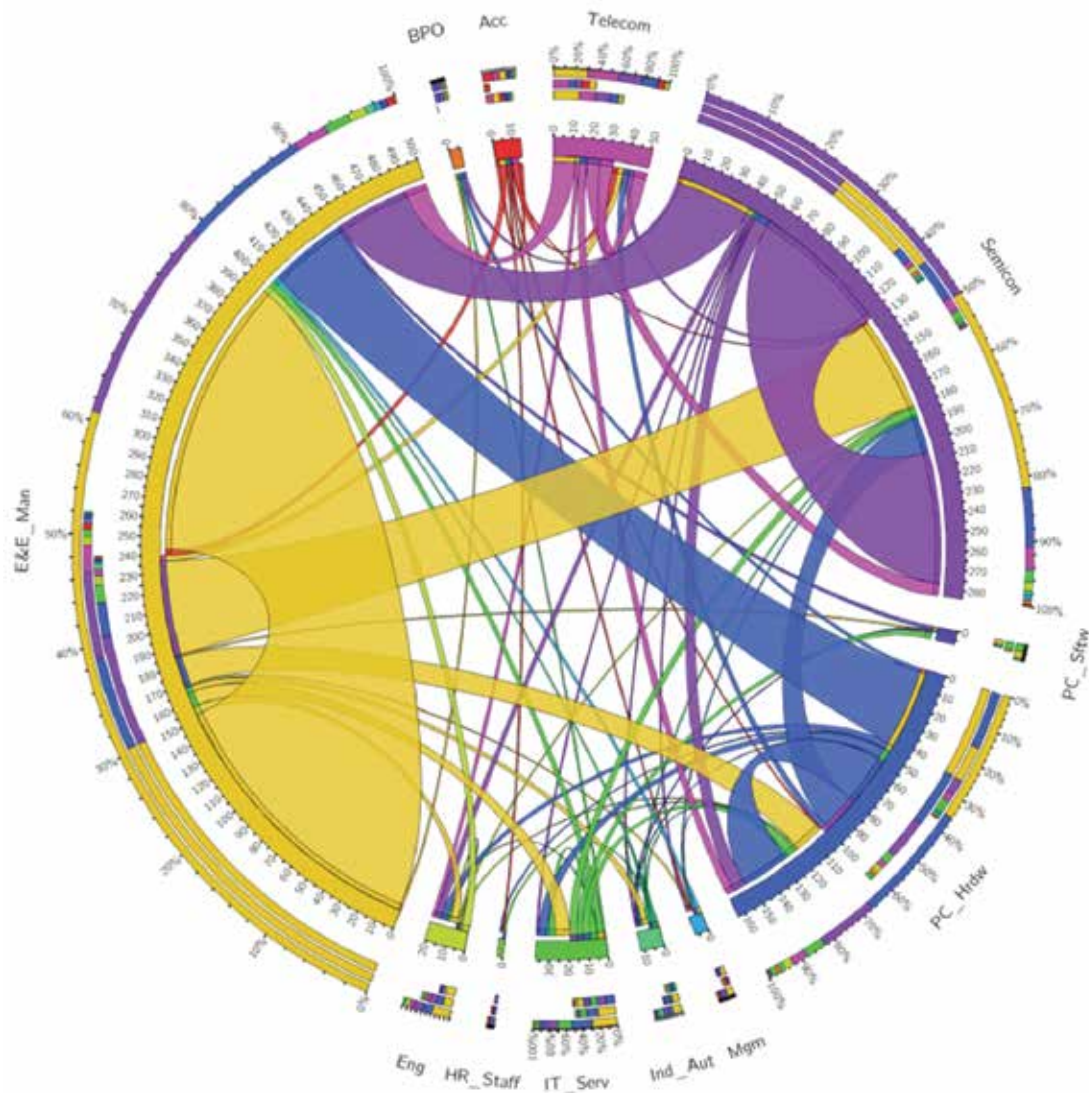
sector are not met with a return flow of equal size from the manufacturing sector (although the manufacturing sector was a substantial contributor to employees in the ICT-sector). A similar pattern can be observed with regard to the flow between manufacturing and business & administration. The patterns seem to reveal an upgrading of manufacturing operations.



- At the industries level, intra-industry, inter-firm moves are unmistakably notable in the semiconductor, electrical & electronics, and computer hardware. Given the nature of operations

during this period, skill-relatedness appears to be reflected in sizeable bi-directional flows between these industries.

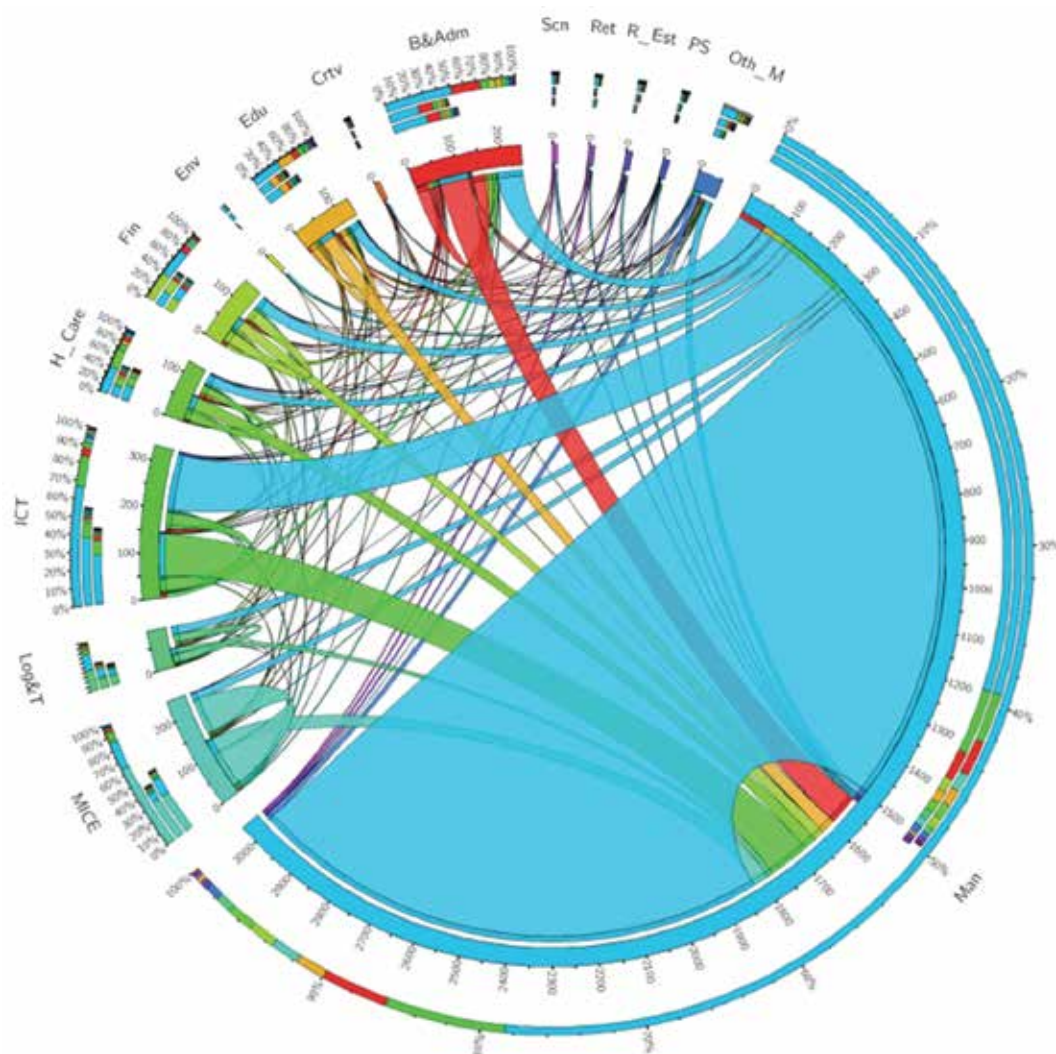
**Figure 9.2: Labour flow by industry between 2001 and 2005**



Legend: Semicon = Semiconductor; PC\_Sftw = Computer Software; PC\_Hrdw = Computer Hardware; Mgm = Management Consulting; Med\_D = Medical Devices; Ind\_Aut = Industrial Automation; IT\_Serv = IT Services; HR\_Staff = Human Resources & Staffing; Fin = Financial Services; Eng = Mechanical & Industrial Engineering; E&E Man = Electrical & Electronics Manufacturing; Bio\_Ph = Biotechnology & Pharmaceuticals; BPO = Business Process Outsourcing; Auto = Automotive; Acc = Accounting; A&A = Aviation & Aerospace; Telecom = Telecommunications

Source: Own calculations based on LinkedIn

Figure 9.3: Sectoral moves between 2006 and 2010 (N = 2,237)



Legend: Man = Manufacturing; MICE = Meetings, Incentives, Conventions & Exhibitions; Log & T = Logistics & Transport; ICT = Information & Communication Technology; H\_Care = Healthcare, Medical Devices, Biotechnology & Pharmaceuticals; Fin = Financial Services; Edu = Education; Crtv = Creative Industry; B & Adm = Business & Administration; Scn = Research & Scientific; R-Est = Real Estate; Oth\_M = Other Manufacturing; Ret = Retail; PS = Public Sector; Env = Renewable Energy & Environment

Source: Own calculations based on LinkedIn

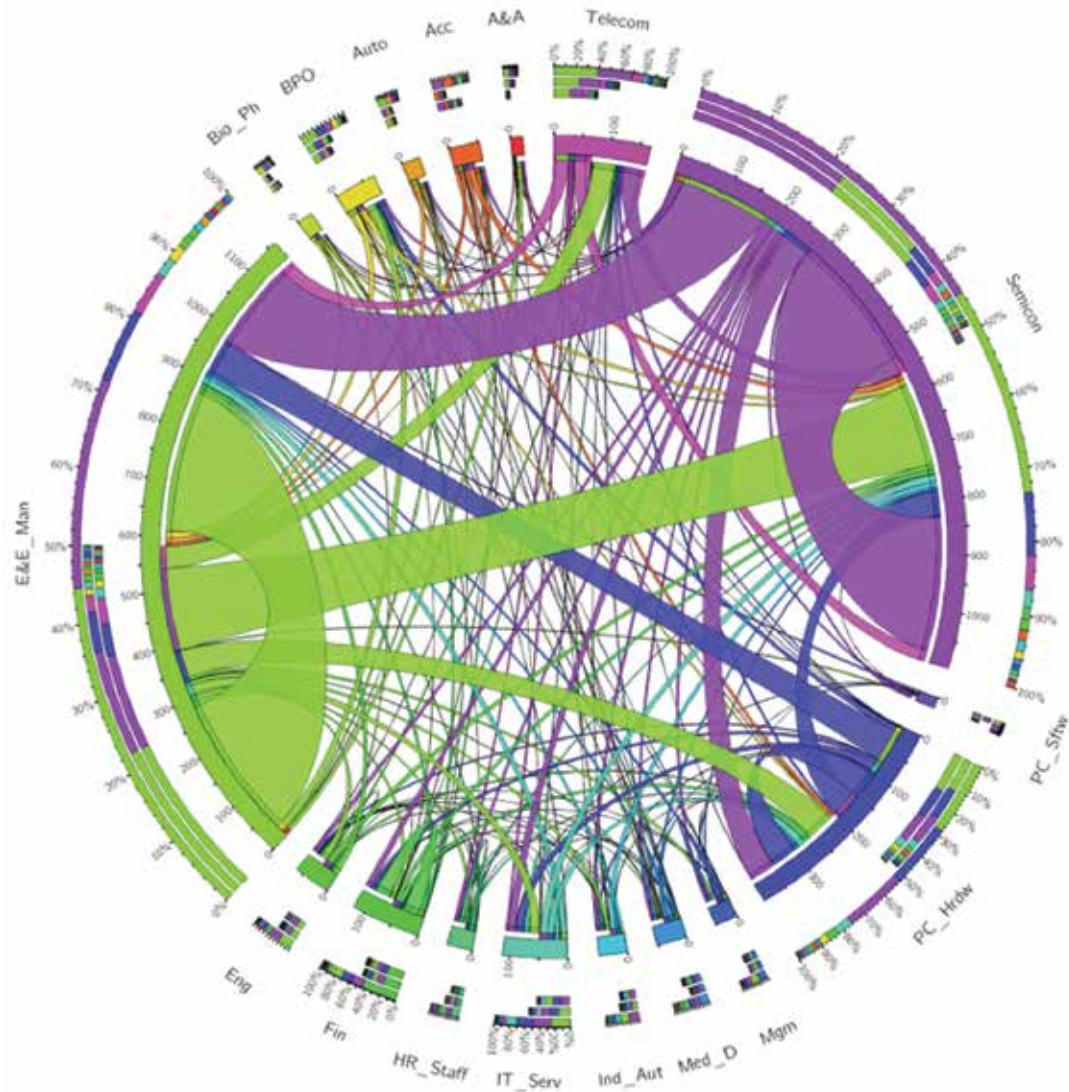
### Labour flow: 2006–2010

- Manufacturing still dominates labour flow, as can be seen with substantial intra-sector mobility.
- However, intra-manufacturing mobility starts to diminish in relative terms, while the share of inter-sector mobility increases.
- Intra-sector mobility is still prominently present in manufacturing and MICE sectors.
- Inter-sectoral mobility is dominated by flows between the ICT sector and manufacturing; however, in terms of direction, the volume of moves between

the sectors is the opposite of the earlier period. In regard to the moves between manufacturing and business & administration, the pattern has remained the same, with a clear increase in volume.

- At the industry level, intra-industry, inter-firm moves as well as bi-directional flows in the semiconductor, electrical & electronics, and computer hardware industries remain evident.
- Newly emerging industries become visible in the industry diagram where medical devices, BPO and biotechnology/pharmaceuticals source labour from existing industries.

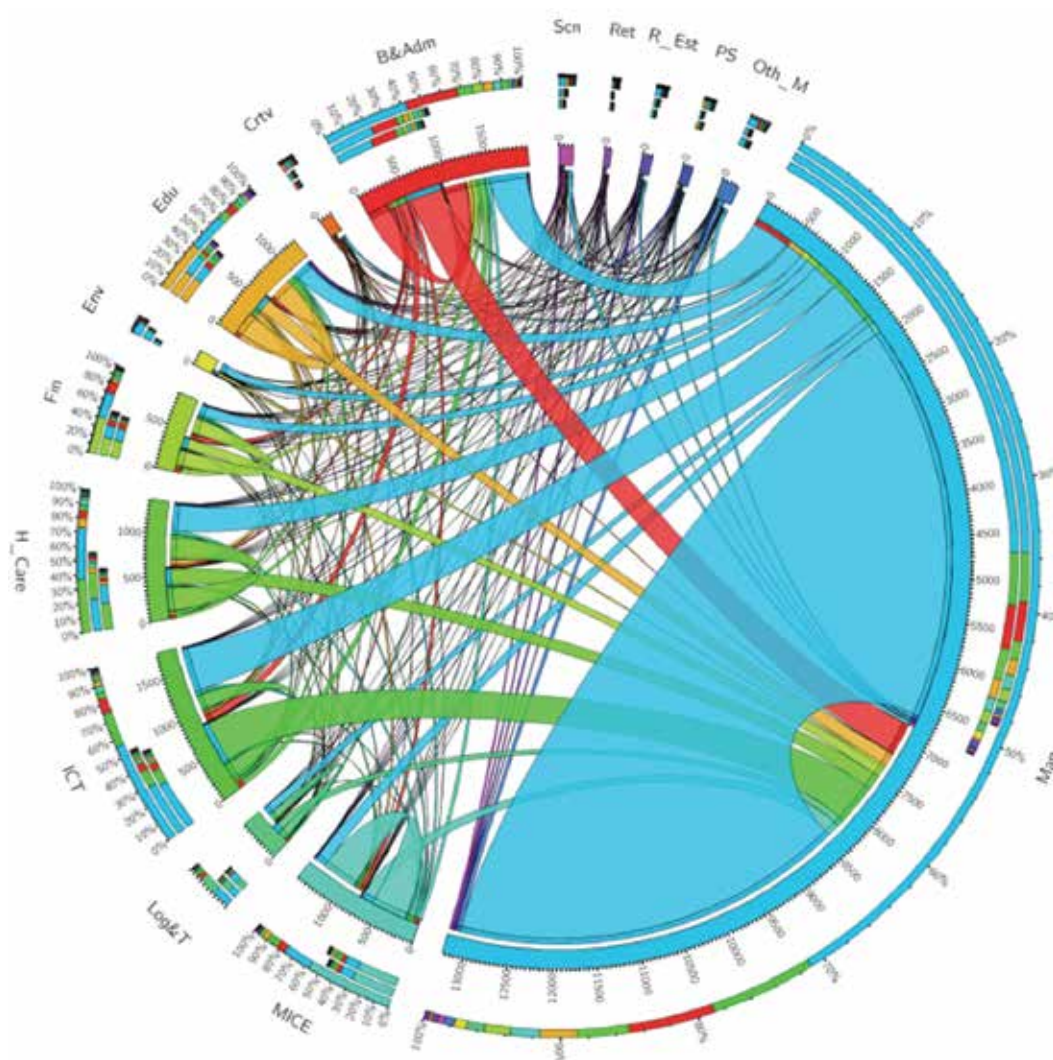
Figure 9.4: Labour flow by industry between 2006 and 2010



Legend: Semicon = Semiconductor; PC\_Sftw = Computer Software; PC\_Hrdw = Computer Hardware; Mgm = Management Consulting; Med\_D = Medical Devices; Ind\_Aut = Industrial Automation; IT\_Serv = IT Services; HR\_Staff = Human Resources & Staffing; Fin = Financial Services; Eng = Mechanical & Industrial Engineering; E&E\_Man = Electrical & Electronics Manufacturing; Bio\_Ph = Biotechnology & Pharmaceuticals; BPO = Business Process Outsourcing; Auto = Automotive; Acc = Accounting; A&A = Aviation & Aerospace; Telecom = Telecommunications



Figure 9.5: Sectoral moves between 2011 and 2016 (N = 11,711)



Legend: Man = Manufacturing; MICE = Meetings, Incentives, Conventions & Exhibitions; Log & T = Logistics & Transport; ICT = Information and Communication Technology; H\_Care = Healthcare, Medical Devices, Biotechnology & Pharmaceuticals; Fin = Financial Services; Edu = Education; Crtv = Creative Industry; B & Adm = Business & Administration; Scn = Research & Scientific; R-Est = Real Estate; Oth\_M = Other Manufacturing; Ret = Retail; PS = Public Sector; Env = Renewable Energy & Environment

Source: Own calculations based on LinkedIn

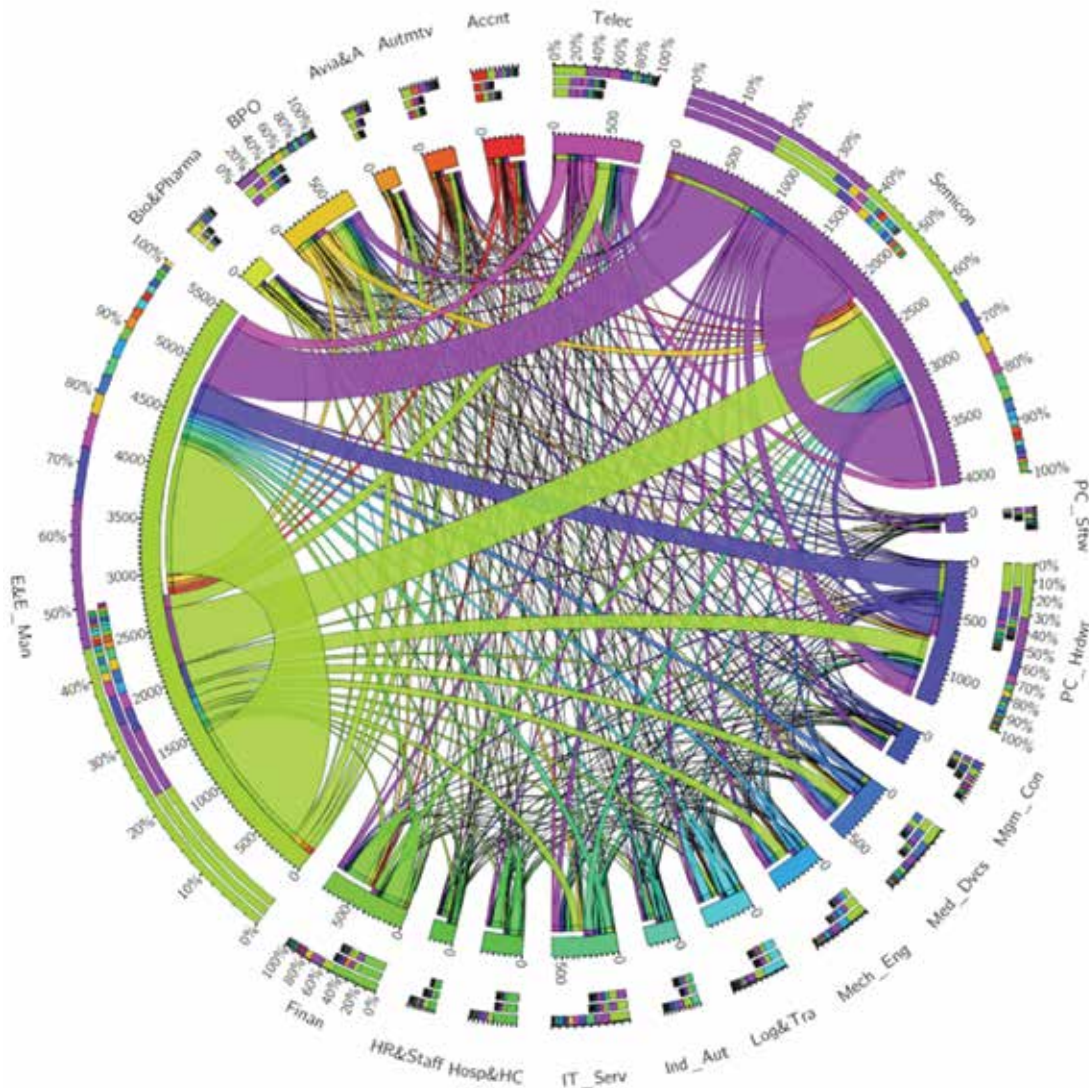
### Labour flow: 2011–2016

- While the sectoral mobility pattern of earlier periods is still evident in the recent period, the increasing growth of other sectors also becomes significant.
- Intra-sector mobility continues to be important in absolute and relative terms; however, inter-sector mobility gains further significant, diverse and complex.
- As a result, in inter-sectoral mobility, the earlier dominance of bi-directional flows between the ICT sector and business & administration, and manufacturing is becoming less evident.
- At the industry level, intra-industry, inter-firm moves

and bi-directional flows in the semiconductor, electrical & electronics, and computer hardware remain clear.

- The emerging industries are becoming quite significant in labour flows. The growth of the medical devices, GBS, financial and business services can clearly be discerned in a comparison with the industry flows in the earlier period. These growth industries continue to source labour from existing industries. This further indicates the role of the secondary labour supply to these industries. They are also marked by labour outflows, as they do not appear to be immune to turnover.

Figure 9.6: Labour flow by industry between 2011 and 2016 (N= 8,785)



Legend: Semicon = Semiconductor; PC\_Sftw = Computer Software; PC\_Hrdwr = Computer Hardware; Mgm\_Con = Management Consulting; Med\_Dvcs = Medical Devices; Mech\_Eng = Mechanical & Industrial Engineering; Log & Tra = Logistics & Transport; Ind\_Aut = Industrial Automation; IT\_Serv = IT Services; Hosp & HC = Hospitality & Convention; HR & Staff = Human Resources & Staffing; Finan = Financial Services; E&E Man = Electrical & Electronics Manufacturing; Bio\_Pharma = Biotechnology & Pharmaceuticals; BPO = BPS; Avia&A = Aviation& Aerospace; Autmtv = Automotive; Accnt = Accounting; Telec = Telecommunications

Source: Own calculations based on LinkedIn

A more detailed analysis is necessary to establish the characteristics of the (out)flow referred earlier. As GBS becomes the focus in attracting new investment, it is

relevant to scrutinise the impact of the emergence and growth of these operations in terms of labour market.

### 9.3 Mobility II: How growing GBS activities drive labour circulation<sup>70</sup>

This section analyses patterns of mobility related to GBS companies in Penang from an employee perspective. Individual job changes reveal the background of GBS employees in terms of occupation and industry. As the GBS industry is diverse, there is also a diversity in job-functions. In regard to work history, we discuss the linkages between mobility pattern and skill-relatedness in this section.

#### 9.3.1 Mobility pattern

To study the employees' moves in GBS, a total of 296 employee work profiles of their last three (or less) job functions was compiled along with information on past employment such as employers, working period and current job title. As can be seen in Table 9.1, the move is active in internal mobility, where employees are switching from one position to another position within the firm. There are 130 job changes out of 546 total number of job change. Although a majority of employees are considered young – with age 35 years old and below, most of them had at least two employers before the current employer. On average, employees will stay with one employer for about five years. This testifies a moderate level of labour mobility in GBS.

**Table 9.1: The characteristics of respondents' job changes**

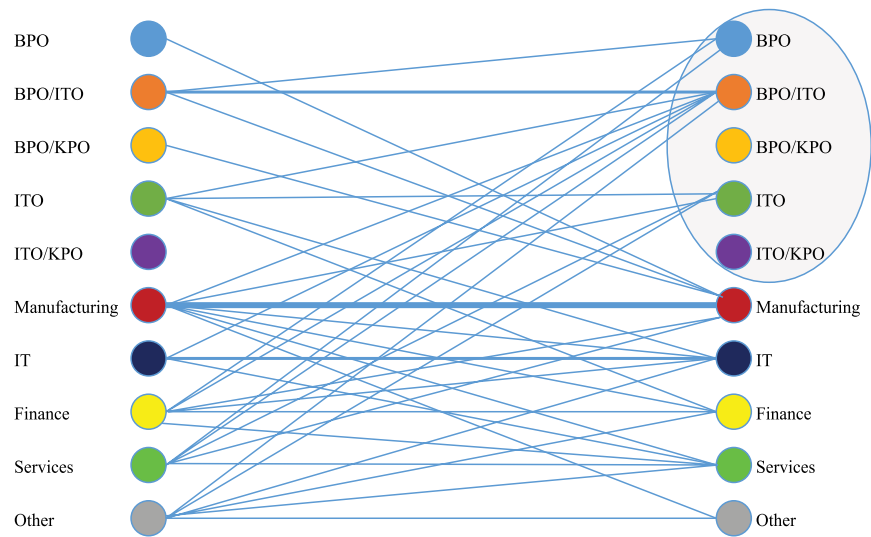
Total number of job change	546
Internal position change	130
First employer	46 (15.5%)
Second employer	65 (22.0%)
Third employer	74 (25.0%)
Fourth or subsequent employer	111 (37.5%)
Average years of experience	5.1

More than half of the job movement occurred in the past five or six years; there were 234 changes in the period 2010–2015. Of this, 156 cases had other employers other than the current employers; and 38 were new entrants. Specifically, 50 cases were the moves occurred within firms, while some 94 movements occurred between GBS companies within Penang, and four moved to/from a GBS company outside Penang. This indicates two phenomena: firstly, GBS experiences lateral (inter-firm) mobility; secondly, some of the companies face difficulties in retaining employees. The latter is likely attributed to the inflow of new GBS companies, or poaching from other GBS companies. This corroborates the role of the secondary labour supply in GBS.

Figures 9.7 through 9.9 show the mobility flows of 296 employees in Penang's GBS industry. The lines indicate the labour flows between industries and positions. Figure 9.7 depicts employees' job switching patterns from the third-previous employer to the second-previous employer. The subsequent job changing from employees' second last jobs to last job, and from last job to current job are respectively illustrated in Figures 9.8 and 9.9. The GBS sector is broken down into five sub-sectors (BPO, BPO/ITO, BPO/KPO, ITO, ITO/KPO) based on Penang's GBS focus. Most employees are currently employed in BPO/ITO (158), BPO (55), or ITO (45) services (BPO/KPO (23), ITO/KPO (15)).

<sup>70</sup> Based on Grunsven and Vos (2016)

Figure 9.7: Labour moves from third-previous job to second-previous job

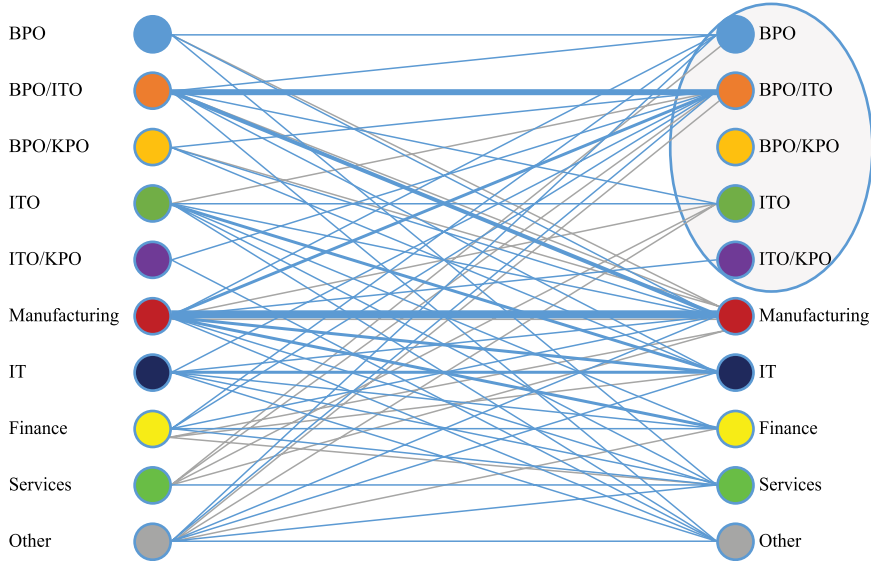


Source: Grunsvén and Vos (2016)

Looking at the labour mobility within similar industries and between different companies, there is a substantial mobility engaged in manufacturing and BPO/ITO. Many of these companies involved in the operations of BPO/ITO are manufacturing companies such as Intel, Dell, AMD and Jabil, to name a few. With regard to the movements from previous job to current job, three observations are dominant: first, the inter-departmental mobility in large companies that have expanded BPO/ITO as value chain activity; inter-industry moves from manufacturing and IT, and intra-ITO moves. Manufacturing companies often have an

internal department for other functions for example, accountancy, finance, or Human Resources. Some manufacturing firms become more attractive as they centralise the regional services operations through the establishment of Shared-Services Centres (SSCs). This expansion not only increases labour demand, but it is also believed to offer a relative better remuneration packages (Jobstreet.com, 2015). Likewise, intra-company transfer from existing departments to a newly established SSC department is attractive as upskilling is provided.

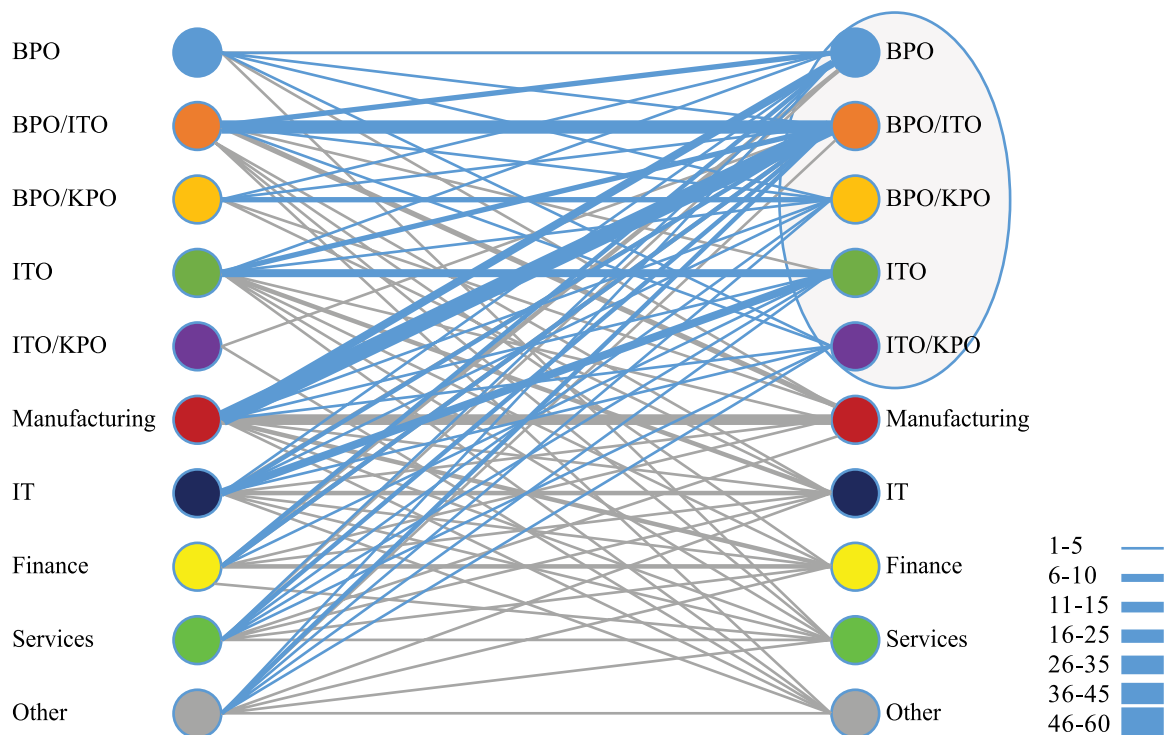
Figure 9.8: Labour moves from second-previous job to former job



Source: Grunsvén and Vos (2016)



**Figure 9.9: Labour moves from former job to current job**



Source: Grunsvén and Vos (2016)

Tables 9.2 and 9.3 respectively describe characteristics of labour flows from manufacturing to GBS companies,

and from manufacturing department to GBS department of the same company.

**Table 9.2: Changes from former employment in manufacturing to current GBS employment**

Former job			Current job		
Employer	Function	Since	Employer	Function	Since
Dell	HR executive director	2012	Agilent Technologies	HR sr. director	2014
Intel	-	2013	Agilent Technologies	HR representative	2014
Ansell	Plant controller	2013	Altera WS	Finance manager	2015
Pen Apparel	MS executive	2011	Citigroup Transaction Serv.	Transaction service analyst	2012
Intel	Network & telecommunication engineer	2011	Dell	Enterprise solutions consultant	2013
AMD	Equipment/process engineer	2013	IHS	Analyst (industrial automation)	2015
Dell	Finance director	2012	IHS	Finance director	2012
Southern Steel	Technical support	2011	Intel	IT support specialist	2013
Escatec Electronics	SMT supervisor	2012	Manpower Staffing Services	Client relationship manager	2013
Cincaria	Accounts receivable officer	2014	Osram GBS	Finance executive	2014

Source: Grunsvén and Vos (2016)

**Table 9.3: Shifts from an existing internal department to a (newly established) GBS department of the same company**

Former job			Current job		
Employer	Function	Since	Employer	Function	Since
Osram Opto Semiconductors	Talent acquisition	2013	Osram GBS	Talent acquisition	2015
Intel	Career development council leader	2014	Intel	SSC Accounting senior manager	2014
First Solar	HR data centre admin	2011	First Solar	HRIS co-ordinator	2013
Dell	Technical training senior advisor	2010	Dell	Finance SSC	2014
First Solar	Principal engineer	2010	First Solar	Analyst SAP	2014
First Solar	Director of financial planning & analysis	2012	First Solar	Director of finance	2013
First Solar	Manufacturing planner	2011	First Solar	Training specialist	2013
Jabil	Regional IT manager	2011	Jabil	Global IT manager	2015
Intel	Global server monitoring analyst	2010	Intel	SSC payroll & benefits analyst	2012
Citigroup Software & Technology services	Vice-president	2014	Citigroup Transaction services	Southeast Asia Client On boarding Operations Head	2014

Source: Grunsvén and Vos (2016)

Table 9.4 shows 14 cases of lateral mobility originating from AMD GBS to the current position in other SSCs, such as AirAsia, Wilmar and Citigroup, which are similar to AMD GBS, which offer high-order BPO services. There is high (skill) relatedness between the services

of these firms, promoting mobility. Thus, these moves not only illustrate retention issues related to lateral mobility, but also looks at the contribution of secondary supply/market – in this case intra-industry – in filling vacancies in GBS operations.

**Table 9.4: Mobility from AMD Global Services to other SSCs in Penang**

Former job at AMD Global Services		Current job		
Function	Since	Employer	Function	Since
-	2008	Agilent Technologies	Global admin services	2012
-	2010	Agilent Technologies	HR programme admin	2014
Financial accountant	2012	AirAsia GSS	Finance executive	2013
Financial accountant 2	2008	AirAsia GSS	Intercompany accounts settlement team lead	2013
Financial accountant 1	2012	AirAsia GBS	Record to report team lead	2013
Sales operation manager	2011	Altera WS	Senior business planner	2014
Manager financial accountant	2006	Atmel	Senior manager	2011
HR analyst	2013	Atmel	Sr. HRIS analyst	2013
Financial accountant	2012	Citigroup	TS analyst	2014
Financial accountant 1	2009	First Solar	Accountant 3	2013
Senior payroll accountant	2004	PMC-Sierra	Senior payroll accountant	2010
Product development engineer	2011	Seagate	Applications analyst	2012
Financial accountant	2012	Wilmar GBS	Financial accountant	2013
Financial accountant	2011	Wilmar GBS	Accounts payable processor	2013

Source: Grunsvén and Vos (2016)

The work history breakdown is summarised as follows: 27 employees work for the F&A department, nine for HR, three for the IT helpdesk, one for the manager, while the function of one employee is unknown (See Appendix O). Only 14 are fresh graduates, their current function at AirAsia is the first job. Average working experience – employees that might have more than three former previous employers exempted – is two years and eight months. Employees who had more than three former employers increases the average experience to around three years and a month. Of 41 employees, 10 had previous experience with GBS sector. Thus, almost a quarter of the employees had worked for another SSCs. A striking observation is the number of moves between SSCs (such as First Solar, Intel, Dell and AMD) to the SSC of AirAsia: ten of the 27 experienced employees moved directly from one of those companies. This again illustrates frequency of job change and corroborates the observations made.

### 9.3.2 Skill-relatedness

A relevant issue is to examine employees whose former jobs and current jobs at GBS companies are skill-related. Labour mobility is prevalent if skills and knowledge are transferable. This also means that mobility patterns mirrors skill-relatedness. Nonetheless, it is also possible that job positions in GBS sector also attract job seekers who do not possess required skills. Table 9.5 shows some cases of GBS employees whose current jobs are not skill-related with their former job functions and educations. A majority of employees, however, possess

skills needed and related to their previous employment. The relationship between labour mobility and skill transferability is based on (expected) requirements and job functions. Labour mobility indicates skill-relatedness between occupations and industries. The pattern provides the scope of occupations and functions that can be assumed to constitute the relevant relatedness area of GBS positions. Thus, it indicates the catchment field, which is at risk of drainage as the GBS operations expand.

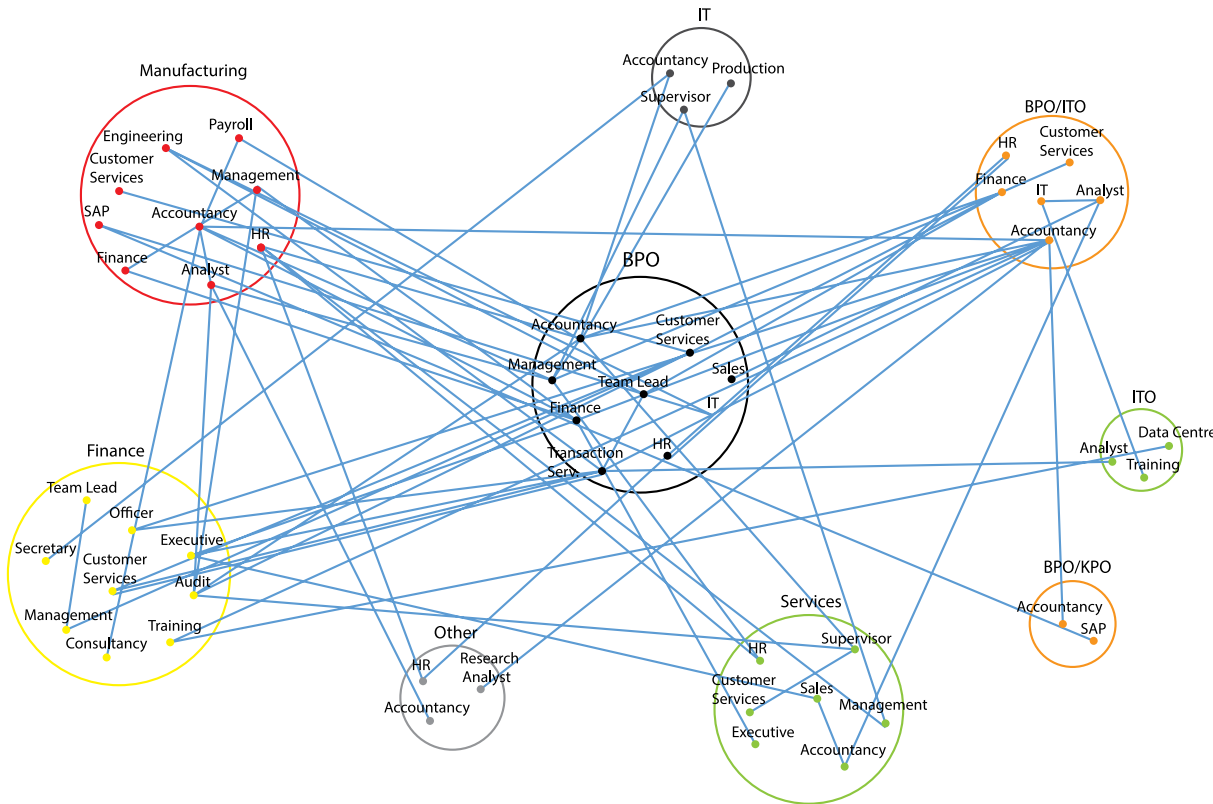
Every industry has a variety of job functions where inter-industry and inter-firm job switching is possible even when industries are radically different. At a lower level, similarity in occupational job-function matters across industries. The flows are not only differentiated by industry, but also by job-function and job-scope. Figures 9.10-9.12 exhibits the skill-relatedness of former and current functions of employees. Specifically, similar mobility pattern is observed for the movements of employees who currently work for GBS companies offering BPO/ITO services and ITO services (Figure 9.11 and Figure 9.12). The detailed work profile of current AirAsia SSCs employees are presented in Appendix O. Again, we assume that functional mobility across industries indicates actual skill-relatedness. Most of the employees in the ITO industry worked for an IT company prior to their current jobs. These industries are skill-related according to industrial classification. Skill competition can be deduced from this, where the growth of GBS will trigger the skill availability issues in the labour market.

**Table 9.5: Some cases of employees whose current job is not skill-related with former job and education**

Education	Former job		Current job	
Subject of education	Function	Employer	Function	Employer
Information Systems Engineering	Customer service advocate	Freescale Semiconductor	Staff financial analyst	AMD Global Services
Science & Technology Studies	MS Executive	Pen Apparel	Transaction Services Analyst	Citigroup Transaction Services
Computer Engineering	Technical Support Manager	Dell	Customer Care Manager	IHS Markit
Technical	IT support	Intel	Finance Executive	AirAsia GBS
Logistics	Financial accountant	Wilmar GBS	IT Service Desk	Intel
IT	-	Dell	Procurement Executive	AirAsia GBS
International Affairs Management	Public Relations	Malaysia Outstanding Youth Conference	Payroll Analyst	Agilent Technologies

Source: Grunsven and Vos (2016)

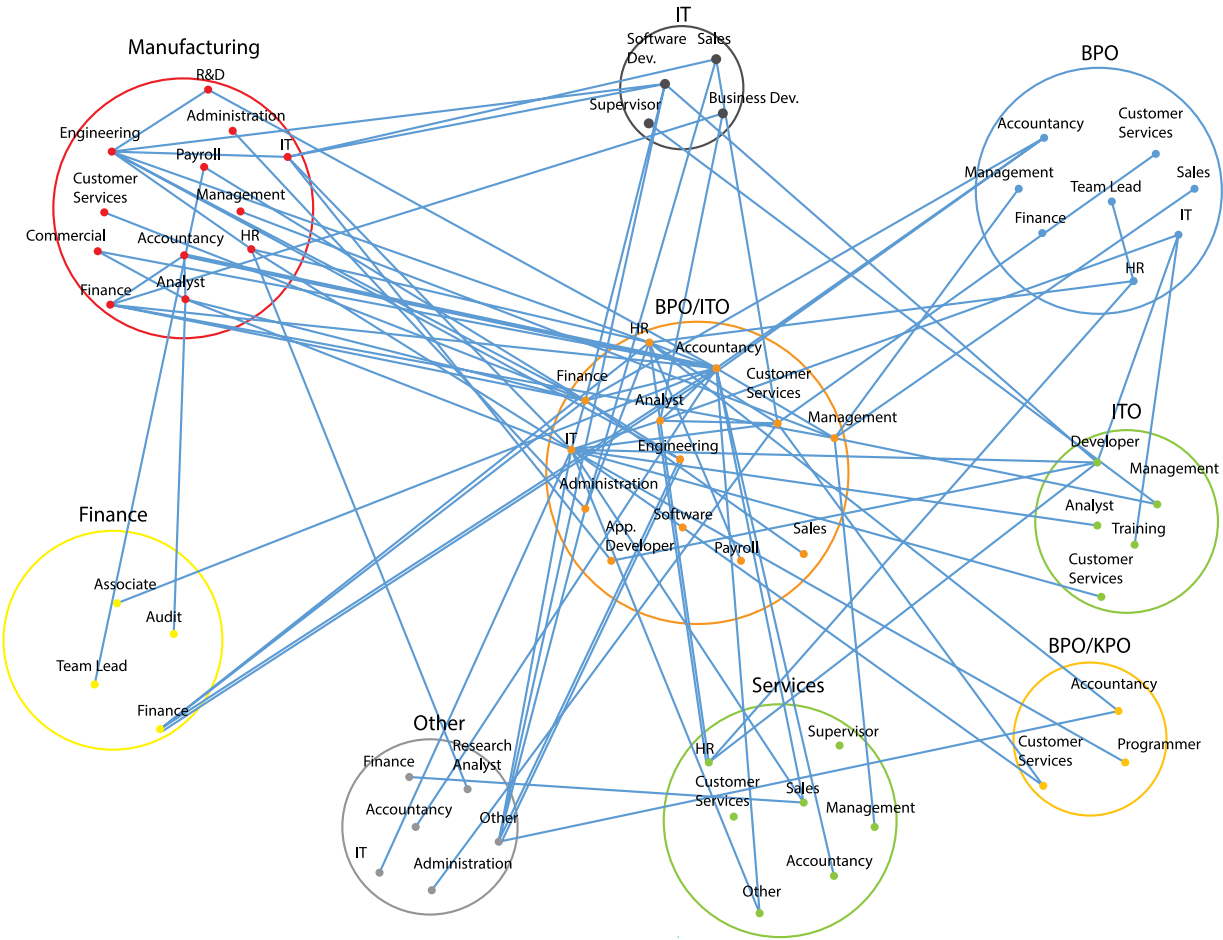
Figure 9.10: Former function of employees currently employed in BPO



Source: Grunsven and Vos (2016)

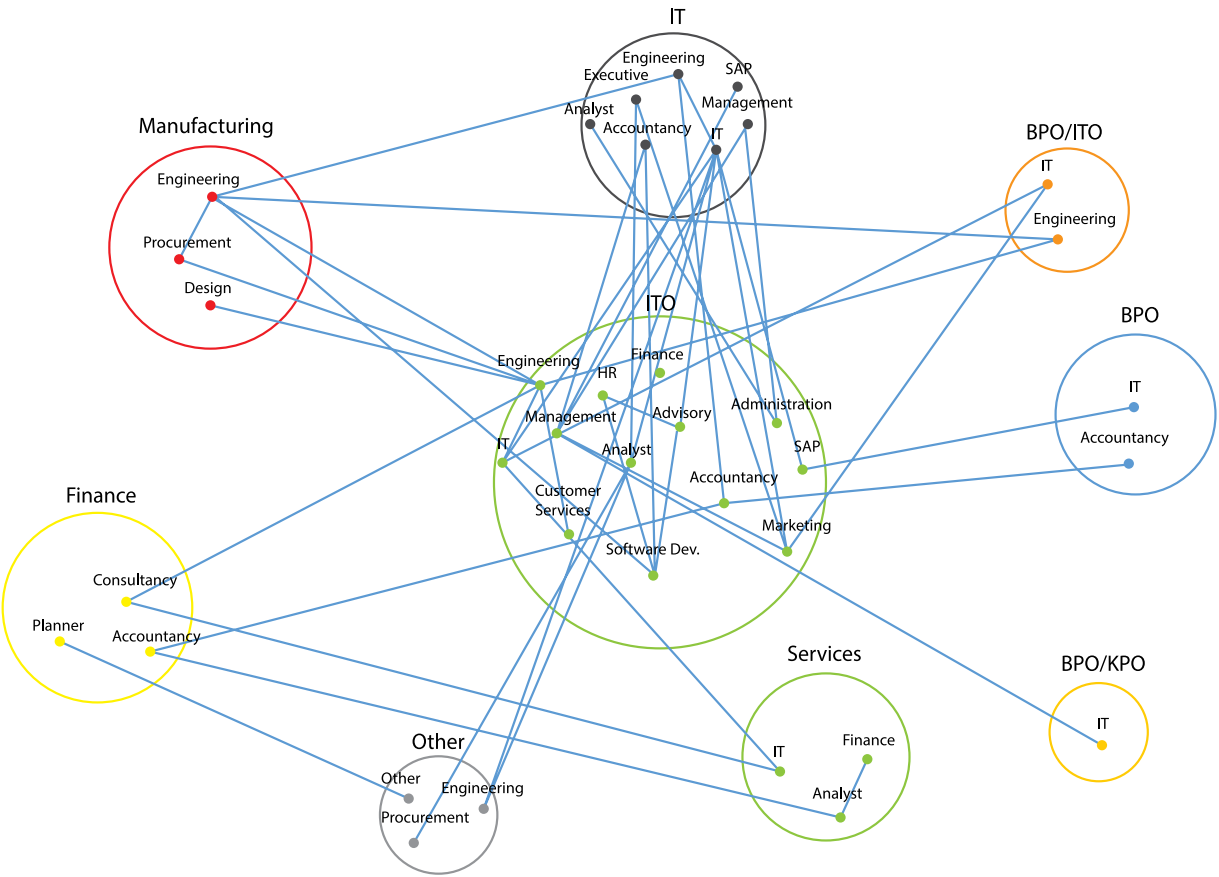


Figure 9.11: Former function of employees currently employed in the BPO/ITO sector



Source: Grunsven and Vos (2016)

Figure 9.12: Former function of employees currently employed in the ITO sector



Source: Grunsven and Vos (2016)

## 9.4 Mobility drivers of GBS industry

### 9.4.1 Insights from LinkedIn employee profile

To identify the push factors that cause employees to leave their former jobs, respondents were asked to give the main reasons behind employees' decisions to quit their jobs. Of 296 respondents, about 12% of them involuntarily changed jobs due to company closure and operation reorientation. With regard to voluntary job change, three reasons dominate in employees' decisions; there are sub-optimal working conditions (31.5%), other lucrative job offers (28%) and unsatisfactory work arrangements including working hours and pay (21%). Other reasons include pursuing further studies, little career enhancement prospects, personal or family reasons (retirement, change of residence) and seeking new challenges.

### 9.4.2 Mobility motivations of GBS employees

#### Reasons for working in Penang GBS industry

Respondents cited several reasons for moving to GBS industry in Penang. These reasons are ranked by the order of importance (Table 9.6). All the reasons stated scored above neutral (>3) is regarded as "important" by respondents. Skill advancement emerged as the most important reason to shift to the GBS sector, followed by relevance skills and appropriate working hours. Lack of suitable jobs in other sectors scored lowest, which means that employees did not switch to the GBS sector because they were unable to find a job elsewhere, but rather GBS positions are intrinsically more attractive than positions in other industries.

Respondents were asked to select the most important reason for them to join the GBS sector. Skills and knowledge development, and gaining new and/or more experience were the main reasons. There were not many respondents stated higher wage as an important factor. This is, however, inconsistent with reasons stated for taking up other job offers. Reluctance of employees to state their true opinions may have played a role here.

The detailed reasons for employees shifting, and for leaving their former job are included in Appendix M. Wages, staff benefits and reputation of the employer are the most cited reasons to work in GBS firms. This corresponds with statements made by HR where the employees left their former job mainly because of better job offer and opportunity at current employment. These findings are consistent with the role of employer preferences in labour market processes.

Skill advancement is cited as the next most important factor for employees applying for positions within the GBS sector. Other factors include the employer's credibility and reputation.

#### Job satisfaction

Job satisfaction also impinges on the inclination to stay in the same job and company, or move to other job in other company. Table 9.7 presents the level of job satisfaction with one being rated as very dissatisfied and five being very satisfied. Respondents satisfied the most with "challenging work experience", followed by "learning of new skills". While wage and benefits are the main reasons for taking a job offer fringe benefits and bonus are still rated less satisfactory. This might explain the substantial occurrence of lateral moves.

**Table 9.6: Reasons for working in the GBS sector ranked by importance**

Reasons	Importance
Wage offered (higher in other sectors)	3.76
Relevant to my education	3.59
Relevant to my skills	3.94
Experience (compared with former jobs)	3.71
Skill advancement	4.08
Location of residence (Penang/near Penang)	3.86
Fringe benefits in the sector	3.80
Decent working hours	3.90
Lack of suitable jobs in other sectors	3.16
Social status of the job	3.45

Note: 5=very important reason; 3 = neutral; and 1 =unimportant reason  
Source: Grunsven and Vos (2016)

**Table 9.7: Levels of satisfaction of respondents with the following aspects**

Aspects	Satisfaction
Wage earned	3.27
Bonus offered	3.08
Social status of work in GBS sector	3.41
Career progression in GBS so far	3.29
Career progression in this company so far	3.22
Future career opportunities	3.47
Challenging work environment	3.75
Learning of new skills	3.61
Fringe benefits offered	3.22
Daily work	3.37
Job security	3.59

Note: 5=very satisfied, 3=neutral and 1=very dissatisfied  
Source: Grunsven and Vos (2016)

Prior to the current jobs in GBS firms, slightly more than half of the respondents did not actively searching for (other) job opportunities. They still decided to stay in Penang and work in GBS. However, nearly 30% of respondents do not plan to stay in their current job, confirming a mobile labour force. The employees named several reasons for the decision to leave their current job: lack of career advancement; gain new experience with new working environment; and low salary.

Employees who do not intend to stay in the current job are also looking for opportunities outside Penang. A higher salary is the main reason for this. The locations where they expect to earn a higher wage include Kuala Lumpur, Singapore and Australia. Of these numbers, 12 are single, whereas eight are living with their parents, while only three are married. It is not surprising that mainly single people are more able and willing to move (abroad) than married people with children.

employees take into account of the availability of career opportunities as decision to stay with the firms.

Overall, labour turnover is substantial; it varies between industries and firms. Even employees' preferred industries and firms experience the retention issues. As expected, turnover also varies between job functions, inter-industries and within industries. The rate is in the range of 5% to as high as 30%, whereby the specifications of jobs and tasks in different industries will have to take into consideration. The variation in job functions is further depicted in Figure 9.13. Clearly, engineers are leading in hi-tech manufacturing and precision engineering in labour turnover. Furthermore, advanced producer services (APS), GBS, hospitality, medical devices and IT demonstrate a fair distribution over a larger number of positions, unlike logistics & transport and medical tourism where there is functional concentration. It is quite apparent that in medical tourism where nurses dominate labour turnover.

## 9.5 High-qualified labour: Turnover and retention issues

### 9.5.1 Findings from the employer survey

Individual mobility inevitably raises the concern of labour turnover at firm and industry levels. It lies on the ability of employers in retaining employees who are most proficient and skilled. Some employers give incentives to retain skill-proficient employees to resolve skill shortages. In this context, individual

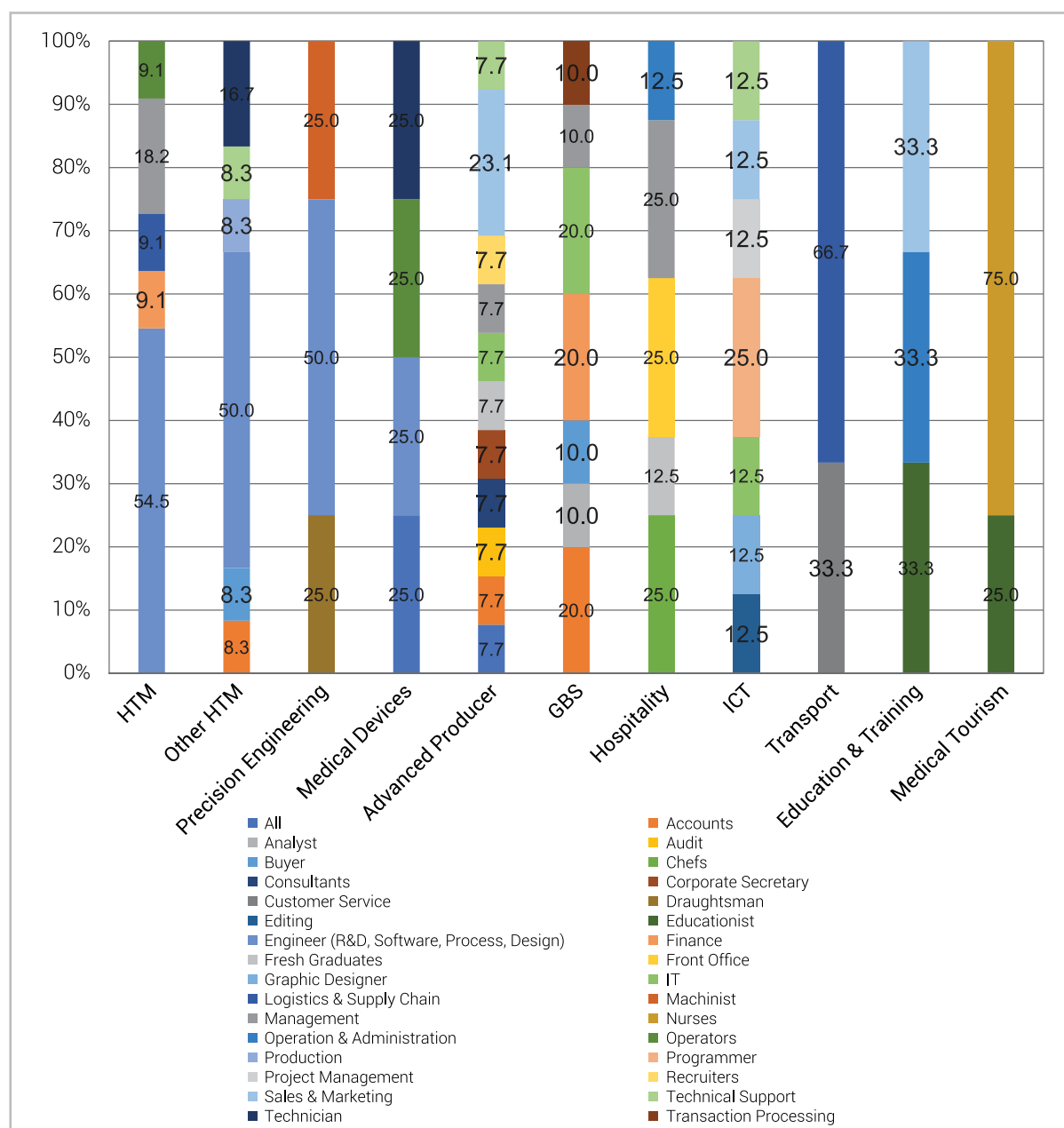
The differences of labour turnover are also found between MNCs and SMEs. While almost 30% of MNCs indicate engineers as the function with the highest turnover rate, this goes for only 4.5% of SMEs. Meanwhile, 12% of MNCs indicate that management positions are particularly prone to labour turnover, with nil for SMEs. Almost 10% of SMEs indicate sales & marketing personnel, and another 10% indicate programmers as functions with high rate of turnover; but both categories score nil in the case of MNCs. Both MNCs and SMEs have a substantial distribution of turnover across functions.



Practically, all firms provide incentives to retain highly proficient employees. Financial rewards can be in the form of attractive salary package, annual bonus and a stake in the company through stocks/shares are most favourable measures used by firms to retain skill-proficient employees. Only in the hospitality industry are opportunities for (further) promotion offered more frequently (Figure 9.14). Non-material incentives, on the other hand, are also favoured by

firms in most industries. A considerably large share of SMEs use bonus and flexibility working hours as non-material motivation compared with MNCs: 52% versus 33%. On the other hand, a substantial larger share of MNCs use promotion, recognition/award and stocks/shares as incentives: 44% versus 11%. This reflects the differences in the availability of financial and non-financial resources between MNCs and SMEs that in part underlies the distinction in enticing employees.

**Figure 9.13: Job functions that are particularly prone to labour turnover by industry (%)**



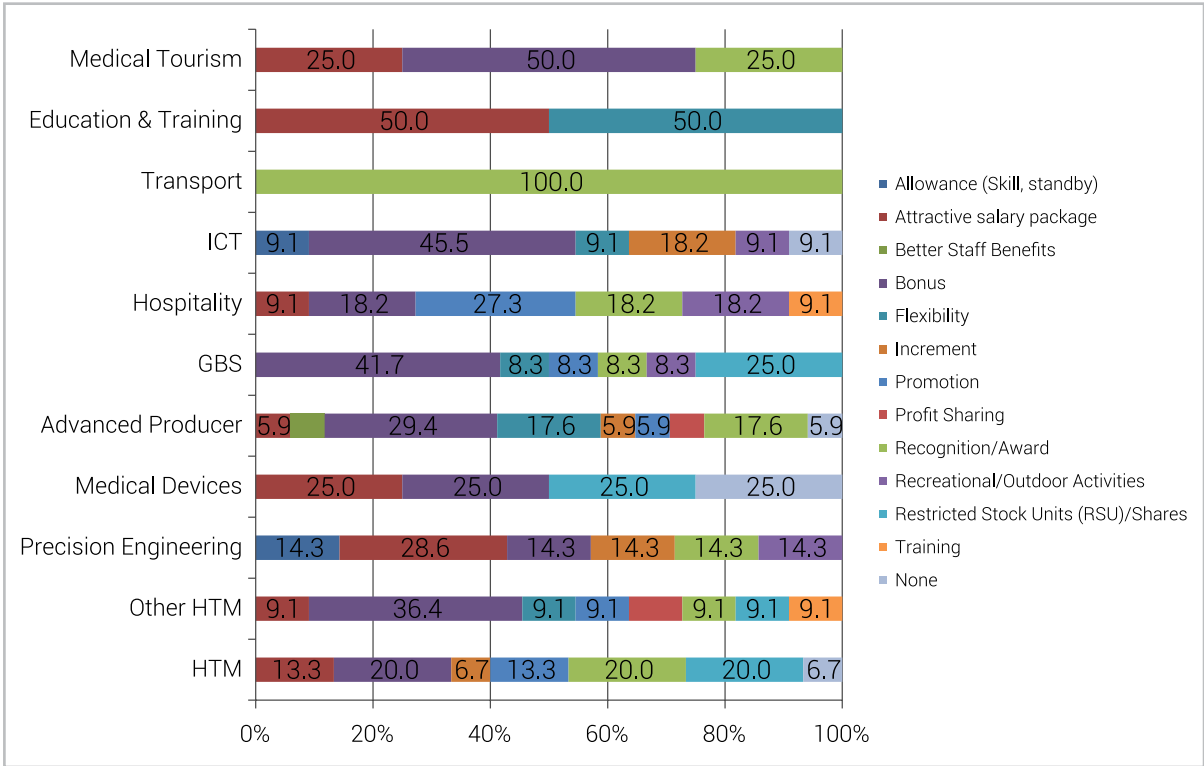
Source: Employer survey

The large majority of firms adopts strategies to retain employees in the face of skill shortage, although a small percentage confessed to have no strategy at all (13%); while another 13% did not want to disclose because of topic sensitivity. The majority of firms in most industries opt for a combination of measures. As incentives to retain proficient employees, remuneration and fringe benefits are often mentioned in the financial sphere (See Appendix N). Career development, including promotion, is also one of the key measures. While employees' bonding are important, it is less frequently adopted. As expected, there is little variation between industries. Likewise, there appears little variation between MNCs and SMEs, although remuneration may be less favourable in the case of SMEs.

The labour turnover and retention strategies show the mobility of employees as sticky, and firms respond this through a variety of measures. Responses in practice drive up the costs of labour, in all impinging on the operational competitiveness. Therefore, mobility causes burdens to companies.

Companies that do not provide career opportunities are in fact few, although it is still occurring. A clear majority of those that have explicitly incorporated intra-firm career advancement in their human resource management approach see promotion (65%) as the major avenue. Global mobility, that is opportunities to work in other establishments abroad is another significant avenue (Figure 9.15), while salary increment

**Figure 9.14: Incentives to retain existing highly proficient employees (%)**

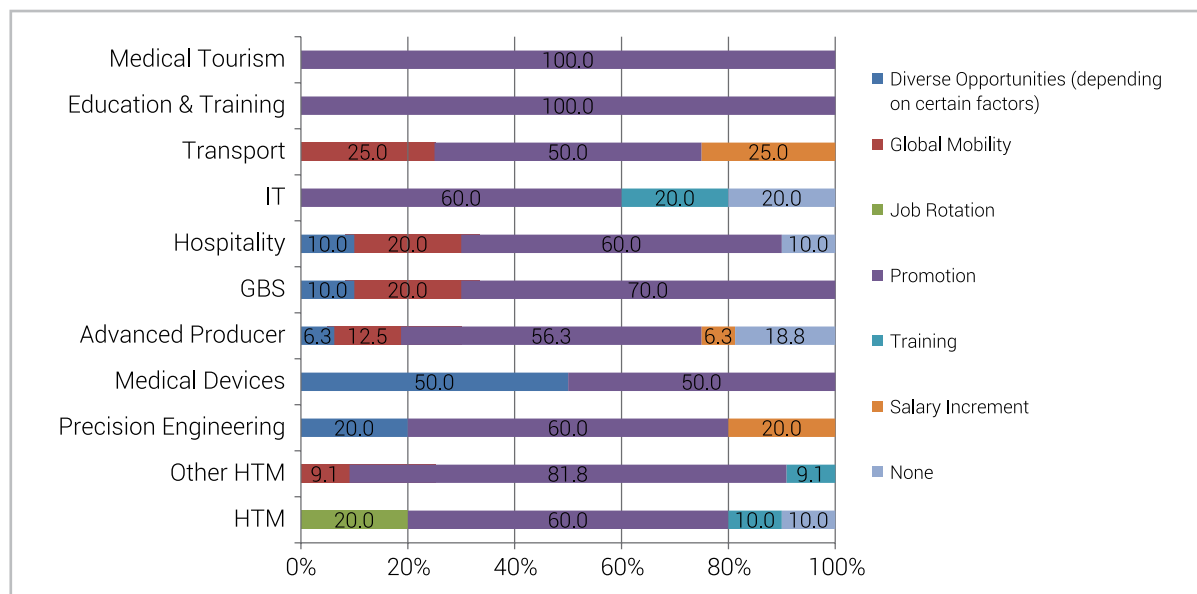


Source: Employer survey

is less prevalent (mostly such increments come with promotion). Differences between industries are not so evident, although advanced producer services (APS) and IT state their preferences not to offer opportunities for career advancement. There is a clear difference between SMEs and MNCs though, in that global mobility

is a path almost exclusive in MNCs, while SMEs invoke salary increment more often. This is a simple reflection of SMEs, which are less exposed to globalisation. Box 9.1 illustrates retention issues and responses for GBS firms in Penang.

**Figure 9.15: Career opportunities provided to employees (%)**



Note: 5=very important reason; 3 = neutral; and 1 =unimportant reason  
Source: Grunsven and Vos (2016)

### Box 9.1: Turnover and retention in GBS firms

GBS companies experience different kinds of labour turnover. These include mismatches, forced resignation and voluntary resignation. A primary reason for mismatch is a poor fit between an employee's skills and interests, and the job requirements of the positions given that skills and attitudes may not keep pace with the job requirements over time. Forced resignation refers to an employer's decision to terminate the employment of an employee. Voluntary resignation occurs when an individual decides to pursue another career opportunity, relocates, or leaves the workforce for personal reasons.

It is sensible to most employers if a low-skill proficient employee voluntarily leaves the organisation. Employees could resign from the positions if the skills required are difficult to pursue. This discrepancy is still accepted by employers as it reduces the cost of training. However, this is not the case for highly proficient employees. Some financial and non-material incentives have been in place to retain these employees.

Moreover, some GBS companies found that the mind-set of Generation-Y and Generation-Z employees are different. They keep searching for better jobs to compensate for good and comfortable living. Some of them also perceive the "greener grass on the other side of the ground" by hopping from one job to another job. Therefore, mobile workers are essentially less desirable by many employers, as it will obstruct companies from retaining employees, especially those highly skilled ones.

The underlying reasons of turnover such as the decision to stop hiring or to quit are related to several factors: complexity of tasks; the level of work routine; demanding or challenging work versus remuneration; how a person exhibits teamworking skills with higher remuneration. Strategies to retain employees include: remuneration, fringe benefits, career advancement through promotion, change of job function, attractive working conditions, in-house or external training programmes for skills development, internal career advancement, suitable location, flexible work hours and posting to different regional offices. Companies are struggling with the fact that every function/position has a wage ceiling, and thus function shifts must be available to enable employees to advance their careers.

### 9.5.2 Retention drivers: Employee engagement

The data and findings so far appear to be consistent with the Penang labour market compartmentalisation model. While not fully in accordance to skill requirements, firms in high-profile industries, foreign MNCs and other new corporate operations are able to attract employees with a fair quality skill set.

Retention shows a diverse picture, with MNCs in high-profile industries not necessarily escaping the turnover conundrum. But their positions as preferred employers are expressed in the form of lateral moves rather than out-mobility. Employees of less attractive companies are more mobile and some continually seeking for better jobs. They are motivated by the specific skills in demand, salary and company reputation, and at the same time increase employability through skill accumulation. From the perspective of employees, this appears to be a logical and positive moves.

Notwithstanding the overall picture indicates complex buyer-seller conditions a constrained labour market. Increasing their selling capacity is a driver for employees' movements in view of the ubiquity of generic skills in the market. This indicates a surplus situation. Skill-relatedness is an important factor governing the direction of mobility. This direction signals where issues of retention, skill gaps, and shortages arise in the labour market.

There are also negative aspects in individual mobility attitude such as low worker's commitment, which has been lamented by many employers. It becomes a pressing issue when an employer faces with substantial turnover. This depletes the value proposition of an organisation's expertise and talent, resulting in continuous recruitment, skills gaps and shortages. The sense of low commitment is well expressed in employers' grievance about employees quitting because they always think that the grass is greener on the other side. The desire of employees to change job corresponds with the high number of applications per vacancy. GBS companies have already made this an integral part of their human capital strategies, which is a response to lateral mobility. Many others are following suit, and some employers involve in labour poaching.

As revealed by the interview findings, Penang's GBS operations have adopted a new approach to overcome labour retention by specifically speaking to Millennials or Generation-Y employees. The lamenting approach to mobility and employee attitude is seen as overly negative, unproductive and dated. New generations of employees require a different – and more positive – approach, the core principle of which is to understand and accommodate their preferences, values and so on. In this sense, employers are urged to practise worker engagement.

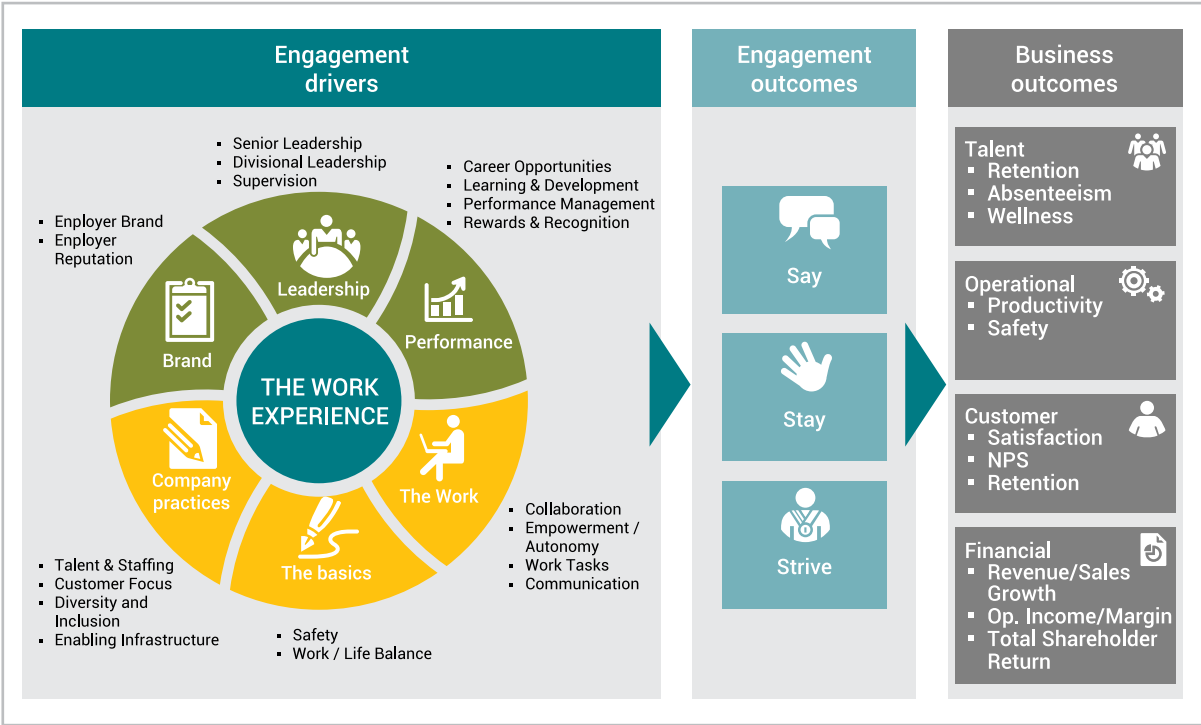
Interestingly, a management lesson of a high employee quit rate are alluded. For example, organisations should be aware of the high importance of placing individuals on work-life balance practices. They would need to draw up policies and procedures to foster and enhance this balance among the employees, including changing inflexible corporate policies and practices to allow for a greater degree of adaptability and flexibility. Changes could include flexible work schedules, compressed five working days, job-sharing and other workplace arrangements.

The meaning and concretisation of worker engagement in a new management approach, as suggested by Aon Hewitt (2014-2016). Figures 9.16 and 9.17 show that positive business outcomes are linked with three engagement outcomes, which are to stay, to say and to strive. These outcomes are derived from a series of engagement drivers linked to different elements of work experience (Figure 9.16). These drivers constitute the concrete action points of management. The larger the company is, the more are the elements involved.

A Malaysian perspective on engagement drivers is offered in the scheme depicted in Figure 9.17. The scheme depicts Malaysia as a whole, as well as different categories of employees. Corporate leadership is ranked as the top employees' engagement for female and senior management employees. An enabling infrastructure is a function of positive action of corporate leadership. A PEMAS (Plan, Equip, Measure, Act, and Sustain) framework is recommended for the effective implementation of employees' engagement as deliberated by Aon Hewitt (2014-2016). The ultimate goal is to continuously provide training and ongoing communication.



Figure 9.16: Basic characteristics of employee engagement (%)



Source: Aon Hewitt (2014–2016)

Figure 9.17: A Malaysian perspective on engagement drivers

Malaysia	Generation Y	Female	Leadership	Senior Management	Middle Management
Brand	Brand	Senior Leadership	Senior Leadership	Senior Leadership	Enabling Infrastructure
Enabling Infrastructure	Senior Leadership	Brand	Work / Life Balance	Diversity and Inclusion	Brand
Senior Leadership	Enabling Infrastructure	Enabling Infrastructure	Brand	Brand	Senior Leadership
Rewards and Recognition	Rewards and Recognition	Rewards and Recognition	Career Opportunities	Career Opportunities	Work / Life Balance
Career Opportunities	Empowerment / Autonomy	Empowerment / Autonomy	Diversity and Inclusion	Talent and Staffing	Talent and Staffing

Source: Aon Hewitt (2014–2016)

Some argue that employee engagement is becoming a crucial approach and strategy in the digital age where information concerning opportunities in the market is increasingly abundant than ever (Box 9.2). However, employee engagement approach also meets with scepticism. Others also argue that engagement only goes so far when it comes to retention. A dilemma is presented to many companies as addressing the engagement drivers at the same time enhances employability, producing an incentive for mobility.

A further counter-argument is that when tailoring HR strategies to retain Generation-Y employees according

to the engagement framework, management should note that employees' decision to quit are not mainly due to unsuitable practices. Instead, findings of studies suggest that, irrespective of potential good HR practices, Generation-Y employees still resign because of culturally influenced decisions, such as following the footsteps of their friends or simply switching jobs for no apparent reason. In other words, anecdotal information that attributes increased job mobility among Generation-Y employees to cultural trends receives substantial empirical validation.

#### **Box 9.2: Retaining talent in the digital age**

Digital development is rapidly transforming the landscape of business operations, work culture and the workplace environment. According to a report released by Deloitte (2015), a younger and connected workforce are aspiring towards employment with purpose, mission and work-life integration. Millennials are particularly subject to such forces.

As employees are connected to a number of mobile devices concurrently, employers need to build a work culture to support digital implementation at the workplace. This will improve the competitive advantages of the company by attracting top talent to work for the company; reducing voluntary turnover rates; and thus sustain labour productivity. Employers need to be open to innovation and offer some flexibility by breaking down barriers and limitations on creative employee solutions. Employee engagement becomes an important tool to keep the talent innovating for the company. Boonsiri Somchit, the Partner and Co-Founder of Xtrategize Technologies encourages companies to build constant communication with younger employees through the adoption of work culture beyond the traditional practices. This is an important strategy to make workers stay longer in the company.