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## **Implementation of Minimum Wage in Malaysia and its Influence on Employees' Attitude and Behaviour**

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### **Abstract**

Minimum wage is a simple price mechanism of the wage floor that is applicable to all wage earners that ensures that they get a minimum level of wage protection. The implementation of minimum wage certainly has a broad effect on a nation's economy, employers, and employees. In general, the objective of implementing minimum wage is to have wage protection for the employees. However, its implementation has far-reaching consequences from an employee perspective. Experience from other countries indicates that there are a number of issues which affect employees. As minimum wage has been introduced in Malaysia back in 2013, this research seeks to investigate the impact of minimum wage on the employee in terms of job morale, job satisfaction, work motivation and turnover intention. Quantitative approach by way of questionnaire survey was used to measure employees' perceptions in terms of their attitude and behavior after the implementation of minimum wage at their respective work place. Overall, the findings indicate that the implementation of minimum wage has direct negative effects on employees' job morale, job satisfaction, work motivation and turnover intention. Meanwhile, job morale and job satisfaction also have indirect effects on employees' turnover intention, while there is no indirect effect of work motivation in term of minimum wage implementation and turnover intention. These findings certainly provide some insights to the employers in managing relationships with their workers in view of the revision of minimum wage in Malaysia with effect from July 2016.

**Keywords:** Minimum Wage, Job Morale, Job Satisfaction, Work Motivation, Turnover Intention

**JEL Classification:** J01, J31, O15

**Paper Classification:** Research Paper

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### **Background of Research**

According to the International Labor Organization (ILO) by the late 2000s, 90 percent of 151 countries had applied a statutory minimum wage. Nevertheless, there are still a few Asian countries such as Macau, Brunei, Bahrain, United Arab Emirates where minimum wage regulation does not exist (Herman & Samet, 2000). In Asia region, Sri Lanka was the first to establish the system for minimum wage regulation in 1941, followed by India in 1948. Subsequently, Pakistan, Vietnam, Cambodia, Indonesia and China also implemented minimum wage policy/

law respectively in 1961, 1994, 1996, 2003 and 2006. Almost all countries in Asia have statutory minimum wage with different definition among countries. The evolution of minimum wage systems in Asian countries also vary from the developed regions of the world. For instance, Cambodia minimum wage has the most limited coverage among other Asian countries, as it is applicable only to the workers of the garment and shoe-making industries. Meanwhile, India and Pakistan are the countries whereby the number of sectors under minimum wage regulation is large but only a small proportion of the non-agricultural labor force is covered under minimum wage. In Sri Lanka, the wages board has built a system wherein they are able to extend the minimum wage protection to a majority of the working population. This shows that for countries which practice minimum wage policy; the minimum wage fixing system differs according to objectives and criteria, machinery and procedures, coverage, and subsequent adjustment as well as the operation and enforcement of rules established.

### **The Phenomena of Minimum Wage Policy in Asia-Europe Countries**

The implementation of minimum wage policy deserves careful considerations as its consequences are in multiple folds. From the macro perspective, minimum wage policy would impact the national economy as well as country international trade balances (Du Caju, Rycx, & Tojerow, 2011). For instance, the minimum wage impact on the European countries would affect the price of the product whether it is made in Asia or Europe. The product tends to be priced at a higher level if it is made in Europe as the cost of production would be higher in view of the higher exchange rate. In addition, if the particular product is produced based on labor intensive approach, the price of product would be even higher due to higher cost of production. On the other hand, if the product is made in Asia and is marketed in Europe, the exchange rate would play an important role. This is due to the stronger European currency, hence the impact of Asian minimum wage could be minimal. As such, minimum wage policy has to be reviewed occasionally to evaluate the impact on the locals who are affected by it (Rani, Belser, Oelz, & Ranjbar, 2013). The impact of minimum wage from the macro perspective was further elaborated by van Klaveren (2015), whereby the improvement of the minimum wages of workers in the European countries have led to the reduction in export. However, the impact of the Asian countries having minimum wage to Europe can be minimal if the country has a lower exchange rate comparatively. In terms of the micro perspective of minimum wage, it entails the labor market dynamics, employees' work related behavior (Meer, & West, 2015).

### **An Overview of Minimum Wage Policy in Malaysia**

In Malaysia, minimum wage was announced in 2010 and introduced in January 2013 as one of the government's policy via the New Economic Model (NEM) to improve the economy to a high income nation by the year 2020. As recommended by the National Wages Consultative Council (NWCC), the minimum wage was set at RM900 per month, i.e., RM4.33 per hour for Peninsular Malaysia. Meanwhile, for Sabah and Sarawak, the minimum wage was set at RM800 per month, i.e., RM3.85 per hour. This policy was only applicable to the local and foreign workers, excluding domestic employees such as domestic helpers (MOHR, 2014). After this policy, the Malaysian government reviewed and revised the minimum wage policy based on the submissions by the NWCC in 2016. In the Minimum Wages Order 2016 (MWO, 2016), the minimum wage rate was set at RM4.81 per hour or RM1,000 per month for Peninsular Malaysia whereas in Sabah, Sarawak and Labuan, the rate was set at RM920 per month, i.e., RM4.42 per hour. The daily minimum rate is tied to a ceiling of 48 hours each week. Details of the rates are shown in Table 1 below.

**Table 1: Minimum wage rates based on region**

Region \ Day per week	6 days	5 days	4 days
Peninsular Malaysia	RM38.46	RM46.15	RM57.69
Sabah, Sarawak and Labuan	RM35.38	RM42.46	RM53.08

The implementation of minimum wage comes in two folds. Firstly, it aims to reduce unfair practices among the labor market and secondly, to maximize workforce efficiency in the economy. The artificial suppression of wages below the level of productivity resulted in reduced participation in the workforce since there is less incentive to join the labor market. In addition, low income workers will be able to maintain a decent standard of living without unduly limiting the flexibility of employers to allow Malaysia to remain competitive at the global level. In macroeconomic terms, wage gains are likely to increase consumption and domestic demand as low-income groups have a greater marginal propensity to consume (BNM, 2013).

The implementation of minimum wage has thereon generated multifaceted issues in business sectors involving the employers and employees. According to the Malaysian Employers Federation (MEF), they expected 60,000 workers to be retrenched when MWO 2016 was implemented. Meanwhile, Malaysian Trades Union Congress (MTUC) was in the opinion that MWO 2016 would not burden the employers as they had already resorted to taking measures to tackle rising labor costs when the economic situation started to deteriorate.

## Research Gap

Although much research has been conducted in the past on minimum wage, research in this area is relatively limited in Malaysia. Most of these research are at the macroeconomic levels such as effects of minimum wage on earning and employment (Dube, Lester, & Reich, 2010), labor market (Flinn, 2006) and national employment (Neumark, Schweitzer & Wascher, 2004). Scant research is found on the employees' perspective in relation to their work-related behavior. Hence, this paper aims to look into the impact of minimum wage on employees in terms of their job morale, job satisfaction and work motivation.

## Contribution of the Study

As Malaysia had recently implemented minimum wage policy, it creates an opportunity to investigate the impacts toward the employees, particularly on their work-related behavior. Therefore, this study seeks to investigate the impact of minimum wage from the employees' perspective. The findings for this research would enable better management of employees' related issues.

## Literature Review

### Job Morale

Studies based on employee morale started long ago with one conducted by Baehr and Renck (1958). However, till date there is no common acceptable view of employees' job morale among the researchers. For example, McKnight, Ahmad and Schroeder (2001) view employee morale as 'the degree to which an employee feels good about his/her work and work environment' where else Lindsay, Manning and Petrick (1992) viewed morale to be 'the attitude of an individual, group, or organization about the function or task at hand'. In comparison, morale from the

viewpoint of Baehr and Renck (1958) is the commonly shared ideas among the employees that they have about themselves and their work environment. The understanding of morale by Johnsrud (1996, as cited in Johnsrud and Rosser, 2002) best fits the current research as it represents "the level of well-being that an individual or group is experiencing in reference to their work life".

Research on job morale gains its importance since some of the earlier studies indicated that morale is vital in affecting performance (Wesbrook, 1980). Lindgren (1982) added that if people are being recognized as important in their workplace, they will respond by increasing their effectiveness. In another study done in Russia, it shows that performance and work attitudes are affected by the employees' job morale (Linz, Good & Huddleston, 2006). Higher level of employee morale will also result in reduced absenteeism and lowering of turnover (Suksawanruedee & Sucaromana, 2013; Khalil, 2013) and other important aspects such as higher job satisfaction, commitment, and pride in one's work which ultimately lead to better organization's performance (Linz, Good & Huddleston, 2006).

## Job Satisfaction

Job satisfaction is one of major interest in the field of organizational behavior. Job satisfaction is a complex concept, and different researchers define them differently. Generally, job satisfaction is a positive emotional state subsequent from the appraisal of one's job. Brayfield and Rothe (1951) highlighted that job satisfaction could be implied from the individual's attitude toward his or her work. The most commonly used definition is by Hoppock (1935) which defined job satisfaction as a combination of psychological, physiological and environmental circumstances that allows an employee to proudly claim that he or she is satisfied with their job. Aziri (2011) added that job satisfaction is a worker's sense of achievement and accomplishment on the job. Aziri (2011) pointed out that job satisfaction is generally perceived to be directly linked to productivity and personal well-being. Job satisfaction implies doing an enjoyable job well and getting rewarded for one's hard work. It also implies being happy and enthusiastic with one's job. Job satisfaction is an important factor that leads to recognition, income, job upgrade, and the achievement of other goals that lead to a sense of fulfillment (Kaliski, 2007). Referring to Social Exchange Theory, job satisfaction can be deduced from the reciprocity between employee and their organization. Social Exchange Theory contends that when employee is satisfied at work, they tend to react through increased effort, even if there is absence of direct monetary incentive on the effort. In this regard, Organ (1988) mentioned that job satisfaction is capable of promoting organizational citizenship behavior, whereby an employee will work the extra mile and goes beyond the job formal requirements to internalize the organization's objective function when job satisfaction is achieved. Thus, job satisfaction benefited employees by increasing intrinsic motivation and; organizations by enhanced organizational commitment, which in turn, reduced turnover. Past research also reveals that there is a string of benefits for keeping employees satisfied with their job, and those benefits among others are low employee absenteeism, high job performance, customer satisfaction, and high employee retention (Yurchisin & Park, 2010; Homburg & Stock, 2004; Gordon & Denisi, 1995; Tett & Meyer, 1993). In fact, many proactive organizations maintain a system that is designed to increase employees' job satisfaction and retention. As such, job satisfaction is one of the variables of interest in the present research.

## Work Motivation

Motivation is a basic psychological process. Briefly, motivation can be defined as the ability to change behavior. It drives people to behave in a way directed toward certain goals. Intrinsic

motivation is derived internally within oneself, arising from personal interests, desires and need for fulfilment. Motivation can also come from external (extrinsic) factors. Individuals can be motivated extrinsically through rewards, praise, and promotions. Daft (1997) refers to motivation as the internal or external forces that stimulate people to become enthusiastic and persistent in engaging in some course of action. Employee motivation is also described as work motivation. In this regard, work motivation results from a set of internal and external forces that drive an employee to choose an appropriate course of action and engage in certain behaviors (Newstrom, 2011). Managers see work motivation as an integral part of the performance equation at all levels, while organizational researchers see it as a fundamental building block in the development of useful theories of effective management practice. Drawing from past research findings on engineers and accountants, Herzberg, Mausner and Snyderman (1959) developed the two-factor theory on motivation. It was postulated that people are motivated by intrinsic and extrinsic factors. The former are internally generated rewards such as achievement, recognition, the work itself, responsibility and advancement while extrinsic or hygiene factors are external rewards related to the employees' job environment such as pay, supervision, interpersonal relations, working conditions and company policies. Additionally, it was argued that hygiene factors cannot motivate employees but they are necessary to minimize dissatisfaction. Past research on lower level employees (Centres & Bugental, 1970 as cited in Gohari, Kamkar, Hosseinipour & Zohoori 2013; Tan & Waheed, 2011; Nhat & Dung, 2013) demonstrated that extrinsic, hygiene factors such as pay play a more dominant role in motivating workers when compared to intrinsic factors. In Malaysia, retail salespeople indicated that pay is a dominant motivator (Tan & Waheed, 2011). Another Malaysian study by Islam and Zaki (2008) also found that among employees in general, higher pay is the most effective motivating factor. In addition, Stringer, et al. (2011) found a positive association between pay and intrinsic motivation among retail employees. Hence, extrinsic financial factors seem to be more effective in motivating low-wage earners. Basic needs have to be met before other higher needs are considered (Maslow, 1954). In addition, Arshadi (2010) pointed out that accordance to the relevance of self-determination theory to motivation and performance in the workplace, autonomy support, i.e. the interpersonal behavior between employer and employees in this context, is related to need satisfaction, that need satisfaction is related to work motivation and job performance. As such, work motivation is chosen as one of the employees' aspect as a result of the implementation of minimum wage.

## Turnover Intention

According to Jacobs and Roodt (2007), turnover intentions can be described as a mental perception in considerations whether to continue or quit a job, but it differ among employees depending on their tolerance level and perception of the treatment received. Decision whether to quit or stay is a reaction to various external stimuli that affect employees' satisfaction. Cotton and Turtle (1996) refer to the "intention to turnover" as an individual's perceived probability of staying or leaving, and Tett and Meyer (1993) defined it as a conscious and deliberate willfulness to leave the organization. Meanwhile, Perez (2008) revealed that individuals' turnover intentions always matched their actual turnover behavior, and this is further supported in the study by Abii, Ogula and Rose (2013) who cited the studies of Hwang, Kuo, Yin and Chuang (2006), and Hom and Griffeth's (1992) who further emphasized that turnover intention would lead to actual turnover. Turnover intentions have been recommended as a proxy in measuring actual turnover (Price, 2001; Price & Mueller, 1981).

Nienaber and Maisibigiri (2012) indicated that regardless of voluntary or involuntary turnover, there is still result in negative effect such as additional costs and disruption in an organization.

Bodla and Hameed (2008) also stated that turnover whether due to causes are controllable (organizational factors) including satisfaction on pay and working conditions or uncontrollable (environment factors) will have substantial cost to the organization as losing of social capital, referred to tacit knowledge that cannot be protected easily against loss or unauthorized transfer (Miller & Shamsie, 1996). A paper by Perez (2008) explained that turnover cost were divided into separation cost, replacement cost and training cost. On top of that, additional turnover costs included by Tziner and Birati (1996) were functional cost, dysfunctional cost, and vacancy cost. Later, quality cost was added as skilled workers leave the organization (Abii, Ogula & Rose, 2013). Dess and Shaw (2001) categorize the significant cost into direct cost (replacement, recruitment and selection, temporary staff, management time) and indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, and organizational memory) due to loss of social capital. Hence, turnover intention is the ultimate variable of interest in the present research.

## **Linking Implementation of Minimum Wage to Employees' Attitude and Behavior**

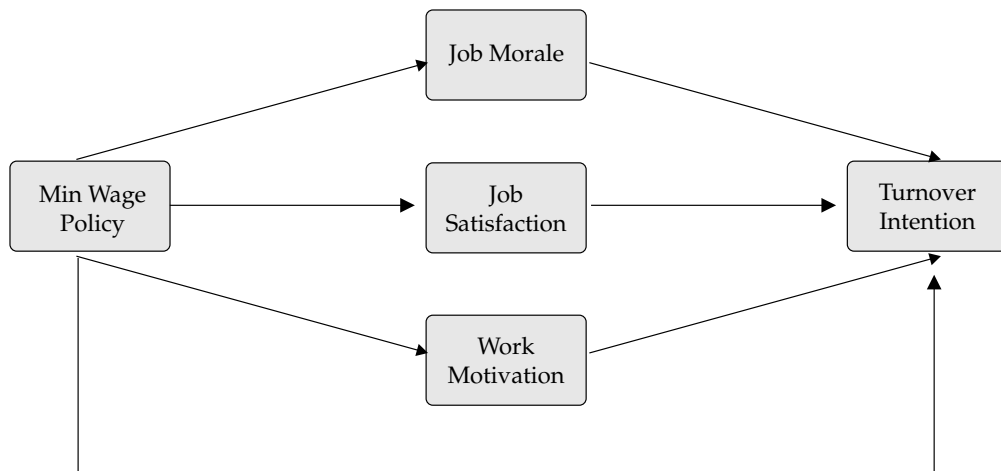
The discussion above, set forth the background of minimum wage in the Malaysian context and its consequences to the employees, in terms of job morale, job satisfaction, work motivation and its' ultimate potential outcome of turnover intention. The implementation of minimum wage is the policy set by the Government and being executed by the organizations/ employers towards the employees. The relationship between employees and employers can be referred through Social Exchange Theory (Blau, 1985), which is based on the idea that social behavior is the result of an exchange process; the purpose is to maximize benefits and minimize costs. Employee will terminate or abandon the relationship as soon as the costs outweigh the benefits (or perceived unfairness). Abii, et al. (2013) and Chen, Su, Lo, et al. (2013) found that compensation is one of the important variables that influence turnover intention in organization. Compensation can be referred as extrinsic factors (Deci, 1975) representing the tangible factors that can be measured by variables such as wage, benefits, job security and job environments. This value may affect the satisfaction level and eventually may lead to turnover intention and quitting. In this regard, Edwards, Burnard, Coyle, Fothergill, and Hannigan (2001) added that job morale, job satisfaction and turnover intention are interrelated terms which could impact productivity and quality of products and services. When an employee experiences low morale, it can reduce worker's commitment, negatively affect the product or service offered, and reduce customer satisfaction. Bohl (1989) stated that "poor morale is contagious. It may begin with one dissatisfied employee and broaden into a department/ organization. In term of work motivation, minimum wage is considered as the extrinsic motivating factor that reward monetary form. The impact of work motivation on turnover intention has been examined by several authors. For example, Chen et al. (2002) investigated workers across different levels and industries in Hong Kong and China. It was found that the base salary and bonuses can motivate employees and reduce turnover intention. Similarly, Borzaga and Tortia's (2006) study on Italian social service sector employees revealed that extrinsic economic motivators significantly influenced turnover intentions. Other studies on health workers (Bonenberger, Aikins, Akweongo, & Wyss, 2014) and early-childhood teachers (Torquati, Raikes, & Huddleston-Casas, 2007) corroborate these findings. The present research examines the impact of minimum wage implementation as an extrinsic economic factor toward employees' work motivation.

Thus, employees' job morale, job satisfaction, work motivation and turnover intention are the factors of interest in the present research which explores their relationships with the implementation of minimum wage.

## Research Framework and Hypotheses Development

Against the background set forth, this study purports to investigate the impact of the implementation of minimum wage on employees' attitude and behavior which entail job morale, job satisfaction and work motivation that ultimately affect their turnover intention.

According to Social Exchange Theory, there is a series reciprocity process that occur between employees and their organizations/ employer. When minimum wage policy is implemented, employee may have a mixed perception of its impact on them and it is observed through their attitude and behavior. Employee who value the implementation of minimum wage would be observed through increased job morale, job satisfaction and work motivation that will ultimately reduce turnover intention. On the other hand, employee who does not see the benefits of minimum wage implementation would be translate into lower job morale, job satisfaction and work motivation, that's ultimately increased their turnover intention. The employees' perception of minimum wage implementation through the reciprocity of Social Exchange Theory is illustrated in Figure 1 Research Framework.



**Figure 1. Research Framework**

As such, the following hypotheses are developed to test the proposed research model:

H1: Minimum wage policy has a significant impact on Turnover intention.

H2: Minimum wage policy has a significant impact on Job morale.

H3: Minimum wage policy has a significant impact on Job satisfaction.

H4: Minimum wage policy has a significant impact on Work motivation.

H5: Job morale mediates the relationship between Minimum wage and Turnover intention.

H6: Job satisfaction mediates the relationship between Minimum wage and Turnover intention.

H7: Work motivation mediates the relationship between Minimum wage and Turnover intention.

## Methodological Consideration

Partial Least Squares Structural Equation Modeling (PLS-SEM) has emerged into a popular statistical tool in recent years. This is due to its capability to develop parsimonious predictive-

based research model (Hair, Ringle & Sarstedt, 2011; Becker, Klein & Wetzels, 2012; Hair, Hult, Ringle & Sarstedt, 2013; Hair, Hult, Ringle & Sarstedt, 2016). PLS-SEM utilizes the variance-based approach. In addition, there are less stringent requirements for sample size, number of indicators and data distribution. Therefore, PLS-SEM facilitates the development of theory which is relevant to different contexts of study (Barroso, Carrión and Roldán, 2010). The popularity of PLS-SEM could also be credited to the method's ability to manage problematic modeling issues that routinely occur in the social sciences (e.g. Hair, Ringle, & Sarstedt, 2013; Robins, 2012), whereby the path models comprising many constructs, numbers of structural path relationships and/or many indicators per construct. Therefore, PLS-SEM permits a flexible handling of more advanced model elements such as moderator variables, nonlinear relationships or hierarchical component models.

Klein, & Wetzels, 2012; Henseler & Chin, 2010; Henseler, Fassott, Dijkstra, & Wilson, 2012). In these situations, PLS-SEM generally achieves higher levels of statistical power and reaches convergence much more often than CB-SEM (Henseler, 2010; Reinartz, Haenlein, & Henseler, 2009). Based on these rational, PLS-SEM enables social research to expand and becomes more elaborate with these advanced model elements, thus, making PLS-SEM the method of choice.

## Methodology

The current research adopted a quantitative approach that employed a self-administered, anonymous survey questionnaire to collect the perceptions of the employees regarding the impact on them due to the implementation of minimum wage policy in Malaysia. According to Hair, Hult, Ringle and Sarstedt (2014), single-item measures is practical and appropriate when it is used to measure observable characteristics such as sales, quota, profit and so on. Hence, a single item question was developed to measure the implementation of minimum wage among the targeted respondents. The study respondents are employees who are employed in SMEs across seven sectors which comprise services, primary agriculture, construction, mining and quarrying, manufacturing, manufacturing-related services and agro-based industries. Quota sampling method is employed in present research because it is based on the percentage of the sector as listed in SME Corp. Using this method ensures that the study has covered all the sectors identified under the classification of SME Corp.

A pilot test was done before the actual survey to ensure the effectiveness of the questionnaire. Based on the findings, the items were amended slightly to improve the understandability of the questionnaire by the target respondents. The questionnaire was also translated and back-translated to the Malay Language to cater to those who do not understand the English version. Several experts were consulted about the consistency of the question items, and to ensure that there were no discrepancies in the language meaning of both versions of the questionnaire.

## Data Analysis

### Descriptive Analysis: Respondent demographic profile

The demographic profile of the respondents was collected in Section A of the questionnaire. The respondents are categorized mainly under six sectors and five employment status. The highest number of respondents are from the service sector (76.34%), followed by the manufacturing sector (17.31%). Respondents are from other sectors are substantially less.

**Table 2: Working Sectors**

Working sector	Percent %
Service	76.34
Primary Agriculture	1.69
Construction	3.82
Mining & Quarrying	0.09
Manufacturing	17.31
Manufacturing-related service	0.75
Total	100.00

In term of the employment status, most of the respondents are full timers (73.06%), followed by part timers (20.86%), contract workers (5.26%) and self-employed (0.44%) with only a handful being temporary assignment workers (0.36%), as shown in Table 3.

**Table 3: Employment Status**

Employment status	Percent %
Part timer	20.86
Full timer	73.06
Contract	5.26
Self-employed	0.44
Temporary assignment	0.36
Total	100.00

Further exploration of the implementation of minimum wage in Table 4 shows that those affected by the minimum wage policy in the service sector is 80.17 percent, primary agriculture sector is 68.42 percent, 97.67 on construction and manufacturing 96.92 percent, manufacturing-related service 82.35 percent and in mining sectors 100 percent being affected.

**Table 4: Work sector affected by minimum wage (MW)**

Working sector	Receiving MW Adjustment	Not Receiving Adjustment
Service	80.17	19.83
Primary Agriculture	68.42	31.58
Construction	97.67	2.33
Mining & Quarrying	100.00	0.00
Manufacturing	96.92	3.08
Manufacturing-related service	82.35	17.65

## Measurement Model

The present research involves one single-item measure, which is the implementation of minimum wage policy and other constructs, namely Work Motivation, Job morale, Job satisfaction and Turnover intention are considered as reflective measures in the measurement model. Abiding to the guidelines proposed by Hair, Hult, et al (2014), the reflective measurement model was first evaluated based on convergent validity, internal consistency reliability and discriminant validity. According to Hair, Black, Babin and Anderson (2010), the main indicators to assess convergent validity are factor loadings, composite reliability and

average variance extracted (AVE). Following the recommendation of Chin, Gopal and Salisbury (1997) that the loadings of all items should be over the value of 0.6, measures with loadings below 0.6, namely JM2, JM4, JM5, JS3, JS4, JS5, WM5, WM6, WM7 and TI2 were eliminated during the scale refinement process. The results are presented in Table 4. It can be seen that the degree to which the construct indicators indicate the latent variables range from 0.663 to 0.953, which is over the recommended value of 0.6. The AVE which shows the overall amount of variance in the indicators accounted for by the latent constructs, are in the range of 0.602 and 0.874, which is more than the recommended value of 0.5 (Hair, et. al, 2010). Composite reliability measures internal consistency reliability was achieved between 0.851 to 0.933. Based on the results exhibited in Table 4, the present research had shown satisfactory results for convergent validity and internal consistency reliability for the measurement model.

**Table 5: Results of Measurement Model**

Construct	Indicator	Loading	Composite Reliability	Average Variance Extracted (AVE)	Cronbach's Alpha
Job morale	JM1	0.953	0.851	0.743	0.690
	JM3	0.760			
Job satisfaction	JS1	0.939	0.908	0.832	0.803
	JS2	0.884			
Work motivation	WM1	0.793	0.857	0.602	0.801
	WM2	0.785			
	WM3	0.663			
	WM4	0.851			
Turnover intention	TI1	0.950	0.933	0.874	0.858
	TI3	0.919			

Discriminant validity assess to which whether the measures are not reflected by other variables and it is shown in low correlations between the measure of interest and the measures of other construct. In Table 6, the discriminant validity is obtained with the use of Fornell and Larcker's (1981) criterion. This criterion has been recently criticized for its inability to reliably detect the lack of discriminant validity in common research situations (Henseler, Ringle, & Sarstedt, 2015). In response, Henseler and colleagues (2015) suggested another more stringent approach, based on the multitrait-multimethod matrix. This matrix examines the discriminant validity using the heterotrait-monotrait (HTMT) ratio of correlations (Henseler, et al., 2015). With this new method, the data was tested for discriminant validity. The results are shown in Table 5. Utilizing the criteria by Fornell and Larcker, the square root of AVE for each of the constructs was found to be larger than the correlation estimate of the constructs. This indicates that the constructs are distinctly different from each other. Likewise, Table 6 shows Henseler's HTMT criterion. The values suggest that all constructs are distinctively different at HTMT<sub>0.90</sub> threshold (Henseler, et al, 2015). In total, the measurement model demonstrated adequate convergent and discriminant validity for the reflective measurement model.

**Table 6: Fornell and Larcker Criterion**

Job Morale	Job Satisfaction	Motivation	Turnover Intention	
Job morale	0.862			
Job Satisfaction	0.381	<b>0.912</b>		
Work motivation	0.422	0.408	<b>0.776</b>	
Turnover Intention	-0.102	-0.198	-0.095	0.935

**Table 7: HTMT Criterion**

	Job morale	Job Satisfaction	Work motivation	Min Wage	Turnover Intention
Job morale					
Job Satisfaction	0.495				
Work motivation	0.497	0.508			
Min Wage	0.361	0.106	0.242		
Turnover Intention	0.112	0.233	0.132	0.077	

**Structural Model**

Collinearity is crucial in every research. Before evaluating the structural model, examining the absence of collinearity in the inner model of the research is carried out. Collinearity issue is examined by using Variance Inflation Factor (VIF), whereby a value of 5 and higher indicates a potential collinearity problem. Table 7 highlights the results of collinearity test of the model, via VIF. All VIF values are below 2 indicating that collinearity is not a concern in the present research (Diamantopoulous & Siguaw, 2006).

**Table 8: Collinearity Assessment**

	VIF
Job morale	1.391
Job Satisfaction	1.288
Work motivation	1.372
Min Wage	1.155

The structural model indicates the causal relationships among the constructs in the model (Sang et al., 2010), which includes the estimates of the path coefficients,  $\beta$  and the co-efficient of determination  $R^2$  value. Path coefficient,  $\beta$  and the co-efficient of determination  $R^2$  value are examined using corresponding T statistics via bootstrapping procedure with a resample of 5000. Additionally, it has also been suggested that the predictive relevance ( $Q^2$ ) and the effect sizes ( $f^2$ ) should be reported. Table 8 shows the results of path co-efficient assessment employing bootstrapping procedure for the hypothesized relationships. Turnover Intention ( $\beta=-0.117$ ,  $p<0.05$ ), Job Morale ( $\beta=-0.329$ ,  $p<0.05$ ), Job Satisfaction ( $\beta=-0.101$ ,  $p<0.05$ ), and Work Motivation ( $\beta=-0.271$ ,  $p<0.05$ ) were negatively related to Minimum Wage implementation. All the direct relationships are found to be significant with T statistics higher than 1.96 and p value less than 0.05. Thus these results support hypotheses, H1, H2, H3 and H4. In terms of the indirect relationships, only Job Morale and Job Satisfaction are found to be significantly mediate the relationship between Minimum Wage implementation and Turnover Intention with T statistics

higher than 1.96 and p value less than 0.05. Hence, supporting hypotheses, H5 and H6. Work motivation is found to be insignificant in mediating the relationship between Minimum Wage implementation and Turnover Intention with T statistics lower than 1.96 and p value greater than 0.05. Therefore, H7 is not supported.

**Table 9: Results of path co-efficient assessment using bootstrapping procedure for the hypothesized relationships**

Hypotheses: Direct and Indirect relationship	Path coefficient, $\beta$	Standard Deviation	T Statistics	P Values
H1: Min Wage -> Turnover Intention	-0.117	0.021	5.543	0.000
H2: Min Wage -> Job morale	-0.329	0.017	18.791	0.000
H3: Min Wage -> Job Satisfaction	-0.101	0.021	4.749	0.000
H4: Min Wage -> Work motivation	-0.271	0.020	13.745	0.000
H5: Job morale mediates Min wage -> Turnover Intention_	0.002	0.009	2.222	0.020
H6: Job Satisfaction mediates Min wage -> Turnover Intention_	0.016	0.007	2.511	0.000
H7: Work motivation mediates-> Turnover Intention_	0.008	0.028	1.626	0.280

Table 10 shows the assessment of co-efficient of determination ( $R^2$ ), the effect size ( $f^2$ ) as well as the predictive relevance ( $Q^2$ ) of exogenous variables on endogenous variable in this research. The value for co-efficient of determination ( $R^2$ ) for Job Morale is 0.108, which suggests that 10.8% of the variance in Job morale is explained by the implementation of minimum wage, while co-efficient of determination ( $R^2$ ) for Job satisfaction is 0.01, which suggests that 1.0% of the variance in Job satisfaction is explained by the implementation of minimum wage. Likewise, the  $R^2$  value for Work Motivation is 0.073, suggesting that Work Motivation explains 7.3% of Turnover Intention. Overall, the  $R^2$  value for Turnover intention is 0.052 denotes that 5.2% of the variance in Turnover intention are explained by Job Morale, Job Satisfaction and Work Motivation. The  $Q^2$  value of all the constructs are larger than 0, suggests that Job Morale, Job Satisfaction and Work Motivation possess predictive capacity over Turnover Intention (Hair, et al., 2014). The results also show that Job Morale ( $f^2 = 0.001$ ) has a small effect size on Turnover Intention, while Job Satisfaction ( $f^2 = 0.027$ ) has a medium effect size on Turnover Intention. This indicates that the latter is more important than the former in the explanation and prediction of Turnover Intention. Lastly, Work Motivation ( $f^2 = 0.000$ ) has no effect size on Turnover Intention indicating that Work Motivation has no impact in predicting the endogenous construct, i.e., Turnover Intention in the current research.

**Table 10: Determination of Co-efficient ( $R^2$ ), Predictive Relevance ( $Q^2$ ) and Effect size ( $f^2$ )**

	$R^2$	$Q^2$	$f^2$	Effect size
Job morale	0.108	0.070	0.001	Small
Job satisfaction	0.01	0.008	0.027	Medium
Work motivation	0.073	0.031	0.000	No effect
Turnover intention	0.052	0.033		

## Discussion and Conclusion

The findings reveal that employees' job morale, job satisfaction and work motivation are directly affected by the implementation of minimum wage, which is considered as an extrinsic reward as it involves monetary compensation. The results are congruent with past studies (e.g.,

Van Dick, Christ, Stellmacher, Wagner, Ahlswede, Grubba, & Tissington, 2004, Tett & Meyer, 1993) that extrinsic reward do augment employees' job morale, job satisfaction and work motivation in a positive manner. However, the present results show that there is an inverse relationship between minimum wage on employees' job morale, job satisfaction and work motivation. The rationale for the findings is that the majority of the respondents were already receiving the minimum wage at the point of data collection. Hence, there are no substantial positive impacts on them. In fact, there is a negative relationship found due to the continually rising cost of living in Malaysia. As a result, the Malaysian Government is implementing a revision of MWO 2016. Nevertheless, the results show that there is a negative relationship between the implementation of minimum wage with turnover intention. This implies that if the organization that the employees are attached to, had implemented minimum wage, worker turnover intention is lower. A recent research by Mahdi, Zin, Nor, Sakat, and Naim (2012) pointed out that extrinsic reward has little influence on the negative relationship with turnover intention, which coincides with the present research findings.

For the indirect relationships tested in the present research on the impact of employees' job morale, job satisfaction and work motivation, only work motivation was found to be insignificant. Past research by San Park and Hyun Kim (2009) showed that job morale and job satisfaction do matter for turnover intention. This implies that job morale and job satisfaction could indirectly affect employees' turnover intention after the implementation of minimum wage, but not work motivation. These findings reinforce previous research that work motivation is an internal psychological process. There are other more prominent factors that influence employees' turnover intention in relation to work motivation.

In conclusion, the findings of our research are generally in line with past studies on job morale, job satisfaction, and turnover intention. It would also be useful to address some other factors like job demand, organizational commitment, gender, work sector, employment status and economic conditions. Additionally, studies on the relationship among job morale, job satisfaction and other relevant factors with turnover intention may also be a useful tool to gauge the effects of minimum wage on worker retention.

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