

THE RELATIONSHIPS BETWEEN PRE AND POST-ENTRY EXPECTATION, PERCEIVED PERFORMANCE AND TURNOVER INTENTION OF LIFE INSURANCE AGENTS IN CHINA

**PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH**



LIU HAO

UMS
UNIVERSITI MALAYSIA SABAH

**THESIS SUBMITTED IN FULFILLMENT FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY**

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2016**

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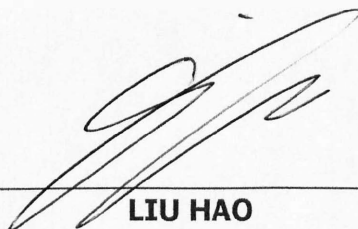
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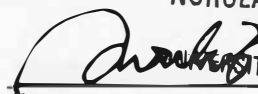
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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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DB1311005A



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CERTIFICATION

NAME : **LIU HAO**

MATRIK NO. : **DB1311005A**

TITLE : **THE RELATIONSHIPS BETWEEN PRE AND POST-ENTRY
EXPECTATION, PERCEIVED PERFORMANCE AND
TURNOVER INTENTION OF LIFE INSURANCE AGENTS IN
CHINA**

DEGREE : **DOCTOR OF PHILOSOPHY**

VIVA DATE : **5TH FEBRUARY 2016**

CERTIFIED BY;

1. Supervisor

Prof. Dr. Arsiah Bahron

Signature



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2. Co-Supervisor

Dr. Awangku Hassanah Bahar Bin Pengiran Bagul

A handwritten signature in black ink, written over a horizontal line. The signature is stylized and appears to be 'Hassanah'.

ACKNOWLEDGEMENT

The PhD journey is impossible to be completed without receiving help from others. First of all, I would like to thank specifically my supervisor Prof. Arsiah Bahron and co-supervisor Dr. Hassanul Bagul. Prof. Arsiah and Dr. Hassanul just offered their optimum trust and patience to me, and tolerated my waywardness; let me to take my steps and work by following the best interests of mine. Their understanding yet strict supervision made the thesis complete.

My old friend, Ms. Yu Li, a journalist and an editor has introduced her other journalists friends, helped the card sorting exercise for the Chinese version of the questionnaire. She also helped me to get the best quotation from the printing factorie for questionnaire printing. Ms. Jin Haiyan, she is the one who guided me to the respondents; without her help the data collection process would be another form. Other friends, such as, Mr. Wang Wenpeng, and Ms. Liu Jun and her husband Zhong Shisong, are always providing their best to help. Without Mr. Liu Er and his wife Ms. Geng Na, the pilot study would not be smoothly conducted.

I would like to thank Dr. Yusliza Mohd Yusoff and Prof. Thurasamy Ramayah, Universiti Sains Malaysia. At the early stage of the thesis development, I have received lots of suggestions, opinions and supports from the both scholars. Prof. Taina Savolainen, Ms. Sari-Johanna Karhapää and Ms. Kirsti Malkamäki, and other friends whom I got to know from University of Eastern Finland, Joensuu Campus. When I was struggling with the PhD journey, their encouragements are really pleasant. Prof. Gaston Sanchez, the one who has developed the plspm package for R. When I stucked in a technical difficulty, I have written to him to ask the support. Prof. Sanchez has replied the email and provided his best help.

Dr. Julian Paul Sidin, thank for his important and valuable suggestions on how to improve the study during the proposal presentation. I did my best to follow his suggestions to report the philosophical setting of the study, and to focus on the discussion. The entire process of PhD thesis writ-up became smoother.

I am so glad to have my colleagues, Mr. Andy Lee Chen Hiung and Datu Razali Bin Datu Eranza's accompany during the PhD journey. My colleague. Dr. Sharon Toh Pei Sung helped me to translate the abstract from English to Bahasa Malaysia. Mr. Feizal Karim, Ms. Pauline Chin, Ms. Candy Xi Yue and countless names of friends, were always there ready for hepling. It never forgot to mention Prof. Diana Wong Ing Boh and Ms. Peiwen Ooi's contribution of their ideas to the research.

Last but not least, I would like to thank my mum Zhu Lihua sponed my study. Without her generous, my graduation would be nothing more than a plan. There are still countless names have not been mentioned here yet, such as the 457 respondents from Qingdao and 99 respondents from Tianjin, and those people I have talked to during the research period. Some of them, perhaps we even could not have chance to exchange our names. We all worked together made the

research from a blue print to a completed thesis. Each of us built the entire wonderful experience.

Liu Hao
February 2016



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ABSTRACT

The objective of the study was to identify how and why a group of individuals is satisfied with becoming a life insurance agent after a joining action. Seven hypotheses were employed to find the answers. The exploratory study used a quantitative approach, and the data were collected following the non-probability sampling strategy. A total of 457 usable questionnaires were collected from around 11315 to 21070 of the total population. The statistical software environment R version 3.1.0 was used for the data analysis. The descriptive statistics demonstrated the nature of the population. The average variance extracted (AVE) was added at the reliability analysis stage to ensure good validity and reliability of the data. The hypotheses were tested by observing whether 0 lies between the 0.025 percentile and the 0.975 percentile. The fit index of endogenous variables was reported by employing the R^2 value, and exhibiting it together with the redundancy and communality values. The f^2 value represents the effect size of the moderator. The goodness of fit (GoF) shows the appropriateness of the research framework. Response based unit segmentation (REBUS) analysis was introduced to detect the unobserved clusters. As a result, all the hypotheses obtained a significant beta value; however, hypothesis one and hypothesis seven only received weak beta values. The GoF of the framework was 83 percent. The REBUS analysis showed that the research has very good generalization power. The study has extended the expectation confirmation theory from marketing research to the human resource topics. Rarely tested relationships such as hypothesis one and hypothesis four were examined in the study. A t-test and an f-test were employed to determine whether the Chinese version of the questionnaire was equal to the English version of the questionnaire, and for the process of deciding whether a latent variable was formative or reflective scale types were an unusual approach compared with the previous studies. REBUS, a relatively newly developed technique was also employed to the study. All the hypotheses were accepted. The study suggests that the industry needs to take care of its image to rebuild trust among the public. Companies need to consider the needs of their employees' family and friends, since the employees might be influenced by them as well.

ABSTRAK

HUBUNGAN ANTARA JANGKAAN PRA-KEMASUKAN DAN PERANCANGAN UNTUK BERALIH: EJEN INSURANS HAYAT DI PING AN INSURANS HAYAT SYARIKAT QINGDAO CAWANGAN CHINA

Tujuh hipotesis kajian telah digunakan untuk mengenal pasti bagaimana dan mengapa sekumpulan individu berpuas hati menjadi sebagai ejen insurans hayat selepas menyertai syarikat tersebut. Kajian eksplorasi ini menggunakan pendekatan kuantitatif di mana kumpulan data adalah di bawah persampelan bukan kebarangkalian. Sebanyak 457 jumlah borang soal selidik yang boleh digunakan dikumpul daripada kira-kira 11315 ke 21070 jumlah populasi. Perisian R versi 3.1.0 digunakan untuk menganalisis data. Statistik deskriptif adalah menunjukkan sifat populasi. Average Variance Extracted (AVE) telah diaplikasi dalam peringkat analisis kebolehpercayaan untuk memastikan kesahan dan kebolehpercayaan data yang baik. Hipotesis kajian telah diuji dengan memerhatikan sama ada nilai kosong [0] mengandungi di antara nilai 0.025 dan nilai 0.975 percentile. Pemboleh ubah Eksogen indeks fit dilaporkan dengan mengambil nilai R^2 serta nilai-nilai redundansi dan komunaliti. Nilai f^2 mewakili saiz kesan moderator. Uji Kecocokan Model (GoF) menunjukkan kecocokan keseluruhan kajian rangka kerja. REBUS analisis telah diperkenalkan untuk mengesan kelompok variabel tidak terukur. Sebagai hasil dapatan, didapati semua hipotesis kajian diperolehi dengan nilai beta yang signifikan. Walau bagaimanapun, hanya hipotesis satu dan hipotesis tujuh menerima nilai beta yang lemah. Rangka kerja GoF adalah 83 peratus. REBUS analisis menunjukkan bahawa kajian ini mempunyai tahap generalisasi yang kuat. Kajian ini kemudian dilanjutkan dengan mempunyai pengesahan teori jangkaan dari kajian pemasaran kepada topik sumber manusia. Hubungan bagi hipotesis satu dan hipotesis empat adalah jarang diuji dalam kajian. Ujian-t dan ujian-f telah digunakan untuk menentukan kesamarataan antara soal selidik versi Mandarin dengan soal selidik versi Inggeris, dan juga penentuan proses dalam memilih sama ada pemboleh ubah laten adalah jenis skala formatif atau reflektif di mana mencerminkan pendekatan luar biasa jika dibandingkan dengan kajian lepas yang sebelumnya. REBUS merupakan ciptaan teknik yang masih baru di mana juga digunakan untuk kajian ini.

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LIST OF ABBREVIATIONS

PE	- Pre-entry Expectation
PP	- Perceived Performance
CE	- Confirmed Expectation
PS	- Post-entry Satisfaction
TI	- Turnover Intention
OC	- Organizational Commitment
SSC	- Social Support Change
ECT	- Expectation Confirmation Theory



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CHAPTER 1

INTRODUCTION

1.1 Introduction

The first chapter provides a general introduction to the entire thesis. The introduction includes 1) the theoretical background of the study, 2) the problem statement, 3) the research questions, 4) the objective of the study, 5) the significance of the study, 6) the scope of the study, 7) the definition of the key terms, and 8) the organization of the chapters.

1.2 Background of the Study

Employees switch jobs more frequently now than in the past. An employee may leave a job for a mixture of reasons, which could be job-related factors, such as a higher income, faster promotion, and a better secretary (Waldmeir, 2012), and/or non-job-related factors, such as work-life balance. Scholars believe that the younger employees are, the more they demand a work-life balance (Sang, Ison and Dainty, 2009; Hughes and Bozionelos, 2007). Moreover, it is easier for an employee who holds an alternative job offer to resign than for one who does not (Mano-Negrin and Tzafrir, 2004).

Kay (2012) suggests that the increasing frequency with which employees change their jobs is because they does not receive what they deserved. The baby-boomer generation experienced the economic growth after the Second World War. Jobs offered good welfare at that time. On the other hand, now, worldwide economy is becoming relatively stable or declining; therefore, employees are facing the situation that fewer job opportunities with poorer welfare are being offered by organizations. This situation encourages employees to seek alternatives.

Some scholars (Savickas, Nota, Rossier, Dauwalder, Duarte, Guichard, Soresi, Esbroeck and Vianen, 2009; Coetzee and Roythorne-Jacobs, 2007; Arnold, 1997) believe that the increasing frequency of job changes is caused by the changing nature of careers in five dimensions: 1) more frequent career transitions, 2) more frequent career decision making, 3) the expansion of job opportunities for qualified employees, 4) marginalized groups and 5) more fragmented and mobile careers that are especially characteristic of women, technical specialists, people working with small enterprises and in service jobs (Coetzee and Roythorne-Jacobs, 2007). Furthermore, Arnold (1997) categorized how the world of work is changing into 9 ways: 1) outsourcing, 2) short-term contracts, 3) disappearance of organizational career structures, 4) changing skill requirements, 5) diversity in the labour force, 6) ageing population, 7) working at or from home, 8) self-employment and 9) employment insecurity. As a consequences of the changing nature of careers and jobs, uncertainty abounds in workplaces (Coetzee and Roythorne-Jacobs, 2007); it appears as 1) short-term employees, 2) part-time workers, 3) on-hired workers, 4) long-term unemployment, and 5) diversity (precarious work non-standard employment, poorly paid, insecure, unprotected and unable to support a household).

Moreover, the holistic employee-centred counselling model (Savickas *et al.*, 2009) is an idea that was originally developed to assist in individuals' job-seeking process. The guidance and counselling are intended to cover the individual's lifetime and take a 360 degree view. The circle is divided into tiers, according to the distance from the individual and from family and friends until reaching the national level. Each of the circles has two roles: providing guidance and counselling. However, no system can provide 100percent coverage. In most cases, part of the role of a circle or the circle itself could disappear. If the internal circle disappears, the outside circles have the ability to take over, and the inside circles are unable to act as external circles instead. The inner circle disappears the most easily in modern society. The disappearance of the circles and circles' coverage work together with the changing nature of jobs and careers to make the employees nowadays increasingly willing to change their job or less encouraged to stay in their current job.

This situation could be summed up as employees' resignation carrying both explicit and tacit knowledge away from the company. The leaking of the knowledge will cause the organization to become forgetful (Hislop, 2009). Moreover, due to the worldwide decline of birth-rates and the aging population causing a potential labour shortage (Ovanessoff and Purdy, 2011), together with the employee turnover, hiring and retaining are also becoming increasingly significant issues for industries. Therefore employee retention is becoming a challenging task for managers.

Firms see employees' departure as signifying costs, especially voluntary turnover (Dess and Shaw, 2001; McElroy, Morrow and Rude, 2001; Barrick, Mount and Strauss, 1994; Judge, 1993), which occurs when employees are the ones who are willing to resign from a company. The costs may be represented by re-recruitment, re-training's tangible and intangible costs and even customers' loyalty. Thus, to avoid employees leaving a company, the strategy for recruitment (Townsend, 2007; Bloomquist and Kleiner, 2000), training (Townsend, 2007) and a strategic compensation package (Dalsem, 2009; Nourayi and Mintz, 2008) are ideas to help managers to keep employees in their company.

In summary, employees' increasing frequency of job changing and the decline in the birth rate have made it difficult for managers to recruit people. Recruitment, retention and turnover issues have arisen. The study focuses on seven variables, which are pre-entry expectation, perceived performance, confirmation of expectation, post-entry satisfaction, intention to stay, organizational commitment and social support change. The study, by focusing on these seven variables, attempts to understand the relationships between pre-entry expectation and intention to stay.

1.3 Problem Statement

Regarding the reason behind employees' greater frequency of switching jobs nowadays, scholars have attempted to identify what causes employees' resignation, how employees make decisions before leaving their job and how companies can avoid employees leaving their job (Albrecht and Andreetta, 2011; Berthelsen,

Skogstad and Einarsen, 2011; Brough, Johnson, Drummond, Pennisi and Timms, 2011; Paille, Fournier and Lamontagne, 2011; Park and Kim, 2009; Bigliardi, Petroni and Dormio, 2005; Lee, Mitchell, Sablinski, Burton and Holtom, 2004; Jackofsky and Peters, 1983; Mobley, Horner and Hollingsworth, 1978; Mobley, 1977). Meanwhile, studies have also contributed knowledge concerning hiring and retaining staff (Curson and Skidmore, 2010; Doherty, 2010; Proctor, 2010; Hooi, 2008; Yigitcanlar, Baum and Horton, 2007; Harris and Simons, 2005; Tipper, 2004; Lock, 2003).

The situation could be summed up in two issues: 1) recruitment and retention issues and 2) employee turnover issues. These two issues bring particular challenges to China's society. In China up to 30 percent of the total workforce resigns every year, and one of every five young employees aged between 22 and 35 has changed job at least once (Waldmeir, 2012).

1.3.1 Recruitment and Retention Issues and Turnover Issues in China

China, with a population of 1.3 billion, has traditionally been recognized as a labour-abundant country. The cheap and "unlimited" labour supply, which has low productivity and comes from the agricultural sector to work in cities in the industrial sector, has contributed to China's export-oriented industrialization, supporting its rapid economic growth.

Fang and Wang (2005) warned that close attention should be paid to the waves of labour shortage. The south-eastern coastal areas of China experienced difficulties in recruiting enough migrant workers in 2002, 2004 and 2009. The argument of whether the surplus labour supply from rural areas has been dried-up by the industrial sector has emerged. The labour shortage is an inevitable result of China's rapid economic growth, signifying the arrival of the Lewis turning point (LTP) (Yang and Wang, 2010). The LTP explains a certain time point; after which, the "capitalist" sector is unable to absorb more "unlimited" labour supply from a "subsistence" sector without the need to raise wages (Lewis, 1954). After the LTP, with the same pay, employees will show a high intention to resign and less willingness to stay. The National Bureau of Statistics of China (2013) pointed out

that the total labour force (15-59 year-old population) of China in 2013 was 937 million: this was 3.5 million less than in 2012. The decline in the total labour force will increase in the future. Jacob (2012) reported double-digit wage increases in Dongguan, which is recognized as a global manufacturing base in china, to attract and retain the employees.

The issue is not exclusive to manufacturing industries. In cities, one-third of office workers are thinking about leaving their job (Xue, 2012). The latest statistic data shows that in the first quarter of 2013, the job opening-to-applicant ratio in Guangzhou was over 1.23 (He, 2013). This explains why only 81percent of positions in the labour market can be occupied.

1.3.2 The Recruitment and Retention Issues and Turnover Issues among Life Insurance Agents in China

The financial industry, including credit unions, banks, credit-card companies, insurance companies, consumer companies, stock brokerages, investment funds and government sponsored enterprises, is the most significantly affected by the recruitment and retention issues. In 2011 China had 0.2 million financial planners; the shortage for the profession was 0.6 million (Wang, 2011). Among the financial industries, life-insurance companies, due to the agent¹ employment type, are the most influenced by hiring and retaining issues. For life insurance companies in China's cities, the difficulties involved in recruiting agents are becoming increasingly significant. Aeon Life is a life insurance company based in Dalian. In 2011 the company planned to establish the company's eighth branch – the Jinan Branch. However, before opening, Aeon Life only managed to recruit 100 agents out of the targeted of 400 (Yu, 2011).

¹ In China, the legal definition of life insurance agents and whether they are employees is unclear. In society, people generally recognize life insurance agents as employees of companies. China's labour market sees life insurance agents as a position: those people are the employees of a certain life insurance company. Lawyers in China generally believe that in terms of what and how to provide the labour supply, agents are heavily dependent upon the company. Agents have no rights to decide their working hours, working process and venue of work. Life insurance companies have the disciplinary authority. Agents have a limited influence on the work process. They needed to follow the evaluation, ranking, and training that are provided by the company. Therefore, life insurance agents are considered as employees.

The retention difficulties are another significant issue in the life insurance industry. From 2004 to 2013, the total number of life insurance agents in China doubled, increasing from 1.5 million to 3 million; however, since 1996 a total of 35 million (26 percent of the total population) have/had worked in the life insurance industry. An extremely serious retention issue can be identified from this phenomenon (Liu, 2013). The turnover ratio for the overall life insurance industry is 50 percent; 70 percent of new agents resign less than one year after joining the company. For those agents who work on the front line, 80 percent of them leave within a year of joining the company. Regarding the individual life insurance companies, the figure is 70 percent for the People's Life Insurance Company of China (PLICC), New China Life Insurance Co., Ltd, (NCLI) and American Life Insurance co., Ltd. (AIA). For Allianz China Life Insurance Co., Ltd (Allianz) it is 75 percent, and for Manulife-Sinochen Life Insurance Co., Ltd. (MSLI) it is 80 percent. Ping An Life Insurance Company of China, Ltd. (Ping An) has the highest turnover ratio in the industry, which is 85 percent (Wei, 2005).

1.3.3 Issues in Qingdao, China

The Bureau of Statistics of Qingdao (2013) reported that in 2012 life insurances companies gathered premiums totalling 9.395 billion Chinese yuan (estimated as 4.63 billion Malaysian ringgit) from Qingdao. There are 60 life insurance companies competing in the region, among which, Ping An, PLICC, China Pacific Life Insurance (CPLI), Taikang Life Insurance Co., Ltd (Taikang), NCLI, and Taiping Life Insurance Co., Ltd (TPL), account for two-thirds of the market (Ding, 2012). Though, PLICC, because of its government background, is the biggest life insurance company in China, Ping An is the market leader in China's 8 most developed cities (Beijing – 22 percent, Shanghai – 19 percent, Shenzhen – 41 percent, Tianjin - 49.2 percent, Qingdao - 44.7 percent, Xiamen – 40 percent, Ningxia – 34 percent, and Hainan – 31 percent) (Insurance Association of China, 2013; Zhao, 2010). Ping An held 47.3 percent of market share Qingdao in 2011, and 44.9 percent in 2012. (Human-Resource Resource Department of Ping An Life Insurance Co., Ltd. 2012).

Ping An as the first private sector insurance company in China, was established in 1988 in Shenzhen. The company opened a branch in Qingdao in 1993. Ping An was the first insurance company in China to separate the property insurance sector and the life insurance sector in 1996. Ping An sees Qingdao as one of the important regions for pilot projects (Qingdao Finance and Economics Daily, 2009). From 10,000 to over 20,000 agents in Qingdao work for Ping An. The difficulties in recruiting and retaining employees, especially the 80 percent turnover ratio in the region are becoming a "bottleneck" that restricts the company's marketing expanding strategies and the quality of service (Xue, 2011). Therefore, studying the issues involved in hiring and retaining employees would lead to a significant contribution.

1.3.4 Summary of Problem Statement

Recruiting and retaining staffs and their turnover are the twin issues that exert negative impacts on the industries. Especially in China, after more than 30 years implement of the one-child policy, a dramatic decline in the labour force supply is expected. Life insurance companies are the most influenced by these issues. In China 85 percent of newly recruited agents resign in the first year after joining a company.

Previous studies have viewed the issues of recruitment and retention, and turnover separately. Researchers have focused on recruitment techniques and retaining techniques, exploring the questions of where potential employees can be found and how to make them apply, why employees resign and how to reduce employees' voluntary turnover; but overlooking the matter of why employees join a company and afterwards whether they resign or stay.

This study focuses on the individual employees' view point to explore the relationships between pre-entry expectation and intention to stay. The study employs the expectation confirmation theory (ECT) (Oliver, 1980; 1977) to addresses the comparison of pre-entry expectation and post-entry confirmation and to determine whether the confirmation process has an impact on joining satisfaction. The study investigates whether organizational commitment could work

as a mediator between post-entry satisfaction and turnover intention, and whether life disorder may work as a moderator between post-entry satisfaction and organizational commitment. The study stresses the mechanism of what an individual expects before joining and the reasons causing the individual to decide to stay or leave after joining.

1.4 Research Questions

The study attempts to fill the gaps by answering the following research questions concerning the relationships between pre-entry expectation and turnover intention:

- RQ1. What is the relationship between pre-entry expectation and confirmation of expectation?
- RQ2. What is the relationship between perceived performance and confirmation of expectation?
- RQ3. What is the relationship between confirmation of expectation and post-entry satisfaction?
- RQ4. What is the relationship between post-entry satisfaction and organizational commitment?
- RQ5. What is the relationship between organizational commitment and turnover intention?
- RQ6. Does organizational commitment mediate the relationship between post-entry satisfaction and turnover intention?
- RQ7. Does social support change moderate the relationship between post-entry satisfaction and organizational commitment?

1.5 Research Objectives

The objective of the study is to identify whether individuals are satisfied with their position as a life insurance agent post-entry. The previous studies set how the views on turnover at the organizational level. This study, however, focuses on the employees' perspective on working as a life insurance agent.

The research objective of the study could be described as being to identify the relationships between pre-entry expectation and turnover intention.

- RO1. To investigate the relationship between pre-entry expectation and confirmation of expectation.
- RO2. To investigate the relationship between perceived performance and confirmation of expectation.
- RO3. To investigate the relationship between confirmation of expectation and post-entry satisfaction.
- RO4. To investigate the relationship between post-entry satisfaction and organizational commitment.
- RO5. To investigate the relationship between organizational commitment and turnover intention.
- RO6. To examine whether the role of organizational commitment could mediate the relationship between post-entry satisfaction and turnover intention.
- RO7. To examine whether the role of social support change could moderate the relationship between post-entry satisfaction and organizational commitment.

1.6 Scope of the Study

The study focus on the employees who are currently working for the Qingdao branch of the Ping An Life Insurance Company of China. The company opened a branch in Qingdao in 1993. Ping An was the first insurance company in China to separate the property insurance sector and the life insurance sector in 1996. Ping An sees Qingdao as one of the important regions for pilot projects (Qingdao Finance and Economics Daily, 2009). From May 2013 to April 2014, there were between 21,070 (the maximum) and 11,315 (the minimum) agents working in Qingdao for Ping An (Jin, 2015 pers.com). Jin is one of the senior directors at Ping An's Qingdao Branch who has the authority to check employees' data on the company server. The precise number of registered agents was obtained from the company server. The agents are segmented into ten geographical sales areas. Each of the sales areas has four to six sales departments. The researcher contacted all the managers in the ten sales areas, to ask for permission to perform data