

**THE IMPACTS OF HUMAN RESOURCE MANAGEMENT PRACTICES ON
EMPLOYEE RETENTION IN KULIM INDUSTRIAL ESTATE**

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ABSTRACT

Employee Retention is one of the common challenges facing by most of the organization currently. The main objective of this study is to examine the relationships between human resource management (HRM) practices and employee retention. There are four dimensions of HRM practices namely compensation, benefits and rewards, performance appraisal, training and career development and work environment. A total of 200 questionnaires were distributed to all level of employees in Kulim Industrial Estate (KIE), Malaysia and 156 questionnaires were returned and used for data analysis. Pearson Correlation analysis been done to assess the relationships of all the variables. The outcome of findings showed a positive and significant correlation of all HRM practices and employee retention. Discussions explained the significance of each HRM practices in supporting employee retention in KIE. Eventually, conclusion and recommendations were mentioned.

ABSTRAK

Pada masa ini, pengekalan pekerja adalah salah satu cabaran bersama yang dihadapi oleh kebanyakan organisasi. Objektif utama kajian ini adalah untuk mengenal pasti hubungan diantara Amalan Pengurusan Sumber Manusia (HRM) dan pengekalan pekerja. Terdapat empat dimensi Amalan Pengurusan Sumber Manusia iaitu pampasan, faedah dan ganjaran, prestasi pembangunan penilaian, latihan dan pembangunan kerjaya dan persekitaran kerja. Sebanyak 200 soal selidik telah diedarkan kepada semua peringkat kakitangan di Kawasan Perindustrian Kulim (KIE), Malaysia dan 156 soal selidik telah dikembalikan untuk kegunaan analisis data. Kaedah Analisis Korelasi Pearson pula telah dilakukan untuk menilai hubungan semua pembolehubah. Hasil penemuan menunjukkan hubungan yang positif dan signifikan kepada semua Amalan HRM dan pengekalan pekerja. Perbincangan menjelaskan kepentingan setiap Amalan HRM dalam menyokong pengekalan pekerja dalam KIE. Kesimpulan dan cadangan telah diberikan.

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CHAPTER 1

1.1 Introduction And Background of The Study

Employee Retention is one of the imperative issues within competitive organizations today as employees are the most valuable assets in any organization. Normally in a company's best interest to put its effort in retaining the talented employees that they have, and not recruiting anyone new. However, increasing employee turnover has been a trend in many organizations today and the issue of employee retention has remained to afflict most of organizations in Malaysia. Moreover on the recent announcement on the National Minimum Wage by the Prime Minister Dato Seri Najib Bin Razak on 1st May 2012, situation may be changed and it will be a challenging period for human resource management to tackle the situation and to retain employee as every employer may come out with new and competitive remuneration package.

The retention of employee with outstanding skill is equal to a competitive advantage amidst a chaotic time especially within the current era. It will take true skill and knowledge to be able to guide such a challenging and hectic environment where change is almost apparent daily as new technologies are discovered in such a short span of time. The retention of top employees will also ensure the frequent outputs through products and services.

Employee retention is absolutely beneficial for the organization as well as to the employee. Employees today are distinctive. They have a lot of good opportunities in hand. The moment they feel unhappy or dissatisfy with the existing employer or the job they are holding, they will always hop to another employment. It is solely the accountability of the employer to retain their best employees. Failure of doing so may lead to the lost of talented employees. A wise good employer should be aware of what to be done in order to attract and retain their employees.

Nearly most of employees feel that they are worth more than what they are actually being paid. There is a natural difference between what employee think they should be paid and what the organizations spend in compensation. When the disparity becomes greater and another opportunity occurs, it will lead turnover. Pay is normally interpreted as the wages, salary or compensation given to an employee in exchange for services the employee performs for the organization. What employee is paid has been shown to have a clear, reliable impact on turnover in most of the studies. Employees are the most essential assets of any organization. If employees are not able to use their full potential and not heard and valued, they are merely to leave because of stress and frustration. Obviously, while employees get a sense of achievement and belongingness from a healthy work environment, the company is gifted with a stable, dependable employee giving refuge to the growth of the company.

Retention is a voluntary move by an organization to create an environment which engages employees for long term (Chaminade, 2007). The main purpose of retention is to prevent the loss, of competent employees from the organization as this could have adverse effect on productivity and service delivery. Nevertheless, retention of high performing employees has become more challenging for managers as this category of employees frequently move from one job to another as they are being attracted by more than one organization at a time. Turnover is not only destructive to organizations, it is also costly. Every time if an employee quits, a replacement must be recruited, selected, trained and permitted time on the job to gain experience. Apart from the costs that are directly associated with recruiting and training a new employee, other indirect costs do exist.

A successful organizations share a fundamental philosophy of valuing and investing in their employees (Maguire, 1995; Annand, 1997) and managing retention of talented employees is considered as fundamental mean of achieving competitive advantage amongst organization (Walker, 2001). The implicit retention factors in spontaneous, expressive and pleasurable behavior and can be divided into three variables; power, achievement and affiliation, Kehr (2004). Power refers to dominance and social control as well. Achievement is when personal standards of excellence are to be met or surpass and affiliation refers to social relationships which are established and intensified. Implicit and explicit retention factors relate to different aspects of the person, but both are important determinants of behavior.

Retaining employees is crucial for organization because hiring of qualified candidate is essential for organization but their retention seems to be more important than hiring, this is due to large amount in spending for the hiring, orientation and training of the newly recruited employee. Most of research finds that the cost of replacing of old employees with new is estimated up to twice the employee annual salary. When employee leaves the job, organization lost not only employee, but subsequently lost the customers and client who were loyal with the employee, knowledge of production, current projects, competitor and past history of the organization.

Organizations attempt on massive efforts to attract employees and retain them in the organization. However in current scenario, various factors are required in order to retain employees in an organization. The aim of this research is to find how the organizations retain the employees in their organization focusing on the factors of employee compensation, benefits and rewards, performance appraisal, training and career development, and work environment.

1.2 Problem Statement

Employee retention seems to be a key issue in most of organizations today. It is difficult to get skilled and competent employees and it is even harder to retain them. Companies

in Kulim Industrial Estate (KIE) are working on their employee retention strategies for some time but they tend to fail in retaining their employees. In order to find out the reasons behind this failure, it is important to identify the most commonly used human resource management practices on employee retention. The employers offer monetary benefits, health insurance, education and training of employees, bonuses, stock options, retirement benefits, pension plans, holiday packages, performance appraisal, promotions, recognition and others, these are the common retention strategies that most employers today utilize in order to stick their employees to the organization.

In this study, the researcher would like to highlight on the issues involved on how managements retain their talented employees in the organization focusing on the factors of employee compensation, benefits and rewards, performance appraisal, training and career development, and work environment among employees which has rising into other human resource issues such as high turnover. In the era of war for talent, organization realized the high costs associated with turnover and replacing the resigned employees are time consuming. This problem is occurring in almost every industry in Malaysia with higher turnover rate where nowadays we can see a great shortage of quality people equipped with the right skills to fill all jobs available and it is even getting worse. The labour pool is drying up and many organizations are resorting to foreign labour to their own detriment and so does a number of companies in Kulim Industrial Estate (KIE). KIE is the long standing industrial area in Kulim since 1978. Apart from that, the location of the industry seems to be competitive as there are several

industrial areas within the geographic location, such as Kulim Hi-Tech Park (KHTP), Waja Industrial and Taman Makmur Industrial and Taman Desa Aman Industrial.

Prior to this study, an interview has been made with Pn. Fatma Syairah Ramli and few other officers in the Kulim Labour Department in order to identify the real problem on manpower shortage in KIE. All the following below have been identified as root cause. Looking at the increasing competition for fewer qualified workers which result to necessitate an enormous emphasis on the need to retain those workers. KIE is currently facing a major shortage of workers in almost all companies. High staff turnovers have serious negative effects on the business and as they are lack of labour to run the business profitably. There are some common reasons to retain employee such as, a high cost of attracting, recruiting, hiring, training and getting new people up to speed.

In order to support and assist employers, the Kulim Labour Department do organize substantial Job Fair at least twice a year. However, they do also arrange Job Fair as according to employers request if necessary and allow the employers to conduct walk in interview in their premises. This is to console the grumbles of employers in KIE in retaining and attracting employees from time to time. KHTP employers do also participate on the event. If looking at the preference of employees, they seems to be more keen in getting a job with multinational companies in KHTP compare to joining companies in KIE. According to feedback from candidates during job fair, they are

more looking forward four days work and three days off in KIE because this is the practice by most of companies in KHTP. Meanwhile, companies in KIE are still practicing longer working days, either five days or six days work for direct labours which also an aspect of hesitation for them to look for job in KIE. Upon completion of interviews in Job Fair, the feedback and affirmation given by KIE employers seems to be immediate on the day of interview by offering them the position. However appointment or job offer by KHTP employers seems to be delaying because they are receiving more application for fewer positions offered in their organization. Job Fair seems to be more suitable way to hunt for direct employees since responds from that category of employees are better compare to indirect staffs.

Apart from that, career in KIE seems to be a temporary experience gaining spot for Gen Y, as obviously the next spot of hunting seems to be KHTP. Since age level requirement are not really necessary in KIE but in KHTP, they seems to emphasize on age requirement especially for direct labours. Hence, youngsters hop to KHTP companies before they reach the maximum age limit.

In view of retaining local employees seem to be though; employers in KIE do also seek for temporary or alternative solution such as recruitment of foreign workers and contract workers despite of the occurrence of higher expenses to source them as the employers have no choice in order to endure their business. Home working activities are

also being practiced by several companies where their product been sent and collected from various home worker. Therefore, more companies in KIE relying on foreign workers. Following to these, banners of vacancies for operator's position in KIE can be obviously seen all over the Kulim area. Since there are many residential area near to KIE, distribution of leaflet from door to door do also been practice to attract potential candidates.

Another alternative short-term solution among KIE employers is looking for sub-contract workers offered by agents or look for transport provider who can bring in operators from rural living area or even from far location. In view of fact that there isn't much options for them to rectify manpower shortage, they don't mind to pay the costly rate to sub-contractor or transport provider, bearing in mind to avoid the possibility of losing their potential customers due to incapability to produce and deliver products on time.

Number of companies in KIE had been ceasing their operation as retention of skilled employees were challenging. Retaining employees in unionized companies in KIE are considerably easier as remuneration package and benefits are attractive compare unionized company in KIE. There were number of employers from KIE have approached Labour Department to reveal the salary scale used by competitive

employers in Kulim Hi Tech in the intention of this may facilitate them to come out with attractive remuneration package to attract and retain employees in KIE.

Most sought after, the target of employment for residents in Kulim seems to be Kulim Hi Tech Park (KHTP) due to the common claim of attractive remunerations offered besides decent working environment. Kulim Hi-Tech Park currently has more than 23,000 workers within its 4,032-acre development and this number is set to increase tremendously over time with more companies expanding their manufacturing lines here and also when new companies start their operations in 2011/2012. Incepted in 1996, Kulim Hi-Tech Park offers an excellent green environment and plenteous career choices for new and aspiring graduates, as well as, skilled jobseekers, especially in the fields of engineering, IT and science.

According to the Kulim Labour Department, anxiety among employers in Kulim Hi Tech Park has been triggered over the emerged of a new multinational company in the area recently base on the increase of request and participation of KHTP employers in Job Fair. Obviously, there are possibilities of existing employees in KHTP to hop to the new company. Hence it's going to be a tough situation for them either as none of organization can remain to retain their employees without revising offer package as to suit current demand and none of employer could run away from this dilemma as there will be always be existence of new competitors at any point of time.

1.3 Research Objectives

The aim of this study is mainly seeks to achieve the following objectives:

1. To examine the relationship between Compensation and Benefits and Rewards with Employee Retention
2. To examine the relationship between Performance Appraisal and Employee Retention.
3. To examine the relationship between Training and Career Development with Employee Retention.
4. To examine the relationship between Working Environment and Employee Retention.

1.4 Research Questions

This purpose of this research is to identify the Human Resource Practices towards employee retention. The study intends to answer the following questions:

1. To what extend does Compensation and Benefits and Rewards influence Employee Retention?
2. To what extend does Performance Appraisal influence Employee Retention?
3. To what extend does Training and Career Development influence Employee Retention?
4. To what extend does Working Environment influence Employee Retention?

1.5 Significance Of The Study

This study is to examine what are the factors of human resource management practices that shall companies in Kulim Industrial Estate take into consideration in line to retain their local employees and to reduce intake of foreign workers or sub-con workers. According to Kulim Labour Department, compensation seems to constitute the largest contributor for the employee retention process. Employees always have high expectations regarding their compensation packages. Compensation packages vary from industry to industry. So an attractive compensation package plays a critical role in retaining the employees. Even as economic times change, turnover will continue to be an important issue for most job groups. Therefore despite, these facts, employee turnover continues to be the most unappreciated and undervalued issue facing business leaders. Increasing employee retention seems to be one of the greatest unmet

opportunities in current business. The criticality of employee retention is not subject to the status of the economy alone. Employers always need to retain their talented people, no matter during times of little or more positive growth.

Retaining employee in KIE seems to be a difficult task to handle. Base on the survey, multi HRM practices are required in order to retain employees in KIE. According to the Labour Department Officer's comments, common reasons behind employee's intention to leave their job in KIE were most commonly due to unattractive compensation, benefits, rewards offered and unsatisfactory working environment in the area.

Reviewing to literature review, studies on employee retention were generally done however as to date, there were no empirical studies in KIE with regard to their human resource practices on employee retention. Several studies have been done on the Influence of Human Resource Management Practices on employee retention and intention to stay in KHTP and related companies. Researcher Johanim, Khulida & Mohamad (2012), have found that attractive compensation and benefits provided a leading edge in manufacturing technician's intention to stay in KHTP. Gowri (2011) has studied on the effect of human resource practices on employee retention specifically in Intel Technology Sdn. Bhd in Kulim where performance appraisal was the strongest predictor of employee retention. Finding from Purushothaman (2010) on the influence of human resource practice on employee retention in Intel Malaysia indicated that work environment and job design contributed the high tendency to retain employee. Even

though the target location of researchers (KHTP) seems to be an ideal working place but none of researcher were keen on doing a study on the employee retention in erstwhile KIE which was the leading industrial area in Kulim previously. What are the practices being done by KIE employers to retain their employee in the competitive area? Due to the absences of study on retaining employees in KIE, this unexplored issue will be the focus of this study to assist employers in KIE on implementing the possible ways to attract and retain employees further more to enhance their understanding on current employees' expectations and preferences on the intention to stay.

1.6 Definition Of The Key Terms

This section will elaborate on few key terms which were used in this study with an explanation of the meaning for each term.

Employee Retention - Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project (HRM:Managing People at Work, Y.L Giri 2008))

Compensation - Compensation includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc. Is largely responsible for granting employees their motivation in working in their current occupation (Fair, C. et al 2004)

Benefits - Can be defined as indirect financial and non-financial returns for continuous employment with an organization (Dessler, 2008). These benefits may influence employees to be more committed to the organization

Rewards- The literature meaning of word “reward” as it is something the offer by the organization to the workers in response of their performance and contributions which are expected by the workers (Agarwal, 1998).

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews on the relevant literatures human resource management practices and employee retention followed by hypotheses for each variable. Theoretical framework is indicated. The measurement of relationship between independent variables and dependent variable will be reviewed.

2.2 Employee Retention

Rising evidences that human resource management can play an important role in retaining a high-quality workforce exist. Studies of HRM progressive practices training, compensation and reward sharing have uncovered that all these may contribute to reduction of turnover and absenteeism, better quality of work and better financial performance (Arthur 1994, Delaney and Huselid 1996; Ichniowski, Shaw and Prennushi 1997; Snell and Youndt 1995; MacDuffie 1995; Meyer and Allen 199; Solomon 1992; Snell and Dean 1992). It is commended that human resource management play an essential role in retaining employee. Accenture (2001), study on high performance issue found that organization strategy pertaining employee retention mainly started from US, Europe, Asia and Australia.

The employee satisfaction and retention are considered as the keystone for success in an organization. Previous study divided it into social, mental or physical dimension (Osteraker 1999). The grouping were based on social contacts at work, characteristics of the work task or the physical and material circumstances associated with work. The retention factors of the mental dimension are work characteristics, employees are retaining by flexible tasks where they can use their knowledge and see the outcome of their efforts. The social dimension refers to the contact that employees have with other people, mutually internal and external. The physical dimension included of working conditions and pay. To retain employees, the organization need to gain information about the dynamics that characterized the motivation to work.

Employee become more loyal and stay in the organization when they have identified themselves within a group and contribute to the performance as a group as according to Van Knippenberg (2000). This suggestion depends on work performed by Locke and the goal setting theory that he has developed. The goal is team performance and the individual feeling part of the group. The focus of Locke was on the goal, but in order to reach the goal one must associate oneself with the group and task. There are several factors could influence in retaining employee which need to manage together i.e. compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice etc as recognized by Fitz-enz (1990). Subsequent to that, organization utilizes extensive range of human resource

management factors influence in employee commitment and retention (Stein, 2000; Beck, 2001; Clarke, 2001; Parker and Wright, 2001).

Without financial capital a business cannot exist and at the same time without human capital a business can never exist either (Davis, C. 2003). It is the employees the one who work for the company, performs the necessary tasks to make the company function, and are responsible for the profit and growth of the company (Ellis, R, 2000). Motivating employees means empowering them to lead the company into the path of competitiveness (Bridges, L. 2001) and motivation or empowerment of employees is important to give the employees enough reason to stay in the company (Ellis, R. and B. Lindsay Lowell 1999).

The difference between efficiency wages and compensating payments is, at best, fairly imprecise in both the theoretical and empirical literatures positing a relationship between wages and the intensity of labour effort (Beam, B.T. & McFadden, J., 2000). Although efficiency wages and compensating payments are both related to work intensity, the system that creates these relationships is in each case rather different. Paying compensation is present in challenging labour markets to balance on the whole compensation diagonally the same workers with dissimilar working conditions. Employees who use more labour effort shall be paid more or else they may turn to other employment (Erbschloe, M. 2002). Effective wages are service rents paid by organization to ensure sufficient labour effort. Subsequently, compensation is described

to be a form of payment or reward granted to an employee for having performed some labour services. Payment and reward may be both monetary and non-monetary. Compensation is largely dependable to grant motivation to employees working in their current occupation (Fair, C. et al 2004). In most of the business organizations, employers would hire higher white-collar employees or employees who possess expertise and specialist knowledge rather than employees with no experience at all. Upon knowing their inherent skills and knowledge these employees are granted a specific extent of autonomy and discretion.

In substitute for such services, payment to be granted through a form of compensation and consideration for completing the task assigned and give in trust to the employers. This payment may be ratifying as so called salary, where a monetary gain, or through other non-financial means, which would be the non-monetary gains. Monetary earnings or salaries are deemed to be part of direct compensation as work accomplished or effort extended is rewarded through concrete or monetary means.

According to Farris, G.F. (2000), employees may either be paid "by the hour, by the month, or by another method". Salary involve long-term commitment in the company, it is associated with monthly pay, and not pay for tasks but by time immediately translates as income to the employee which may be used to purchase some goods and services desired. Non-monetary benefits on the other hand are indirect and may comprise of abstract concepts such as work culture and environment but they do not, in

any way, fall short in significance with monetary benefits. This would comprise of the value provided to employees which are not necessary expendable through monetary means. This may be enacted through benefits or what Donald Caruth and Gail Handlogten (2001) call as "psychological satisfactions".

It is important to tackle the question of retaining the workforce or the human resources through non-monetary means. It is the task of the Human Resources Department to not only attract, develop talented employees but also retain them (Butkus, R. and Green, T. 1999). According to Robert Reich, "the organisation's ability to attract, develop, and retain a talented workforce will be a critical factor in developing a high-performance organisation" (1998, pp. 124). Human Resource Managers have what it takes to meet a "high-performing organisation" and meet success amidst a "global, dynamic, and continuously changing competitive environment" (Sims, 2002;p. 2)

Recruiting new staff is expensive, stressful and time-consuming. Once we have good staff it pays to make sure they stay (Main, 2008). Consider retention as re-recruiting your workforce. Recognize that what attracts a candidate to a particular job is often different from what keeps that person there. Since salary certainly is a key consideration for potential employees, pay alone won't keep them in a job (Angott, 2007). Advantageous aspects other than strictly compensation attract good employees; something more than a number retains them. Today employees are looking for a career package, including a comfortable company culture, career path, diversity of

responsibilities, and a work life balance (Griffiths, 2006). Hence the dependant variable for this study will be Employee Retention.

2.3 Compensation, Benefits and Rewards

Compensation comprises the largest part of the employee retention process. Employees always have high expectations on their compensation packages. Compensation packages may be varying from one to another organization. Hence, attractive compensation package plays a critical role in retaining the employees. Compensation includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc. During the implementation of the packages, the following components should be kept in mind, salary and monthly wage is the biggest component of the compensation package. It is also the most common factor of comparison among employees. Salary and wages define the level of skill and experience an individual has. Periodical increment of salaries and wages shall be done, where it shall be based on the employee's performance and their contribution to the organization.

The literature considered that compensation one of the largest factors for the retention of employees. Compensation posses a significant role in attracting and retaining good employees specially those employees whose gives outstanding performance or unique skill which is indispensable to the organization because company invest more amounts on their training and orientation. Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort

and outputs toward the achievement of organizational goals (Bergmann & Scarpello, 2001). As according to Lawler (1990), company adopt the strategy of low wages if the work is simple and requires little training and companies compete in high labor markets adopt the high wages strategy. There are some researchers argue that on the view of organization, competitive compensation package is the only strong commitment and also build strong commitment on the workers view. In spite of this, the contribution of compensation towards retention, help in retention of employee irrespective of their skill and contribution to the company and it possibly affect both turnovers desirable and undesirable. The total amount of compensation offered by other companies may also affect the turnover. Organization offered high compensation package is compared to others a large numbers of candidates applying for induction and have lower turnover rate. Moreover high compensation package organizations also create culture of excellence (Lawler 1990),

Many organization implement very good employees retention strategy without offering high compensation or pay based retention strategy (Pfeffer, 1998). Williams and Dreher (1992), wages is the key factor influence in the employee attraction and retention, and play important role in the recruitment process. Apart from that, benefits can be defined as indirect financial and non-financial returns for continuous employment with an organization (Dessler, 2008). These benefits believe to influence employees to be more committed to the organization. The employee benefits plans can be divided into four categories: supplementary pay benefits, insurance benefits, retirement benefits and

employee services benefits. All these benefits will ensure that employee stay committed to an organization. Martocchio (2008) defined that employee benefits as compensation other than hourly wage or salary; namely protection, paid time-off, accommodation and enhancement.

Compensation is considered the most important factor for attracting and retaining the talent (Willis,2000). A fair wages are the foundation factor of the oblique and contractual tie between employers and employees, the fundamental supposition being that monetary can persuade behavior (Parker and Wright, 2001). Organizations frequently often offer high pay packages i.e. stock options, special pay, retention pay, gain share pay, performance base pay and bonus etc. for attraction and retention of talented employees of the market.

The literature meaning of word “reward” as it is something the offer by the organization to the workers in response of their performance and contributions, which are expected by the workers (Agarwal, 1998). The amount of pay, benefits, or equivalents employee received in return for service which employee render to the organization. A reward can be intrinsic or extrinsic, it can be in form of cash i.e. bounces etc or reward can be in form of recognition or certificate such as commendation certificate or worker of the month etc. In business environment rewards are offered in several forms e.g. recognition, cash bonuses, awards, free vacation trips and free merchandise etc.

However reward is the thing which offers by the organization in any form in response of employee's contribution, to become employees motivated for doing well with positive behavior in future. Rewards are very important because it has enduring impression on employees and support the perception of employee's that they are valued (Silbert, 2005).

Organizations that are more committed to their workers typically made more investment as compared to similar organization in progressive Human Resource practices i.e. education, training & development and compensation package (Arthur, 1994; Huselid, 1995). These organizations also take up commendable practices on rewards distribution and distribute the rewards more generously and equitably. According to Walker (2001), compensation offer recognition, but non-monetary forms of recognition are also not ignored and important. Recognition from superiors, team members, coworkers and customer enhance loyalty. Employee participation in decision making and influence in actions are also important (Davies, 2001; Gold, 2001).

Research studies do also highlighted the linkage between rewards and employee retention (Watson Wyatt, 1999; Tower Perrin, 2003; Mercer, 2003) and give insights into what workers want to do, their perception about the rewards and their feeling regarding the work and reward matters. The recent research studies on talent

management also support assumption that well and broad implemented reward practices help in employee retention and management. As such, it is hypothesized that:

H1: There is a positive relationship between Compensation, Benefits and Rewards with Employee Retention.

2.4 Performance Appraisal

Any kind of appraisal is to improve the utilization of human resources in an organization. From the outcome of appraisal, it can be used for planning, recruiting, training, promoting and so on. Performance appraisal is a formal system used by the organization to periodically evaluate an employee's performance (Mondy & Noe, 2005). Particularly, performance appraisal is the process of evaluating on how well employee performs their tasks compared with a set of standards or organization expectations. From the process, employees may be aware of their level of performance and realize what are their weaknesses through their superior. Hence periodical performance appraisal required for human capital development. However, performance appraisal also can be a source of frustration for employees due to the unfairness of performance appraisal processes (Lau & Sholihin, 2005). Dailey and Kirk (1992) found that effective performance appraisal and planning systems contributed to employees' perceptions of fairness and they were more likely to consider staying at the organization.

Performance appraisal rates the employees in terms of their performance. It is necessary to measure the performance of the employees and the organization to check the progress towards the desired goals. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their roles and responsibilities and give appropriate direction to the individual's performance. It helps to align the individual performances with the organizational goals and also review their performance. Hence, this study purports that:

H2: There is a positive relationship between Performance Appraisal and Employee Retention.

2.5 Training And Career Development

Investment on employee Training and Career development is considered one of the important factors in employee retention. Organization has the incentive to make investment in term of training & development only on those workers, from whom organization expect to return and give output on its investment (Messmer, 2000). According to Clark (2001), organizations are escalation development for talented employees, through proficiency analysis, input on employee interests, need development and multisource appraisal of capabilities and formulate plans for actions. Wetland (2003) suggest that firms and individual made investment on human capital in the mode of trainings. Training enhances the skills of employees. Once employees are

hired, organization needs to start training program to enhance their skill (Goldstein, 1991).

According to Noe (1999), employees have perception to acquire new knowledge & skills which they apply on the job and also share with other employees. Research studies do also found that organization often delay employee training programs to determine that workers personal value good matches with organization culture or otherwise, therefore to elude the employee turnover intention (Lauri, Benson & Cheney, 1996).

Based on Gomez et al, (1995), training provides specialized technique and skills to employee and also helps to rectify deficiencies in employee performance, while development provide the skills and abilities to employee which will need the organization in future. Development of skill consists of improving interpersonal communication, technological knowledge, problem solving and basic literacy etc. Garg & Rastogi (2006) explained that in today's competitive environment feedback, it is essential for organizations to give and receive from employees and the more knowledge the employee learn the more he or she will perform and meet the global challenges of the market place.

Bishop (1998), survey on training found that established, larger, manufacturing and unionized firms have tendency to provide training to employee as how did multi established firms with flexible production approach or high performance. Research study finds that, larger companies, high performance establishment and those organizations which spend more physical resources were usually more probably to retain their talent (Black and Lynch, 1996). Firms in the market with prompt technical advancement and output progress trained more and those firms which have not confronted any competitor in last decade. According to Frazis et at, (1998), organization that offer more benefits as compared to others and train their workers by adopting innovative job practices.

Storey and Sisson (1993), recommended that training is sign of organization commitment to employees. Training also manifests the organization strategy that is based on value adding rather than cost lowering. Leading firms of industry assent that comprehensive range of training, skill and career development is the key factor of attraction and retention the form of flexible, sophisticated and technological employees that firms strategy to succeed in the automated economy (Bassi and Van Buren, 1999; Accenture, 2001).

Literature review found employee turnover ratio are inversely related with training, higher the rate of turnover, if lower the volume of training. This statement is based on

the opinion that longer the worker stays in organization acquired higher amount of training. Frazis et al. (1998), found that employees working in an organization have lower turnover rate normally spent 59 percent time on formal training from total training period, as compared to organization spent 18 percent and have high turnover rate. According to the workers opinion, training likely to increase productivity if it consists of skills related to the organization. Organizations have greater productivity will also likely to increase employee's wages beyond their expectations; therefore, it helps in employee retention. In short training help to lower turnover rate and considered as important factor in employee retention (Wetland, 2003).

Training employees reinforces their sense of value (Wingfield, 2009). Employees should be trained and given chance to improve and enhance their skills. Many employers fear that if the employees are well trained, they'll leave the organization for better jobs. Organization should not limit the resources on which organization's success depends. Growth and career growth and development are the integral part of every individual's career. If an employee can not foresee his path of career development in his current organization, there are chances that he'll leave the organization as soon as he gets an opportunity. The important factors in employee growth that an employee looks for himself are work profile where it the employee working should be in sync with his capabilities. The profile should not be too low or too high. As such, it is proposed that:

H3: There is a positive relationship between Training and Career Development with Employee Retention

2.6 Working Environment

Quite a numbers of studies have conducted to explain the work environment with different aspects, such as job satisfaction (Laffaldano & Muchinsky, 1985) and employee retention (Martin 1979), employee turnover, organizational commitment and job involvement (Sjoberg & Sverke 2000). Work environment is considered as one of the most important factors in employee's retention (Zeytinoglu & Denton, 2005). According to Hytter (2008) work environment is generally discussed as industrial perspective, focus on aspect i.e. noise, toxic substances exposure and heavy lifts etc. The interesting parts of work environment is, work environment characteristics in services sector is differ from production sector, because services sector directly deal with consumers or clients (Normann 1986). The interactions depends on the kind of job or kind of business, it may be more or may be less. The interactions between employees and client or consumer move from physical to Psychological dimension. Psychological work environment consists of work load, decision, support, stressors, latitude and decision etc. It is important to know and recognize the increasing needs of employees and provide good work environment as required to keep the employees committed with organization.

According to Ramlall,(2003), people are strive to work and to stay in those corporation that provide good and positive work environment, where employee feel that they are valued and making differences. Proficient employees of such organizations are dragging together to push the organization forward. Research conducted by ASID (2004) found that physical & work environment play pivotal role in employee's decision whether to leave the job or stay and consider as a major factor in employee retention. For instance, lighting has been identified is a casual factor of job performance, sometime noise disturb the working environments and create a hitch in office which is harmful to employees psychological & physical welfare, encouragement and at times productivity. The most plentiful audio grievances are, short of speech isolation, such as overhearing people's discussion and receiving the same feeling as well. It is beneficial for office environment as well as for health to reduce anxiety and stress.

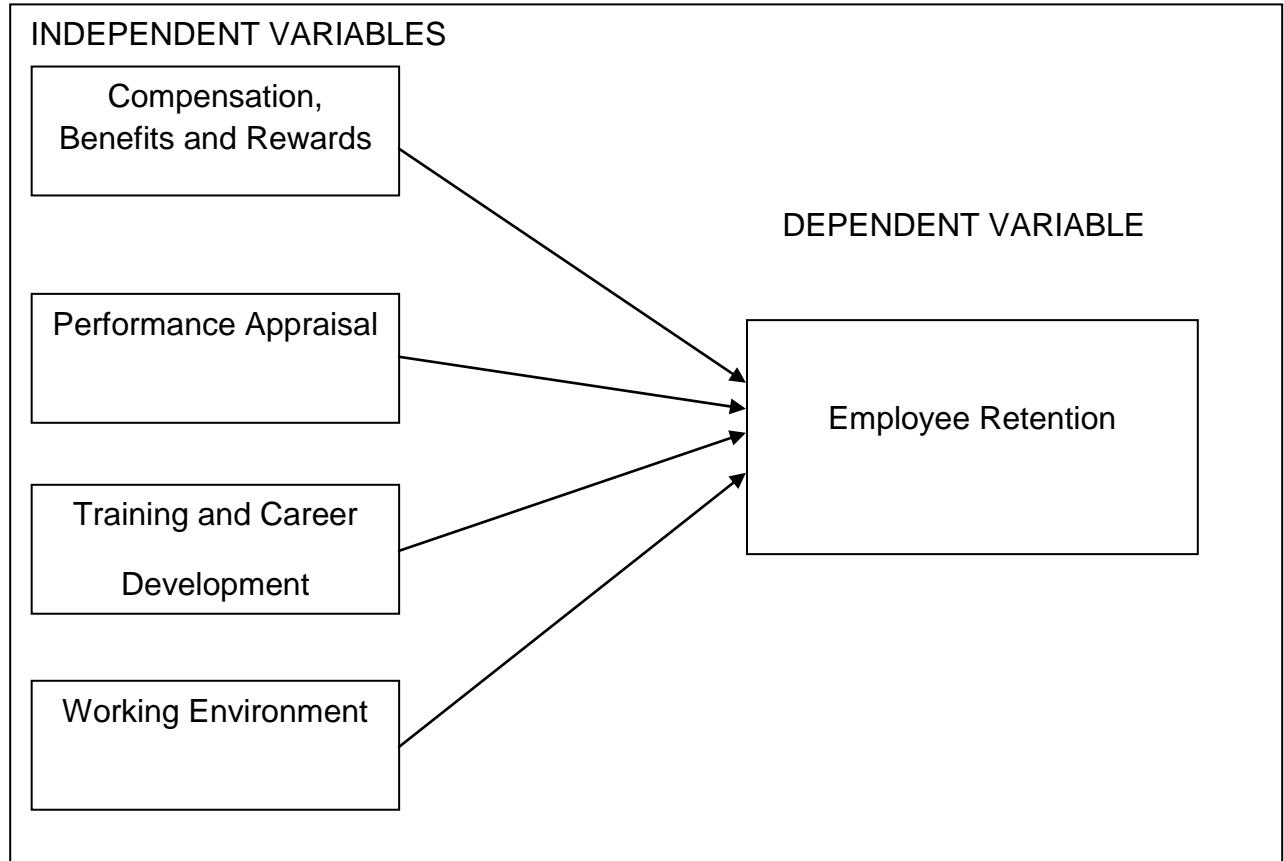
Work environment includes efficient managers, supportive co-workers, challenging work, involvement in decision-making, clarity of work and responsibilities, and recognition. Lack or absence of such environment lead employees to look for new opportunities. The environment shall be in such that the employee feels connected to the organization in every aspect. Types of environment the employee needs in an organization could be learning environment where it includes continuous learning and improvement of the individual, certifications and provision for higher studies, etc. Organization can provide support in the form of work-life balance which includes

flexible hours, telecommuting, dependent care, alternate work schedules, free vacations, wellness and so on. As such, it is hypothesized that:

H4: There is a positive relationship between Working Environment and Employee Retention.

Hence based on above reviews, human resource management practices significantly impact employee retention. This study examine to what extend does human resource management practices have influence employee retention in Kulim Industrial Estate (KIE).

2.7 Research Model/ Framework



2.8 Conceptual Definitions

This research seeks to identify the factors of human resources management practices that will influence the employee retention in KIE. The determinant factors mentioned below to evaluate the impact on employee retention will be identified in this study.

2.8.1 Compensation, Benefits and Rewards

Rewards are very important because its have enduring impression on employees and support the perception of employee's that they are valued (Silbert, 2005).

2.8.2 Performance Appraisal

According to Shaw et al. (1998), performance appraisals are ways for organization to keep track of the value provided by each employee. Delery and Doty (1996) found results-oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

2.8.3 Training and Career Development

Noe (2008) defined career development as a process where employees move through a series of career stages with different set of development tasks, activities and relationships.

2.8.4 Working Environment

Milman and Ricci (2004) revealed that employee who have a positive experience with regards to working hours, working environment, sense of fulfillment with their jobs and higher job satisfaction more likely to stay with the current employer.

2.9 Operational Definitions

This portion will illustrate the operational definitions all the independent variables in the HRM practices namely compensation, benefits and rewards, performance appraisal, training and career development and working environment and the dependent variable, employee retention.

2.9.1 Compensation, Benefits and Rewards

The term “Compensation” is a broad area as it covers not only the financial rewards (e.g. pay, reward, remuneration or salary) but non-financial rewards (e.g. non-salary benefits provided by the organization for its employees such as the type of leave, yearly level, accident and health, retirement scheme, expenses payment scheme to attract and retain employees (Amuedo-Dorantes & Mach, 2003).

2.9.2 Performance Appraisal

Performance appraisal is a process of inspecting and evaluating an individual's performance in his duty to facilitate the decision of career development of the

individual. It evaluates the individual overall contribution to the organization through assessment of his internal characteristics, working performance and his capability to pursue higher position in organization (Gruman & Saks, 2011).

2.9.3 Training and Career Development

Training provides employee with specific skills or helps to correct the deficiency in their performance, while development is an effort to provide employees with abilities the organization will need in the future (Gomez-Mejia, Balkin and 1995; Wilk and Cappelli 2003).

2.9.4 Working Environment

Employee is happy with his work pattern, environment and the work condition is encouraging and motivating (Moncarz, Zhao & Kay, 2009).

2.10 Summary Of Chapter

This chapter has presented a review of literature that concentrate on the relationship between Employee Retention the dependant variable and HRM practices namely Compensation, Benefits and Rewards, Performance Appraisal, Training and Career Development and Working Environment, as independent variables. A theoretical framework was developed based on the literature review.

CHAPTER 3

METHODOLOGY

3.1 Introduction

Methodological aspects of the research will be included research design, population and sampling, data collection, data analysis and limitations. The purpose of this research design is to provide a clear and completed descriptions of specific steps used in this research.

3.2 Research Design

Research design, an overall framework of a research that explains the direction and method to be used in the study to accumulate the information needed, either from primary or secondary sources (Malhotra, 2007). For the purpose of this research, correlation and relations type of study have been chosen in analyzing process based on Independent Variables. These factors then will be analyzed to identified is there any significance influence on the relationship with the Dependant Variable. The survey study is to be conducted through questionnaire because questionnaire is an efficient collection data mechanism (Sekaran, 2003).

3.3 Unit of Analysis

The study identifies the factors that impact of employee retention. Data collection will be from average employees from each company in Kulim Industrial Area from the sample size. Hence the unit of analysis would be individual from exempt and non-exempt category. According to Roscoe (1975), sample sizes are larger than 30 and less than 500 are appropriate for most research. Within this limits (30 to 500), the use of sample about 10% size of parent population is recommended.

3.4 Data Collection

3.4.1 Primary Data

According to Sekaran (2009), data that gathered for research from the actual site of occurrence of events are called primary data. The primary data refers to all the information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study. In this research, primary data will be gathered from the prepared questionnaires to the respondents in companies Kulim Industrial Estate.

3.4.2 Secondary Data

The secondary data refers to the information gathered earlier before the actual research takes place. The sources of data gained from Sultanah Bahiyah Library, University Utara Malaysia. The types of data are books, journals magazines, reports, documents and other related information about the study. The information on local

labour recruitment, foreign labour recruitment, employers concern in Kulim Industrial Estate obtained from Kulim Labour Department.

3.5 Research site, Population and Sampling Technique

This research has been conducted in Kulim Industrial Estate where the total of 75 companies involved. 200 questionnaires have been distributed randomly with the assistance of HR personnel of several companies in KIE, management staffs, colleagues from most of the companies in the area. The participants were from non management and management staffs. The site is very convenient for the researcher to distribute and collect data as 156 questionnaires have been collected. According to Malhotra (2007), non-probability sampling is less expensive, consumes less time, besides it only requires less sampling skills. Hence, this sampling technique is adopted to conduct survey in this research. Furthermore, units of sample in this research are selected on the basis of personal judgment or convenient as information and targeted respondent is readily and available.

3.6 Research Instrument

The questionnaires would be a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Measurement scale for section A, B, C, and D are based on a Likert Scale of 1 to 5, where for 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5= strongly agree. A sample of questionnaire used in this study is presented as Appendix 1.

3.7 Measurement of Variable

Employee retention questionnaire was adopted researchers below partially based on and edited with self developed questions.

Table 3.1

Variable	Section	Dimension	Total Number of Items	Scale	Source
Compensation, Benefits and Rewards	A	Management to have a proper compensation programs and practicing in recognizing employees for their hard work	5	Likert Scale 1-5	(Moncarz, Zhao, and Kay, 2009) & Partially self developed
Performance Appraisal	B	As the degree to which performance appraisals focus on output or results rather than on behavioral measures	4	Likert Scale 1-5	(Snell, 1992)
Training and Career Development	C	Management offers training adequacy and internal career ladder or opportunities	5	Likert Scale 1-5	Broadfoot & Ashkanasy (1994) & Seashore, Lawler, Mirvis, Lawler and Cammann (1982)
Working Environment	D	Management initiatives to make the work environment great place to work	7	Likert Scale 1-5	(Moncarz, Zhao, and Kay, 2009) & Partially self developed
Employee Retention	E	Measures the intention to stay with the organization	5	Likert Scale 1-5	(Cammann, Fichman, Jenkins, & Klesh, 1983)

3.8 Data collection

For the purpose of this project paper questionnaires has been distributed to the respondents in working in Kulim Industrial Estate. The questions was written in English and all the questions are simple to understand. Sufficient time of three days has been given to be given to answer all the questions. All questionnaires has been collected upon completion from company representative after three man day.

3.9 Data Analysis Techniques

Data have been analyzed using IBM SPSS Statistics version 20.0. For the purposes of answering all the objectives set, both descriptive and inferential statistics analysis to be carried out.

The descriptive statistics to provide the frequencies, measurement of central tendency (mean) and percentage while inferential statistics to perform Pearson Correlation. According to Zikmund (2000), descriptive analysis refers to the transformation of the raw data into a form that will make them easy to understand and interpret.

Secondly, the Cronbach Alpha testing will be used as it is the most well accepted reliability test tools applied by social researcher (Sekaran, 2006). In Cronbach's Alpha reliability analysis, the closer Cronbach's Alpha to 1.0, the higher the internal consistency reliability. (Cronbach's Alpha; Cronbach, 1946). Cronbach measures;

1. Reliability less than 0.6 considered poor.
2. Reliability in the range 0.7 is considered to be acceptable.
3. Reliability more than 0.8 are considered to be good

Third, in order to determine whether there are significant relationships among the independent variables and dependent variable, Pearson Correlation Coefficient analysis will be carry out. The scale model suggested by Davies (1971) used to describe the relationship between the independent variables and the dependent variable, are as shown below:

1. 0.7 and above – very strong relationship,
2. 0.50 to 0.69 – strong relationship,
3. 0.30 to 0.49 – moderate relationship,
4. 0.10 to 0.29 – low relationships and
5. 0.01 to 0.09 – very low relationship.

3.9 Summary of Chapter

This chapter explains the research approach, data collection, research site, population and sampling technique, then followed by research instrument, measurement of variable, data collection and data analysis technique.

CHAPTER 4

FINDINGS

4.1 Introduction

This chapter illustrate the findings of the study gained based on the results of respondents characteristic and Pearson Correlation.

4.2 Demographic Characteristics

There are 156 respondents in the sample. Frequency distributions were calculated for each demographic characteristics.

Table 4.1

Frequency Distribution by Years of Service

Tenure	Frequency	Percentages
0 – 2 years	61	39.1
3 -6 years	50	32
7-10 years	20	12.9
11-20 years	20	12.8
21-30 years	5	3.2
Total	156	100

Table 4.1 indicates the highest numbers of respondents were with working experience of 0 to 2 years (61%). This is followed by 32% of respondents were working from 3 to 6 years, 12.9% respondents were working from 7-10, 12.8% were working 11-20 years and least number of respondents were working from 21-30 years were 3.2%

Table 4.2

Frequency Distribution by Type of Company

Union	Frequency	Percent
Yes	53	34.0
No	103	66.0
Total	156	100.0

Table 4.2 indicates the percentage of total respondents from unionized organization were 34%, while respondents from unionized organization were 66%.

Table 4.3

Frequency Distribution by Age

Age	Frequency	Percent
18 – 21 years	10	6.4
22 – 30 years	79	50.6
31 – 40 years	47	30.1
41 -50 years	16	10.3
51 – 60 years	4	2.6
Total	156	100.0

The result of distribution by age in Table 4.3 above indicates that highest number of respondents were in their 20s (50.6%), along with those in 30s (30.1%), followed by those in 40s respondents (10.3%) and only 2.6% respondents were in their 50s.

Table 4.4

Frequency Distribution by Gender

Gender	Frequency	Percent
Male	80	51.3
Female	76	48.7
Total	156	100.0

Table 4.4 indicates almost equal distribution base on gender in this study. Out of 156 respondents, 51.3% were male followed 48.7% respondents were female.

Table 4.5

Frequency Distribution by Marital Status

Marital Status	Frequency	Percent
Married	72	46.2
Single	83	53.2
Divorce/Widowed	1	.6
Total	156	100.0

Table 4.5 indicates most respondents were single, 53.2% while 46.2% of respondents are married and finally 0.6% of divorce/ widowed respondent.

Table 4.6

Frequency Distribution by Education Level

Education Level	Frequency	Percent
Secondary High	43	27.6
Certificate	27	17.3
Diploma	48	30.8
Degree	37	23.7
Master Degree	1	.6
Total	156	100.0

Table 4.6 indicates, Diploma education level respondent's were highest, followed by secondary high 27%, undergraduates were 23.7%, those with certificates were 17.3% and finally only 0.6% of postgraduate respondent.

Table 4.7

Frequency Distribution by Employment Category

Category	Frequency	Percent
Exempt	60	38.5
Non Exempt	96	61.5
Total	156	100.0

Table 4.7 denotes, respondents under non exempt category were the highest percentage of respondents followed by exempt category respondents were 38.5%.

4.3 Reliability Analysis

Table 4.8

Variables	No. of Items	Items Dropped	Cronbach's Alpha
Compensation, Benefits & Rewards	5	0	.835
Performance Appraisal	4	0	.805
Training and Career Development	5	0	.800
Working Environment	7	0	.889
Employee Retention	5	0	.771

According to Sekaran (2003), the nearer the reliability coefficient gets 1.0, the better it is, value over 0.8 are considered as good while 0.7 is considered acceptable and those values less than 0.60 are considered to be poor. Table 4.8 indicates the value of Cronbach Alpha for Dependant and Independent variables. The reliability value for Compensation, Benefits & Rewards are 0.835, Performance Appraisal are 0.805, Training and Career Development are 0.80, Working Environment are 0.889 and for Employee Retention are 0.771.

4.4 Descriptive Analysis

Descriptive statistic of mean and standard deviations was attained from the independent and dependent variable were attained as per Table 4.9. The results shown on Table 4.9. Variables were measured on a 5-point Likert Scale (1 being strongly disagree to 5 being strongly agree). The mean value for Compensation, Benefits & Rewards were 16.1795, for Performance Appraisal were 12.9038, followed by Training and Career Development 15.8782, Working Environment 23.0962 and mean for Employee Retention were 17.9295.

Table 4.9

Variable	N	Mean	Std. Deviation
Compensation, Benefits & Rewards	156	16.1795	2.98272
Performance Appraisal	156	12.9038	2.67794
Training and Career Development	156	15.8782	3.09493
Working Environment	156	23.0962	4.55473
Employee Retention	156	17.9295	3.45685

4.5 Correlation Analysis

Correlation test is to show the strength of the association between the variables involved. Inter-correlations coefficients (r) were calculated by the means of Pearson's Product Moment. According to Cohen (1988), r ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, r 0.30 to 0.49 may be regarded as indicating a moderate degree of correlation and r ranging from 0.50 to 1.00 may be regarded as a high degree of correlation.

The correlation matrix between the variables is exhibited in Table 4.10 below. This table shows that for the 4 dimensions of human resources management practices to employee retention, the highly correlation to the compensation, benefits and reward ($r=0.484$, $p<0.01$), for the performance appraisal and employee retention are moderate at ($r=0.364$, $p<0.01$), for the training and career development is low correlated with ($r=0.263$, $p=0.01$), and for the working environment are had a moderate correlated with ($r=0.423$, $p<0.01$). Thus, it can conclude that all variable are significant to the employee retention, where the compensation, benefit and rewards had contributed to the higher degree of the relationship.

Table 4.10*Correlations between the variables*

	Employee Retention	Compensation, Benefits and Rewards	Performance Appraisal	Training and Career Development	Working Environment
Employee Retention	1.00				
Compensation, Benefits and Rewards	0.484**	1.00			
Performance Appraisal	0.364**	0.709**	1.00		
Training and Career Development	0.263**	0.595**	0.431**	1.00	
Working Environment	0.423**	0.630**	0.540**	0.630**	1.00

**Correlation is significant at the 0.01 level (1-tailed)

*Correlation is significant at the 0.05 level (2-tailed)

Details of the results of analysis of descriptive statistics are presented in Appendix 2.

4.6 Testing the Hypotheses

The study has developed four hypotheses which focus on the relationship between elements of human resource management practices and employee retention. It was hypothesized that all the elements were to have positive and significant relationship. Based on the findings in Table 4.10, all the four (4) hypotheses of the study were substantiated and the results are summarized in Table 4.11.

Table 4.11:
Summary of Hypothesis Testing

H1:	There is a positive relationship between Compensation, Benefits and Rewards with Employee Retention.	Accepted
H2:	There is a positive relationship between Performance Appraisal and Employee Retention.	Accepted
H3:	There is a positive relationship between Training and Career Development with Employee Retention.	Accepted
H4:	There is a positive relationship between Working Environment and Employee Retention.	Accepted

4.7 Summary of Chapter

This study to examine the relationship between human resource practices and employee retention. There are four dimensions of HRM practices namely compensation, benefits and rewards, performance appraisal, training and career development and work environment. Pearson Correlation analysis findings indicated a positive and significant correlation of all HRM practices and employee retention where the most significant where the compensation, benefit and rewards had contributed to the higher degree of the relationship.

CHAPTER 5

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

On this final chapter, the findings of the study are discussed and recommendations for future research are offered.

5.2 Discussion

The intention of this study is to examine do HRM practices, compensation, benefits and rewards, performance appraisal, training and career development and work environment influence employee retention. As to what this study shown, there are significant relationship between HRM practices (compensation, benefits and rewards, performance appraisal, training and career development, working environment) and employee retention. Studies have revealed that HRM practices such as benefit and training are positively related to retention because the practices motivate employees and “lock” them to their jobs (Lazear 1986; Madrian, 1994; Gruber & Madrian, 1994), which are so called employee retention. Human resource management practices in compensation, rewards and recognition, training and career development, work environment and employee commitment could alleviate absenteeism, improve employee retention and better quality work (Meyer and Allen, 1991; Solomon, 1992;

Snell and Dean, 1992; Arthur, 1994; Snell and Youndt, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Ichniowski, Shaw and Prennushi, 1997).

Highhouse et al, (1999) recommend that only pay is not adequate to retain the employees. He argues that low pay package will drive workers out the organization but it is not necessarily that high pay package bring and retain workers in the organization. Eventually, the workers stay in the organization due to others factors as well , such as work environment, co-workers behavior and supervisor support etc. which compel the employee to retain in the organization.

Compensation, benefits and rewards were found to have a most significant correlation with employee retention in KIE. Moreover, satisfying compensation, benefits and rewards highly indicated relates to employee retention in KIE. This is consistent to Williams et al. (2007) found that if employees are satisfied with how the company operates and communicates its compensation policies, they remained committed to the organization. Additionally, an organization's reward system a can affect the performance of the employee and their desire to remain employed (e.g., Bamberger & Meshoulam, 2000, MacDuffie, 1995). Numerous researchers demonstrated that there is a great deal of inter-individual difference in understanding the significance of financial rewards for employee retention (Pfeffer, 1998;Woodruffe, 1999).

Performance appraisal had also a significant relationship with employee retention in KIE. Performance appraisal should be handled transparently without any favoritism or biasness. It should be well established and upfront in order to evade uncertainty. This is consistent to research by A.K. Paul and R.N. Anantharaman (2003) where performance appraisal has a direct positive causal connection with employee retention.

Training and career development were also found to have a significant correlation with employee retention in KIE. This is consistent to Smit and Cronje (2002) and Hay (1999) found training and development as one of the major retention strategies being used by managers in retaining their best employees. Vos & Meganck (2009) indicated that career development plan for the employees play a vital role in the retention of employees. Providing these career development opportunities restrict employees from leaving the organization and increase in loyalty.

This study reported a significant correlation between working environment and employee retention in KIE. Social networking among employees is also vital to retain employees because whenever employee left job, the whole relationship between worker and supervisor and among all workers is changed. This result is parallel to findings in previous studies, Chapman (2009) explained that it is the responsibility of senior employees to help new employees to familiarize and socialize with the environment of the organization and make them best fit for the organization. Along with few other

factors may also reduce the turnover rate of the organizations as Oldham & Brass (1979) suggested that physical environment of the work place effects a lot to the performance quality of the employees because satisfaction and motivation with peers and works declined after changing the work place environment. In another word, working environment provided a leading edge on employee retention in KIE.

5.3 Implication of Study

Practical and Theoretical Implication

Most of literature reviews correlated to employee retention relating the chosen independent variables generally uphold the theory that the variables expect employee retention. Findings from this study will be essentially helpful for all organizations in Kulim Industrial Estate (KIE) in understanding better and to improvise their employee retention strategy. The study explores how employees perceive the impact of compensation, benefits and rewards, performance appraisal, training and career development and working environment to determine their intention to stay in an organization. These are dimensions of human resource management practices that commonly been used by numerous organization to facilitate their strategic management.

According to the findings compilation, employees usually do concern with of all above factors as result shows close relationship all independent variables and employee retention. Hence, KIE employers must pay more attention to needs of employee's expectation for satisfying compensation package and appreciate for the work done,

transparency on appraisal system, needs of learning new skills and further opportunity for career advancement and encouraging working environment. This study reflects that to be a successful organization, employers shall realize, all expectations of employees to be met and it is essential to sustain the organization's growth in the marketplace to become an employer of choice by retaining high caliber employees in current labour market as it should be the highest priority.

There are theoretical implications in this study base on the findings and literature reviews where consistency exist, hence it is to confirm and agree that human resource management practices, compensation, benefits and rewards, performance appraisal, training and career development and working environment contributed positive impacts on employee retention in KIE.

5.4 Limitation Of The Study

For the purpose of this study, information's have been gained from the Kulim Labour Department on the current situations and problems arising in retaining employees in Kulim Industrial Estate. However, they failed and hesitate to provide any statistical data pertaining to actual employees' status and employee's turnover in Kulim Industrial Estate as it can be only released by Alor Setar Labour Department by full filling certain terms and conditions which lead to time-consuming. In addition to this, the number of recruitment of foreign workers in KIE and the reliability of employers on foreign workers could not be measured solely on the release JCS (Job Clearing System),

because there are number of employers not going through Kulim Labour Department perhaps they seems to go through Malaysian Investment Development Authority (MIDA) for immediate process and replacement of foreign workers base on Check Out Memo.

The second constraint in this study is on the nonexistence of appropriate channel such as employer committee in KIE to reveal on the concern in retaining employees in KIE. Hence, parts of findings on this study were solely base on information given by Kulim Labour Department gained from feedbacks that they received from KIE employers.

5.5 Recommendations for future research

There should be a set up of employer committee in KIE to discuss their concern on retaining employees in their area or to discuss about or share their respective organization HRM practices to retain employees such as Kulim Industrial Tenants Association (KITA) which consists of members from only Kulim Hi-Tech Park (KHTP). A study on employee retention in KIE shall be done in the future to analyze the status of KIE employers after the National Minimum Wage has been gazette where it is expected to be though situation as according to their nature of business, they may not afford to pay such remuneration for their employees and moreover possibilities of companies to cease their operation in KIE may also arise as they extended their concern to the Labour Department previously.

5.6 Conclusion

This study provided empirical evidence on the relationships between HRM practices and employee retention in KIE. Base on the outcome, four dimensions of HRM practices, namely compensation, benefits and rewards, performance appraisal, training and career development and working environment, were found to have positive correlation with employee retention. The research finding has provided support for the main intention. The strongest predictor of employee retention is compensation, benefits and rewards where most of companies, especially unionized company offering considerably good health and related benefits that are being communicated to employees. This followed by working environment, where workers and management get along well in KIE and consider companies in the area are harmonious place to work. Majority of companies in the area have regular scheduled employee performance appraisal periods for employees and the duration to review is sufficient. The least correlation to employee retention is training and career development, where employees are provided with proper induction and training upon their commencement and there are significant job-development, career path guidance to help employee identify or to improve abilities, goals, strengths and weaknesses. Base on this study, compensation, benefits and rewards has the greatest influence in employee retention in KIE. Hence, review on remuneration package is required to be done periodically by all KIE employers in order to retain their employees and to sustain the industry estate. Imperatively, this study has accomplished in answering all of the research questions despite some of the limitations.

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APPENDIX 1



Dear Sir/ Madam,

We are seeking your assistance in this survey on "The Impact of Human Resource Practices on Employee Retention in Kulim Industrial Estate". Hence, we would really appreciate if could spend 10 to 15 minutes to answer all the questions in the questionnaire.

The confidentiality of information given will be kept preserved and to be used only for academic purposes to fulfill the MHRM requirement of the university.

Thanking you in advance for the support rendered in accomplishing this project.

Yours sincerely
Visithira Barathi. A.
MHRM Candidate
Universiti Utara Malaysia

Kindly answer all SIX sections.

For Section A to Section E, please circle your choice and for Section F, answer and tick (v) at the appropriate portion.

SECTION A

COMPENSATION, BENEFITS & REWARDS

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
--	-------------------	----------	---------	-------	----------------

1 Your establishment have a compensation/ benefits system that is communicated to employees.

2 Your establishment offer compensation/ benefits better then minimal requirement by Employment Act.

3 Your establishment offers an attractive compensation/ benefits package compare to other establishments nearby.

4 Your establishment have a health and related benefits that is communicated to employees.

5 Employees are rewarded/ recognized for meeting their goals/ objectives.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

SECTION B

PERFORMANCE APPRAISAL

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
--	-------------------	----------	---------	-------	----------------

1 Your establishment have regularly scheduled employee- performance appraisal periods for employees

2 Your performance is more often measured with objective quantifiable results (measure overall performance)

3 Your manager/superior handle performance appraisal without biasness/ favoritism

4 The duration of performance appraisal reviewed is sufficient

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

SECTION C

TRAINING AND CAREER DEVELOPMENT

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
--	-------------------	----------	---------	-------	----------------

1 Your establishment provide proper induction and training upon commencement.

2 There are possibilties of promotion due to trainings and development given.

3 Innovation and creativity are encouraged here.

4 Your establishment provide job-development/ career path guidance to help employee identify/ improve abilities, goals, strengths & weaknesses.

5 You have minimal future within this organization.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

SECTION D
WORKING ENVIRONMENT

Strongly Disagree Disagree Neutral Agree Strongly Agree

- 1 Your establishment represent a caring-culture environment for employees.
- 2 Your establishment create a fun work environment for employees.
- 3 Your establishment provide a comfortable working environment.
- 4 Workers and management get along well in this establishment.
- 5 Your establishment provides a lot of security measures.
- 6 Overall, this establishment is a harmonious place to work.
- 7 Your establishment offer a work-life balance environment for employees. (Eg: Sponsored family events, personal activities etc)

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

SECTION E
EMPLOYEE RETENTION

Strongly Disagree Disagree Neutral Agree Strongly Agree

- 1 I intend to remain working in this company.
- 2 I will return to work here in the future if I have to quit my job due to unforeseen circumstances.
- 3 It is possible that I will look for a new job soon.
- 4 If I were given choice, I would prefer to continue working in this company as long as possible.
- 5 I often think of leaving the organization.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

SECTION F

DEMOGRAPHIC INFORMATION. Please tick (✓) and answer.

- 1 How long have you been working in your establishment? _____ years
- 2 Is there a Trade Union in your establishment? Yes No
- 3 Age : _____
- 4 Gender : Male Female
- 5 Marital Status : Married Single Divorce/ Widowed
- 6 Level of Education : Secondary High
Degree
Certificate
Masters Degree
Diploma
PHD
- 7 Employment Category : Exempt Non Exempt

Exempt category above refer to executive level and above including engineers. Non Exempt category referring to non executive : eg technicians, operators, clerical and etc.

APPENDIX 2 SPSS RESULT

Correlation

Descriptive Statistics

	Mean	Std. Deviation	N
benefits	16.1795	2.98272	156
performance	12.9038	2.67794	156
training	15.8782	3.09493	156
environ	23.0962	4.55473	156
retention	15.9295	3.45685	156

Correlations

		benefits	performance	training	environ	retention
benefits	Pearson Correlation	1	.709(**)	.595(**)	.630(**)	.484(**)
	Sig. (2-tailed)		.000	.000	.000	.000
	N	156	156	156	156	156
performance	Pearson Correlation	.709(**)	1	.431(**)	.540(**)	.364(**)
	Sig. (2-tailed)	.000		.000	.000	.000
	N	156	156	156	156	156
training	Pearson Correlation	.595(**)	.431(**)	1	.630(**)	.263(**)
	Sig. (2-tailed)	.000	.000		.000	.001
	N	156	156	156	156	156
environ	Pearson Correlation	.630(**)	.540(**)	.630(**)	1	.423(**)
	Sig. (2-tailed)	.000	.000	.000		.000
	N	156	156	156	156	156
retention	Pearson Correlation	.484(**)	.364(**)	.263(**)	.423(**)	1
	Sig. (2-tailed)	.000	.000	.001	.000	
	N	156	156	156	156	156

** Correlation is significant at the 0.01 level (2-tailed).

Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
benefits	156	5.00	25.00	16.1795	2.98272
performance	156	5.00	20.00	12.9038	2.67794
training	156	7.00	22.00	15.8782	3.09493
environ	156	11.00	33.00	23.0962	4.55473
retention	156	7.00	25.00	15.9295	3.45685
Valid N (listwise)	156				

Reliability

Compensation, Benefits & Rewards

Case Processing Summary

	N	%
Cases Valid	156	100.0
Excluded(a)	0	.0
Total	156	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.835	.836	5

Item Statistics

	Mean	Std. Deviation	N
CBR1	3.2500	.74162	156
CBR2	3.2308	.77747	156
CBR3	3.1346	.75423	156
CBR4	3.2436	.75666	156
CBR5	3.3205	.81111	156

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.236	3.135	3.321	.186	1.059	.004	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CBR1	12.9295	6.156	.595	.373	.813
CBR2	12.9487	5.997	.603	.374	.811
CBR3	13.0449	5.837	.684	.493	.789
CBR4	12.9359	5.712	.722	.553	.777
CBR5	12.8590	5.941	.581	.394	.818

Reliability

Performance Appraisal

Case Processing Summary

		N	%
Cases	Valid	156	100.0
	Excluded(a)	0	.0
	Total	156	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.805	.807	4

Item Statistics

	Mean	Std. Deviation	N
PA1	3.2949	.82866	156
PA2	3.1603	.86133	156
PA3	3.1667	.87866	156
PA4	3.2821	.80157	156

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.226	3.160	3.295	.135	1.043	.005	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PA1	9.6090	4.330	.625	.449	.753
PA2	9.7436	4.218	.625	.397	.753
PA3	9.7372	4.376	.551	.336	.790
PA4	9.6218	4.262	.685	.488	.726

Reliability

Training & Career Development Case Processing Summary

	N	%
Cases		
Valid	156	100.0
Excluded(
a)	0	.0
Total	156	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.800	.801	5

Item Statistics

	Mean	Std. Deviation	N
TCD1	3.2885	.79522	156
TCD2	3.1795	.90509	156
TCD3	3.2372	.82001	156
TCD4	3.1923	.81213	156
TCD5	2.9808	.81495	156

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.176	2.981	3.288	.308	1.103	.014	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TCD1	12.5897	6.656	.558	.317	.769
TCD2	12.6987	6.251	.554	.354	.773
TCD3	12.6410	6.309	.630	.458	.747
TCD4	12.6859	5.972	.743	.574	.711
TCD5	12.8974	6.996	.445	.250	.803

Reliability

Working Environment

Case Processing Summary

		N	%
Cases	Valid	156	100.0
	Excluded(a)	0	.0
	Total	156	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.889	.892	7

Item Statistics

	Mean	Std. Deviation	N
WE1	3.2372	.78791	156
WE2	3.1346	.88052	156
WE3	3.3077	.81609	156
WE4	3.3590	.76999	156
WE5	3.3205	.84233	156
WE6	3.4615	.81426	156
WE7	3.2756	.95427	156

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.299	3.135	3.462	.327	1.104	.010	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
WE1	19.8590	15.967	.660	.484	.876
WE2	19.9615	15.560	.635	.511	.879
WE3	19.7885	15.394	.732	.598	.867
WE4	19.7372	15.614	.746	.573	.866
WE5	19.7756	15.414	.699	.531	.871
WE6	19.6346	15.162	.776	.665	.862
WE7	19.8205	15.555	.569	.482	.889

Reliability

Employee Retention

Case Processing Summary

		N	%
Cases	Valid	156	100.0
	Excluded(0	.0
a)			
	Total	156	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.773	5

Item Statistics

	Mean	Std. Deviation	N
ER1	3.26923	.952729	156
ER2	3.04487	.992507	156
ER3	3.28846	.950447	156
ER4	3.28205	.914365	156
ER5	3.04487	.972811	156

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.186	3.045	3.288	.244	1.080	.017	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ER1	12.66026	7.516	.675	.794	.682
ER2	12.88462	8.103	.507	.274	.742
ER3	12.64103	7.199	.754	.825	.653
ER4	12.64744	8.088	.582	.372	.716
ER5	12.88462	9.522	.247	.079	.825