

**THE RELATIONSHIP BETWEEN HUMAN RESOURCE  
PRACTICES AND EMPLOYEE RETENTION**

**By**

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## **ABSTRACT**

Employee retention is one of the challenges facing many organizations today. Realising human resource as the most critical asset, retaining good employees is vital for organizations striving to gain competitive advantage. Organizations practice various human resource management (HRM) techniques for employee retention. This study was conducted to examine the relationship between HRM practices, namely compensation and benefits, training and development, and working environment, with employee retention. Data was collected from 110 respondents from an automotive parts manufacturer located in Perak. The findings indicated positive and significant but low relationships between compensation and benefits, training and development, and working environment with employee retention. The three HRM practices in this study explained only 22.8% of employee retention. It is hoped that this study will help both academics and those managing human resource to realize, understand and see the influence of HRM practices, beyond the three which were included in this study, on employee retention. Future research should include a larger number of organizations in other industries or sectors.

**Key words:** Employee retention, compensation and benefits, training and development, working environment.

## **ABSTRAK**

Pengekalan pekerja adalah satu cabaran yang mendepani organisasi masa ini. Menyedari sumber manusia adalah aset organisasi yang paling kritikal, mengekalkan pekerja-pekerja yang baik sangat penting dalam usaha meningkatkan daya saing organisasi. Organisasi mengamalkan pelbagai teknik pengurusan sumber manusia untuk mengekalkan pekerja. Kajian ini dijalankan untuk mengenal pasti hubungan antara amalan-amalan pengurusan sumber manusia, iaitu pampasan dan faedah, latihan dan pembangunan, dan persekitaran kerja dengan pengekalan pekerja. Data dikutip daripada 110 orang responden yang bekerja di sebuah kilang pembuatan bahagian kereta di negeri Perak. Dapatan kajian menunjukkan hubungan antara pampasan dan faedah, latihan dan pembangunan, dan persekitaran kerja dengan pengekalan pekerja yang positif dan signifikan tetapi sangat rendah. Ketiga-tiga amalan pengurusan sumber manusia dalam kajian ini menerangkan hanya 22.8% variasi terhadap pengekalan pekerja. Diharapkan kajian ini dapat membantu para akademik dan mereka yang mengurus sumber manusia lebih menyedari, memahami dan melihat pengaruh amalan-amalan pengurusan sumber manusia, selain dari ketiga-tiga amalan dalam kajian ini, terhadap pengekalan pekerja. Kajian di masa hadapan perlu mengambilkira bilangan organisasi yang lebih besar dari pelbagai industri atau sektor.

**Kata kunci:** Pengekalan pekerja, pampasan dan faedah, latihan dan pembangunan, persekitaran kerja

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Human resource management (HRM) practices are essential for firm performance. Organizations design and implement human resource policies and practices to achieve organizational goals and performance. HRM practices comprise of many policies and practices that are drawn up to recruit, select, develop, utilize, reward, retain and maximize the potential of human resources in organizations. Employees are the strength of the work system. As such, retaining good employees is crucial to ensure the organization's sustainability and competitive advantage. In order to retain the best talents, strategies are designed to satisfy employees' needs as satisfied employees are more productive and loyal to the organization (Ng et al., 2012).

Retaining talented employees is valuable to an organization in gaining competitive advantage. To do so, organizations need to produce high morale and satisfied employees who will perform and enhance productivity, which subsequently will lead towards higher sales and satisfied customers (Heathfield, 2005).

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