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EMPLOYEE INVOLVEMENT, WORK CONDITIONS,  
COMPENSATION AND BENEFITS AND EMPLOYEE  
RETENTION

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UNIVERSITI UTARA MALAYSIA

June 2017

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EMPLOYEE INVOLVEMENT, WORK  
CONDITIONS, COMPENSATION AND BENEFITS  
AND EMPLOYEE RETENTION

MHRM 2017

**EMPLOYEE INVOLVEMENT, WORK CONDITIONS, COMPENSATION  
AND BENEFITS AND EMPLOYEE RETENTION**

**By  
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**UUM**  
**Universiti Utara Malaysia**

**Thesis Submitted to  
School of Business Management,  
Universiti Utara Malaysia,  
In partial fulfillment of the requirement for the degree  
(Master of Human Resource Management)**



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## ABSTRACT

The objective of this study is to examine the influence of employee involvement, work conditions and compensation and benefits have towards employee retention. This study was conducted among employees in manufacturing companies in Northern Region of Peninsular Malaysia. A total of 150 questionnaires were returned and used for data analysis using the Statistical Packages for Social Science (Version 2.0). Multiple regression analysis was carried out to examine the hypothesized relationships in this study. Based on the findings, two hypotheses were accepted and one is being rejected. Multiple regression reported a significant relation between employee involvement ( $B=0.378$ ,  $p\leq 0.05$ ) and compensation and benefits ( $B=0.288$ ,  $p\leq 0.05$ ) to employee retention while work condition ( $B=0.116$ ,  $p\leq 0.05$ ) was not significantly linked to employee retention. Discussion highlights that with the high involvement of employee and attractive compensation and benefits in workplace resulted employees are more likely to stay in an organization. Practical and theoretical implications are also presented. Finally, limitations of the study are addressed and this is followed with the conclusion of the study.

**Keywords :** *Employee retention, employee involvement, work conditions, compensation and benefits*

## ABSTRAK

Objektif utama kajian ini adalah untuk mengkaji pengaruh penglibatan pekerja, kondisi tempat kerja dan pampasan dan faedah terhadap pengekalan pekerja. Sejumlah 150 borang soal selidik telah dikembalikan dan data diproses menggunakan *Statistical Packages for Social Science (SPSS ver. 20)*. Data-data yang telah dikumpulkan melalui penggunaan borang soal selidik. Analisa regresi pelbagai digunakan untuk mengkaji perhubungan di dalam kajian ini. Dua hipotesis telah diterima manakala satu hipotesis telah ditolak. Analisis regresi pelbagai menunjukkan signifikansi penglibatan pekerja ( $B=0.378$ ,  $p \leq 0.05$ ) pampasan dan faedah ( $B=0.288$ ,  $p \leq 0.05$ ) dan kondisi tempat kerja ( $B=0.116$ ,  $p \leq 0.05$ ) tidak menunjukkan signifikansi kepada pengekalan pekerja. Kajian ini juga mendapati bahawa penglibatan pekerja yang tinggi dan pakej pampasan dan faedah yang menarik di tempat kerja membolehkan pekerja kekal bersama sesebuah syarikat. Implikasi secara praktikal dan teoritikal juga disertakan dan akhir sekali, kekangan terhadap kajian yang dijalankan diutarakan dan diikuti dengan penggulungan kajian ini.

*Kata kunci: Pengekalan pekerja, penglibatan pekerja, kondisi tempat kerja, gaji dan faedah.*

## ACKNOWLEDGEMENTS

The journey of completing this research would not have been fulfilled without the full guidance and support of several individuals in my life. First of all, I would like to take this opportunity and blessings given to me to further and complete my studies. Especially this thank you note is dedicated to my husband, my three kids and both my parents for the support and given all the way throughout my studies.

My deepest appreciation to my supervisor, Dr. Johanim Johari her support and guidance during the process of completing my research. I am grateful to all my beloved friends especially to Nabila Ahmad Nasir for her constant overwhelmed encouragement and continuous support throughout the whole semesters in Universiti Utara Malaysia, Sintok, Kedah.

Last but not least, to all my professors who have been facilitated me from the first day I joined UUM and thank you everyone who have assisted me directly or indirectly for the success of this significant task and all through my studies.

Finally, may Allah bless and reward all of you who had made this work a success and may it be accepted as our Act of Obedience to Him.



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# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

This chapter briefly explains the background and importance of employee retention especially in manufacturing industries around northern region of Peninsular Malaysia. It is also to see the influence of employee involvement, work conditions and compensation and benefits have towards employee retention. Besides, this chapter also highlights the problem statement of the study, research questions, and research objectives, significance of the study, definition of key terms, scope and limitation and lastly the conclusion of the chapter of the research study.

### 1.2 Background of the Study

Employees are considered as the essential asset for every organization in order to ensure the business operations runs smoothly. An organization would be nothing without its employees because employees are the one who strives hard to deliver their best performance in order to achieve objectives and goals of the organization. One of the pressing challenge organization needed to face most of the time is the employee turnover. Employee turnover refers to an issue of employees leaving the organization and it has to be replaced with the new one. According to Randstad World of Work Report (2013/2014), as cited by Malaysian Insiders (2014), Malaysians are not just switching jobs to boost their careers but the decision to leave also hinged on “uncompetitive salary” (55%), “lack of recognition at workplace”(35%) and “lack of trust in senior leaders” (21%).

Undesirable employee turnover is one of the greatest and most costly issues that organization is confronting (Taylor, 2002). This is additionally supported by Lim, Mathis and Jackson (2010), many organizations have found that turnover is a costly issue for the organization.

In the era of globalization, turnover has become one of the persistent problems in the organization regardless of any type and size of the organization and at any level of organization. When turnover of employee is high, it will bring tremendous cost to the organization in many ways, such as hiring and staffing costs, training costs, the cost of sales and other related knowledge, reduce productivity and customer' satisfaction, increase work tension to the remaining employee, reduced morale of employee organization (Miller, 2010). On the same time, turnover also bring detrimental effect to employees in terms of losing a friendship, especially for those who have work or live together for years as one of them will need to leave in order to find another job in others location. Other than that, with the limited job opportunities resulted from the current economic today, it is hard to find a job and this has put more pressure of finding new jobs and also affect their financial problem is they are unable to find another job immediately after resignation.

According to Irshad and Afridi (2012), today's, one of the most imperative issues within competitive organizations is focusing on how to retain a good employee as it is viewed as one of the most valuable assets to the company and its drive overall performance of the organization in term of its financial as well as organizational goals are unattainable if organization keeps losing employees. Employee retention is beneficial for the organization

as well as the employee. As the world evolved quickly, the rapid growth in technology and continuing globalization, companies need to maintain their competitive edge in order to survive in the competition around the globe. With the retirement of so-called baby boomers who are born between 1946 to 1964, the workforce is losing skills and capacities as these cannot be simply replaced by employing new employees. Moreover, according to Burke and Ng (2006), a large, and perhaps growing, number of employees which consists of generation X who are born between 1965 to 1980 and millennial who are born in 1981 to 2000, nowadays are not interested in the conventional career within one company. Consequently, they are less loyal and more optimistic than workers in the past. Gen X'ers and many millennial are not remaining employed in the organization long enough to learn from their older colleagues and as a result, the institutional knowledge, history and business continuity from the veterans and boomers might vanish with little or no knowledge being retained by the Gen Xer and Millenials. The failure to retain and transfer this knowledge could result in increasing of employee turnover and further loss of the knowledge and incurred higher costs and lower the efficiency. In order to prevent this, companies need to make increasing efforts in order to retain their skilled and valuable employees. Losing such employees means a loss of investment in term of recruiting, hiring and training for those particular employees.

According to Bank Negara Economic Report (2010), the Malaysia economy experienced a strong resumption of economic growth, recording an expansion of 7.2% following the downturn in 2009. The improvement in labor market conditions was reflected in the stronger growth of employment, lower retrenchments and lower unemployment rate. Add to this, after the sharp contraction in 2009, private investment rebounded strongly to register a double-digit growth in 2010, reflecting the expansion of capital spending across all sectors

particularly in manufacturing, mining and services sectors. As a result, job vacancies available in the manufacturing sector have raised compared to other sectors at 39 percent of total positions out of the 1.8 million positions offered (Bank Negara Economic Report, 2010). However, being globalized orientation these days, the manufacturing sector is struggling to stay substantial in marketplaces in many ways (Zhang & Sharifi, 2000; Fathi, Eze & Goh, 2011) including reducing the turnover rate among employees. The turnover is a common issue that facing by the management in companies and industries. In a recent development, Malaysia manufacturing sector has become a critical sector for employee turnover issue compare to other sectors.

The turnover rate in the manufacturing sector in many countries, including Malaysia is high compared to other sectors due to employee turnover complexity. Companies in Malaysia as well as in other countries are facing a challenge of recruiting and retaining talents while at the same time have to manage talent loss through attrition. This is due to industry downturns and through voluntary individual turnover. Findings of the 2013 General Industry Total Rewards Survey- Malaysia has found that employee turnover rate in the general industry has increased to 13.2% in 2013 from 12.3% in 2012. Specifically with , it is recorded that the turnover rate is 14% for conglomerates, 13.3% for financial service and 24% for manufacturing sector. This percentage of turnover rate has increased each year. According to Hewitt (2010), the top three reasons for the employees to leave an organization are due to better external opportunity which is 67.3% , limited growth opportunity which is 46% and further studies which is 38%,

The voluntary turnover impacted the companies because of the loss of money and time resource spent to recruit re-skilling as well on training and development for the new joiners.



As stated by Hasin and Omar (2007), in order to retain and develop excellent performance in the organization, managers have to focus on actual voluntary turnover due to the high cost involved in the loss of employees. To avoid such waste, companies should manage it by investigating more on turnover intentions aspect as best predictor for actual voluntary turnover is the turnover intention (Mobley, 1982). According to Barney (1991), retaining the capable employees can be a source of advantage for an organization. However, there are few challenges in order to retain these employees. In the real world, the productive employees are always being encouraged to remain within the organization and mostly nonproductive employees are encouraged to leave.

Other than losing the valuable knowledge when the employees leave, the organization needs to rearrange its business operation and assets so that the underlying marketable strategies and objectives will proceed as focused. Losing one of the team members would bring about real misery, increment work weight, diminish in employee resolve and in the value extraordinary cases, can prompt disappointment in accomplishing the coveted outcome. The remaining employee needs to take over the remaining jobs or tasks left by the resignee, other than increase the workloads he or she also needs to be responsible for the resignee's works while waiting for the replacement to be made. As important as it is to understand the reasons that drive employees to leave an organization, it is just as important to understand why valuable employees stay. Some recent studies have suggested that employees become embedded in their jobs and their communities. As they participate in their professional and community life, they developed a web of connections and relationships, both on and off the job. Leaving a job would severing or rearranging their social and value networks. Thus, the more embedded employees are in an organization, the more likely they are to stay.

According to Zhang and Chen (2010), from the research that they conducted, employees quit their job because of low salary, but nevertheless, employees who receive the high income and face more responsibility and more pressure, are still challenge on their intention to stay. In order for a company to obtain high productivity and performance, it is very important for a company to get its employees' support and contribution. According to Accenture (2001), 'People Issues' becomes more important in the recent business environment than compare to three years ago. This is particularly important in today's economic condition when organizations aggressively compete for their market share and talent. The key talent contributes to the current and future of the organization performance since the assigned key talent will often become organization leaders. Therefore, it is more cost considerably as loss of key employees will give greater impact and they are more difficult to replace. Every organization depends on the uniqueness of their human resources and the entire systems in order to stay competitive and successful in the business. Having and retaining the skilled employee's are important for this process because of employee's knowledge and skills that they possess and become the key for companies to be economically competitive (Hiltrop, 1999).

Retention is the most important focus for an organization's human resource department to reach and discover the real reasons why people quit, sometimes high salary or pleasant working condition are not able to promise one will stay in the organization. As such, it is crucial that organizations are equipped with the right human resource practices to keep employees, especially talented one, which will then increase their belongingness to the company. As part of the process creating and executing the strategies in order to maintain

and increase competitiveness, organizations face the challenge of retaining their best employees. As such, this research was being carried out as to investigate the most critical factors that impacting employee retention.

### **1.3 Problem Statement**

Unwanted employee turnover is one of the biggest and most costly business issues organizations may confront (Taylor, 2002). When a good employee leaves the company, he or she will bring all his knowledge and expertise with him. Therefore, the company needs to reorganize its original plan in order to attain the setup business plan and goals.

According to Mobley (1982), losing one or two members of the team would cause a major problem, decrease in employee morale, increase work stress, failed to achieve the targeted results. Therefore, to get a new replacement is not an easy task and it also requires an extra effort and it takes a time to cope with the new situation. Other than that, it is also incurred additional costs such as hiring cost, training cost and so on.

According to General Industry Total Rewards Survey (2013), Malaysia has found that employee turnover rate in the general industry has increase to 13.2% in 2013 from 12.3% in 2012 with manufacturing experiencing (24%), conglomerates at (14%), and financial service at (13.3 %) in 2013. These percentages have shown the trend of turnover rate was continuously increasing from a year to another. As per Perry-Jenkins et al., (2000), deficiencies of workers in the labor force will force organizations to concentrate on retaining their employees. As organization needs their good employees especially those skilled people to be able to move forward in this competitive challenges, and without any effective retention

strategies, organizations will lose their important employees and will result in high attrition and turnover and the worst it will lead to the operation failure of the company.

When retaining staff has become a challenge, recruitment cost can grow to a level of serious concern and affecting the profit and loss of the organization. Many organizations, particularly in Bukit Kayu Hitam Industrial Estate (BKHIE) are challenged with the tasks of retaining their employees and at the same time, employers need to make sure that employee is loyal and committed to the organization (Brown & Yoshioka, 2003). Organizations need to find ways to retain employees and reduce turnover by meeting the goals of employees without dismissing the organizational objectives, therefore, by making a win-win situation, this turnover could be minimized. Companies can increase employee engagement by providing mentors, design work in teams, fostering team cohesiveness, encouraging employee referrals, and provide clear socialization and communication about the company's values and culture, as well as financial incentives based on tenure or unique incentives that be common elsewhere.

Therefore, the study is conducted to examine the influences of employee involvement, work condition and compensation and benefits on employee retention. In addition, Joo (2010) contends that turnover happens if employees are disappointed with the organization when they have the low level of organizational commitment and organizational learning culture. As per Branham (2005), there are seven primary reasons why employee leaves, which are the absence of recognition, low pay, unfulfilling tasks, limited career opportunity, poor management practices, weak leadership and dysfunctional work ethics. There is a number of

factors that influence an employee's intention to leave including employee's attitude and potential, appraiser, peers, administration hierarchical setup, external comparable job demands and self (Berry, 2010).

Many organizations are forced to face a challenging task that is to retain their employees in the meantime to ensure that the employees are loyal and attached to the organization (Brown & Yoshioka, 2003). All these variables are closely related to HRM practices and a good comprehension of the relationship between HRM practices and employee retention will help organization settle on the right choice to accomplish the business objective while in a similar time maintaining the economical or optimum level of resources. As mentioned by AlDae, Yazam & Ahmad (2012), to accomplish better performance through the employees within the organization. Through the participation of the employee enable an organization to achieve its mission and at the same time meeting company objective by contributing their own ideas, specialization and efforts towards solving the company problem or in decision making. It is also referred to an individual's attachment to both organization and their jobs which resulted and often created an affective bonding among its employees, resulted to the well-being at work in terms of respect, relationship, contribution, participation and communication.

One of retaining employees in the workplace is to provide employees with good work conditions in terms of benefits, health, safety and technology. When employees feel good with their environment, they will feel that they are being valued and esteemed by the organization. Work condition is one of the small parts in the work environment. According

to Ramlall (2003), employees are striving to work and retain in an organization that provides a good and positive environment, where employee feel that they are a part of the company and being valued. Research conducted by The American Society of Interior Designers (1999) find that physical and work environment play a vital role in decisions on whether to leave or to stay. This considered as a major factor in employee retention. A positive work environment is believed to make employees feel good and like to come to work and provide the necessary motivation to sustain them throughout the day.

Lastly, as highlighted by Mondy (2008), compensation is the total of all rewards provided to employees in return for their services that they have contributed to the company as it is one of the largest factors for the retention of employees. Total Compensation is the combination of the four core elements including pay, benefits, monetary incentives and non-monetary compensation. It has also been termed "Total Pay" (Zingheim and Schuster, 2008), "compensation package" (Sturman, 2001) and "Direct and Indirect compensation" (Namasivayam, Miao, & Zhao, 2006; Heneman and Schwab, 1985). As mentioned by Trevor et al. (1997), has proved that rise in pay has a negative effect on pay and turnover. An organization that offers high compensation package is likely to have a low turnover rate. The employee will engage with their job when they perceived they have received equal to the job that he or she had performed. This research is conducted to provide additional knowledge to the existing researches that have been carried out before and being conducted to find and add the new inputs for the future researchers for future research direction.

In addition, drawing upon on Social Exchange Theory, it is indicated that human relations and their social behavior are embedded in an exchange process. People tend to weight risk and reward, positive and negative and benefits and cost in the exchange process. Individuals commit into a relationship inside which both sides can recognize advantages, then a set of obligations is created that both parties feel obliged to fulfill. In the organization, for example, the employment relationship is being viewed as an exchange between employer and employees has to offer. Employees provide their time, efforts, energy, skill and intelligence in order to exchange with financial rewards and job security provided by their employers. If an employee decides to continue to stay with the organization, this means that the organization is still the best choices of all the choices that they have, the benefits that they received will still outweigh the risk. This is mutually beneficial for employee and company, as it improves the strength of the organization and retains key talent (Huselid, 1995). Therefore, it is very important for managers to know understand and manage the relationship in order to have happier staffs and this indirectly can help to ensure that employee retention is in place.

#### **1.4 Research Questions**

Based on the problem statement, the following research questions are developed.

- 1.4.1 Does employee involvement influence employee retention?
- 1.4.2 Does a work condition influence employee retention?
- 1.4.3 Does compensation and benefits influence employee retention?

## **1.5 Research Objectives**

This study intends to examine the influence of HR practices have on employee retention among manufacturing employees in the northern region of Malaysia. The objectives of this study are:

- 1.5.1 To determine the influence of employee involvement on employee retention
- 1.5.2 To examine the influence of work condition on employee retention
- 1.5.3 To determine the influence of compensation and benefits on employee retention

## **1.6 Significance of the Study**

This study is important and will contribute to numerous benefits in terms of management and academic perspectives. In terms of management perspective, this study would be of interest to human resources practitioners, managers and management team particularly in manufacturing industries to which this study would be significant. By conducting this study, it can help the organization towards improving their efforts in retaining their valued staff in term of employee involvement, work condition and the compensation and benefits.

In terms of employee involvement, according to the study from Ashkanasy et al., (2000) and Blau and Boal (1999) stated that employees who are more involved in their jobs are more satisfied and more committed to their organization. This is because when they are involved in the decision making, for example, they are more likely to develop a stronger passion towards their job over time. The positive attitude towards their organization and more specifically towards their job influence their job satisfaction and indirectly they will remain in their present job. If the employee feels current employer could best fit their values and personality, it is unlikely for them to seek to another employment in other organization. According to



Taylor (2012), people need to feel that their contributions to the organization are valued. Therefore, in order to retain an employee to stay with the current employer for long terms basis, employee itself needs to feel that they are part of the company and they feel that they are able to contribute something benefits to the company. In terms of working condition, employers need to pay more attention in identifying and dealing with work condition because when employees have a negative perception of their working conditions, they are likely to be absent, have the stress-related illness, and their productivity and commitment will tend to be low. In terms of compensation and benefits, in most instances, employees want to be paid well for the job that they do. Organizations need to find ways to retain employees and reduce turnover by meeting the goals of employees without losing sight of the organizational goals, therefore, by creating a win-win situation, this turnover could be minimized.

### **1.7 Scope of Study**

The scope of the research study on this topic is covering several important aspects especially in examining the influence of employee involvements, work conditions and compensation and benefits have on employee retention in manufacturing industries. As voluntary turnover rate indicated by Ministry of Human Resource Malaysia (2011), stated that the manufacturing sector is the highest sector with job turnover difficulty since 2008 until 2010 so this study has been carried out among the executives and production operators from the manufacturing industries around Kedah, Pulau Pinang and Perlis, located in northern Malaysia. As time and resources constraint, this study is focusing on Northern Region of Peninsular Malaysia only.

## **1.8 Definition of Key Terms**

### **1.8.1 Employee Retention**

According to Zineldin (2000), employee retention is defined as the commitment of both parties to continue doing business or exchange with a particular organization on a mutual agreement.

### **1.8.2 Employee Involvement**

According to Ashkanasy, Wilderom & Peterson (2000), employee involvement refers to individual's attachments to both organizations and their jobs.

### **1.8.2 Work Conditions**

According to Gerber et al., (1994), work conditions are created by the interaction of employee with their organizational climate and include psychological including stress, conflicts and dissatisfaction as well as physical working conditions.

### **1.8.3 Compensation and Benefits**

According to Werner (2001), compensation and benefits package entail some basic features that tend to make employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, and recognition.

## **1.9 Organization of Remaining Chapters**

This research study consists of five chapters which are the introduction, literature review, research methodology, analysis data and discussion, conclusion and recommendation.

### **Chapter One: Introduction**

This chapter focuses on the background of the research, research problem, research questions, research objectives, scope and limitation of the study, and followed by key term definition.

### **Chapter Two: Literature Review**

This chapter is to discuss the details about literature review or the past review by different authors. The literature review presented about the independent variables influence on Employee Retention among manufacturing employees in the northern region of Malaysia.

### **Chapter Three: Research Methodology**

This chapter is to address data collection method, research instrument, pilot test, sampling and population, statistical data analysis and administrative procedure.

### **Chapter Four: Findings**

Chapter four is to analyze and discuss the data that have been collected and the outcomes or findings. It represents a complete result of the study in varies way including the form of tables, will elaborate into the text. In addition, the profile respondents, the measurement, descriptive analysis and results of the hypothesis tested are also presented in this chapter.

### **Chapter Five: Discussion, Recommendation and Conclusion**

It summarized according to from the research objective followed by the recommendation. In conclusion, the researcher will provide answers for research questions and the recommendations for future research.

## **1.10 Summary**

In summary, chapter one is more to introduce on the study conducted by researcher namely the influence of employee involvement, work conditions and compensation and benefits have on Employee Retention. After that, for this chapter researcher will identify the background of the problem, the issue on the study, objective of the study, the importance of research to parties directly involved or not and also the specific scope of this study. Next chapter is to determine the review of the literature reviews by looking at employee involvement, work condition and compensation and benefits by past researchers.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides various definitions of concepts for each variable understudy provided by the earlier researcher in the literature. It starts with the discussion of conceptual and background of employee retention and other variables namely employee involvement, work condition and compensation and benefits. This study also discusses the influence of employee involvement, work condition and compensation and benefits on employee retention to remain in an organization. Social Exchange Theory is also explained as the underlying theory in this study to underpin the framework of the research. Lastly, the conclusion of the overall study is presented in a framework and hypothesis development.

#### **2.2 Employee Retention**

The contemporary global economic environment has changed drastically and will continue to do so. Globalization, technological advancement, growing global competition and social development have put companies in a pressure. In order to compete with this situation, companies need to maintain their competitive edge (Burke & Ng, 2006), at least in part through maintaining the skills of their employees. According to Zineldin (2000), retention of employee is defined as the commitment of both parties to continue doing business or exchange with a particular organization on a mutual agreement. According to Workforce Planning for Wisconsin State Government (2005) employee retention is defined as "...an

organized effort to create and promote a situation that encourages employees to remain in the employment by having a set of policies and practices that deliver their different needs.”

The Harvard Business Essentials (2002) defined retention as the opposite of turnover either being voluntary and involuntary. The activities associate with employee intends to stay include all those activities aimed at increasing organizational engagement of the employees, by giving them chance to develop and perform (Bogdanowicz & Bailey, 2002). Retaining those skilled employees plays an important role as employees’ knowledge and skills have become the key for companies to be economically competitive (Hiltrop,1999). Employee retention is a systematic effort by employers to create and build an environment that encourages the current employees to remain in the employment by having the policies and practices that address to their diverse needs. People who intent to stay in the organization because they feel their contribution to the company are valued (Taylor, 2002). On the other hand, Collins et el. (1994) stated that the first key to success for any organization is its people. Satisfied employees will stay with the company for a longer period and therefore will give a much higher return on the investment to the company. An organization can operate well if they have the right people and thus, it is crucial to know how to remain its employees in order for the employee to stay in the employment with the companies. Employees will remain with the company if their self-intrigue can be maximally satisfied by their present organization. (Shaw et al 1998).

As stated by Denton (2000), if employees are more committed and dedicated towards their work it is shown that they are happy and satisfied with their jobs as they will always put their

effort in order to improve the organizational customer's satisfaction and indirectly if organizational goals are met, they will have the benefits too. As highlighted by Panoch (2015), companies in the market nowadays need to take a really good care of their employees in order to retain them. This is because good employees are difficult to find. Due to this, companies now have to make continuous efforts to keep their existing best and talented employees. Losing good employees means a loss of investment because new employees have to be recruited and trained and therefore, the additional cost will incur. To minimize the problem of employees leaving, it is important for an organization to take effective measures to retain the best talent as organizations are now competing for talent (Mitchell et al., 2001).

One of the solutions to improve employee retention among employees is to give competitive salaries, comprehensive benefits, incentive programs and other initiatives that are able to attract and retain employees in the organization. (Taylor, 2002). Besides, pay and other financial incentives also work as part of the initiative to increase employee's commitment towards the organization. According to Walker (2001), there are seven factors that can enhance employee retention : (i) compensation and appreciation of the performed work, (ii) chances to be promoted and to learn, (iii) provision of challenging work, (iv) invitational atmosphere within the organization, (v) positive relations with colleagues, (vi) a healthy balance between work and personal life and (vii) good communication. With all these factors, a set of workplace norms and practices might be considered as inviting the employee to an engagement and involvement with the particular companies that they are working for. In order to keep employees to in with the company, employees need to feel that they are a part of the organization.

Tang et al (2000) in his study found that earning more money has only an indirect influence on employee retention; it is of influence when the job satisfaction of an employee is low or high. In view of Walker (2001), managing and retaining promising employees' is an important foundation of achieving competitive advantage among the organizations and serves as the final outcome of an effective human resource system (Lado & Wilson, 1994).

From the perspective of the employee, as important as it is to understand the reasons that drive employees to leave an organization, it is just as important to understand why valuable employees stay. Some recent studies have suggested that employees become embedded in their jobs and their communities. As they participate in their professional and community life, they developed a web of connections and relationships, both on and off the job. Leaving a job would severing or rearranging their social and value networks. Thus, the more embedded employees are in an organization, the more likely they are to stay. According to Curtis and Wright (2001), employees with high organizational commitment are those who have a strong identification with the organization, value the sense of membership within it, agree with its objectives and value system, those are likely to remain at the workplace and prepared to work hard on it. Personal commitment is one of the need to consider while considering for employee retention. Studies by Cotton and Tuttle 1986, Muchinsky and Morrow 1980; Trevor 2001 to investigate the relationship between job satisfaction and turnover and found a clear negative relationship that when employees do not feel satisfied with the job, the turnover is high and they are likely to leave the company. Other than that, according to Bouwman (2006), employees appear to participate much more fully and effort fully when they can do more of what they are good at and are interested in. In addition, when employees are being appreciated



by their organizations, a feeling of continuity is intended to arise in ways to avoid negative reactions and indifference.

### **2.3 Employee Involvement**

The changing organizational culture demands more than the decision to change. It involves understanding the current culture and its role, accepting the fact that culture changes do not occur in some present period of time, and dealing with the subject in depth (Gaynor, 1991). According to Ashkanasy, Wilderom and Peterson (2000), employee involvement is referring to one attachment to both the organizations and their jobs. The direct participation and engagement of the staff in order to be able the organization they served fulfill its mission and meeting its objectives by contributing their own ideas, expertise, skills and efforts towards solving problem arise and making decisions for the company. Lodahl and Kejner (1965), defined job involvement as a set of work performance of a person that will affect his self- esteem. When employees feel that they are highly involved in their jobs, they will become highly participate and highly attached to their organization.

Employee involvement is a participative process that utilized the entire capacity of workers and encourages employee to be focused on organization achievement (Lawler & Mohrman, 1989). According to Jayasingam and Yong (2013), there are several factors that have been argued to affect the job involvement. For instance, pay satisfaction is one of the most important factors that researchers have focused on studying the job involvement and job satisfaction. If the employee is being rewarded for the work he or she has been contributed, they will feel that they are being appreciated and being satisfied with the rewards that they

receive. Despite the fact that it has been contended that one of the important factors in feeling remunerated and appreciated. Thus, pay satisfaction is said to have the crucial impact on the job involvement as it fills in as a rationale (Currall et al., 2005). In order to achieve the objectives, for example, giving the employee some combination of information, participations in together making the decision, to influence or any forms of incentive. Grazier (1989) provided a more specific definition of employee involvement that is a way of engaging employees at all level in the thinking process of an organization. It is the recognition that many decisions made in an organization can be made better by soliciting the input of those who may be affected by the decision. It is an understanding that people at the level in the organization possess unique talents, skills, and creativity that can be significant value if allowed to be expressed. McGregor's Theory Y first brought to managers the idea of a participative management style, employee involvement has been taken in many forms including the job design approached and special activities such as quality of work life (QWL) programs. This new workplace practices such as employee involvement have become relatively common in American organizations (Osterman, 1995) as well as in Malaysian manufacturing industries. Employee involvement enables the organization to be better insight about the way of functioning and where it can potentially make improvements that would be beneficial for both, the organization and the employees.

Researchers in different disciplines include psychology; organization behaviour and human resource have extensively studied the variables that are often associated with retention.

Employee involvement is one of the methods of connecting employees at all level in the thinking process of a decision to make as many decisions made can be better by soliciting the inputs form the various level of employees that may affect the decision.

Notwithstanding, it has been highlighted that job satisfaction, job involvement, organizational attractiveness and support, as well as few other factors are of great influence on the degree to which organizations can actually retain their talented employees. According to Lawler, Mohrman and Ledford, Jr. (1995), employee involvement involved the practices of:

- Sharing Power

The use of various practices such as participate in decision-making and job enrichment, employees a degree of control and say in decisions that affect their work.

- Sharing Information

It refers to the practices of communicating and informing employee with regards to the company and work group goals and also sharing of performance feedback.

- Rewards.

It refers to the use of performance reward systems that links to compensation, promotions, and recognition to individual, group, and organizational performance.

- Knowledge

The support and development of skill through formal training as well as informal supervisory coaching including employees at all levels of the organizational hierarchy.

People are unique and as an employee that is employed involved in assisting their company to meet its goals. Therefore, the input is very important and will be valued by their management. As indicated earlier, success or failure of a business company is depending on the power of its people. Organizations striving to retain the talented and valuable employee

in order to compete in the competitive edge by the combination of certain skills and unique talent that its people possess (Barney, 1991).

In achieving this, employers need to better understand and close to their employees, know how they think, act, associate and respond to few issues inside the organization. However, employee involvement has been recently emphasized as an important construct in developing loyalty and attachments, which leads to lower turnover intention. When an employee has high involvement in the work they do it will definitely influence organizational effectiveness thus will promote direct workforce motivator in enhancing the knowledge of each employee, skills, abilities that they possess to counter any organizational issues (Vandenberg, Richardson & Eastman, 1999). In view of Cotton (1993), managers in the workforce today are confident on the ability of employee in the decision making involvement. In America, employees have been involving effectively for the last five years and it has improved the productivity (Spiers, 1992). However, it is either an easy task or quick change and should be implemented with great care and attention (Lawler, 1999). This study adopts definition mentioned by Ashkanasy, Wilderom & Peterson (2000), employee involvement refers to individual's attachments to both organizations and their jobs. Employees with high involvement feel that they are more responsible and involved in the success of the organization. When an employee feels that they are being attached to the company, this will positively influence the organizational effectiveness. It would result in absenteeism, lowered turnover and effective decision making and problem-solving among others. Thus, this promotes workforce motivation and enhances employee knowledge, skills and abilities, which will overcome the organizational issues.

## 2.4 Work Condition

At present, organizations are confronting a few challenges due to the dynamic nature of the environment. The term working condition refers to a workplace and all existing conditions influencing the work in the workforce, this includes job hours, physical aspects, legal rights and responsibility of the organization atmosphere and workload. Working conditions are created by the interaction of employee with their organizational climate and it includes psychological as well as physical working condition (Gerber et al., 1998).

Therefore, researchers adopt the definition of working conditions According to Gerber et. al., (1994), work conditions are created by the interaction of employee with their organizational climate, and include psychological including stress, conflicts and dissatisfaction as well as physical working conditions. The World at work, the Total Reward Association (2000) defines workplace environment include the physical, psychological and behavioral elements in the workplace. When the working environment is more positive, the employee tends to like come to work and able to reflects their inspiration towards work through the day. According to Wells and Thellen (2002), organizations are putting some level of security and sound controls at workplace has enhanced certain level of motivation and commitment in employees that empower them to feel fulfillment and will stay with the organization. When employees work in a conducive work environment, it will indirectly enable them to work and perform better this will leads to higher productivity. However, there are some workplaces that are less concern on providing a conducive work environment to employees that later will make employees begins to have the negative perception of their environment, they sometimes suffer from chronic stress because of pressure or burden they

put on them. Work condition is created by the interaction between employee and their organizational climate and that includes psychological as well as physical working conditions (Gerber et al., 1998). In the event that if workers have the negative perception of their working conditions, they are probably going to be truant; encounter stress related disease and this will influence their efficiency and responsibility level. In opposite, organization those have a friendly, trusting, and safe condition, understanding, greater productivity, communication, innovativeness and financial health (Kreisler, et al, 1997).

According to Yesufu (1984), employees work is important to output. Physical conditions include workplaces; manufacturing plants that are excessively hot and badly ventilated are weakening to effort of meeting the organization target. Management should put an extra attention to these matters as to provide a good work condition to the employees. There should be sufficient supply of personal protective equipment, drinking water, rest rooms, toilets, emergency treatment offices and so on. Both management and employees should be safety conscious at all times and minimum of the requirement of factories act must respect. These factors may be important, yet, believing that attitudes and management styles of mid-level managers are what really truly impact the employee's productivity. In order to improve the satisfaction of employees toward work condition, management needs to improve its work condition. This improvement will make them equally happy satisfied the individuals who work under the typical working condition and this will leads to overall performance will increase. Manufacturing companies, especially in Malaysia, have experienced many changes such a failure and disappointment which have negatively impact on the lives of workers and the customers. High staff turnover, insufficient staffing and increase in workload and

dangerous working conditions, have affected the productivity of the employees. The management team needs to take necessary actions to help worker adapt successfully to the challenging environment. In order to increase efficiency, effectiveness, productivity and job commitment of employees, the business must fulfil the requirements of its workers by giving good working conditions. Work condition includes not just the physical elements around the work area of a worker but it also encompasses all aspects that form part of the employee's involvement with the work itself. Many businesses failed because they cannot understand the importance of work environment to their employee. The unpleasant and uncomfortable working environment will create a lot of difficulties when employees want to perform their task. As employees are an essential component in the process of achieving the mission and vision of a business and meet certain criteria set by the organization to ensure the quality of their work.

Therefore, in order to meet the standards of the company, employers should dependable guarantee that employee requires a workplace that enable them to work unreservedly without facing any issues that would limit them from performing up to the level of their maximum capacity.

## **2.5 Compensation and Benefits**

According to Ivancevich (2014), compensation is one of the main human resource management functions which deals with any forms of rewards individual receive in the exchange of the contribution the individual performed and had to meet a certain desired of the outcome. Compensation packages consist some basic features that tend to make

employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, recognition (Werner, 2001). Compensation impacts everyone in the organization to an extent can be proven to be very valuable and powerful to retain employees.

If employees perceive a fair compensation by their employer, this will make them remains in their job as a fair compensation practice attracts, retains, and motivates and develops a competent employee (Pohlen and La Londe, 1994). According to Armstrong (2003), employees' willingness to stay on the job mostly depends on the compensation packages offered by the company. Higher the wage an employee receives from the organization, the higher the probability for the employee to stay. The salary increase will reflect an employee's overall work performance, employees felt more satisfied if they were praised for the good works, successfully completing a project, or taking additional responsibly. Sometimes, a small token from their employees will boost up their enthusiasm for example by giving gift vouchers for local restaurants, stores, movie tickets for a good team work, for taking extra initiative to complete a task or resolving a customer complaint.

The experts point out that especially in developing and underdeveloped countries, compensation packages has a high influence on employee's decision to stay or to search for other employment. If a company even when running profit does not make provision of bonus and other fringe benefits obviously invites frustration among employees. As previously highlighted Falola (2014), in an attempt to ensure employees optimal performance and retention, a company needs to consider a variety of appropriate ways to reward employees for getting the desired results. It has also been argued that the degree to which employees are



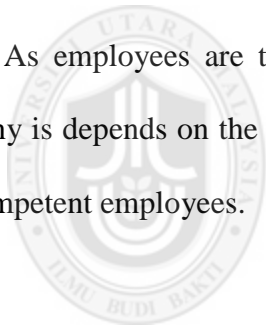
satisfied with their job and readiness to remain in the organization is a function of compensation packages and reward system for the organization (Osibnjo, 2013). According to Namasivayam et al., (2007), compensation can be divided into direct and indirect. Direct compensation received by employees in the organization that serves to achieve employee satisfaction and retention as well as improves performance (Adeniji, 2012). Direct compensation includes wages, salaries, bonuses or commission. In the other hand, indirect compensation includes incentives, medical benefits, housing allowance, car allowance, vehicle loan benefits, annual leave allowances and training opportunities. Compensation is the rewards employee receives in exchange for performing organizational tasks. According to American Compensation Association (1995), compensation is the cash and non-cash remuneration provided by an employer for the services rendered. It could be a financial reward and nonfinancial rewards. Financial rewards include financial incentives, bonuses and recognition. This is the most practices of the company in order to attract their employees to remain to stay with the company. Incentives are rewards that offered in addition to the basic wages or salary and it also usually directly to performance. Employees are given incentives in order to encourage the effort employees have made if they have exceeded the normal performance expectation. Incentives help to stimulate employee's contribution above or beyond the meeting expectation level. While a non-financial reward is defined as the satisfaction that person receives from the job itself (Moody, 2008). These include positive feedback from employer, employee recognition program, career development opportunities. The fringe benefit which is the supplementary and are usually given to all employees of an organization regardless of different performance they have achieved for example like annual leave allowances, salary advance and education sponsor and so on. The company needs to

make sure that the compensation package that they offered is attractive enough in order to prevent employees from becoming dissatisfied and looking elsewhere for a better salary, career development opportunities, fringe benefits, bonuses and incentives. The three forms of recognition and reward most frequently cited by the respondents were verbal praise from supervisor and other leaders, salary increases, and gift certificates. The flexible working schedule is a part of rewards too. The flexible working schedule is a part of rewards as it allows both parties to have agreed on the working time that suit best to their need. It indirectly promotes and maintains a work-life balance and increase employee morale, engagement, commitment and retention to the company. Thus, improve the productivity and efficiency of their business.

According to Gerhart (1987), compensation plays a number of key roles in the organization. It could indicate the employee worth; attract potential job incumbents and retaining existing employees. Pay practice is very important to the organization as it helps to attract employees to apply for positions (Mudor & Tookson, 2011). Moncarz (2009), indicate that major and perhaps the most among organizational retention initiatives are compensation. As numerous studies have addressed the impact of employee compensation, rewards and recognition on satisfaction and retention.(Becker, 1993; Guthrie J. 2001; Milman, 2003; Walsh, 2007). Therefore, it is very crucial to determine the determine relationship between employer and employee. Gross and Friedman (2004) emphasized that employees are more likely to stay in the organization are those who have received benefits. Hence, an appropriate benefits package was important in the retention of qualified employees. Bentler (1980) highlighted that compensation is strategic to the organization's goals and thus should be able to ensure

employee satisfaction, employee retention, employee development and better organizational performance and their job thus minimizing the intention to leave the organization.

This study adopts definition mentioned by Werner (2001) and Martineau (2006) compensation packages entail some basic features that tend to make employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, recognition. Demo and et. al., (2012) that compensation and benefit are HRM practice in rewarding employees' performance and competence via remuneration and incentives. When employees are given a token of appreciation especially in terms of compensation and rewards, it will make them feel appreciated hence motivated to do a good job again in the future. As employees are the organization's key resource and the success or failure of a company is depends on the ability of the employers to attract, retain and reward the talented and competent employees.



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Rewards always play crucial factors that are able to attract employees and this is the main reason employees work for the organization. They provide their time, their efforts, energy and intelligence in order to exchange with the financial rewards, and continue their life. An employee who has been rewarded is often more motivated to remain with the company. It can cost a business quite a bit to deal with the loss of old employees and the training of new ones. Rewards, given to employees who are considering leaving the company, may increase employee retention statistics and decrease the company long-term training costs.

On the contrary, failure by organizations to provide equitable compensation would result in employee's negative attitudes toward the organization such as unwilling to retain with the current organization.

## **2.6 Underlying Theory**

Social Exchange Theory indicated that human relations and their social behavior are embedded in an exchange process. Organizations create systems that offer different forms of exchange relationship (Coyle et. al, 2004). In the working environment, people tend to weigh the risks and reward. When employees decide to continue to stay with the company, which determined that despite everything that is bad about their job, the benefits will still outweigh the risks. The exchange resources can be in the form of impersonal such as financial or socio-emotional such as care, respect and loyalty (Aselage & Eisenberger, 2003).

It is a socioemotional resource that being engenders feelings of personal obligations, gratitude and trust (Blau, 1964). The relationship in the employment is being viewed as an exchange between employer and employee. Employer offers certain returns, for example, pay benefits and job security in the exchange of employee contribution in term of effort, commitment and productivity they have contributed. The level of the exchange depends on the expectations from both sides. This section reviews the Social Exchange Theory and covers new ground by examining more closely aspects of employee involvement, work condition and compensation and benefits have on the influence of this social exchange with regard to employee retention in the organization. Schein (1970) stated that for individuals to generate commitment, loyalty, enthusiasm towards the organization and its goals that lead to satisfaction from their work, there

should be a match between what employees expect from the organization and what the organization could contribute to the employee in returns. When the actual exchange involves, for example, employee gain money for the time they have spent at work, social need satisfaction and security in exchange for work and loyalty, opportunities for self-actualization and challenging work in exchange for high productivity, quality work and creative effort in the organization or various combinations of these.

Combining formal HR practices and employee retention to understand HR outcomes within the context of Social Exchange Theory is the major task of this study.

## 2.7 Theoretical Framework

The research framework in this study is built upon the literature review and is illustrated as below diagram:

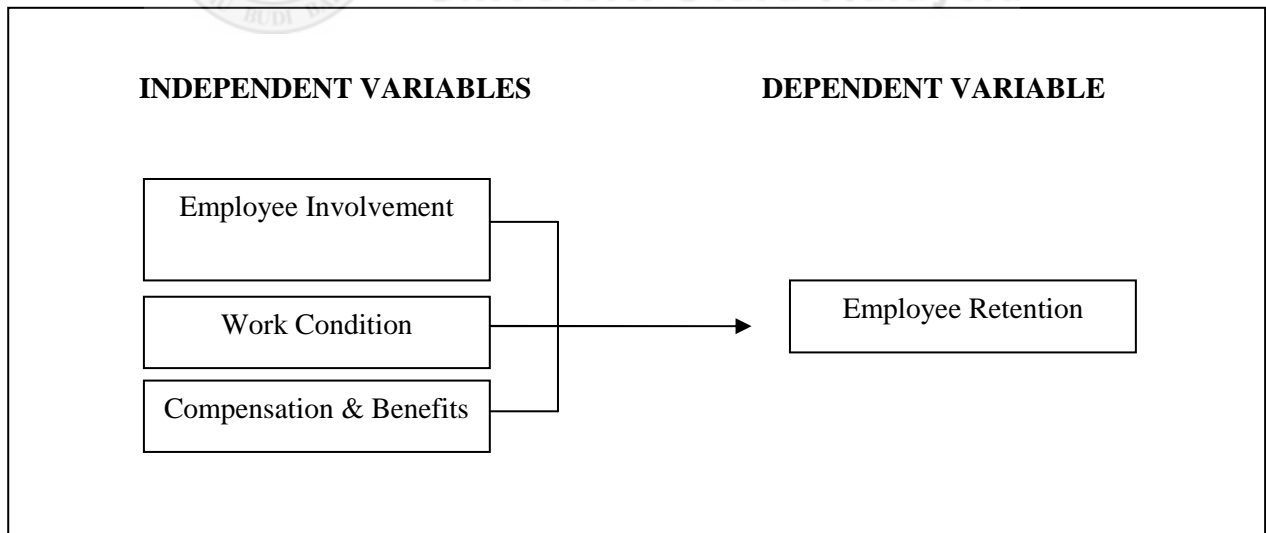


Figure 2.1 Research Framework

According to Brown and Yoshioka (2003), many organizations have to face challenges on retaining their valuable employees and at the same time to make sure that the employees continue to give their full commitments and loyal to the company. All these factors are closely related to the HRM practices in order to achieve the business goal of a company. The purpose of this study is to investigate the influence of independent variables that are employee involvement, work condition and compensation and benefits on dependent variable that is employee retention in manufacturing employees in the northern region.

## **2.8 Hypotheses Development**

The following is a description of the hypotheses is developing based on the theoretical framework in Figure 1.1.

### **Employee involvement and employee retention**

Employee Involvement can be critically important to competitiveness in the contemporary business nowadays. According to a study by The Gallop Organization (2016), employee involvement in 7,939 business units in 36 companies, found that employee involvement was positively associated with performance in a variety of area including increased customer satisfaction, profitability and productivity and reduced employee turnover and retaining an employee in the current employment. Recent research suggests that high-involvement of an employee can develop the positive beliefs and attitudes associated with employee engagement and that these practices can generate the kinds of discretionary behaviors that lead to enhanced performance.

As people are the main resource that organizations have for delivering services or products. People need to feel that their contribution to the organization is valued (Taylor, 2012). Therefore, in order to retain an employee to stay with current employer for long terms basis, employee itself needs to feel that they are part of the company and they feel that they are able to contribute something benefits to the company. A study by Askanasy et al., (2000) stated that employees who are more involved in their jobs are more satisfied and more committed to their organization. This apparently aligned because if they jointly involve in decision making, for example, they will feel that they are a part of the organization and they are more likely to develop a stronger passion towards their job over time. The positive attitude towards their organization and more specifically towards their job influence creates job satisfaction and this indirectly leads them to remains in their present job. If the employee feels current employer could best fit their values and personality, it is unlikely for them to seek other employment in other companies. This study also supported by Blau and Boal (1999). When employees are included in the decision making, it is believed that this would lead to an increase in productivity as employees who engaged to the company is more productive, content and more likely to be loyal to the organization. When human resources practice is in place, employee will be more likely to feel satisfied, safe and will work to their full potential and they are also more likely to stay.

Hence, it is proposed that:

H1 - There is a positive and significant influence of employee involvement towards employee retention.

## **Work condition and employee retention**

Demo, Neiva and Rozzett (2012) stated that work condition either in terms of physical elements or those things that form some portion of worker's involvement with the work itself; is one of HRM practices that company need to give to their employees with great work conditions in terms of benefits, health, safety and technology. Working conditions relates to communication by of employee with their organizational climate and it includes psychological as well as physical working condition (Gerber et al., 1998).The working environment is viewed to have a positive effect on the job fulfillment of employees. According to Miller, Erickson and Yust (2001), employees get benefits by the work environment that provides the sense of belonging.

Organizations are facing several challenges due to the dynamic nature of the environment. One of the many challenges for a business is to satisfy its employees in order to cope up with the ever changing and evolving environment and to achieve success and remain in the competition. In order to increase efficiency, effectiveness, productivity and job commitment of employees, the business must satisfy the needs of its employees by providing good working conditions. Employees need a working environment that allows them to work freely without problems that may restrain them from performing up to the level of their full potential. The objective of this research paper is to analyze the impact of working environment on employee job satisfaction.

Clark (1997) argue that if employees are not satisfied with the task assigned to them, they are not certain about factors such as their rights, working conditions are unsafe, co-workers are not cooperative, supervisor is not giving them respect and they are not considered in the decision-making process; resulting them to feel separate from the organization. Furthermore, he highlighted that in current times, firms cannot afford dissatisfied employees as they will not



perform up to the standards or the expectations of their supervisor, they will be fired, resulting firms to bear additional costs for recruiting new staff. So, it is beneficial for firms to provide a flexible working environment to employees where they feel their opinions are valued and they are a part of the organization. When employees feel comfortable with their working environment and conditions, it will increase their inspiration and commitment level and the likelihood of them leaving the company is low.

In the other hand, terrible working conditions limit employees to depict their capacities and perform better. Spector (1997) observed that most businesses ignore the working environment within their organization resulting in an adverse effect on the performance of their employees. According to him, working environment consists of safety to employees, job security, good relations with co-workers, recognition for good performance, a motivation for performing well and participation in the decision-making process of the firm. He further elaborated that once employees realize that the firm considers them important, they will have a high level of commitment and a sense of ownership for their organization. In the context of the current workplace scenarios, employees are becoming more concerned about the working environments which include the workplace condition, working hours, task wellbeing and security, associate with colleagues and the management. Chandrasekar (2011) argued that an organization needs to pay attention to create a work environment that enhances the ability of employees to become more productive in order to increase profits for the organization.

Hence, it is proposed that:

H2: There is a positive and significant influence of work condition on employee retention.

### **Compensation and Benefits and Employee Retention.**

Compensation is viewed as one of the largest factors for in attracting and retaining employees especially those with outstanding performance or skilled employees as the company has invested on their training, orientation and so on. According to Lawler (1990), the competitive compensation package is the only strong if there is the commitment from employer side and also build strong commitment on the worker's side. However, the contribution of compensation helps in retention of the employee irrespective of their skill, contribution to the company and it also relates to voluntary or involuntary turnover. If an employee that are being offered with high compensation package by the company, tendency for them to leave is low.

However, fair wages are the foundation element of the implied and contractual bond between employers and employees, the underlying supposition being that monetary can persuade behavior (Parker and Wright, 2001). From literature study relieved that it is much important to separate normal and standard compensation i.e. salaries, wages and benefits etc. and what are normally referred to as compensation on performance based or performance pay. The reward is the thing which offers by the organization in any form in the response of employee's contribution, to become employees motivated for doing well with positive behavior in future. The reward is something the offer by the organization to the workers in the 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 an organization. According to Walker (2001), compensation offer recognition, but non-monetary forms of recognition are also not ignored and important. Recognition from bosses,

team members, co-workers and customer enhance loyalty. Employee participation in decision making and influence in actions are also important (Davies, 2001; Gold, 2001).

Therefore, this study is to test the following hypothesis:

H1: There is a positive and significant influence of compensation and benefits on employee retention.

## **2.9 Summary**

The second chapter focuses on the literature review on each concept and variables in the study. Further, a more detailed explanation on the influence of employee involvement, work condition and compensation and benefits on employee retention. The next chapter will discuss the methods used in carrying out the specific research.



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## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explains about the methodology used in this study. It discussed the research design which includes the type of study, population and sampling, population frame and sampling technique. It also explains about questionnaires and measurement for each variable that include the table for each variable, data collection method, pre-testing of the instrument and pilot test and analysis technique used in this study.

#### **3.2 Research Design**

The purpose of this research is to determine the influence of employee involvement, work conditions and compensation and benefits on employee retention. This study is a quantitative research design. A quantitative research design involves mostly numerical data (Chua, 2012). In addition, by using quantitative study the data collected is analyzed using descriptive statistics and inferential statistics. The primary objective of this type of research is to describe the data and the influences about what is being studied. The reason for choosing this research design is quantitative research design is more reliable and objective. Other than that, it uses the statistical to generalize the finding and it is also able the researcher to test the theories and hypothesis and to look out for the relationship between the two variables.

A cross-sectional study was chosen for this study as highlighted by Cavana, Delahaye, and Sekaran (2001). A cross-sectional study allows the researcher to integrate related literature,

pilot study and actual survey as main procedure to obtain data for this study. Based on Sekaran and Bougie (2009), data obtained from the cross-sectional study is less biased and the data collection is more accurate. In addition, due to the time constraint and limited time is given to collect the data, cross-sectional is more appropriate as opposed to longitudinal study. In this study, data collected is through self-administrated questionnaires. According to Trochim (2006), the first step in deciding how the researcher will analyze the data is to define a unit of analysis. The unit analysis used in this study is individual as the researcher would like to know further on each individual employee retention in the organization.

### **3.3 Population and Sample**

A total population of 1360 manufacturing employees consists of executive and nonexecutive level that works in the four manufacturing factories in Bukit Kayu Hitam, Mergong Industrial Barrage, Perlis and Kulim Hi-Tech, Kedah. The sample size of the study consists 250 employees were selected out of a total population of 1360 using the table of Krejcie and Mogan (1970) to the sample and 150 respondents filled the questionnaires correctly and within stipulated time. This indicates that the response rate is 60 percent.

### **3.4 Sampling Methods**

The sampling technique used is the convenience sampling. It can be defined as sampling method that getting the participants wherever is appropriate. According to Sekaran (2003), convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it.

### **3.5 Measurement and Questionnaire Design**

The study collected primary data using a simple questionnaire which the subjects were asked to respond to the items provided. The questionnaire was split into two sections which are Section 1 represents independent variables and dependent variables and Section 2 that represent demographic section. The respondents completed the questionnaire containing scales measuring employee involvement, work conditions, compensation and benefits towards Employee Retention. They also need to answer the items on the demographic factor such as gender, age, marital status, position and length of service in manufacturing industries.

Employee Involvement was measured with items adopted from Demo et al. that have twelve (12) items, while work conditions six (6) items and compensation and benefits five (5) items from the same author. All items are being scored on a 5-point Likert scale, ranging from strongly disagree, disagree, moderate, agree and strongly agree and last, employee retention with eleven (11) items adopted from Kyndt et al. (2008) using the same scored on a 5-point Likert scale ranging from strongly disagrees, disagree, moderate, agree and strongly agree. The questionnaire is designed in dual languages that are Bahasa Melayu and English for respondents to understand better on questions being asked.

### 3.6 Dependent Variable

The following subsection will explain detail about instruments and operational definition. The instrument for the dependent variable used for this study was adapted from Kyndt et al. (2008) which consist of 11 items.

Table 3.1  
Operational Definition and Items for Employee Retention

Variable	Operational Definition	Items
<b>Employee Retention</b>	Employee retention is defined as the commitment of both parties to continue doing business or exchange with a particular organization on a mutual agreement.	<ol style="list-style-type: none"> <li>1. I am planning on working for another company within a period of three years. (R)</li> <li>2. Within this company, my work gives me satisfaction.</li> <li>3. If I wanted to do another job or function, I would look first at the possibilities within this company.</li> <li>4. I see a future for myself within this company.</li> <li>5. It doesn't matter if I'm working for this company or another, as long as I have work.</li> <li>6. If it were up to me, I will definitely be working for this company for the next five years.</li> <li>7. If I could start over again, I would choose to work for another company. (R)</li> <li>8. If I receive an attractive job offer from another company, I would take the job. (R)</li> <li>9. The work I'm doing is very important to me.</li> <li>10. I love working for this company.</li> <li>11. I have checked out a job in another company previously. ( R )</li> </ol>

R = Reverse Statement

### 3.7 Independent Variables

The following subsections reveal the instrument and the operational definition of the independent variables for this study such as employee involvement, work condition and compensation and benefits.

#### 3.7.1 Employee Involvement

The items on employee involvement were adopted from Demo et al. (2012):

Table 3.2  
*Operational Definition and Instrument for Employee Involvement*

Variable	Operational Definition	Items
<b>Employee Involvement</b>	Employee involvement refers to individual's attachments to both organizations and their jobs.	<ol style="list-style-type: none"> <li>1. This organization treats me with respect and attention.</li> <li>2. This organization is concerned with my well-being.</li> <li>3. There is an environment of understanding and confidence within managers and employees in this organization.</li> <li>4. This organization recognizes the work I do and the result I achieve (eg. Through oral compliments, articles in a corporate bulletin.</li> <li>5. This organization favors autonomy in doing tasks and making decisions.</li> <li>6. This organization seeks to meet my needs and professional expectations.</li> <li>7. In this organization, employees and their managers enjoy the constant exchange of information in order to perform their duties properly.</li> <li>8. This organization encourages my participation in decision-making and problem-solving.</li> <li>9. There is an environment of trust and cooperation among colleagues in this organization.</li> <li>10. This organization encourages interaction among its employees (for instance through social gathering, social events, sports event, etc.)</li> <li>11. This organization follows up on the adaptation of employees to their function.</li> <li>12. There is a consistency between discourse and management practice in this organization.</li> </ol>



### 3.7.2 Work Condition

Work condition instruments were adopted from Demo et al. (2012).

Table 3.3

*Operational Definition and Instrument for Work Conditions*

Variable	Operational Definition	Items
<b>Work Condition</b>	Work conditions are created by the interaction of employee with their organizational climate and include psychological including stress, conflicts, and dissatisfaction as well as physical working conditions.	<ol style="list-style-type: none"><li>1. This organization provides basic benefits (e.g. healthcare, transportation assistance, food aid, etc.)</li><li>2. This organization has programs or processes that help employee cope with incidents and prevent workplace accidents.</li><li>3. This organization concerned with the safety of their employees by having access control of people who enter the company building.</li><li>4. This organization provides additional benefits (e.g. membership in gyms, country clubs, and other establishments, etc.)</li><li>5. The facilities and physical condition (lighting, ventilation, noise, and temperature) in this organization are ergonomic, comfortable and appropriate.</li><li>6. This organization is concerned with my health and quality life.</li></ol>



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### 3.7.3 Compensation and Benefits

Compensation and Benefits instruments were adopted from Demo et al. (2012).

Table 3.4  
Operational Definition and Instrument for Compensation and Benefits

Variable	Operational Definition	Items
<b>Compensation and Benefits</b>	Compensation and benefits is a package entail some basic features that tend to make employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, and recognition	<ol style="list-style-type: none"> <li>1. I get incentives such as promotions, commissioned functions, awards, and bonuses.</li> <li>2. My salary is influenced by my results.</li> <li>3. This organization offers me a salary that is compatible with my skills, training, and education.</li> <li>4. This organization remunerates me according to remuneration offered at either the public or private marketplace levels.</li> <li>5. This organization considers the expectations and suggestions of its employees when designing a system of employee rewards.</li> </ol>

### 3.8 Pilot Test

A pilot test or pilot survey usually conducted as a preliminary investigation and to collect information in order to enhance the quality of the questionnaire (Kothari, 2004). It can be defined as a mock of the main survey whereby all the questions carried out is the same with the original questionnaire (Kothari, 2004). The pilot study has been carried out to identify any errors that could jeopardize the design or specific question. There were 40 respondents were selected as the pilot study. The questionnaires were distributed and completely returned. When the pilot test was conducted, the researcher is able to detect weaknesses in the question in order to achieve desired objectives. Test of reliability of the survey questions was being analyzed using Cronbach Alpha test. To determine the internal consistency reliability of the instrument, Cronbach's coefficient alphas were computed for each dimension. According to Nunnally and Bernstein (1994), the value

of 0.60 is considered as in the lower limit of acceptability for Cronbach's alpha. According to Sekaran and Bougie (2009), the acceptable Cronbach Alpha values are 0.70 and above the range of 0.80 are considered good and reliable. The SPSS versions 20 are being used to run the reliability analysis. Table 3.5 shows the result of the reliability test for the pilot study.

Table 3.5  
*The result of Reliability Analysis*

Variables	Number of Items	Cronbach Alpha's
<b>INDEPENDENT VARIABLES</b>		
Employee Involvement	8	0.951
Work Condition	4	0.840
Compensation & Benefits	4	0.893
<b>DEPENDENT VARIABLE</b>		
Employee Retention	9	0.782

### 3.9 Data Collection Method

The questionnaires (refer appendix 1) that contain 34 items were disseminated to manufacturing employees in Bukit Kayu Hitam, Mergong Barrage, Kulim Hi-Tech and Perlis in the northern region. The questionnaire is bilingual which is in both Malay and English. The main tool to collect primary data from respondents in this study is through a questionnaire survey. 250 sets of the questionnaires were distributed. From 250 sets distributed, only 150 sets of questionnaires were returned and are usable, giving a 60% of response rate. Questionnaires were handed out to Human Resource Manager through friends that work in the factories and they helped the researcher to distribute them to the employees. The questionnaires were given to the respondents and 150 sets were returned and used in this study.

### **3.10 Data Analysis Techniques**

The data gathered was analyzed using Statistical Package for Social Science Software (SPSS) version 20.0 in order to check the accuracy of the data and minimize time constraint. Descriptive statistic was used to compile and interpret the information used (Pilot & Birch, 1997). It examines and presents the demographic of the respondents. Then, it follows with explanatory factor analysis. Factor analysis is a convenient instrument that used to assess the validity of the measurements used in the study (Rahn, 2016). It is also can simplify a large number of variables into a small set of the factor that interprets the underlying factors (Rahn, 2016). In factor analysis, the loading becomes easier to analyze when we suppress into small factor loading and the cutoff point value is 0.3. Reliability test then being tested by examining the value of the Cronbach's Alpha. According to Sekaran (2006), the reliabilities that are less than .50 are considered to be poor than those who results at .70 range in which a good one that surpasses the 0.80. Next, Correlation Coefficient was being used to determine the relationship between the variables. The R symbol of correlation range from -1.00 to + 1.00. Correlation coefficient analysis will present the two outcomes on the relationship. It will determine the directions of the relationship and it will also determine the scale of the relationship between the variables. Then, the hypothesis of relationships between the independent and dependent variable is being assessed by using the multiple regression methods.

### **3.12 Summary**

As a conclusion, for chapter three, the researcher has identified the methodology of this research. The next paper chapter will discuss the findings and analysis through the data collection of the study.

## CHAPTER FOUR

### FINDINGS

#### 4.1 Introduction

In this chapter, the results of the study are acquired using factor analysis, descriptive statistics (frequencies and percentage), reliability analysis and inferential analysis that are Pearson Correlation and Multiple Regression. The analysis of this research began with the factor analysis and followed by a reliability test for each of variables involved. Further, in order to analysis the respondents' demographic information such as gender, marital status, age, marital status, the highest academic background, department, position and length of service, descriptive analysis was used .

The analysis continued with the inferential analysis to determine the influence of independent variables which are employee involvement, work condition and compensation and benefits on employees among manufacturing employees in Bukit Kayu Hitam, Mergong Barrage, Kulim Hi-Tech and Perlis.

#### 4.2 Response Rate

A total of 250 sets of questionnaires were distributed to four manufacturing companies in Bukit Kayu Hitam, Mergong Barrage, Kulim Hi-Tech and Perlis. However, only 150 sets of questionnaires were returned and this brings to the total of 60 percent of response.

### 4.3 Respondent's Demographic Information

The majority of the respondents or 57.3 percent are male while 42.7 percent or 64 are female. Respondents who age 26 -30 years old are the majority of respondents which comprise of 31.3 % of the total respondents (150). Then followed by those between 31-35 years old (22%), above 40 years old (10.0%), 20-25 years old (18%) and those who are aged between 20-25 years old (10%). As for marital status, the majority of respondents or 62.7 percent who participated in this study were married. The majority of respondents are from operation department (36.7%). Among total respondents of 150, 43 respondents (28.7%) are executives and others 106 respondents (71.3%) are non-executives. Majority of them holdings SPM and have been working in the industries between 4-7 years and earned around RM1,000.00 to RM3,000.00 per month.



Table 4.1  
*Respondents Demographic Information*

Demographic Characteristic	Frequency	Percentage (%)	
<b>Gender</b>	Male	86	57.3
	Female	64	42.7
	20-25 years old	27	18.0
	26-30 years old	47	31.3
	31-35 years old	33	22.0
	36-40 years old	15	10.0
	Above 40 years old	28	18.7
<b>Marital Status</b>	Single	49	32.7
	Married	94	62.7
	Divorce	7	4.7
<b>Department</b>	Human Resource	17	11.3
	Finance and Accounting	11	7.3
	Purchasing & Procurement	5	3.3
	Information Technology	2	1.3
	Engineering	17	11.3
	Planning	7	4.7
	Operations	55	36.7
	Quality	21	14.0
	Program	3	2.0
	Others	12	8.0
	<b>Position</b>	Executive	43
Non- Executive		107	71.3
<b>Level of Education</b>	SPM	50	33.3
	STPM	7	4.7
	Certificate	22	14.7
	Diploma	38	25.3
	Bachelor Degree	26	17.3
	Master	7	4.7
<b>Monthly Income</b>	Less than RM1,000	11	7.3
	RM1,000 – RM3,000	104	69.3
	RM3,001 to RM5,000	23	15.3
	Above RM5,000	12	8.0
<b>Work Experience</b>	Less than 3 years	36	24.0
	4 – 7 years	67	44.7
	Above 7 years	47	31.3
<b>Total</b>		150	100

#### 4.4 Data Screening

According to Stephen (2015), before actual statistical tests being conducted, irregularity of the data need to be screened. This checking is being performed for: (a) if data have been entered correctly, such as out-of-range values. It may be caused by human error in data entry (eg: entering “22” when it is supposed to be “2” for Likert scale item) (b) for another kind of outliers. Outliers are suspiciously larger or smaller observation (data) than the majority of the observations. (c) for missing values. Is it because of you miss out entering some data or your participant did not provide a response to some questions. (d) for checking assumptions before conducting tests (eg. Normality). Outliers are observations that differ greatly from the majority of a set of data. Outliers can affect the normality of your data, although some researchers are against the idea of removing outliers simply because it does not fit the normality assumption.

Mean value is also being performed to access the mean value of each variable to ensure that all values are with the acceptable limit. It shows that employee involvement is 3.42, work conditions are 3.51 and compensation & benefits is 3.26, which are all within acceptable of 1 to 5.



#### 4.5 Exploratory Factor Analysis (EFA)

The purpose of factor analysis is to reduce a massive number of variables. It can simplify a large number of a variable into a small set of the factor that interprets the underlying factors (Rahn, 2016). In factor analysis, each item will experience factor loading shown that to which extent that the variables give impacts toward factors. For example, the higher factor loading, the better of the dimensions to fit the variables. Furthermore, each item needs to be load at 0.50 and above. The item that has cross loading below 0.30 are deleted. A dependent variable which is employee retention consists of 11 items before factor analysis was performed. Whereas the independent variables of employee involvement consist of 12 items, work condition consists six items and compensation and benefits consist of five items. The rotated component matrix of 34 items with three factors was loaded at different factors which first determine all the independent variables and dependent variable. In factor analysis, factor loading for each item was extracted to show to which extent that the variable gives impacts towards other factors. For example, the higher factor loading, the better of the dimensions to fit the variables. Furthermore, each item needs to be load at 0.50 and above. Items that have cross loading below 0.30 are deleted. Table 4.2 and 4.3 illustrates the rotated component matrix for both independent and dependent variables while Table 4.4 represents the list of items being deleted due to low loading. The cutoff point for factor loading is below 0.3 with 9 items were deleted (IVEI3, IVEI4, IVEI11, IVEI2, IVWC5, IVWC6, IVCR1, DV1, DV5) for further analysis and Table 4.5 indicates the percentage of variance for all factors.

Table 4.2

*Summary of Exploratory Factor Analysis Result for employee involvement, work condition and compensation and benefits and employee retention.*

Rotated Component Matrix			
	Factor Loading		
	F1	F2	F3
<b>IVEI1</b>	.665		
<b>IVEI2</b>	.643		
<b>IVEI5</b>	.753		
<b>IVEI6</b>	.704		
<b>IVEI7</b>	.734		
<b>IVEI8</b>	.773		
<b>IVEI9</b>	.601		
<b>IVEI10</b>	.590		
<b>IVWC1</b>			.822
<b>IVWC2</b>			.796
<b>IVWC3</b>			.788
<b>IVWC4</b>		.747	
<b>IVCR2</b>		.742	
<b>IVCR3</b>		.772	
<b>IVCR4</b>		.773	
<b>IVCR5</b>		.760	
<b>DV2</b>			.823
<b>DV3</b>			.746
<b>DV4</b>			.868
<b>DV6</b>			.733
<b>DV7</b>			.442
<b>DV8</b>			.443
<b>DV9</b>			.492
<b>DV10</b>			.880
<b>DV11</b>			.408

Note: DV = Employee Retention

*\*Note: IVEI = Employee Involvement, IVWC = Work Condition, IVCR=Compensation and Benefits and DV=Dependent variable*

Table 4.3

*List of items being deleted*

<b>IVEI3</b>	<b>There is an environment of understanding and confidence within managers and employees in this organisation.</b>
<b>IVEI4</b>	This organisation recognises the work I do and the result I achieve.
<b>IVEI1</b>	This organisation follows up on the adaptation of employees to their functions.
<b>IVEI2</b>	There is consistency between discourse and management practice in this company.
<b>IVWC5</b>	The facilities and physical condition (lighting, ventilation, noise and temperature) in this organisation are ergonomics, comfortable and appropriate.
<b>IVWC6</b>	This organisation is concerned with my health and quality of life.
<b>IVCR1</b>	I get incentives such as promotions, commissioned functions, awards and bonuses.
<b>DV1</b>	I am planning on working for another company within a period of three years.
<b>DV5</b>	It doesn't matter if I'm working for this company or another, as long as I have work.

Table 4.4  
The KMO values and percentage of variance

Factors	KMO	Number of Items	Percentage of variance %
Factor 1: Employee Involvement	0.871	8	61.037
Factor 2: Work Condition	0.754	4	64.003
Factor 3: Compensation & Benefits	0.834	4	76.362
Factor 4: Employee Retention	0.862	9	61.840
Total		22	

#### 4.6 Reliability Analysis

According to Bollen (1998) reliability is a consistency of measurement. A stability of measurement over the variety of conditions in which basically the same result should be obtained (Nunnally, 1978). The researcher has used Cronbach Alpha to find out whether the instruments used are reliable or not. A reliability analysis has been carried out on items for each variable.

Therefore, based on the analysis, the results showed all items used were reliable as every item was above range 0.60. According to Sekaran and Bougie (2009), an acceptable Cronbach Alpha values is 0.60, those above 0.80 is considered good and reliable. The Cronbach Alpha value for Employee Involvement is 0.951, as for work condition is 0.840 and Compensation and benefits is 0.893 whereas employee retention is 0.782.

#### 4.7 Correlation Analysis

This section presents the result of Pearson Correlation Statistical analysis conducted to identify the relation between the independent variables (employee involvement, work condition, compensation and benefits) and the dependent variable (employee retention).

Hypotheses testing was based on multiple regression. As presented in Table 4.7, there was a significant and positive relationship between the three independent variables that are employee involvement, work condition and compensation and benefits. However, the highest variable that correlate with employee retention is employee involvement ( $r=0.659^{**}$ ,  $n = 150$ ,  $p \leq 0.05$ ), followed by compensation and benefits ( $r=0.632^{**}$ ,  $n = 150$ ,  $p \leq 0.05$ ) and work condition ( $r=0.570^{**}$ ,  $n = 150$ ,  $p \leq 0.05$ ).

The mean and standard deviation values were also presented in the table. The respondents' from 150 manufacturing employees have provided the following mean and standard deviation results as shown in Table 4.7. Based on the finding, independent three variables: work condition, which is 3.51 has the highest mean among the three independent variables, followed by employee involvement, which has 3.42 and compensation and benefits of 3.26. The mean for the dependent variable, employee retention is 3.03. The analysis is also shown that compensation and benefits have the highest standard deviation of the three independent variables (0.83), followed by work conditions (0.70) and employee involvement (0.64). For employee retention, the standard deviation is (0.64).

Table 4.5  
Correlation and Descriptive Statistic

Variables	Mean	Std Deviation	1	2	3	4
<b>Employee Retention</b>	3.03	0.64648	1			
<b>Employee Involvement</b>	3.42	0.64868	0.659**	1		
<b>Work Condition</b>	3.51	0.70168	0.570**	0.686**	1	
<b>Compensation &amp; Benefits</b>	3.26	0.83183	0.632**	0.702**	0.677**	1

\*\* Correlation is significant at the 0.01 level (1-tailed), n =150

#### 4.8 Multiple Regression Analysis

Multiple regression analysis was conducted in order to understand the influence of employee involvement, work condition and compensation and benefits on employee retention. The result of the regression shows that the variables; employee involvement, work condition and compensation and benefits jointly explained 49.7% ( $r^2 = 0.497$ ,  $F = 48.055$ ,  $p \leq 0.05$ ) variance related to the employee retention. The value of  $\beta$  for each hypothesised is observed and reported.

Table 4.6 shows, only employee involvement and compensation and benefits are positively associated with employee retention. The Beta value for employee involvement is ( $\beta = 0.378$ ,  $p < 0.05$ ) whereas compensation and benefits show Beta value ( $\beta = 0.288$ ,  $p < 0.05$ ).

Table 4.6

Multiple Regression Result of Employee Involvement, Work Condition, Compensation and Benefits on Employee Retention

Variables Entered					
	Unstandardized Coefficients			Standardized Coefficients	
	B	Std. Error	Beta	T	Sig
<b>(Constant)</b>	0.642	0.217		2.964	0.004
<b>Employee Involvement</b>	0.376	0.90	0.378*	4.194*	0.000
<b>Work Condition</b>	0.107	0.80	0.116	1.328	0.186
<b>Compensation &amp; Benefits</b>	0.224	0.69	0.288*	3.233*	0.002
<b>R Square</b>	0.497				
<b>F =</b>	48.055				
<b>R =</b>	0.705				

\*p<0.05

The results showed support for hypothesis 1 and hypothesis 2. This shows that employee involvement and compensation and benefits were significantly and positively related to employee retention while work condition was not significantly linked to employee retention.

Table 4.7 Summary of Hypothesis Testing

Hypothesis Statements	Finding
H1: Employee Involvement significantly and positively influences the employee retention among manufacturing employees.	Accepted
H2: Work Condition is significantly and negatively influence the employee retention among manufacturing employees.	Rejected
H3: Compensation and Benefits are significantly and positively influences the manufacturing employees.	Accepted

#### **4.9 Summary**

For the conclusion, chapter four presented the analysis results of the study. Five type of statistical analysis were conducted in this study. The first analysis performed is the factor analysis. The second analysis conducted were reliability analysis on each variable and followed by descriptive analysis. The purpose of the descriptive analysis is to look into the respondent's demographic information. The fourth analysis was used are two main statistical analyses namely correlation and regression analyses. As a summary, the results of the study showed that the effect of employee involvement and compensation and benefits demonstrate significant relationship on employee retention. While work condition has no influence on employee retention whether to leave or to stay in the industries.

The results also indicated that only two hypotheses proposed in this study are accepted. The multi-regression results are also able to prove that all the variables are affected significantly related towards employee retention. The next chapter will discuss the findings, provide recommendations and conclude the study.

## CHAPTER 5

### DISCUSSION, RECOMMENDATIONS AND CONCLUSION

#### 5.1 Introduction

Chapter five presents the discussion of the research findings. The first section focuses on the discussion of each independent variable with the dependent variable. This is followed by the research implications, recommendations for future research, limitations of the study and conclusion.

#### 5.2 Recapitulation of the research findings

This study was conducted to examine the influence of employee involvement, work conditions and compensation and benefit on employee retention among manufacturing workers in the northern region. The particular objectives are (i) To determine the influence of employee involvement on employee retention, (ii) To determine the influence of work condition on employee retention and (iii) To determine the influence of compensation and benefits on employee retention.

Next, the following section discusses the findings on this study.

#### 5.3 Relationship between employee involvement and employee retention

The first research objective of this study is to examine the influence employee involvement towards employee retention. Based on the regression result at Table 4.7, there is a significant and positive relationship between employee involvement and employee retention ( $\beta=0.378$ ,  $p\leq 0.05$ ).



This result is consistent with the previous study by Ashkanasy, Wilderom and Peterson (2000). When employees are attached to both organisations and their jobs, it creates an environment in which employees' ideas and inputs have an impact on the decisions and actions that will affect their jobs. Employees would feel more responsible and involved in the success of their company. Similarly, Blau and Boal (1989); Brooke and Price (1989); Brooke et al. (1988); Kanungo (1982) stated that employee involvement would influence job satisfaction and increase the organizational commitment of employees. In other words, employees who are more involved in their jobs are more satisfied with their jobs and more committed to their organisation.

The plausible reasons for the result are because when employees are involved in decision-making, they are more likely to develop a stronger passion towards their jobs over time, and hence they will become more involved in their jobs. Positive attitudes towards their organisation and more specifically towards their job will lead them to act in a manner that would make them feel deeply involved and they may develop stronger passion towards the job. This in turn would positively influence their job satisfaction and ultimately they would remain in their present employment. Most importantly, this would lead to an increase in productivity and also the achievement of the organisational goal. Therefore, if employee feels the current employer could best fit their values and personalities, it is unlikely for them to seek for employment opportunities in other organisations and they are likely to stay in their current organisations. Therefore, it could be concluded that employee involvement influenced employee retention.

#### 5.4 Relationship between work conditions and employee retention

The results from multiple regression show that it is non-significant between work conditions and employee retention ( $\beta=0.116$ ,  $p \geq 0.05$ ). This result is inconsistent with previous studies. For instance, Demo et al, (2012) stated that working condition. One of the HRM practices that any company needs in order to provide employees with good work conditions in terms of benefits, health, safety and technology so that employees would stay in their respective organisations.

On the contrary, this study reported that work condition does not have any influence on employee retention. This is plausible because the majority of the respondents (57.3%) are from lower education level with SPM certificates who worked as manufacturing operators and technicians. Furthermore, the majority are local people who live very close to the manufacturing plants in which the study took place. In addition, most of them are married and stay nearby with families. This has been supported by one of the manufacturing company in Bukit Kayu Hitam human resource department records on the total of 842 employees, 743 employees are staying within 30km from the factory.

Therefore, work condition does not affect their decision whether to leave or to stay with the organisation as their priorities are more on having a stable job with sufficient salary to be earned and the workplace is near to their residences. In other words, a conducive work environment, including work condition, is not the main factor to ensure the wellbeing of the employee to retain their employment in manufacturing industries. In fact, even though the companies offer a pleasant and conducive environment or work conditions to its employees, it will be considered as complementary benefits that they are entitled to. Hence, this

plausibly explains the non-significant association between working condition and retention among employees in this study.

## **5.5 Relationship between compensation and benefits and employee retention**

The results show that it is significant between compensation and benefits and employee retention ( $\beta=0.288$ ,  $p\leq 0.05$ ). The result is consistent with a study by Demo and et. al., (2002), Ivancevish (2014) and Armstrong (2003) that compensation and benefits are defined as human resource practice in rewarding employees' performance and competence via remuneration and incentives. From this research, compensation and benefit were significantly related to employee retention.

The plausible reason to this is because employees will remain in an organisation if they are rewarded accordingly and they may leave if they are poorly rewarded. Specifically, total rewards received such as wage, fringe benefits, perks and commissions may influence an employee's decision to leave the organisation or to stay. In other words, the higher the wages an employee receives from the organisation, the higher the probability for them to retain in their respective company.

An organisation can only be successful in its retentions strategy if it offers competitive, market-related pay, and benefits because this motivates employees to become committed to the organisation (Lockwood & Walton, 2008). Therefore, it could be concluded that compensation and benefits play as significant predicting role in ensuring employee retention.

## 5.6 Implications of Research Finding

This study offers several important theoretical and practical implications based on the findings.

### 5.6.1 *Theoretical Implications & Practical Implication*

This study provides additional empirical evidence in the employee retention literature by providing meaningful finding on the influence of employee involvement, work condition and compensation and benefits as its predictors.

The researcher adopted Social Exchange Theory (SET) to understand the link between the theoretical paradigm and variables of the study that contribute additional empirical evidence in this study. Social Exchange Theory indicated that human relations and their social behaviour are embedded in an exchange process. In a working environment, people weigh the risks and rewards. The theory applied in this study has been found to be instrumental in determining the success of determining the employee retention among the manufacturing workers.

As for the practical implication, the result of this study indicates that the employee involvement and good practices of compensation and benefits can help to increase employee retention among manufacturing workers. The findings of this study are considered to have made a significant contribution for human resources practitioners in the workplaces, particularly in terms of compensation and benefits and employee involvement.

### **a. Limitation of Study**

During the research, certain limitations were there, such as the availability of time to conduct the research for obtaining the required data. Time was one of the limitations faced as it has restricted researcher to add more information about the importance of this topic. Another limitation was the access to data that was to be collected from various organisations. The information gathered was difficult to acquire since the employees of some organisations were hesitant to share their true opinions. Therefore, the researcher took special care of the ethical aspect related to the research by ensuring respondents that their responses will be anonymous and confidential to which no one will have the access. Other than that, the result of this study could not be generalised to a larger population due to the fact that the sample was limited to the manufacturing workers in the northern region of Peninsular of Malaysia. Other than that, the researcher also has difficulties in determining which variables to choose that relates to new model of human resource been practices and therefore has select these three as independent variables.

### **5.8 Suggestion for Future Research**

From the findings and discussion, future research may focus on the expansion of the sample size. By using a larger population, not only in the Northern Region but also entire Malaysia. Nowadays, other industries also faced hardships due to the instable economy in this country. By maximising the population, other industries will able to improve their situation by surviving the economic downturn for a longer period. Other than that, future studies could indicate other incorporate predictors such as job satisfaction, organisational attractiveness, organisational

support, and person organisation fit, as well as several other variables are of great influence on the extent to which organisations can actually retain their employees.

## **5.9 Conclusion**

In conclusion, the present study focused on determining the influence of employee involvement, work conditions and compensation and benefits on employee retention. The finding of this study revealed that the independent variables namely employee involvement and compensation and benefits have a positive and significant relationship on employee intention to stay while work conditions have negative and insignificant relationship on employee retention. Overall, all objectives were answered and provide support and better insight the management team and also the HR practitioners of manufacturing based companies to have effective HR practices could increase employee retention within manufacturing companies in Northern Region.

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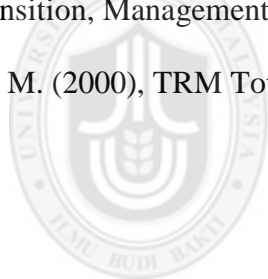
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## **A STUDY ON EMPLOYEE RETENTION**

DEAR PARTICIPANT,

THANK YOU FOR AGREEING TO PARTICIPATE IN THIS RESEARCH.

I AM A MASTER STUDENT OF THE UNIVERSITI UTARA MALAYSIA, KEDAH. I AM CURRENTLY CONDUCTING A RESEARCH ON EMPLOYEE RETENTION AMONG EMPLOYEES IN MANUFACTURING INDUSTRY IN THE NORTHERN REGION OF PENINSULAR MALAYSIA. THEREFORE, I WOULD APPRECIATE IF YOU COULD ANSWER ALL OF THE QUESTIONS IN THE SURVEY. YOUR RESPONSES WILL INFLUENCE THE ACCURACY AND SUCCESS OF THE RESEARCH. IT WILL TAKE LESS THAN 10 MINUTES TO COMPLETE THE QUESTIONNAIRE. PLEASE NOTE THAT RESPONSES GATHERED WILL BE TREATED AS CONFIDENTIAL AND WILL BE USED FOR ACADEMIC PURPOSES ONLY.

IF YOU HAVE ANY QUESTIONS REGARDING THIS RESEARCH, YOU MAY FORWARD THEM TO ME AT THE FOLLOWING EMAIL ADDRESS: [shaliza2200@gmail.com](mailto:shaliza2200@gmail.com)

THANK YOU FOR YOUR TIME AND COOPERATION IN ANSWERING THIS QUESTIONNAIRE.

SINCERELY,

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## **KAJIAN TERHADAP PENGEKALAN PEKERJA**

TUAN/PUAN,

TERIMA KASIH KERANA SUDI MENYERTAI KAJIAN INI.

SAYA MERUPAKAN PELAJAR IJAZAH SARJANA DARI UNIVERSITI UTARA MALAYSIA, KEDAH. SAYA SEDANG MENYELUSILAH KAJIAN TENTANG PENGEKALAN PEKERJA DALAM INDUSTRI PEMBUATAN DI UTARA SEMENANJANG. SEHUBUNGAN ITU, SAYA AMAT MENGHARGAI JIKA TUAN/PUAN DAPAT MENJAWAB SEMUA SOALAN DAN PERTANYAAN. MEMANDANGKAN MAKLUMAT YANG DIBERI OLEH TUAN/PUAN AKAN MEMPENGARUHI KEPADA KEJAYAAN KAJIAN INI. UNTUK MAKLUMAN, KAJIAN INI AKAN MENGAMBIL MASA DALAM 15 MINIT. JIKA TUAN/PUAN ADALAH DIANGGAP SULIT DAN SEMUA MAKLUMBALAS YANG DIPEROLEHI AKAN DIGUNAKAN UNTUK TUJUAN AKADEMIK SAHAJA.

JIKA TERDAPAT SEBARANG PERTANYAAN BERKAITAN KAJIAN INI, TUAN/PUAN BOLEH MENGHUBUNGI SAYA MELALUI MAKLUMAT YANG TERTERA.

TERIMA KASIH DI ATAS MASA DAN KERJASAMA YANG DIBERIKAN OLEH PIHAK TUAN/PUAN DALAM MELAKSANAKAN KAJIAN INI.

YANG BENAR,

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**SECTION 1**  
**BAHAGIAN 1**

**INSTRUCTION: WITH REFERENCE TO THE CURRENT ORGANIZATION THAT YOU ARE WORKING FOR, PLEASE INDICATE THE LEVEL OF AGREEMENT TO THE FOLLOWING STATEMENT BY CIRCLING THE APPROPRIATE NUMBER IN THE SCALE.**

**ARAHAN: Merujuk kepada organisasi yang anda bekerja sekarang, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang bersesuaian dalam skala yang diberikan.**

No. Bil.		Strongly disagree Sangat Tidak Setuju	Disagree Tidak Setuju	Moderate Sederhana	Agree Setuju	Strongly agree Sangat Setuju
1.	THIS ORGANIZATION TREATS ME WITH RESPECT AND ATTENTION. <i>Organisasi ini melayan saya dengan rasa hormat dan prihatin.</i>		2	3	4	5
2.	THIS ORGANIZATION IS CONCERNED WITH MY WELL-BEING. 1 <i>Organisasi ini mengambil berat tentang kesejahteraan saya.</i>		2	3	4	5
3.	THERE IS AN ENVIRONMENT OF UNDERSTANDING AND CONFIDENCE WITHIN MANAGERS AND EMPLOYEES IN THIS ORGANIZATION. <i>Terdapat persefahaman dan keyakinan di antara pengurus dan pekerja dalam organisasi ini.</i>		2	3	4	5
4.	THIS ORGANIZATION RECOGNIZES THE WORK I DO AND THE RESULTS I ACHIEVE (E.G. THROUGH ORAL COMPLIMENTS, ARTICLES IN CORPORATE BULLETINS, ETC.) <i>Organisasi ini mengiktiraf kerja yang saya lakukan serta hasil kerja yang telah saya capai (contohnya melalui pujian lisan, artikel dalam buletin korporat, dan lain-lain).</i>		2	3	4	5
5.	THIS ORGANIZATION FAVORS AUTONOMY IN DOING TASKS AND MAKING DECISIONS. <i>Organisasi ini mengutamakan autonomi atau kebebasan dalam melakukan tugas-tugas dan membuat keputusan.</i>		2	3	4	5
6.	THIS ORGANIZATION SEEKS TO MEET MY NEEDS AND PROFESSIONAL EXPECTATIONS. <i>Organisasi ini berusaha untuk memenuhi keperluan dan jangkaan professional saya.</i>		2	3	4	5

**INSTRUCTION: WITH REFERENCE TO THE CURRENT ORGANIZATION THAT YOU PLEASE INDICATE THE LEVEL OF AGREEMENT TO THE FOLLOWING STATEMENT BY CIRCLING THE APPROPRIATE NUMBER IN THE SCALE**

**ARAHAN: Merujuk kepada organisasi semasa anda, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang bersesuaian dalam skala yang diberikan.**

No. Bil.		Strongly disagree Sangat Tidak Setuju	Disagree Tidak Setuju	Moderate Sederhana	Agree Setuju	Strongly agree Sangat Setuju
7.	<p>IN THIS ORGANIZATION, EMPLOYEES AND THEIR MANAGERS ENJOY A CONSTANT EXCHANGE OF INFORMATION IN ORDER TO PERFORM THEIR DUTIES PROPERLY.</p> <p><i>Dalam organisasi ini, pekerja dan pengurus gemar bertukar-tukar maklumat dalam melaksanakan tugas mereka dengan lebih baik.</i></p>		2	3	4	5
8.	<p>THIS ORGANIZATION ENCOURAGES MY PARTICIPATION IN DECISION MAKING AND PROBLEM-SOLVING.</p> <p><i>Organisasi ini menggalakkan penglibatan saya dalam pembuatan keputusan dan penyelesaian masalah.</i></p>		2	3	4	5
9.	<p>THERE IS AN ENVIRONMENT OF TRUST AND COOPERATION AMONG COLLEAGUES IN THIS ORGANIZATION.</p> <p><i>Terdapat persekitaran saling mempercayai dan kerjasama di antara rakan sekerja dalam organisasi ini.</i></p>		2	3	4	5
10.	<p>THIS ORGANIZATION ENCOURAGES INTERACTION AMONG ITS EMPLOYEES (FOR INSTANCE THROUGH SOCIAL GATHERING, SOCIAL EVENTS, SPORTS EVENT, ETC.)</p> <p><i>Organisasi ini menggalakkan interaksi di antara para pekerja. (contohnya melalui majlis sosial, acara sosial, acara sukan, dan sebagainya)</i></p>		2	3	4	5
11.	<p>THIS ORGANIZATION FOLLOWS UP ON THE ADAPTATION OF EMPLOYEES TO THEIR FUNCTIONS.</p> <p><i>Organisasi ini mengambil tahu tentang penyesuaian pekerja dengan fungsi pekerjaan mereka.</i></p>		2	3	4	5
12.	<p>THERE IS A CONSISTENCY BETWEEN DISCOURSE AND MANAGEMENT PRACTICE IN THIS ORGANIZATION.</p> <p><i>Terdapat konsistensi di antara wacana dan amalan pengurusan dalam organisasi ini.</i></p>		2	3	4	5

**INSTRUCTION: WITH REFERENCE TO THE CURRENT ORGANIZATION THAT YOU ARE WORKING, THE LEVEL OF AGREEMENT TO THE FOLLOWING STATEMENT BY CIRCLING THE APPROPRIATE NUMBER IN THE SCALE**

**ARAHAN: Merujuk kepada organisasi semasa anda, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang bersesuaian dalam skala yang diberikan.**

No. Bil.		Strongly disagree Sangat Tidak Setuju	Disagree Tidak Setuju	Moderate Sederhana	Agree Setuju	Strongly agree Sangat Setuju
1.	THIS ORGANIZATION PROVIDES BASIC BENEFITS (CAR, HEALTH, TRANSPORTATION ASSISTANCE, FOOD AID, ETC.) <i>Organisasi ini menyediakan faedah-faedah asas (contohnya perubatan, kemudahan pengangkutan, bantuan makan, dan sebagainya)</i>		2	3	4	5
2.	THIS ORGANIZATION HAS PROGRAMS OR PROCESSES THAT HELP EMPLOYEE COPE WITH INCIDENTS AND PREVENT WORKPLACE ACCIDENTS. <i>Organisasi ini mempunyai program atau proses yang dapat membantu pekerja menghadapi insiden dan mencegah kemalangan di tempat kerja.</i>		2	3	4	5
3.	THIS ORGANIZATION CONCERNED WITH THE SAFETY OF THEIR EMPLOYEES BY HAVING ACCESS CONTROL OF PEOPLE WHO ENTER THE COMPANY BUILDING. <i>Organisasi ini mengambil berat soal keselamatan pekerja dengan mempunyai kawalan terhadap akses bagi orang yang masuk ke dalam bangunan syarikat.</i>		2	3	4	5
4.	THIS ORGANIZATION PROVIDES ADDITIONAL BENEFITS (E.G. MEMBERSHIP IN GYMS, COUNTRY CLUBS, AND OTHER ESTABLISHMENTS, ETC.) <i>Organisasi ini menyediakan faedah tambahan (contohnya keahlian gim, kelab and lain-lain)</i>		2	3	4	5
5.	THE FACILITIES AND PHYSICAL CONDITIONS (LIGHTING, VENTILATION, NOISE AND TEMPERATURE) IN THIS ORGANIZATION ARE ERGONOMIC, COMFORTABLE AND APPROPRIATE. <i>Kemudahan dan keadaan fizikal (pencahayaan, pengudaraan, bising dan suhu ) dalam organisasi ini adalah ergonomik, selesa dan bersesuaian.</i>		2	3	4	5
6.	THIS ORGANIZATION IS CONCERNED WITH MY HEALTH AND QUALITY OF LIFE. <i>Organisasi ini mengambil berat tentang kesihatan dan kualiti kehidupan saya.</i>		2	3	4	5

**INSTRUCTION: WITH REFERENCE TO THE PRACTICES IN THE ORGANIZATION THAT YOU ARE , PLEASE INDICATE THE LEVEL OF AGREEMENT TO THE FOLLOWING STATEMENT BY CIRCLING THE APPROPRIATE NUMBER.**

**ARAHAN: Merujuk kepada amalan dalam organisasi yang anda bekerja sekarang, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang bersesuaian dalam skala yang diberikan.**

No. Bil.		Strongly disagree Sangat Tidak Setuju	Disagree Tidak Setuju	Moderate Sederhana	Agree Setuju	Strongly agree Sangat Setuju
1.	I GET INCENTIVES SUCH AS PROMOTIONS, COMMISSIONED FUNCTIONS, AWARDS, BONUSES. <i>Saya menerima insentif seperti kenaikan, komisen, anugerah, dan bonus.</i>		2	3	4	5
2.	MY SALARY IS INFLUENCED BY MY RESULTS. <i>Gaji saya dipengaruhi oleh hasil kerja saya.</i>	1	2	3	4	5
3.	THIS ORGANIZATION OFFERS ME A SALARY THAT IS COMPATIBLE WITH MY SKILLS, TRAINING AND EDUCATION. <i>Organisasi ini menawarkan gaji yang setimpal dengan kemahiran, latihan, dan kelulusan akademik saya.</i>		2	3	4	5
4.	THIS ORGANIZATION REMUNERATES ME ACCORDING TO REMUNERATION OFFERED AT EITHER THE PUBLIC OR PRIVATE MARKETPLACE LEVELS. <i>Oganisasi ini membayar saya berdasarkan aras gaji yang ditawarkan dalam sektor swasta atau sektor awam.</i>		2	3	4	5
5.	THIS ORGANIZATION CONSIDERS THE EXPECTATIONS AND SUGGESTIONS OF ITS EMPLOYEES WHEN DESIGNING A SYSTEM OF EMPLOYEE REWARDS. <i>Organisasi ini mengambilkira jangkaan dan cadangan dari pekerja dalam merekabentuk sistem ganjaran pekerja.</i>		2	3	4	5

**INSTRUCTION: WITH REFERENCE TO YOURSELF, INDICATE THE LEVEL OF AGREEMENT TO THE FOLLOWING BY CIRCLING THE APPROPRIATE NUMBER IN THE SCALE GIVEN**

**ARAHAN: Merujuk kepada diri anda, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang bersesuaian dalam skala yang diberikan.**

No. Bil.		Strongly disagree Sangat Tidak Setuju	Disagree Tidak Setuju	Moderate Sederhana	Agree Setuju	Strongly agree Sangat Setuju
1.	I AM PLANNING ON WORKING FOR ANOTHER COMPANY WITHIN PERIOD OF THREE YEARS. <i>Saya bercadang untuk bekerja dengan organisasi lain dalam tempoh masa tiga tahun lagi.</i>		2	3	4	5
2.	WITHIN THIS COMPANY, MY WORK GIVES ME SATISFACTION. <i>Pekerjaan saya dalam organisasi ini memberi kepuasan.</i>		2	3	4	5
3.	IF I WANTED TO DO ANOTHER JOB OR FUNCTION, I WOULD TAKE IT FIRST AT THE POSSIBILITIES WITHIN THIS COMPANY. <i>Sekiranya saya ingin melakukan pekerjaan atau fungsi yang lain, saya akan mencari peluang dalam organisasi ini terlebih dahulu.</i>		2	3	4	5
4.	I SEE A FUTURE FOR MYSELF WITHIN THIS COMPANY. <i>Saya dapat melihat masa depan saya dalam organisasi ini.</i>	1	2	3	4	5
5.	IT DOESN'T MATTER IF I'M WORKING FOR THIS COMPANY OR ANOTHER, AS LONG AS I HAVE WORK. <i>Saya tidak kisah samada saya bekerja dalam organisasi ini atau organisasi lain, asalkan saya mempunyai pekerjaan.</i>		2	3	4	5
6.	IF IT WERE UP TO ME, I WILL DEFINITELY BE WORKING FOR THIS COMPANY FOR THE NEXT FIVE YEARS. <i>Jika diberi peluang, saya pasti akan terus bekerja untuk organisasi ini untuk lima tahun lagi.</i>		2	3	4	5
7.	IF I COULD START OVER AGAIN, I WOULD CHOOSE TO WORK ANOTHER COMPANY. <i>Sekiranya dapat saya ulangi, saya akan memilih untuk bekerja dalam organisasi lain.</i>		2	3	4	5
8.	IF I RECEIVE AN ATTRACTIVE JOB OFFER FROM ANOTHER COMPANY, I WOULD TAKE THE JOB. <i>Sekiranya saya ditawarkan peluang pekerjaan yang menarik dari organisasi lain, saya akan menerima pekerjaan tersebut.</i>		2	3	4	5



9.	THE WORK I'M DOING IS VERY IMPORTANT TO ME. <i>Pekerjaan yang saya lakukan amat penting untuk saya.</i>	1	2	3	4	5
10.	I LOVE WORKING FOR THIS COMPANY. <i>Saya suka bekerja di organisasi ini.</i>	1	2	3	4	5
11.	I HAVE CHECKED OUT A JOB IN ANOTHER PREVIOUSLY. <i>Saya pernah mencari pekerjaan di organisasi lain sebelum ini.</i>	COMPANY	2	3	4	5

## SECTION 2 BAHAGIAN 2

THIS PART CONTAINS A FEW DEMOGRAPHIC INFORMATION PERTAINING TO YOURSELF. PLEASE TICK RESPONSES FOR ALL QUESTIONS OR WRITE YOUR RESPONSE IN THE SPACE PROVIDED.

*Bahagian ini mengandungi maklumat demografik berkenaan dengan diri anda. Sila tandakan (✓) pada jawapan untuk semua soalan atau tuliskan jawapan anda dalam ruangan yang disediakan.*

1) GENDER / *Jantina* :

- ( ) MALE *Lelaki*  
( ) FEMALE *Wanita*

2) AGE / *Umur* :

- ( ) 20-25 YEARS OLD *20-25 tahun*  
( ) 26-30 YEARS OLD *26-30 tahun*  
( ) 31-35 YEARS OLD *31-35 tahun*  
( ) 36-40 YEARS OLD *36-40 tahun*  
( ) ABOVE 40 YEARS OLD *40 tahun ke atas*

3) MARITAL STATUS / *Perkahwinan* :

- ( ) SINGLE *Bujang*  
( ) MARRIED *Berkahwin*  
( ) DIVORCED *Berceraai*  
( ) WIDOWED *Balu*

4) DEPARTMENT/ Jabatan:

- ( ) HUMAN RESOURCES / Sumber Manusia ( ) EHS / EHS  
( ) FINANCE AND ACCOUNTING / KEWANGAN DAN AKAUN ( ) OPERATIONS /  
( ) PURCHASING & PROCUREMENT / PEMBELIAN & PEROLEHAN / QUALITY /  
( ) INFORMATION TECHNOLOGY / Teknologi ( ) PROGRAM / Program  
( ) ENGINEERING / Kejuruteraan ( ) OTHERS / Please specify/  
( ) PLANNING / Perancangan Lain-Lain, sila nyatakan
- 

5) POSITION/ Jawatan :

- ( ) EXECUTIVE / Eksekutif  
( ) NON-EXECUTIVE / Bukan Eksekutif

6) LEVEL OF EDUCATION/ TAHAP PENDIDIKAN :

- ( ) SPM  
( ) STPM  
( ) CERTIFICATE / Sijil  
( ) DIPLOMA / Diploma  
( ) BACHELOR DEGREE / Ijazah Sarjana Muda  
( ) MASTER / Ijazah Muda  
( ) OTHERS / Lain-Lain ,  
PLEASE INDICATE / Sila nyatakan \_\_\_\_\_

7) MONTHLY INCOME/ Pendapatan Bulanan :

- ( ) LESS THAN / Kurang dari RM1, 000  
( ) RM1, 000 – RM3, 000  
( ) RM3, 001 – RM5, 000  
( ) ABOVE RM5, 000 / Lebih daripada RM5, 000

8) Work Experience / Pengalaman Kerja :

- ( ) LESS THAN 3 YEARS / Kurang dari 3 YEARS  
( ) 4 – 7 YEARS / 4 - Tahun  
( ) ABOVE 7 YEARS / Lebih 7 tahun

**THANK YOU FOR SPARING YOUR VALUABLE TIME TO COMPLETE THIS SURVEY**  
**Terima kasih kerana sudi untuk meluangkan masa untuk melengkapkan kaji selidik ini.**

## Appendix B : SPSS Outputs

### RELIABILITY TEST FOR ACTUAL STUDY

#### Employee Retention

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.832	.838	9

#### Employee Involvement

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.908	.908	8

#### Work Condition

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.785	.801	4

#### Compensation & Benefits

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.896	.897	4

EXPLORATORY FACTOR ANALYSIS

**Rotated Component Matrix<sup>a</sup>**

	Component			
	1	2	3	4
IVEI1			.808	.312
IVEI2			.770	.341
IVEI3		.411	.593	.313
IVEI4	.494	.412	.567	
IVEI5		.395	.657	
IVEI6	.362	.385	.683	
IVEI7		.723	.309	
IVEI8		.784		
IVEI9		.628		
IVEI10		.679		
IVEI11	.358	.541	.376	
IVEI12	.493	.581	.327	
IVWC 1				.764
IVWC 2				.773
IVWC 3			.392	.761
IVWC 4	.732			
IVWC 5	.361	.443		.392
IVWC 6	.527	.352		.391
IVCR1	.516			.564
IVCR2	.723		.309	
IVCR3	.736		.339	
IVCR4	.736	.326		
IVCR5	.739			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser

Normalization.

a. Rotation converged in 8 iterations.

**Rotated Component Matrix<sup>a</sup>**

	Component		
	1	2	3
IVEI1	.665		.433
IVEI2	.643		.444
IVEI5	.753		
IVEI6	.704	.378	
IVEI7	.734		
IVEI8	.773		
IVEI9	.601	.353	.302
IVEI10	.590		
IVWC 1		.324	.822
IVWC 2			.796
IVWC 3	.415		.788
IVWC 4		.747	
IVCR2	.349	.742	
IVCR3	.383	.772	
IVCR4		.773	
IVCR5		.760	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

	Component	
	1	2
DV1		.752
DV2	.760	
DV3	.795	
DV4	.826	
DV5	.356	.658
DV6	.782	
DV7		.767
DV8		.800
DV9	.563	
DV10	.846	
DV11		.738

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

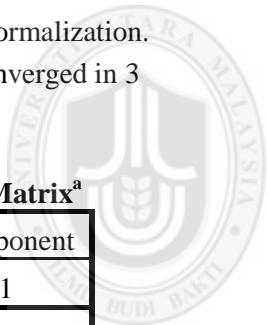
a. Rotation converged in 3 iterations.

**Component Matrix<sup>a</sup>**

	Component
	1
DV1	
DV2	.823
DV3	.746
DV4	.868
DV5	
DV6	.733
DV7	.442
DV8	.443
DV9	.492
DV10	.880
DV11	.408

Extraction Method: Principal Component Analysis.

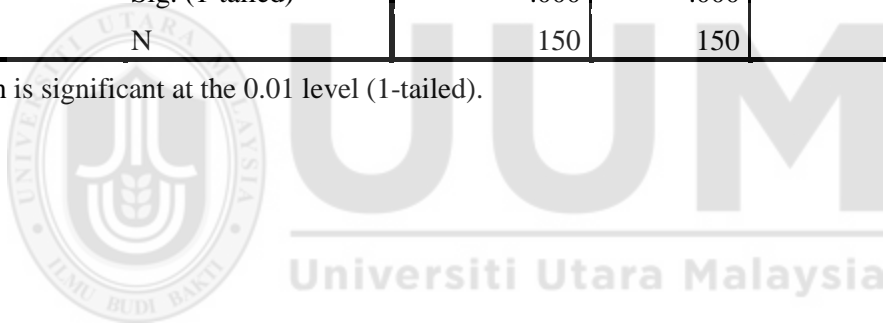
a. 1 components extracted.



## PEARSON CORRELATION

		Correlations			
		EmployeeInvo lvement	WorkCond	Compensation Benefits	EmployeeRete ntion
EmployeeInvolvement	Pearson Correlation	1	.686**	.702**	.659**
	Sig. (1-tailed)		.000	.000	.000
	N	150	150	150	150
WorkCond	Pearson Correlation	.686**	1	.677**	.570**
	Sig. (1-tailed)	.000		.000	.000
	N	150	150	150	150
CompensationBenefits	Pearson Correlation	.702**	.677**	1	.632**
	Sig. (1-tailed)	.000	.000		.000
	N	150	150	150	150
EmployeeRetention	Pearson Correlation	.659**	.570**	.632**	1
	Sig. (1-tailed)	.000	.000	.000	
	N	150	150	150	150

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



## REGRESSION ANALYSIS

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.705 <sup>a</sup>	.497	.487	.46326

a. Predictors: (Constant), CompensationBenefits, WorkCond, EmployeeInvolvement

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.939	3	10.313	48.055	.000 <sup>b</sup>
	Residual	31.333	146	.215		
	Total	62.273	149			

a. Dependent Variable: EmployeeRetention

b. Predictors: (Constant), CompensationBenefits, WorkCond, EmployeeInvolvement

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error				Beta	Lower Bound
1	(Constant)	.642	.217		2.964	.004	.214	1.071
	EmployeeInvolvement	.376	.090	.378	4.194	.000	.199	.554
	WorkCond	.107	.080	.116	1.328	.186	-.052	.265
	CompensationBenefits	.224	.069	.288	3.233	.002	.087	.361

a. Dependent Variable: EmployeeRetention