

## Human Resource Practices and Employee Retention in Manufacturing Industry

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**Abstract:** Manufacturing companies encountered the challenge to retain and hire the most talented workforce to maintain market leadership. Besides, the voluntary attrition rate in the year 2019 was 6.5% and manufacturing sectors in Malaysia had the highest turnover rate, which is 24%. A comprehensive understanding of the relationship between employee retention and human resource practices will help organizations to construct better verdicts to achieve their business goals. This study aims to determine the level of employee retention, human resource practices, and examine the relationship between human resource practice and employee retention. This study was conducted among 284 employees from manufacturing companies in Selangor. Quantitative approach had been employed and online data collection were sent by email. Descriptive analysis and Spearman correlation analysis were engaged to achieve the objectives. The results indicated there is a high level of employee retention and human resource practices among the manufacturing employees. The findings also showed a significant positive correlation between employee retention and human resource practices, thus supporting all the hypotheses. These results will give better guidance to the manufacturing organization and future researchers. It also helps the management in better understanding on how to manage human resources well, while also considering the employee retention scale.

**Keywords:** Human resource practices, Employee retention, Manufacturing

## 1. Introduction

In the past few decades, the path human resource functions are handled within the organization has undergone tremendous changes (Lawler, 2005). The turnover of skilled workers is a main deal for managers and executives because of changing labor costs and lower productivity (Azeez, 2017). Organizations cannot generate business results to meet their financial objectives without skilled workers to achieve the organization's goal. Large number of organizations admit the importance of human resources in achieving business goals. Consequently, employee turnover had become a major and most costly business obstacle a company may encounter (Taylor, 2002). Since the 1990s, Malaysia's manufacturing industry has begun to grow steadily. The workforce is an integral part of organizations, so employees are often regard as the primary value in the organization (Francis, 2014). How to acquire and retain the utmost talented employees to be able to remain as market leaders are the challenges that encountered by manufacturing companies (Hee *et al.*, 2018). Therefore, for any organization with a highly skilled workforce, the reduction of employee turnover through a capable retention way is the most striking field.

Employee retention is an appearance, which has attracted the wariness of many organizations (Hong *et al.*, 2012). This is because when high-performing employees leave the organization, it can cause serious problems for the company. For example, when excellent employees choose to leave, organizations face adverse consequences, including reduced productivity and efficiency, rising costs, and threats to the organization's long-term sustainability and survivability (Beach *et al.*, 2003). According to Samuel and Chipunza (2009), turnover happened as workers quit their jobs and the company needs to find new workers to replace them, which results to require organizations to pay for costs. In view of this, Khan and Aleem (2014) indicated that to retain the most capable employees has been a significant challenge for employers. For example, due to the high turnover rate, making employee retention more difficult for managers to respond more effectively to the challenges faced by the organization (Arnold, 2005). Besides that, retaining valuable subordinates is crucial for employers and firms to encounter the fierce competition globally because the ability of one worker cannot be inherited or shared by another new worker (Ezaili Alias *et al.*, 2018). Employee turnover is a crucial issue for organizations. Companies in Southeast Asian countries like Cambodia, Vietnam, and Thailand have begun hiring skillful employees from Malaysia as expats in their countries (Hee *et al.*, 2018). This is because when employing local and foreign workers that have specialization in certain or multiple undertakings, foreign companies can increase the productivity through specialization (Amuedo-Dorantes & De la Rica, 2011). Besides, foreign employees possess exceptional skills and experiences that stimulate their business or industry performance (Jordaan, 2018).

Due to the impact of globalization, competition for top talent is not only in the region but also in the Asia-Pacific region (Hee *et al.*, 2018). In the Asia-Pacific region, globalization has led to rapid growth in international goods, portfolio capital, and direct investment. According to Rajan (2013), with the rapid growth of globalization, the phenomenon of employee turnover pushes companies to involve in the competition with other organizations to retain their greatest talent. To make sure that the organization continues to grow in the global competitive market, the company does not be aware that its mission has expanded the level of work stress to the workers but also brings the burden to the workers. Companies in Southeast Asian countries like Cambodia, Vietnam, and Thailand have begun hiring skillful employees from Malaysia as expats in their countries (Hee *et al.*, 2018). This is because when local workers and foreign workers specialize in various tasks and jobs, foreign companies can increase the productivity of the company through specialization (Amuedo & De la Rica, 2011). Besides that, there is limited research that has tested the hypothesis that for foreign countries, foreign workers have special skills and experiences that directly promote their business or industry performance (Jordaan, 2018). When an organization losing a specialized team member or staff can cause great affliction, increase job stress, and reduce employee morale, this may be a challenge to retain and hire a skilled employee (Francis, 2014). Internally, it affects organizational costs, organizational

dissatisfaction, employee morale, and poor performance in the operation. Externally, this will bring damage to the image of the organization and the overall performance of the organization (Ezaili Alias *et al.*, 2018). As such it is crucial for people at the helm of human resource departments in the manufacturing companies to realize their current situation and employee mentality to formulate effective policies to help the company retain workers and minimize turnover (Hee *et al.*, 2018).

Furthermore, Malaysia is not exempt from this phenomenon as recent survey reports say that regardless of company size or market size, retaining precious employees is the biggest and major concern among Malaysian employers (JobStreet, 2016). In addition, Malaysia's involuntary turnover rate in Southeast Asia in year 2015 was second highest at 6.0% and at 9.5% as the third highest in voluntary rate. (HR in Asia, 2015). This is a worrying trend because of an involuntary resignation, such as a dismissal by an employer, or voluntarily, such as a resignation, the cost of turnover may be high, and may adversely affect the organization. The situation where workers in the private sector change over to another job is called "job-hopping" (Ezaili Alias *et al.*, 2018). Job-hopping occurs when employees are constantly changing jobs, and one of the reasons is because organizations are unable to meet employee needs and makes it difficult for employees to work in the current organization (Kong, 2015). A study by the Global Workforce Study indicates the increasing turnover rates (36% in 2015 and 29% in 2012) and most job-hoppers prefer to resign within two years (Ezaili Alias *et al.*, 2018). Moreover, The Sun Daily reported that Malaysia's human resources (HR) practice must adapt the 2 ½ years as the average turnover time per person (Yeong, 2017). As such, added outcomes from further studies are needed to resolve employee turnover's issue to avoid detrimental costly damage to the organization (Hussein Alkahtani, 2015).

In addition, the results of the survey in Malaysia's general industry in 2013 by General Industry Total Rewards Survey showed 13.2 % in 2013 turnover uptrend rate as against to 12.3 % in 2012 (Towers Watson, 2013). Furthermore, the rate increased from 13.2% in 2014 to 14.3% in 2015 or 1.1% increment, due to higher turnover of the manufacturing business group (Mystarjob, 2013). In fact, manufacturing sectors had a higher turnover rate, which is 24%, followed by corporate group, which is 14.0% and financial services sectors about 13.3% (Hee & Ann, 2019). This is because the primary reasons for the high turnover of the Malaysian industry is that in spite of global economic uncertainty, workers still believe that the economy will still remain stable in their country (Towers Watson, 2013). As such, the productivity will be affected and the company will incur higher costs (Butali *et al.*, 2014). Moreover, Malaysian affiliates abroad turnover in 2017 was RM324.2 billion, compared with RM281 billion in 2013. The average annual growth rate for the five years was 3.3%. In fact, the increase in the turnover was largely supported by services sector, which recorded as 62.7%, followed by manufacturing sector, which is 23.9%, mining and quarrying sector, which is 7.9%, agriculture sector, which is 3.57%, and construction sector about 1.91% (Department of Statistics Malaysia, 2019). In all industries, the voluntary attrition rate in the year 2019 was 6.5% with the consumer products industry in Malaysia presented 8.4% which is the highest rate of voluntary turnover (The Malaysian Reserve, 2019).

In this aspect, human resource practices could reduce employee turnover because when workers believe that organizations are providing positive human resource practices, they find that employee turnover intentions are reduced (Slattery & Selvarajan, 2005). The main reasons why workers leave Asian organizations was manager interactions, fierce compensation, job security and unambiguous career paths (The Malaysian Reserve, 2019). In addition, Branham (2005) found the seven (7) major causes that lead workers renounce their existing job; recognition scarcity, underpaid, inadequate employment, restricted career development, substandard management practices, governance distrust, and imbalance working ethos. These factors are attentively associated with the practices in managing human resource. Therefore, the correlation between employee retention and human resource practices must be digested comprehensively to assist organizations construct better verdicts to maintain good economic levels or resources to finally achieve their business goals. All these efforts will help organizations to get the best business advantages and carry on providing job opportunities as well as

offering career development for all staffs (Francis, 2014). Therefore, the primary objective of this paper is to ascertain the intensity level of employee retention and human resource practices together with the relationship between human resource practices towards employee retention. Data are collected from among the employees in manufacturing companies in Selangor. There are four (4) dimensions which include training and development, recruitment and selection, performance appraisal, and compensation (Olaimat & Awwad, 2017). This study will only cover the human resource practices as listed above because these factors are considered to have a large influence in retaining and motivating workers, and are responsible for increasing the firm's continued competitive advantage (Olaimat & Awwad, 2017).

## 2. Literature Review

### 2.1 Overview of Manufacturing Company

Manufacturing company is defined as companies involved in the conversion of materials, materials or components mechanically, physically or chemically into new products (Levinson, 2017). So far, the development of the manufacturing industry has remained largely dependent on research on new manufacturing processes and materials and product development. Manufacturing plays a significant part in the enhancement and prosperity of developing countries. It is reflected in its involvement in gross domestic product (GDP), foreign trade, and job creation. Malaysia's economic performance is propelled by manufacturing sector (Dogan & Koi, 2010). Manufacturing employs vast use of equipment, arrays of raw materials, workforce and machinery for the manufacture of goods (Surbhi, 2015). From January 2020 to March 2020, the sales value of the manufacturing industry increased by 2.2%, which is RM339.4 billion compared to the same period in 2019, which is RM332.1 billion (Department of Statistics Malaysia, 2020). In this paper, a survey to the employees in the manufacturing companies in Selangor will be conducted by the researcher.

### 2.2 Employee Retention

Employee retention is a term for long-term adherence to a variety of organizational policies and practices (Francis, 2014). Employee retention is the company's responsibility to achieve its business goal of retaining an attractive workforce with a specific end goal (Azeez, 2017). In general, employee retention is considered the most difficult problem faced by business leaders facing challenges due to factors such as insufficient skilled workers, employment turnover, and economic growth (Olaimat & Awwad, 2017). Previous studies have suggested that employee's retention is significant associated by work environment in Malaysia manufacturing company, because the result shows the existence of positive correlation between employee retention and working environment (Foong *et al.*, 2015). Furthermore, a study by Chandrakantan *et al.* (2019) showed that performance management, reward and praise are important retention factors. Lee *et al.* (2015) found out that effective reward system is positively related to employee retention. Rewards are very crucial because it can give a major impact on staffs and incessantly maintaining the thought that the employees are appreciated by the companies (Silbert, 2005).

### 2.3 Human Resource Practices

Human resource practice refers to the personnel management within the organization's internal environment, including activities related to the retention, evaluation, maintenance, utilization, planning, procurement, and development of a number of workers and appropriate skills groups to achieve activities aims and objective (Jeet & Sayeeduzzafar, 2014). Human resource practices for retaining workers are very impelling, reflecting the relationship between employee incentives and retention by identifying, analyzing, and criticizing workers' motivational theories (Ramlall, 2004). Previous study shows the practices have a substantial influence on organizational modernization in Malaysia manufacturing company (Tan & Nasurdin, 2011). The knowledge management effectivity constitutes

a primary part in understanding the relationship between the practices and the organizational innovation. Referring to the previous studies conducted on turnover intention and human resource practices in Malaysia manufacturing company, it indicated a major relationship between turnover intentions with human resource practices (Hee *et al.*, 2018). If an organization wants its employees to grow their careers in the organization over the long term, then they should not be taken lightly (Hee *et al.*, 2018). It can be concluded that the human resource practices in Malaysia manufacturing company can be a major impact to the company on employee performance, loyalty, organization innovation, and turnover. The human resource managers can use these findings to upgrade their human resource practices to maintain competitive advantages in the organization. In this study, there are four dimensions that will be measured under the human resource practices; training and development, recruitment and selection, performance appraisal, and compensation.

*(a) Training and development*

Training can refer to a tool to gain and develop all the skills, attitudes, and knowledge needed by employees to improve employee performance in completing a job (Lee *et al.*, 2015). Training is to acquire skills and knowledge that can be used immediately (Kraiger & Ford, 2007). Instead, development refers to the sustained learning and techniques development as well as knowledge to withstand the influence of external circumstances on the organization (Cheah *et al.*, 2014). Referring to a study conducted by Schmidt (2007) on 301 customer relationship representatives in the United States and Canada, and this review uses simple linear regression to illustrate that training and development is positively influence the overall job satisfaction. Furthermore, a study has proven that between training and development and organizational achievement exist a major relationship (Al-Qudah *et al.*, 2014). Therefore, training programs need to be implemented to improve the potency of employees.

*(b) Recruitment and selection*

Recruitment refers to a procedure of collecting competent candidates for vacant positions in the organization and deciding whether to enlist qualified candidates or to dismiss them (Mathis & Jackson, 2004). According to past study, the result shows a major positive correlation between recruitment and the selection process and organizational accomplishment (Gberevbie, 2010). Performance of an organization can be enhanced by the importance of appropriate recruitment and retention strategies. Jha and Bhattacharyya (2012) had conducted a study and found that the selection process must be strengthened so that the company can exert a pull on the most capable and conceivable work talents. An efficient process can help increasing job satisfaction because good experience is pleasantly remembered and provides a good start working experience (Jha & Bhattacharyya, 2012). Besides, research shows that workers are more satisfied with the recruitment and selection practices than other practices that require a lot of attention and improvement. The willingness of employees to stay and promise much depends on the value and recognition given to employees by the organization (Khan, 2018). It is concluded that recruitment and selection is among the most appropriate practices in the organization to serve an important role in employee retaining, as it can enhances and attracts the most skillful and potential employee.

*(c) Performance appraisal*

Performance appraisal in human resource practices is a system for reviewing and evaluating the individual or teamwork performance (Mondy, 2010). Ahmad *et al.* (2010) stated that this system is used primarily to evaluate, manage, and improve employee performance. Kim and Holzer (2014) found that the implementation of performance appraisals in development has significant positively to increasing employee acceptance. This is because performance appraisals include external motivational factors and are associated with external rewards such as salaries increased. Additionally, performance appraisal system details are used as communication can lead to high performance between organizations and employees (Abdullah *et al.*, 2011). Kuvaas (2006) research had come out with a result that performance

appraisal method that satisfies the employees encourages the employees to stay. Furthermore, previous study suggested that an organization focused on performance appraisal can improve employee satisfaction and boost morale which result in reducing the number of employees leaving the firm (Selden & Jessica, 2011). Based on the above discussion and study by previous researcher, it can be concluded the usefulness of performance appraisal as a tool that can assist to determine the staffs' potential and evaluate employees' performance.

#### *(d) Compensation*

Compensation is the key strategic areas that influence the organization by the potential of employers to attract and retain employees and ensure that employees reach the highest level of performance to achieve the organization's strategic mission and vision (Mello, 2014). Compensation is incentives for employers to provide financial or non-financial benefits to their employees according to job performance requirements (Patnaik & Padhi, 2012). Based on the study that conducted by Velnampy (2006), he found that workers at different levels had different views on compensation. For instance, lower-level workers require more financial compensation, while higher-level workers required non-financial compensation, such as work-life achievement and work-life balance more. Interestingly, previous study stated that when workers benefit from their efforts, workers are more likely to stay (Hameed *et al.*, 2014). While if workers feel that their pay is unfair, it will create greater dissatisfaction among workers. The reason why talent leaves an organization is that talent conceives that they have more occasion to gain more income in other organizations because money is usually the first option that employees consider when looking for a job (Scott, 2012). Therefore, it shows that compensation is a direct positive significant towards the retention of employees.

### 2.4 Relationship between Human Resource Practices Towards Employee Retention

#### *(a) Training and development with employee retention*

Referring to research conducted in Pakistan by Zahoor *et al.* (2015), the effect of human resource practices towards employee retention in the telecom sector was found to be positively significant. Olaimat and Awwad (2017) examine the connection between employee retention and human resource practices in Jordan also found the variables have a positive relationship. Moreover, Asiedu *et al.* (2013) had studied the effect of the human resource practices towards employee retention in Ghana mining sector and revealed a significant positive effect, so more trainings together with development plans have equipped them with the skills needed to work, and employees will need some time on training to adapt to the company's organizational culture needed to. Furthermore, Presbitero *et al.* (2016) looked into the HRM practices in enhancing employee retention in the Philippines' business process outsourcing (BPO) companies revealed that trainings and development plans are significantly related to employee retention, in which training programs should be oriented for employees to enhance employee retention. However, there was a study conducted by Francis (2014) showed differently that training and development had not possessed any significant relationship towards employee retention because the researcher found out that this practice had no impact for employee to decide to stay at current company. Nonetheless, majority of previous studied have proved that there is positive relationship between training and development with employee retention. Based on the above empirical findings, the hypothesis is proposed as follows:

H<sub>1a</sub>: There is a positive relationship between training and development with employee retention.

#### *(b) Recruitment and selection with employee retention*

Previous study that carried out by Olaimat and Awwad (2017) on the relationship between human resource practices towards employee retention showed positive relationship correlation between recruitment and selection with employee retention, as companies must ensure that the most suitable candidate for a job vacancy is taken to reduce employee inefficiencies and associated costs. Recruitment

and selection are positive related to employee retention because choosing the an ability employee is a way to gain competitive advantage and also decreased employee turnover (Kundu & Lata, 2017). According to a research on the effect of recruitment practices on employee retention in large scale firms by Chandrasekara and Perera (2016), it showed the recruitment and selection practices is positively linked with employee retention. Other studies such as in Kenya (Karemu *et al.*, 2014) and Indian banking sector (Vispute, 2013) both examined the effect of recruitment practices on employee retention have found a positive association between the variables. Contradicted to these findings, a study undertaken by Lee *et al.* (2015) on the relationship between human resource practices and employee retention in Malaysian industries showed differently which proved that recruitment and selection have no significant related to employee retention. Even though there are mixed findings, majority of the findings in previous studies proved the existence of a positive relationship between recruitment and selection with employee retention. Based on the above empirical findings, the following hypothesis is proposed:

H<sub>1b</sub>: There is a positive relationship between recruitment and selection with employee retention.

*(c) Performance appraisal with employee retention*

There are various past researchers had conducted various studies on the relationship between performance appraisal with employee retention. In the existence of a strong positive relationship between performance appraisal with employee retention, as to retain the best talent, effective performance a procedure should be enhanced (Gulzar *et al.*, 2017). A study on employee retention and human resource practices relationship in Malaysian industries showed a positive relationship because it is advisable for organizations to engage a fair evaluation system to retain their valuable staffs (Lee *et al.*, 2015). Similarly, Brown and Heywood (2005) emphasized that increasing human resource practices which include formal training and remuneration can boost the likelihood of performance appraisals, and that performance appraisals will have a greater influenced on employee retention. Furthermore, previous study show that performance appraisals are positive related to employee retention as it assures the workforces that the firm is obligated in fulfilling the demands and development of employees (Yi *et al.*, 2011). However, it was found that performance appraisal was not significantly related to employee retention in Maldives's retail industry (Imna & Hassan, 2015). Nonetheless, the majority findings proved the existence of a positive relationship between performance appraisal with employee retention. Based on the above empirical findings, the following hypothesis is proposed:

H<sub>1c</sub>: There is a positive relationship between performance appraisals with employee retention.

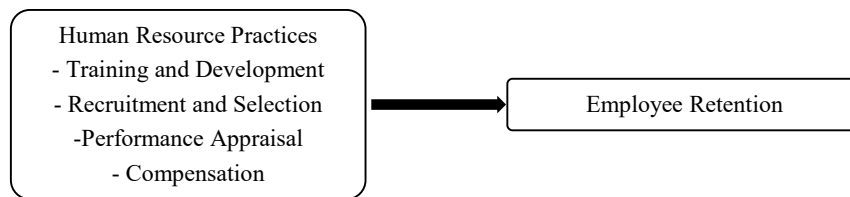
*(d) Compensation with employee retention*

According to the research conducted by Prabusankar (2017) on factors influencing the employee retention within manufacturing enterprise, the result showed that compensation is significant and positively influence employee retention. Previous study had stated that compensation and benefits are important for increasing the employee retention because the study has proved a positive link between compensation and employee retention (Francis, 2014; Imna & Hassan, 2015). A study in Pakistan pharmaceutical sector had found a significant correlation between the compensation practice and employee retention because when compensation is fair, organizations tend to retain employees (Saleem & Affandi, 2014). It is evident that compensation and reward are awarded to people who have important roles in the organization to maintain them in the organization. Other instances also indicated positive relationships between the compensation and the retention of workers because satisfactory compensation could increase employee retention (Lee *et al.*, 2015; Olaimat & Awwad, 2017). Therefore, if a company wants to retain employees, it may be helpful to incorporate reward-based performance into its organization. Most past findings have proved the existence of a positive relationship between compensation with employee retention, thus the following hypothesis is proposed:

H<sub>1d</sub>: There is a positive relationship between compensation with employee retention.

## 2.5 Research Framework

The research framework focuses on the correlation between human resource practices and employee retention. The Figure 1 depicts the framework which was previously developed by Olaimat and Awwad (2017) and is adopted for the study.



**Figure 1: Research framework**

## 3. Research Methodology

### 3.1 Research Design

Descriptive research was used in this study as a quantitative method that will use questionnaire as a tool to perform the survey. A quantitative method can be mentioned as calculations and measurement of items, including structured questionnaires, assessment scales, and structured observations on the correlation between human resource practices and employee retention.

### 3.2 Unit of Analysis

The unit of analysis shows the data should provide by what or who and at what level of unit of analysis in the study (Zikmund *et al.*, 2010). The unit of analysis that researcher will determine in this study is individual level. The employees in manufacturing company will be the individual level to provide the data. In this study, there are a high turnover rate in manufacturing sector that will affect employee retention and the reason is turnover occurs when employees leave their jobs. For this reason, data will be collected from each individual employee in manufacturing company to determine the survey.

### 3.3 Population and Sampling

The research population is the employees in manufacturing companies in Selangor. Based on the Monthly Manufacturing Statistics Malaysia, there were 2,257,273 employees in manufacturing industry in Malaysia in February 2020, and it has increased 1.2%, which is 27,541 employees compared to March 2019, which is 2,229,732 employees (Department of Statistics Malaysia, 2020). Therefore, the population of this study will be the 2,229,732 employees in manufacturing industries in Malaysia. However, due to certain constraints, this study focused only on manufacturing company located in Selangor. The study used non-probability sampling because sampling frame was not used to assign the population to be the subject in the sample. This study engaged convenience sampling. According to sample size tabulation that developed by Krejcie and Morgan (1970), 384 employees will be selected as respondents based on the population on employees in manufacturing sector. The higher the sampling size, the more accurate the data is.

### 3.4 Research Instrument

The researcher will utilize questionnaire techniques as research tool in data collection process. The questionnaire designed in a consistent or alternative way to reduce response time compared to observation and interview and simple for respondents to answer (Zikmund *et al.*, 2010). The items instrument is going to be measured in the research questionnaire using 5-point Likert scale. The four (4) dimensions of human resource practices are measured using 18 items developed by Olaimat and



Awwad, (2017). The four (4) dimensions consist of training and development (5 items), recruitment and selection (5 items), performance appraisal (4 items), and compensation (4 items). There are five (5) items in employee retention by Olaimat and Awwad (2017).

### 3.5 Data Collection

The primary data is a data collected firsthand through questionnaire survey. Questionnaires are used because it is a commonly used data collection method. It can update a large amount of information through the respondent. The online link of questionnaire form is distributed to the respondents through email. The secondary data is the most significant source of data because it needs to explain the subject of research and obtain the facts and findings of past research. The source of secondary data used in this study through Internet resources such as ProQuest, Science Direct, Google Scholar, Oxford journals, Research gates, Emerald, and many more while Mendeley was used to search and cite the journals and articles. The researcher will use email and online method to collect data in this study. Firstly, the researcher started to contact the manufacturing company through sending email to get a permission to do a survey in their company. The survey questionnaire forms were distributed to the employees of the company through online tool, Google form. The researcher will give the employees a week duration to answer the questionnaire form.

### 3.6 Data Analysis

Statistical Process for Social Science (SPSS) of Windows Version 22 was employed as a measuring tool to analyze the data that had been collected. Four (4) types of analyses were engaged which include descriptive analysis, reliability analysis, normality analysis, and correlation analysis. In the descriptive analysis, independent and dependent variables were later tabulated and subsequently analyzed as mean value. Mean is to measure the central tendency to see whether the mean value interpret at low ( $\mu = 1.00-2.40$ ), medium ( $\mu = 2.50-3.40$ ) or high level ( $\mu = 3.50-5.00$ ) (Oxford & Burry-Stock, 1995). Cronbach's alpha was measured using the range between 0 which is no consistency to 1 which is complete consistency. According to Zikmund *et al.* (2010), the  $\alpha$  value  $< 0.60$  is considered poor,  $0.60 \leq \alpha < 0.70$  as fair,  $0.70 \leq \alpha < 0.80$  as good and  $0.8 \leq \alpha < 0.95$  as very good. Two methods were used to test the normality of the results which are statistical method and graphical method. The statistical method includes Kolmogorov-Smirnov test and Shapiro-Wilk test, while graphical method such as histogram and scatter diagram. The purpose of the Kolmogorov-Smirnov test is to determine whether the distribution of values approaches the normal curve (Aldrich & Cunningham, 2016). According to Rahim (2013), if Sig (p-value)  $> 0.05$ , it represents a normally distributed data. While if Sig (p-value)  $< 0.05$  means the data are not normally distributed. Spearman or Pearson coefficient of correlation is used to determine the degree of relationship between two variables because the two variables are in interval scale. The coefficient ( $r$ ) is ranges from -1 to +1. If the value of  $r$  is -1.0, it represents as perfect negative linear relationship, and when the value of  $r$  is + 1.0, it represents as a perfectly positive linear correlation. No correlation between the variables if the value of  $r$  is equal to 0. Table 1 represents the rules of thumb in regards of the magnitude of correlation coefficient developed by Sekaran (2003).

**Table 1: Magnitude of Correlation Coefficient (Sekaran, 2003)**

Range of Correlation	Interpretation
+0.81 to +1.00 (-0.81 to -1.00)	Very Strong positive (negative) correlation
+0.61 to +0.80 (-0.61 to -0.80)	Strong positive (negative) correlation
+0.41 to +0.60 (-0.41 to -0.60)	Moderate positive (negative) correlation
+0.21 to +0.40 (-0.21 to -0.40)	Weak positive (negative) correlation
+0.01 to +0.20 (-0.01 to -0.20)	Very Weak positive (negative) correlation
0	No correlation

### 3.7 Pilot Study

Before the distribution of questionnaire, a pilot study was undertaken to gauge the reliability of the survey questionnaires. 30 respondents were chosen during the pilot study. The Cronbach's alpha value of employee retention is 0.799 which is good. The Cronbach's alpha value in training and development factor is 0.866, recruitment and selection is 0.827, performance appraisal is 0.845, and compensation is 0.814 which all represent very good internal consistency of the items measured. Since all the  $\alpha$  values are higher than 0.7 and it in between 0.7 and 0.9, so the level of reliability is considered as good and reliable (Zikmund *et al.*, 2010).

## 4. Results and Discussion

### 4.1 Response Rate

A total of 384 sets of questionnaires were distributed to the respondents. A total of 284 sets were responded and returned. The response rate of the study reflected is 73.96% as indicated in Table 2.

**Table 2: Response rate**

Population	Sample Size	Distributed Questionnaires	Returned Questionnaires	Percentage (%)
2,229,732	384	384	284	73.96

### 4.2 Demographic Analysis

The data results consist of 171 (60.2%) males and 113 (39.8%) of females. Majority of respondents are 20-30 years old, which are 132 (46.5%) respondents whereas the least number of respondents are 51 years old and above, which are only 11 (3.9%) respondents. Besides, there are 103 (36.3%) respondents with 31-40 years old and followed by 38 (13.4%) respondents within the range of 41-50 years old. There is large number of respondents who are Chinese, which is 141 (49.6%) followed by respondents who are Malay are 72 (25.4%) respondents, while 56 (19.7%) respondents are Indian. The results showed that there is 159 of respondents (56%) who are single whereas 125 (44%) of respondents are married. 120 (42.3%) of respondents have degree education. Followed by 91 (32%) of respondents have STPM or Diploma, while 73 (25.7%) of respondents are others in their highest education completed. There is no Master or PhD respondents in this study. The results indicated there is a highest number of respondents who have salaries of RM 1,501-RM 2,500 which is 96 (33.8%) of respondents, while 93 (32.7%) of respondents have RM 2,501-RM 3,500 of salaries. Followed by 54 (19%) of respondents have RM 3,501-RM 4,500 of salaries and 19 (6.7%) of respondents have RM 4,501-RM 5,500 of salaries. Furthermore, there is 13 (4.6%) of respondents have RM 5,501- RM 6,500 of salaries and 9 (3.2%) of respondents have above RM 6,500 of salaries. There are no respondents who have salary below RM 1,501. The results showed respondents who have 5 years and less work experiences are 93 (32.7%) respondents, while respondents who have 6-10 years' work experiences are 112 (39.4%) respondents. Followed by respondents who have 11-15 years are 54 (19%) of respondents and only 25 (8.8%) of respondents have 16 years and above of work experiences. The results showed there is majority of respondents are production employee, which is 217 (76.4%) respondents whereas minority of respondents are manager, which is 9 (3.2%) respondents. Followed by respondents who are head section, which is 39 (13.7%) respondents while 19 (6.7%) of respondents are assistance manager. The summary of demographic data can be referred to Table 3.

**Table 3: Demographic information**

Demographics	Items	Frequency (N=284)	Percentage (%)
Gender	Female	113	39.8
	Male	171	60.2
Age	20 - 30	132	46.5
	31 - 40	103	36.2
	41 - 50	38	13.4
	51 and above	11	3.9
Ethnicity	Malay	72	25.4
	Chinese	141	49.6
	Indian	56	19.7
	Others	15	5.3
Marital Status	Single	159	56
	Married	125	44
Education	STPM/Diploma	91	32
	Degree	120	42.3
	Master	0	0
	PhD	0	0
	Others	73	25.7
Basic Salary	Below RM 1501	0	0
	RM 1501 - RM 2500	96	33.8
	RM 2501 – RM 3500	93	32.7
	RM 3501 – RM 4500	54	19
	RM 4501 – RM 5500	19	6.7
	RM 5501 – RM 6500	13	4.6
	Above RM 6500	9	3.2
Work Experience	5 years and less	93	32.8
	6 – 10 years	112	39.4
	11 – 15 years	54	19
	16 years and above	25	8.8
Position	Manager	9	3.2
	Section Head	39	13.7
	Assistance Manager	19	6.7
	Employee	217	76.4

#### 4.3 Reliability Analysis

The 284 data were tested for reliability analysis. The  $\alpha$  values for employee retention is 0.917, for training and development is 0.908, for recruitment and selection is 0.912, for performance appraisal is 0.906, and for compensation is 0.910. Literally, all the Cronbach's Alpha value are in the range of 0.85 to 0.95, so the level of internal consistency for the items measured were considered as very good showing the items are good in measuring the variables, thus can be used for further analyses (Zikmund *et al.*, 2010).

#### 4.4 Descriptive Analysis

##### (a) Descriptive analysis of employee retention

Table 4 indicated the level of employee retention. The results showed the highest mean value of employee retention is  $\mu = 4.007$  which represent the respondents who leave due to unexpected situation will come back to the same organization to work in the future. Meanwhile, the lowest mean value is  $\mu = 3.873$ , which means the respondents plans to continue working in their organization. Overall, the total mean value of employee retention is  $\mu = 3.958$  indicated the level of employee retention is high among

the respondents. This result showed that most of the manufacturing employees prefer to stay and continue to work at their current organization.

**Table 4: Descriptive analysis for employee retention**

No.	Item	Mean ( $\mu$ )	Std Deviation ( $\sigma$ )	Level
1.	I intend to remain working in this organization.	3.873	0.805	High
2.	I will return to work here in the future if I have to quit my job due to unforeseen circumstances.	4.007	0.932	High
3.	It is possible that I will not find new job soon.	3.961	0.956	High
4.	If I were given choice, I would prefer to continue working in this company as long as possible.	3.979	0.936	High
5.	I do not think of leaving the organization.	3.968	0.922	High
	Total Average Score	3.958	0.910	High

*(b) Descriptive analysis of training and development*

Table 5 specified the level analysis for training and development. The results showed that training and development indicated highest mean value is  $\mu = 4.028$  which means respondents agreed that it is possible to be promoted due to the training and development provided. While the lowest mean value is  $\mu = 3.831$  which indicated respondents agreed their organization provide job and career development assistance to improve employee's abilities, goals, strengths, and weaknesses. The total mean value in training and development is  $\mu = 3.901$ , which represents high level of training and development among the respondents. It proved that most of the manufacturing employees admit that training and development can help them enhance their skills to contribute to their organization.

**Table 5: Descriptive analysis for training and development**

No.	Item	Mean ( $\mu$ )	Std Deviation ( $\sigma$ )	Level
1.	Your organization provide proper induction and training upon commencement.	3.940	0.878	High
2.	There are possibilities of promotion due to trainings and development given.	4.028	0.917	High
3.	Innovation and creativity are encouraged here.	3.866	0.895	High
4.	Your organization provide job-development/ career path guidance to help employee identify/ improve abilities, goals, strengths and weaknesses.	3.831	0.897	High
5.	You have minimal future within this organization.	3.842	0.924	High
	Total Average Score	3.901	0.902	High

*(c) Descriptive analysis of recruitment and selection*

Table 6 depicted the level analysis of recruitment and selection. The results showed the question that related recruitment and selection had indicated the highest mean value by  $\mu = 3.923$ , which represents those respondents agreed that available vacancies should be filled immediately. Meanwhile, the lowest mean value had received by  $\mu = 3.845$  which indicated staffing willing to spend more to acquire the right candidates. In overall, recruitment and selection indicated high level of mean value where the total mean value is  $\mu = 3.885$ . The result indicated majority of the manufacturing employees prefer that recruitment and selection is essential in the organizations as selecting the right person can increase the organization's efficiency.

**Table 6: Descriptive analysis for recruitment and selection**

No.	Item	Mean ( $\mu$ )	Std Deviation ( $\sigma$ )	Level
1.	Staffing select the best person for a give job.	3.887	0.925	High
2.	Generally, staffing fill an open position immediately, once a job becomes open on a unit.	3.923	0.944	High
3.	Many people are involved in the selection decision.	3.909	0.972	High
4.	Staffing spend a great deal of money to insure to hire the right person for the job.	3.845	1.011	High
5.	Importance is placed on the staffing process in this organization.	3.862	0.969	High
	Total Average Score	3.885	0.964	High

*(d) Descriptive analysis of performance appraisal*

Table 7 showed the highest mean value of performance appraisal is  $\mu = 3.898$ , which indicates the organization has a regular schedule for employee performance appraisal. There are two items in performance appraisal indicated the lowest mean value which is  $\mu = 3.849$  where respondents agreed the measured performance was frequently with measurable results of overall performances, and the performance evaluation period studied is sufficient. The total average score indicates  $\mu = 3.864$  which reflects a high level of performance appraisal among the respondents. The result showed bulk of the manufacturing employees pursue organizations to evaluate the performance with fairness in order to elevate job satisfaction level in the firms.

**Table 7: Descriptive analysis for performance appraisal**

No.	Item	Mean ( $\mu$ )	Std Deviation ( $\sigma$ )	Level
1.	Your organization have regularly scheduled employee-performance appraisal periods for employees.	3.898	0.951	High
2.	Your performance is more often measured with objective quantifiable results (measure overall performance).	3.849	0.970	High
3.	Your manager/superior handle performance appraisal without biasness/favouritism.	3.859	0.967	High
4.	The duration of performance appraisal reviewed is sufficient.	3.849	0.941	High
	Total Average Score	3.864	0.957	High

*(e) Descriptive analysis of compensation*

Table 8 showed the highest mean value of item in compensation is  $\mu = 4.056$ , where respondents agreed their firm has better attractive compensation package compared to other organizations. Furthermore, most of the respondents also agreed that their organization have a health benefits and other related perks that are benefitted the employees. Meanwhile, the lowest mean value of compensation is  $\mu = 4.021$  which indicated their organization communicate the compensation system to the employees. In overall, the total mean value of compensation is  $\mu = 4.044$  so as a result it indicates a high level of compensation among the respondents. The result proved that most of the manufacturing employees prefer their organizations to render tempting compensation to continue motivating employees and give them satisfactory while working there.

**Table 8: Descriptive analysis for compensation**

No.	Item	Mean ( $\mu$ )	Std Deviation ( $\sigma$ )	Level
1.	Your organization have a compensation/ benefits system that is communicated to employees.	4.021	0.917	High
2.	Your organization offer compensation/ benefits better then minimal requirement by Employment Act.	4.042	0.904	High
3.	Your organization offers an attractive compensation/ benefits package compared to other organizations nearby.	4.056	0.919	High
4.	Your organization have a health and related benefits that is communicated to employees.	4.056	0.923	High
	Total Average Score	4.044	0.916	High

The test for normality under Kolmogorov-Smirnov and Shapiro-Wilk, showed significant value of all variables is  $p < 0.05$  which indicated that the data is not normally distributed. Literally, the histogram and scatter diagram results also show the data is not disseminated normally because the bell curve is skewed left. Since the data is not disseminated normally, a spearman coefficient of correlation analysis will be used to determine the degree of relationship between two variables of human resource practices and employee retention.

#### 4.5 Correlation Analysis

The results indicated the value of correlation coefficient in training and development with employee retention is  $r = 0.577$ . Next, the value of correlation coefficient of recruitment and selection with employee retention is  $r = 0.519$ . Furthermore, the results showed the value of correlation coefficient in performance appraisal with employee retention is  $r = 0.558$ . Finally, correlation analysis demonstrates the correlation value of employee retention and compensation is  $r = 0.520$ . Since the correlation values are in between 0.41 and 0.60, they were all indicated as a moderate positive correlation between all the tested variables at the significant value of  $p < 0.01$ . Table 9 summarized all the correlation coefficient findings. With these findings, all the hypotheses  $H_{1a}$ ,  $H_{1b}$ ,  $H_{1c}$ , and  $H_{1d}$  were supported.

**Table 9: Correlation analysis**

Human Resource Practices	Employee Retention
Training and development	0.577**
Recruitment and selection	0.519**
Performance appraisal	0.558**
Compensation	0.520**

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

## 5. Discussion and Conclusion

### 5.1 Discussion on the level of employee retention and human resource practices

First, based on the results examined by descriptive analysis, the level of employee retention is considered as high. This study is found to be coherent with the previous study carried out by Nwokocha and Iherirohanma (2012) which showed that high level of employee retention extends the organization's time span and motivate them to focus on their work. Based on the previous studies conducted by Khalid and Nawab (2018), if incentives such as wages, work environment, and growth opportunities are closer than the time and energy dedication provided by employees, so the employees tend to stay with their employers. Secondly, the results showed the level of training and development had been interpreted and indicated as high level. This finding is coherent with the previous studies carried out by Lee *et al.* (2015)

which indicated the level of training and development is expected to be seen as an opportunity for employees, as organizations invest a lot in themselves, so they are seen as important assets of the firm. This finding also coherent with the previous studies conducted by Martin *et al.* (2011) that indicated the stronger the level of training and development, the higher the organizational commitment. Since organizational commitment will increase after training was undertaken where committed employees showed higher expectations for training. Next, the results showed that the level of recruitment and selection indicated as at high level. Based on the previous studies that was conducted by Olaimat and Awwad (2017), it indicated that high level of recruitment and selection can improved organization performance as most organizations spend a large amount of money to ensure that the right person are hired. In addition, the study also consistent with previous studies carried out by Absar (2012) who showed high level of recruitment and selection can improve organization productivity and efficiency as most organizations perform job analysis to determine job descriptions, job specifications, and job appraisals. Through accurate job analysis, companies will be able to determine the specific responsibilities of each employee and help determine the skills and knowledge required by employees to hold various positions.

Furthermore, the results showed that the level of performance appraisal considered as high level. The study is coherent with previous study carried out by Tan and Nasurdin (2011) which revealed that the higher the level of performance evaluation, the higher the employees' motivation toward their tasks. When performance appraisal increased, high motivation will help increasing the employee readiness to come up with new ideas to enhance management innovation. Moreover, when the performance appraisal level is high, job satisfaction will increase. This is because when employees are contented with the appraisal procedure and results, the result will increase the company's job satisfaction (Fay, 2006). Lastly, the results had found that the level of compensation is considered as high level. According to the results, this finding is coherent with previous studies carried out by Barringer *et al.* (2005) indicated that the higher the level of compensation, the higher the level of employee performance. Besides that, this study also coherent to the previous research by Chiu *et al.* (2002) that indicated a high level of compensation will increase employee productivity by improving work performance, suppressing turnover intentions, and increasing job satisfaction.

### 5.3 Discussion on the relationship between human resource practices and employee retention.

The result showed a positive relationship between training and development towards employee retention. This study is coherent with past research carried out by Hanif (2013) revealed the positive relationship of training and development on employee retention. Since training in the workplace improves job efficiency, job interest, satisfaction and strengthens organization commitment, resulting to increase employee retention. Furthermore, Asiedu-Appiah *et al.* (2013) previously stated that the high training and development provided is very important so that they are able to retain the most talented employees in the firms. Next, the result indicated that there is a positive relationship between the recruitment and the selection with employee retention. This finding is supported by a previous study conducted by Kundu and Lata (2017) who indicated that recruitment and selection were related to retaining employees. Since choosing the right talents can gain competitive advantage through employees and reduce the employee quitting. Besides, previous research by Lauver and Kristof-Brown (2000) stated that recruitment and selection plays an essential role in influencing the employee retention as employees who are selected but do not belong to the organization are more likely to leave and are therefore difficult to maintain, resulting in low employee retention.

The results revealed the existence of a positive relationship between performance appraisal and employee retention. This finding is consistent with a previous study conducted by Kakar *et al.* (2017) which indicated that performance evaluation is positively related to employee retention as when the appraisal system is implemented in the organization, it can help to evaluate the employee performances. With the results, they can identify their pros and cons. Besides, the findings derived from this study are

also supported by Kasemsap (2015) who stated that performance appraisal was expected to give positive impact to employee retention because employee feedback methods help to shape behavior and enhance learning, thus improving employee retention in the organization. Next, the results indicated the existence of a positive relationship between compensation and employee retention. A previous study carried out by Nazir *et al.* (2013) reflected that compensation can positively influencing employee retention. Since performance-based salary enhanced employee performance while inspiring and attracting employees, thereby increasing employee retention. Additionally, Organizational reward systems can affect employee performance and their desire to continue working, thus resulting in enhancing employee retention (Olaimat & Awwad, 2017).

In conclusion, the study had revealed that the level of all factors in employee retention and human resource practices such as training and development, recruitment and selection, performance appraisal, and compensation are indicated as high level. The results indicated a moderate and positive relationship between human resource practices and employee retention. The findings outlined had provided a better view in understanding the relationship between human resource practices and employee retention to help future researcher to acquire a good guideline to conduct any extended research in the similar field. This is valuable research as it can utilized as a reference for future researchers to conduct research in an identical sector and frameworks in other research contexts. Besides, this research also helps to understand the knowledge on the relationship between human resource practices and employee retention. This study helps the manufacturing sector's human resources department, which can improve policies and practices in human resource management within their organization to sustain competitively through retaining valuable employees. These results can assist the organizations to maintain its importance in keeping talented employees to achieve the organization's strategic objectives.

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