The Employee Retention Status in Paddy and Rice Industry in Malaysia

Nur Fauzan Bt Fauzi, Fais Ahmad and Hamid Mahmood Gelaidan

School of Business Management, College of Business, University Utara Malaysia, Sintok 06010, Kedah, Malaysia

Submitted: Aug 19, 2013; Accepted: Sep 26, 2013; Published: Oct 6, 2013

Abstract: Nowadays, changes in technology, global economic, trade agreements and the like are straightforwardly affecting employee/employer relationship. The aim of this study is to examine the relationship between the several factors that associated with employee retention in Malaysian industry context. In this study, work environment, compensation, training/development and supervisor support, were examined with employee retention. The finding showed that only work environment and training/development were found significantly related to employee retention. Whereas, the compensation and supervisor support showed non-significant relation with employee retention. The implication, limitation and recommendation were given.

Key words: Work environment • Compensation • Training/development • Supervisor support • Malaysia

INTRODUCTION

Nowadays, the willingness of the employees to stay longer in an organization becomes one of the revenue for the company. This is because the retention of employees is very important now [1] since it shows the organization success in implementing their strategy to produce loyal employees that will contribute to their development. Nevertheless, majority of the time companies concern least on the wellbeing of their employees and this will lead to dissatisfaction among the employees and eventually will affect employee’s performance and causing employee to make a decision to leave the company looking for better opportunity, better benefit a most prominently caring employer. However, this definitely lead to several problem of the organizations occurs during periods of sharp competition and stretched labor markets.

Nowadays, changes in technology, global economic, trade agreements and the like are straightforwardly affecting employee/employer relationship. Due the high workloads, some employees will be impacted by stress and the work environment will contribute to the stress level to an uncontrollable situation. In addition for employees having to perform additional task for missing employees, productivity may also be risked in the process.

However, retaining the employees is a challenge that companies need to look upon. Retention as “the ability to hold on to those employees you wants to keep, for longer than your competitors” [2]. In particular, in Malaysia context, the retention of employees becomes one of the troubles in many organizations. Even though numerous strategies have been established to ensure the reliability of employees, but it is failed to retain the employees in most of the time. The General Council Member of Malaysian Institute of Management (MIM) stated that, the management of employee’s talent in large and small organization is very difficult now. In line with this, the Senior Executive Officer of SMR Human Resource Group stated that the turnover among the employees in Small and Medium Enterprise (SMEs) is one of the faults for the industry because they lack of employee benefits and support.

In view of the fact that there are many factors that can affect the employees retain in the organizations. This is because most of the employee is not receiving enough training and motivation by the respective companies. Consequently, the retention of the employees helps the companies to ensure their operation effectively and successfully. Thus, by having the understanding employees who are retain in the company, then this will save their time and cost for those training [3]. Moreover,
without an effective employee retention plan, it will be difficult to retain the key aptitude for a long period in the organization. This is because there will be time where competitor will offer a superior deal for the key talents and there will not be any turning back by the employees as they are getting a good deal from the competitors. As such, retaining the key talent is very decisive and companies must look into it seriously. [4] state that the lack of suitably plan to retain the employees is one of the biggest challenges faced the companies. If the retention strategies are not properly surrounded in, the business processes all the effort since recruitment will eventually proves futile. Few aspects that are really an important factor for employee retention is whether employees are happy with the work environment, employees are getting adequate compensation for the task that they are doing. Employees must get valuable support, knowledge, skill and abilities from joint the training and development and have a good relationship between supervisor and employees. In order to retaining the employees, these factors may undertake for consideration. This study intends to identify what are the factors that are the key for Malaysian paddy and rice industry to have in order to retain their employee and indirectly reduce the employee turnover. Therefore, companies need to have a strategy and develop the competitive benefit package or create a quality work environment in order to retain employee.

Employee Retention: A respectable employer should know how to attract and retain its employees. The retention of employees in an organization can be affected by several factors such as leadership style, working temperature, working load, incentive, wages, motivation, education level, experience and other factors. This is entirely supported by the next research which suggests that the retention of talented employees influence by the working and learning climate in the organization [5]. Besides that, [6] argued that the top five factors of retention are compensation, job characteristics, training and development opportunities, supervisor support and encouragement. All of the factors are identified as the increasing in the number of employee’s turnover from time to time. This was fully supported by [7] where she stated that the top five factors employees retain in the organization is frequently because of exciting work or challenge which result by 48.4%. This is contribute by the second rank, career growth or learning with 42.6%, relationships working with great people with 41.8%, fair pay with 31.8% and supportive management or great boss with 25.1%. In addition, [8] indicated that the great and growing of employee depends on the change in the salaries given. Furthermore, she also found that most of the employees are motivated as the contented working environment in the organization, which influences them to be productive. Additionally, [9] argued that one of the employees’ intentions to retain in the company is pay level and reward. Besides, he added that the turnover rate in an organization is influence by four factors. The first factor is demographic which includes gender, age and educational level of the employees. The second factor is occupational including skill level, experience, residence and status. The third factor is organizational including firm size, industry, job contents and working environment and the last factor that influence on the retention and turnover of employees in an organization is individual factor, which focus on the pay scale, reward, advancement opportunity, job security and job contribution. Therefore, [10] proved that there are seven factors that influence retention which are the relationship with co-workers, relationship and support from manager, work rewards, organizational support and practice, physical and psychological responses to work, job content and exterior factors. Since working environment is a maturity level in an organization [11] this then encourage employees in implementing their work effectively if the organization have a clear direction in the operation.

Nowadays, appeal and retention of employees has developed an increasingly significant aspect of building organizational capabilities to ensure continuous competitiveness [12]. It has been argued that organizations that apply resources in employee desirability and retention turn a conceivable problem into an opportunity to increase industry leadership [12]. The exploration for great employees has stretched an unprecedented level. The labor shortage is now frequently cited as the major discouragement to organizational success and future growth [13]. When an employee realizes that the employer cannot meet a key anticipation in the contract, there is often a feeling of having been betrayed, as if a real contract has been broken in bad reliance. This can become the “shock” or turning point that begins the descending cycle toward disengagement and disappearance [14]. No matter how much we pay employees, no matter how much we chant slogans that “people come first” it is only if we actually and truly treat people with courteousness, respect and professionalism that we stand a chance of retaining them in today’s heavy worker demand environment.
Work Environment: Work environment is an important factor for an employee to be successful in their carrier. If the environment does not motivate employees to work then it will be an excuse for employees for not performing to the standard and giving reason, as environment is too noisy, condense, not hygienic, feel stress and no fun in the working environment. Employees will be happy to work in an environment which provide positive work environment and where they feel they are making difference and where most people in the organization are proficient and heaving together to move the organization forward. According to [15] expose that employees who have a positive experience with regard to working hours, working environment, sense of accomplishment with their jobs and higher job satisfaction are more probable to stay with the current employer. According to [16], work environment should transform regularly to keep up with the times and allows individuals to balance work and personal life activities. [17] demonstrated that physical/work environment contributes as a major factor affecting the decision of employee’s whether to stay or disappear the job. It has been identified that light is a possible determinant of job performance, noise sometimes create a snag in office environments and is harmful to employee corporal and psychological welfare, inspiration and at times, productivity. According to [18] reveals that research has shown employees want to do more than only “attend” work. Response Analysis of Princeton, New Jersey surveyed 1600 employees from a variety of industries regarding the most important aspect of work. The majority, 52% wanted to be responsible for their work and the results it produces, 42% wanted acknowledgement for their contributions and 39% wanted their task matched to their strengths. Employees need to be given certain level of freedom, authority and responsibility to make decision on their work to get things done. Company should listen to the feedback or suggestion provided by employee to improve the work environment or the culture that they are doing. Small ideas given by employees may lead to great improvement, which might result in higher productivity with less work. In another aspect employee should also give chance to rotate their job if there is request or if there are opportunities to grow in a different job scope then employee should be given an opportunity to grow with the company. This will proof the company is giving employees empowerment and they cares for the best of employee. Retention initiatives are often thought of as separate from requirement. An organization may have the most elaborate and sophisticated requirement program imaginable, but once individuals are hired, if the environment is inhospitable, given the choices that employees have in this labor market, companies will presently find themselves looking for another additional. They’ll also see the vast impact that turnover has on the bottom line [16]. The emphasis of organizations must be on how to make accessible better jobs with enormous work environment to retain employees [19]. Based on the above discussion the related hypothesis is a follow:

H1: There is a positive relationship between work environment and employee retention.

Compensation: Compensation refers to all types of pay or rewards going to employees and arising from their employment [20]. Financial compensation refers to benefits and acknowledgment given to employees by the company such as salary bonus, incentive schemes and recognition. Non-financial rewards such as type of level, accident and health benefits, yearly level and performance appraisal is recognized as an important function that may attract, retain and motivate good employees to maintain organizational strategy and goals. Rewards and compensation systems motivate employees to give their maximum efforts towards assigned work. Compensation systems distribute other purposes such as legal acquiescence, labor cost control, perceived impartiality towards employees and enhancement of employee performance to accomplish high level of productivity and customer satisfaction. If your compensation policies are below market level, you will have trouble retaining top employees because you are not meeting their compensation needs. If you regulate compensation ascendant to meet the market level, you get a onetime effect on employee retention. But this is where a lot of organizations make the mistakes of stopping their retention efforts [21]. [22] attempted to examine the linkage between human management practices and organizational performance, they found that companies providing inducement plans to employees are more likely to understanding lower turnover rates among non-managerial employees. The point of compensation offering is to motivate employees to work harder and help an organization to achieve goals. The payment of “efficiency compensation” or pay beyond the minimum necessary to include employment can help to guarantee that employees remain motivated to engage in an adequate level of effort in order to retain the job [23].
Empirical research has found evidence that effectiveness compensation can reduce the tendency of the employee to “shirk”, which includes factors such as unnecessary absenteeism and reduced job effort that often leads to termination [24]. Based on the above discussion the related hypothesis is a follow:

**H2:** There is a positive relationship between compensation and employee retention.

**Training/development:** Training/development enlarges employee’s skills. Thus, employees who have received training and development feel their contribution is important to the organization and they will work for the company for many years in arrival. According to [25] training/development can be defined as a process of analytically developing expertise in individuals for the purpose of improving performance. Because the goal can be stated to be development in performance, one may ask how organizations know if there is an improvement in the employee’s performance. This is especially challenging and appropriate for organizations to know the return on investment made on training and development program. The purposes of training are to advance current skill of workers to correct skill deficits. Training can influence performance in two ways: first, training improves relevant skill and abilities; second, training increases employees’ satisfaction with their existing jobs and workplace [26, 27] and had compared between the rapid growths organizations and the deliberate growth organizations. They found the rapidly growth organization used training/development program to achieve their objectives and to improve the knowledge skills and ability of their employees more than slow growth organizations for that reason training and employees development are found most in the fast growth organizations. Company should also focus on the development of their employees if they would like to retain their employees for a long period. This is because employees need a proper development and help employees to attain the required skill to be successful. However, personal and professional developments are important to everyone in the new workplace. Employees expect to learn new skills and competencies and have access to new knowledge areas to increase their own value to an organization and in the marketplace. Effective development plan is a part of the employee retention activities that need to address by companies. Employee development is excellent business and just like other reward and recognition programs, it’s part of a total package [28]. A consonance of comprehensive development and effective training can lead to successful increasing the organizational performance. Good planning and on condition that training is important to advance employee assistances and should be backed up by appropriate investment [29]. Therefore, based on above argument it can be hypothesized as following:

**H3:** There is a positive relationship between training/development and employee retention.

**Supervisor Support:** The most important factors that have impact on retention are the relationship between a worker and a supervisor. The organization strength ban relied on the relationship between the leaders and the followers [20] and the subordinate can view the organization as powerful. The supervisor support play an important role of determines the intention among the employee either to stay or to leave the organization. Eventually, once there is no relationship exists between the supervisor and the follower, then the follower may pursue to any other opportunity for new employment and vice versa. Recently, [30] stated that in organizations workforce responds to congratulate, support and support, no matter the environment is personal or professional. He also confirmed that individuals who are well skilled and have superior positions may find similar work elsewhere but the successful way to retain is to promote support and develop close working relationship. Therefore, as suggested by several experts, the organizations have to set up the strategy of preparing the supervisor in order to be responsive to the workforce change and well skilled in communication and relation. With support, people can survive with sufferings, overcome encounters and more readily maintain a positive image of them as accomplished of learning, developing and being successful [31]. Support from a boss or supervisor is also a major provider to a person’s performance and effectiveness [32]. In addition, the supervisor support can be undertaken as a social exchange assemble, whereby employees perceive “the degree to which supervisors value their employee contributions and care about their well-being” [33]. Sequence to the previous discussion, it can be assuming the following hypotheses:

**H4:** There is a positive relationship between supervisor support and employee retention.
MATERIALS AND METHODS

Research Design: This study is a quantitative study and it examined the relationship between work environment, compensation, training/development, supervisor support with employee retention among the employees in the Paddy and Rice Industry in Malaysia. Data was then analyzed and hypotheses were tested using correlation and regression analysis. Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate and the population may be particular type or a more limited part of that group or all the individuals of that group [34]. Simple random sampling was utilized in this study. According to [34] simple random sampling provides least biases and offers the most generalizability. Before that, researcher had already identified the influence factors on employee retention.

Construct Measurement: The questionnaire consisted of six sections. The first section starts with socio-demographic information on the respondents. Then following by the construct variables, the employee retention measured by six items, work environment and contains four items, compensation and contains four items, training and development and contains four items, supervisor support and contains four items. Respondents were asked to show their degree of agreement or disagreement using five-point Likert-type scales from “strongly disagree” to “strongly agree”. A numerical code was used to transform the responses to data values that can be subjected to statistical analyses.

Findings

Descriptive Analysis, Correlation and Reliability: This study uses Cronbach’s alpha to test the reliability of the instruments used. The Cronbach’s alpha values of each variable are illustrated in Table 1.

According to [34] reliabilities with less than 0.60 are deemed poor while those in the range of 0.60 and above, is acceptable and those above 0.80 is considered as good. Therefore, based on this rules, the instruments used to measure the variables range from being slightly accepted to being considerably accepted. The table 1 shows the Cronbach Alpha values for both dependent (Retention) and independent (Work Environment and Compensation) are considered acceptable.

The summary of relationship between work environment, compensation, training/development and supervisor support and employee retention showed in Table 1. The result of correlation analysis ($r = 0.683$, $p = 0.000$) for work environment is significant, which indicates that there is high positive relationship between work environment and employee retention. The result of correlation analysis ($r = -0.076$, $p = 0.563$) for compensation is not significant, which indicates that there is no relationship between compensation and employee retention. The result of correlation analysis ($r = -0.101$, $p = 0.440$) for training/development is not significant, which indicates that there is no relationship between training/development and employee retention. The result of correlation analysis ($r = 0.322$, $p = 0.012$) for supervisor support is significant, which indicates that there is high positive relationship between supervisor support and employee retention.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's Alpha</th>
<th>No. of items</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>.808</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Work Environment</td>
<td>.880</td>
<td>4</td>
<td>0.683</td>
</tr>
<tr>
<td>Compensation</td>
<td>.810</td>
<td>4</td>
<td>-0.076</td>
</tr>
<tr>
<td>Training and Development</td>
<td>.645</td>
<td>4</td>
<td>-0.101</td>
</tr>
<tr>
<td>Supervisor Support</td>
<td>.653</td>
<td>4</td>
<td>0.322</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level

<table>
<thead>
<tr>
<th>Construct</th>
<th>Dependent variable</th>
<th>R2</th>
<th>F</th>
<th>Std. Error of the Estimate</th>
<th>Beta</th>
<th>sig</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Environment</td>
<td>Employee Retention</td>
<td>.521</td>
<td>14.943</td>
<td>.104</td>
<td>.721</td>
<td>.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td>.125</td>
<td></td>
<td>-.031</td>
<td>.793</td>
<td></td>
<td>Rejected</td>
</tr>
<tr>
<td>Training/Development</td>
<td></td>
<td>.137</td>
<td></td>
<td>-.223</td>
<td>.049</td>
<td></td>
<td>Confirmed</td>
</tr>
<tr>
<td>Supervisor Support</td>
<td></td>
<td>.126</td>
<td></td>
<td>.012</td>
<td>.923</td>
<td></td>
<td>Rejected</td>
</tr>
</tbody>
</table>
**Hypothesis Testing:** The model summary of the multiple regressions as shown in Table 2 below which explains the value of R square that represents 52% of variance for employee retention dimensions; work environment, compensation, training/development and supervisor support. In general, the result indicates that the predictors (work environment, compensation, training/development, supervisor support) were significantly related to employee retention. Since, the model reaches statistical significance point of 0.000 (p<0.01). Whereby, in details and summarizes the Beta value for each variable related to employee retention. However, the finding showed that the Beta value for work environment with employee retention is (Beta= 0.721, p< 0.01). Which means that the work environment was an important factor of enhancing the employee retention? Thus, this hypothesize was confirmed. In the same line of token, compensation (Beta = - 0.031, p> 0.05) was confirmed the hypotheses and showed that it was an essential predicator as well. The finding which showed that training/development (Beta = - 0.223, p> 0.05) was quite important factor of enhancing the employee retention. Unbelievable finding was documented here and showed that there was no relation between supervisor support and employee retention. The Beta result showed that (Beta = 0.012, p> 0.05) which supervisor support was not that important factor of enchanting the employee retention regardless of the pervious finding, this occurs relate to the organizational culture as well as the background of the employee and might others factor. Hence, based on finding the multiple regression equation can be stated as follows:

\[
Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e
\]

\[
Y = 2.282 + 0.667 - 0.033 - 0.276 - 0.012 + e
\]

In conclusion, work environment has been documented as having the higher Beta value and the most significant compared to other employee retention dimensions, following by training/development. This means that work environment is the dominant factor influencing the employee retention of the respective study context.

**DISCUSSION**

This study examined the relationship between work environment, compensation, training/development and supervisor support and employee retention among the employees of paddy and rice industry in Malaysia. Based on the findings, it can be concluded that the solidarity among the employees and their team members is important because without any cooperation between team members, this will influence the employees unmotivated with their work and intent to leave the organization. The purpose of this study is determined whether work environment, compensation, training/development and supervisor support influence employee retention. However, in term of work environment which is initiative to make the work environment great place to work and provide job enrichment. It was found that a significant relationship between work environment and employee retention. This means that work environment will influence employees to remain in the company. The finding is consistent with previous research findings whereby if employees are working in a very good environment then it will add considerable positive impact on employee retention [17]Thus, the effect of work environment on employee is significant whereby it makes employees more satisfy and keeps them active and motivated to perform their task effectively.

In the other hand, the negative coefficient and non-significant value between compensation and employee retention shows that compensation is not that much important of effecting the decision of employees to retain in the organization in the particular study. This finding is not similar with previous research compensation
for good performance, which it was found to have significantly influenced retention on employees. A good compensation such as rewards, salary base, profit sharing, bonuses and employee stock options is considered to be incentives for employees to be committed and motivated to achieve organizational goals and remain with the company [35].

Moreover, the finding showed that positive coefficient and significant value between training/development and employee retention shows that training/development is an important that effects the decision of employees to retain in the organization. If more training/development activities are provided to the employees, employee will continue to serve for the organization for a long period of time because training/development indicate that employee can grow in the organization. The respondents also indicated a high desirability for their positions to be challenging and there should be adequate opportunities to learn new tasks and to develop new skills. [36] stated that jobs should be redesigned to allow for increased challenge and responsibility, opportunities for advancements and personal growth and recognition. This theory provides an explanation for employees wanting additional challenges and opportunities for advancement. It is through these approaches that employees will be motivated to remain with the company.

Finally, the negative coefficient and non-significant value between supervisor support and employee retention shows that supervisor support is not much important of effecting the decision of employees to retain in the organization. This means that supervisor support will not influence employees to remain in the company. The finding is not consistent with previous research findings whereby if support from a boss or supervisor is also a major contributor to a person’s performance and effectiveness [32]. Thus, this study has been proven that supervisor is not key predictor of determent the intention to stay or leave in the organization, even thought it was supervising finding.

Limitation and Recommendations: This study has focus on few variables to identify the influencing factors for employee retention whereas other factors were ignored. However, the study could have also include or analyze some factors as well such as the need to identify and narrow down the research scope to include factors like, selection and recruitment and employee performance assessment and development. Future study also focus directly is flexible in terms of work life balance. Workers more and more value a balance between work and life. They want more flexible ways to engage with their employer. To attract and retain workers with different work and career expectations, organizations have to be more flexible in structuring work and its expectations. For future research, the relation between private sector workforce retention and their satisfaction need to be focused and studied. Our results revealed that although private sector workforce tended to think that satisfaction and retention are enhanced in similar ways, there were wide differences between how individual employees perceived the two concepts.

CONCLUSIONS

This research examined the relationship between work environment, compensation, training/development and supervisor support and employee retention. Employee retention is very important element that a company needed to focus and invest. Without having a good retention plan or practice the company will eventually lose their employees to company that has good retention plan. The purpose of this study is to identify the influence work environment, compensation, training/development and supervisor support on employee retention. The findings from this study indicate that if work environment is high the tendency for employee to retain is high. As such having bad work environment has negative significant impact for employee retention. Therefore, it is very important to keep the employee compensation’s attractive and updated from time to time even though the finding in this study was not supported. It also should be competitive as this is one of the key factors that will determine employee retention. Training/development was found to be an important motivating factor for employees to remain in their respective companies. Training/development might be encouraged to develop more training/development programs that meet the employee’s career development needs, which can effectively improve their job skills and increase tenure in the organization. Although, support from a supervisor is a major contributor to a person’s performance and effectiveness but it was unbelievable finding show in this study. Considering the amount of valuable contributions and care for a person’s well-being, all related to development, satisfaction, performance or effectiveness from the supervisor has an immense significance [1]. Based on the findings, it can be concluded that the solidarity among the employees is
important because without any cooperation between team members, this will influence the employees unmotivated with their work and intent to leave the organization. In addition, the employees who feel arduous because of the number of work that need to be done will cause the employees unable to spend their time for rest. Thus, the high pressure in work may cause the employees not attracted with their work, which finally cause them to leave the organization. Therefore, the commitment of employees to the company change and development is also important to show their responsibility to the organization. Besides, the organization must concern on the problem face by the employees especially in understanding their work. This is because the employees may take the chance to find the other organization once they are not satisfied with their work.

REFERENCES