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THE RELATIONSHIP BETWEEN WORK ENVIRONMENT AND EMPLOYEE RETENTION IN CONSTRUCTION AND MANUFACTURING FIRMS IN SEMENYIH, SELANGOR, MALAYSIA

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ABSTRACT

Employee retention has become a critical problem faced by many firms in Malaysia, regardless of the industry in which they are involved. Retaining employees with valuable knowledge, skills, and abilities is difficult. Therefore, the main reason for the current study is to examine the work environment as a predictor of employee retention in construction and manufacturing firms in Semenyih, Selangor, Malaysia. The sample for this study consists of employees working in the construction and manufacturing firms in the Semenyih area who will fill out an online survey questionnaire. The study found an insignificant relationship between work environment and employee retention. It is recommended that future research should further explore the factors influencing employee retention in different business locations and industries.

Keywords: Work environment, Compensation, Employee retention, Job satisfaction, Human resources.

1.0 INTRODUCTION

According to Ezaili Alias et al. (2019), it is crucial for employers to keep their employees who possess top-level talents and performance. Employee retention is now one of the most essential concerns in almost all organizations due to changing dynamics and turbulence in the work environment caused by a variety of phenomena. Organizational leaders are assessing and adjusting their retention tactics as the organization's top priority activity on a regular basis (Azmi et al. 2022).

Employee retention refers to an individual's decision to remain with an organization, which develops a sense of enjoyment and confidence in the organization. As suggested by Dewi Sumaryathi & Manuati Dewi (2020), Hassan et al. (2017), Kullab & Kassim (2017), Kusuma Putra et al. (2015), Samat et al. (2020), Sutawijaya & Pertiwi (2017), Talwar et al. (2017), Tam

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& Nguyet (2021), offering a better and more suitable work environment demonstrates organizational support to employees and maintains talented individuals.

Poor employee retention rates result in extra time and money being spent on recruiting, hiring, and training for new employees, which could have been spent on other activities such as employee performance improvement or employee career development (Jamaludin et al. 2022). According to Chiekezie, Emejulu, & Nwanneka (2017), competent and talented employees leaving organizations may have a detrimental influence on productivity and service delivery. Azmi et al. (2022) suggest that talented employees are less inclined to be devoted to a single organization and prefer the paradigm of fresh employment.

High voluntary employee turnover rates result in skills shortages in various industries (Ezaili Alias et al., 2019; Jamaludin et al. 2022). According to Hashim, Jamaludin & Ahmad Zaini (2022), organizations are judged weak if they fail to address this ongoing issue. Therefore, employers must retain their employees to maintain their competitiveness in the global marketplaces (Joy, Pikitda & Iliya, 2021).

In a nut shell, organizations must recognize the importance of employee retention as it can impact their productivity, service delivery, and competitiveness. Employers must take a proactive approach to retain talented employees by offering better work environments (Dewi Sumaryathi & Manuati Dewi, 2020; Hassan et al., 2017; Kullab & Kassim, 2017; Kusuma Putra et al., 2015; Samat et al., 2020; Sutawijaya & Pertiwi, 2017; Talwar et al., 2017; Tam & Nguyet, 2021).

2.0 PROBLEM STATEMENT

The purpose of this study is to examine the correlation between work environment with employee retention in construction and manufacturing companies in Semenyih, Selangor, Malaysia. Previous studies have shown that the connection between work environment and employee retention is significant (Ahmad Azam et al., 2022; Chen et al., 2016; Hassan et al., 2017; Kullab & Kassim, 2017; Ramadhanty et al., 2020; Talwar et al., 2017; Tam & Nguyet, 2021), while others, such as Samat et al. (2020), have found no significant correlation. Since, there is no conclusive evidence on this relationship current study aims to investigate it further from the perspective of construction and manufacturing firms in Semenyih, Selangor, Malaysia (Ahmad Azam et al., 2022)..

3.0 LITERATURE REVIEW

This section describes the independent variable and dependent variable for current study, which in this case, include the work environment and employee retention.

3.1 Employee Retention

This section describes the importance of employee retention for organizations and the various factors that can affect it. Employee retention refers to the efforts or methods used to encourage employees to stay with the firm for an extended period of time (Ahmad Azam et al., 2021; Tirta & Enrika, 2020). Retention is crucial to organizational performance and refers to an organization's ability to retain valued individuals who contribute to its success for as long as the relationship is mutually beneficial. According to Tariq (2017), employees are one of an organization's most valuable assets and contribute to its financial success and long-term development (Jamaludin et al. 2022; Azmi et al. 2022).

Organizations need to develop strategies to retain high-performing employees and keep them loyal to the company. This can be achieved through remuneration, work environment, and other alternative ways. Ahmad Azam et al. (2022) and Tirta & Enrika (2020) suggest that employee retention can be achieved by creating a work atmosphere that encourages employees' motivational growth. Factors such as remuneration, career growth, and work flexibility can also influence employee retention. One technique for retaining employees is through a compensation structure that estimates the amount of pay dispersion across organizational levels, which can affect employee turnover (Ahmad Azam et al., 2021; Zulkifli & Omar, 2019).

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3.2 Work Environment

The work environment is defined as the place where employees perform their assigned tasks efficiently. Ramlall (2017) describes the work environment as the complete set of tools, equipment, and materials available to workers, as well as the surrounding environment in which they work, work practices, and arrangements, both individually and as a group. The ability to persevere and create a positive work environment is crucial for achieving organizational objectives (Jamaludin et al. 2022; Meirina et al., 2018). This sentiment is echoed by Ahmad Azam et al. (2022) and Salman (2016), who describe the work environment as everything that occurs around workers that can affect their ability to carry out their assigned tasks. In general, a healthy work environment has a positive impact on employee retention because employees feel satisfied and comfortable in their surroundings, which allows them to perform their jobs efficiently. Sears (2019) notes that maintaining a healthy work atmosphere can help employees grow. A pleasant working atmosphere can boost morale, inspire better performance, and help employees stay with the organization (Ahmad Azam et al., 2021; Meirina et al., 2018). Therefore, when the work environment is stressful and demotivating, relationships become strained and less productive, and those who have the opportunity to leave the organization will do so as soon as possible.

4.0 RESEARCH QUESTIONS

The following are the study research questions:

1. What is the relationship between work environment and employee retention?

5.0 RESEARCH HYPOTHESIS

The following are the study research hypotheses:

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

6.0 RESEARCH FRAMEWORK

Theoretical framework, adapted from Hayrol Azril et al. (2010), to determine the relationship between work environment and employee retention in construction and manufacturing firms in Semenyih, Selangor, Malaysia, is depicted in Figure 1.

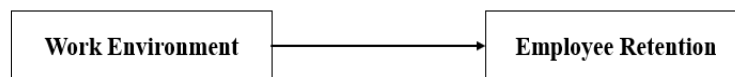


Figure 1: This conceptual framework has been adapted from Hayrol Azril et al. (2010)

7.0 SIGNIFICANCE OF STUDY

This study aims to assist construction and manufacturing firms in Semenyih, Selangor, Malaysia in retaining their employees to ensure business continuity and success. The success of a business, in terms of its existence in the marketplace and growth, depends on retaining skilled and experienced employees (Jamaludin et al., 2022; Pandu & R., 2019; Hassan et al., 2017). Antoncic & Antoncic (2011) found that there is a positive relationship between

employee retention or loyalty and the firm’s growth. Retaining relevant employees ensures the provision of high-quality services to the customers, leading to customer satisfaction (Esmailpour & Ranjbar, 2018). If customers are not satisfied with the services provided, they are less likely to return for future services. Esmailpour & Ranjbar (2018) state that employees who are loyal and committed to their organization become more responsible towards their duties and responsibilities, resulting in the provision of high-quality services to customers and increased customer satisfaction.

4.0 METHODOLOGY

This section discusses the research design, target population, sample size, data collection techniques, research instrument/questionnaire, and data analysis of the current study. Further details on the process are provided in Table 1 below.

Table 1: *Research methodology*

Research Design	This study employed quantitative survey-based analysis including collecting and analyzing the secondary and primary data to complete this research.
Target Population	Consist of 218 employees of construction and manufacturing firms in Semenyih, Selangor, Malaysia.
Sample Size	According to Sekaran (2003), the suitable sample size should not be less than 136 respondents.
Data Collection	Questionnaire was distributed to the target employees through WhatsApp using the Google Form as that is the most convenient way to reach the respondents.
Instrument/ Questionnaire	The instrument consists of (3) Sections: Section A: Demographic questions (7 Items); Section B: Work environment (7 Items); Section C: Employee retention (9 Items). A 5-Likert scale is being used in this study.
Data Analysis	A reliability test was administered to determine the reliability of the items used to measure each variable using Cronbach Alpha value. All the data collected were compiled through the administration of questionnaires, coded and analysed using Statistical Package for the Social Sciences (SPSS) Version 26 to answer the research question and hypothesis. A regression analysis was conducted to determine the relationship between work environment and employee retention.

5.0 FINDINGS AND DISCUSSION

This section presents the findings on respondents’ demographic information, regression analysis outcomes, and answers to the study research question and hypothesis.

Demographic data (See Table 2).

Table 2: *The study demographic data*

Demographic Category	Frequency	Percentage
Gender		
• Male	70	51.5
• Female	66	48.5
Total	136	100.00
Age		
• 20-25	44	32.4
• 26-30	33	24.3
• 31-35	20	14.7
• 36-40	22	16.2
• 40 and above	17	12.5
Total	136	100.00
Marital Status		
• Single	66	48.5
• Married	65	47.8
• Divorce	5	3.7
Total	136	100.00
Race		
• Malay	67	49.3
• Chinese	20	14.7
• Indian	49	36.0
Total	136	100.00
Education Level		
• SPM	73	53.7
• Diploma	42	30.9
• Degree	17	12.5
• Master	4	2.9
• PhD/Doctorate	0	0.0
Total	136	100.00
Current Position		
• Non-Executive	71	52.2
• Executive	35	25.7
• Senior Executive	21	15.4
• Manager	9	6.6
Total	136	100.00
Work Tenure		
• Less than 1 year	20	14.7
• 1-2 years	17	12.5
• 3-4 years	61	44.9
• More than 4 years	38	27.9
Total	136	100.00

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Regression Analysis

Regression analysis was used to determine the influence of work environment on employee retention, which is as follows.

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

The result of the regression analysis is presented in Table 3. The findings reveal that the coefficient (β) for work environment is .113, and the p-value is .182, indicating that there is no statistically significant relationship between work environment and employee retention. Therefore, H1 is not supported.

Table 3: *Regression analysis between work environment and employee retention*

Employee Retention	Stand Beta	t-test	Sig	Result
Work Environment	.113	1.342	.182	Insignificant

Note: * $p < 0.05$, ** $p < 0.01$

9.0 CONCLUSION

This study has revealed that there is an insignificant relationship between work environment and employee retention in construction and manufacturing firms in Semenyih, Selangor, Malaysia. The findings can assist these firms in developing their human resource planning to retain their skilled, experienced, and committed employees, ensuring business continuity and success. Retaining such employees will guarantee high-quality service to the customers, leading to customer satisfaction. Moreover, the research can be extended to other industries to identify the factors that affect employee retention, which could enhance the body of knowledge and aid management in implementing their human resources strategies.

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