

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 major concern for organizations in many industries due to increasing competition and workforce mobility. Retaining skilled and experienced employees is essential for maintaining organizational performance and long-term sustainability. This study investigates the relationship between work environment and employee retention among employees working in construction and manufacturing firms in Semenyih, Selangor, Malaysia. A quantitative research approach was adopted using a structured questionnaire distributed through an online survey platform. The sample consisted of 136 employees selected from construction and manufacturing companies in the study area. The collected data were analyzed using Statistical Package for the Social Sciences (SPSS) version 26. Reliability testing and regression analysis were conducted to evaluate the relationship between variables. The results indicate that the work environment is not statistically significantly related to employee retention. These findings suggest that other factors may play a more influential role in retaining employees within these industries. Future research should examine additional variables, such as compensation, career development opportunities, and organizational support, to better understand the determinants of employee retention across sectors and geographic locations.

Keywords: work environment, employee retention, job satisfaction, human resource management, organizational behavior

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INTRODUCTION

Employee retention has become a critical strategic concern for organizations seeking to maintain operational efficiency, organizational stability, and long-term competitiveness. In today's dynamic business environment, organizations face increasing challenges in retaining skilled employees who possess valuable knowledge, competencies, and experience. High employee turnover not only disrupts business operations but also increases recruitment, selection, and training costs. Furthermore, rapid technological advancement and intensified global competition have heightened the demand for employees with strong communication skills, adaptability, and specialized expertise (Yusof, 2025).

Employee retention refers to an organization's ability to retain its workforce and encourage employees to remain employed for an extended period. Employees' decisions to stay with an organization often reflect their satisfaction, commitment, and confidence in the organization's management practices and working conditions. Previous studies have demonstrated that supportive organizational environments contribute positively to employee satisfaction, organizational commitment, and retention intentions (Dewi Sumaryathi & Manuati Dewi, 2020; Hassan et al., 2017; Talwar et al., 2017). According to Ezaili Alias et al. (2019), retaining high-performing employees is essential for organizations seeking to sustain a competitive advantage, while Azmi et al. (2022) emphasize that employee retention has become a growing management concern due to evolving workforce expectations and increased employment opportunities.

The consequences of low employee retention can be substantial. Employee turnover often results in increased operational costs, reduced productivity, and disruptions to service quality. Organizations are required to invest considerable resources in recruiting, hiring, and training replacement employees. Jamaludin et al. (2022) noted that employee turnover adversely affects organizational efficiency, while Chiekezie et al. (2017) highlighted that the loss of competent employees can significantly undermine organizational performance. Consequently, organizations must continuously develop effective human resource strategies that enhance employee competencies, commitment, and long-term workforce stability (Yusof, 2024).

One factor frequently associated with employee retention is the work environment. A positive work environment can improve employee motivation, job satisfaction, and organizational commitment, thereby encouraging employees to remain with the organization. Several studies have reported a significant positive relationship between work environment and employee retention (Ahmad Azam et al., 2022; Chen et al., 2016; Hassan et al., 2017; Talwar et al., 2017). However, other studies have reported contrasting findings, suggesting that the work environment does not consistently influence employee retention (Samat et al., 2020). These inconsistent findings indicate the need for further research to better understand the relationship between work environment and employee retention across different organizational and industrial settings.

The construction and manufacturing sectors are important contributors to Malaysia's economic development and rely heavily on skilled employees to sustain productivity and operational effectiveness. Despite their importance, these industries continue to face workforce challenges, particularly in retaining experienced and competent employees. High employee turnover within these sectors can negatively affect organizational performance, productivity, and service delivery.

Therefore, this study aims to examine the relationship between the work environment and employee retention among employees working in construction and manufacturing firms in Semenyih, Selangor, Malaysia. The findings are expected to provide valuable insights for organizations seeking to develop effective human resource strategies that promote employee retention, enhance organizational performance, and strengthen long-term competitiveness. Retaining skilled and experienced employees is essential for achieving sustainable growth, improving service quality, and maintaining organizational success in an increasingly competitive business environment.

LITERATURE REVIEW

This section reviews previous studies on the main variables of this research, namely the work environment and employee retention. It discusses definitions, concepts, and findings from prior research to provide theoretical support for the study and to clarify how these variables are related. The literature review also helps to establish the basis for the research hypothesis and conceptual framework.

Employee Retention

Employee retention refers to organizational strategies and practices designed to encourage employees to remain within an organization for an extended period. Organizations must retain competent employees because they are valuable assets that contribute to long-term success. Developing employee competencies and supportive organizational practices have been recognized as important approaches to strengthening employee commitment and long-term organizational sustainability (Yusof et al., 2025).

Tirta and Enrika (2020) define employee retention as the organization's efforts to create conditions that encourage employees to remain employed. Effective retention strategies help organizations maintain workforce stability and reduce turnover costs.

Employees contribute significantly to organizational performance, productivity, and financial growth. Tariq (2017) emphasizes that employees are among the most valuable resources within an organization and that their contributions are vital to achieving organizational objectives.

Organizations implement various strategies to retain employees, including competitive compensation packages, career development opportunities, recognition systems, and supportive work environments. Ahmad Azam et al. (2022) suggest that organizations should establish working conditions that support employee motivation and professional growth.

In addition to compensation and career development, flexible working arrangements and a positive organizational culture can influence employees' decisions to remain with the organization. Employees who feel valued and supported are more likely to demonstrate loyalty and commitment toward their organization.

Work Environment

The work environment refers to the physical, social, and organizational conditions in which employees perform their job responsibilities. It includes workplace facilities, equipment, organizational culture, management support, and relationships among employees. A supportive organizational environment can also encourage employee engagement and improve employees' willingness to remain with the organization (Yusof, 2025).

Ramlall (2017) describes the work environment as the overall setting in which employees carry out their tasks, including the tools, materials, work practices, and organizational arrangements that support job performance.

A positive work environment can enhance employee satisfaction, productivity, and engagement. Employees who work in supportive and comfortable environments are more likely to perform effectively and remain committed to their organization. Ahmad Azam et al. (2021) suggest that favorable working conditions contribute significantly to employee loyalty and motivation.

Conversely, unfavorable working environments may lead to employee dissatisfaction, reduced morale, and increased turnover intentions. Stressful or unsafe working conditions may negatively affect employee well-being and reduce organizational commitment.

Therefore, organizations must create supportive and motivating work environments to promote employee satisfaction and long-term retention.

Research Framework

The conceptual framework of this study explains the relationship between the work environment and employee retention. In this framework, the work environment is treated as the independent variable, while employee retention represents the dependent variable. The framework was adapted from the model proposed by Hayrol Azril et al. (2010). As illustrated in Figure 1, the study proposes that a positive work environment may influence employees' intention to remain with their organization.

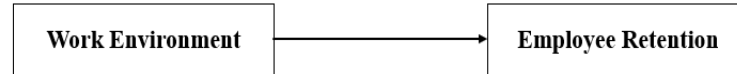


Figure 1: This conceptual framework has been adapted from Hayrol Azril et al. (2010)

METHODOLOGY

Research Design

This study employed a quantitative cross-sectional survey design to examine the relationship between the work environment and employee retention among employees in construction and manufacturing firms. The quantitative approach was selected because it facilitates the systematic collection and statistical analysis of data, enabling the identification of relationships between variables and the generalization of findings to the target population.

Population and Sample

The target population comprised 218 employees working in construction and manufacturing firms located in Semenyih, Selangor, Malaysia. The sample size was determined based on the sample size determination table developed by Sekaran (2003), which recommends a minimum sample of 136 respondents for a population of 218 individuals. This sample size was considered adequate to ensure sufficient statistical power and representativeness of the study population.

Data Collection Procedure

Primary data were collected through a structured online questionnaire administered using Google Forms. The survey link was distributed to potential respondents via WhatsApp, enabling convenient participation and wider accessibility. Prior to data collection, respondents were informed of the study's purpose and assured that their responses would remain confidential and be used solely for academic research. Participation in the survey was voluntary.

Research Instrument

The questionnaire was adapted from established measures reported in previous studies and consisted of three sections. Section A collected demographic information, including respondents' personal and employment characteristics (seven items). Section B measured perceptions of the work environment using seven items, while Section C assessed employee retention using nine items. All items were measured using a five-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"), allowing respondents to indicate the extent of their agreement with each statement.

Data Analysis

The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS) version 26. Descriptive statistics were employed to summarize respondents' demographic characteristics. Reliability analysis was conducted using Cronbach's alpha coefficient to assess the internal consistency of the measurement scales. Subsequently, simple linear regression analysis was performed to examine the influence of the work environment on employee retention. Statistical significance was evaluated at the 0.05 level, with the results used to determine whether the work environment significantly predicts employee retention among employees in construction and manufacturing firms.

FINDINGS AND DISCUSSION

This section presents the study's findings based on data collected from respondents. The analysis includes the demographic profile of respondents and a regression analysis examining the relationship between the work environment and employee retention.

Demographic Profile of Respondents

The demographic characteristics of the respondents are summarized in Table 2. A total of 136 respondents participated in this study. The results show that 51.5% of respondents were male and 48.5% were female. In terms of age distribution, the majority of respondents were between 20 and 25 years old (32.4%), followed by those aged 26 to 30 (24.3%). Most respondents were either single (48.5%) or married (47.8%).

Regarding educational level, the majority of respondents possessed SPM qualifications (53.7%), followed by diploma holders (30.9%). In terms of job position, most respondents were non-executive employees (52.2%), followed by executive-level employees (25.7%). With regard to work tenure, the majority of respondents had worked between three to four years (44.9%).

Table 2:

The detailed demographic distribution of the respondents

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

Regression Analysis

Regression analysis was conducted to examine the relationship between work environment and employee retention. The results of the regression analysis are presented in Table 3.

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

Independent Variable	Standardized Beta (β)	t-value	p-value (Sig.)	Result
Work Environment	0.113	1.342	0.182	Insignificant

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

The results indicate that the beta coefficient for work environment is 0.113, with a p-value of 0.182, which is greater than the significance level of 0.05. This indicates that the relationship between work environment and employee retention is not statistically significant. Therefore, the proposed hypothesis (H1) is not supported.

CONCLUSION

This study examined the relationship between work environment and employee retention among employees working in construction and manufacturing firms in Semenyih, Selangor, Malaysia. The findings revealed that the work environment is not statistically significantly related to employee retention. This indicates that the work environment alone may not be a determining factor in employees' decisions to remain in their organization in this study.

Although a positive work environment is generally believed to improve employee satisfaction and organizational commitment, the results suggest that other factors may play a more influential role in retaining employees. Factors such as compensation, career development opportunities, organizational support, and job security may contribute more significantly to employees' intention to stay with their organization.

Therefore, organizations should consider implementing broader human resource strategies that address multiple aspects of employees' needs to improve retention. Future research is recommended to explore additional variables and extend the study to other industries and geographic areas to gain a more comprehensive understanding of the factors influencing employee retention.

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CONFLICT OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

AUTHOR CONTRIBUTION STATEMENT

Author 1 contributed to the conceptualization, research design, and writing of the original draft.

Author 2 was responsible for data collection, analysis, and validation of the results.

Author 3 provided supervision, critical review, and editing of the final manuscript.

All authors have read and approved the final version of the manuscript.

ETHICS STATEMENT

This research was conducted in accordance with the ethical standards of UPTM and adhered to the principles outlined in the Declaration of Helsinki. Ethical approval was obtained from the **Review Board** under reference number JE212. All participants were informed about the purpose of the study and provided written informed consent prior to participation. Participants' privacy and confidentiality were strictly maintained, and the data collected were used solely for academic purposes.

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