



Faculty of Cognitive Sciences and Human Development

**THE RELATIONSHIP BETWEEN SELECTED HRM PRACTICES AND
EMPLOYEE RETENTION WITH EMPLOYEE ENGAGEMENT AS A
MEDIATING FACTOR AMONG EMPLOYEES IN CONSTRUCTION
SECTOR**

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Masters

PhD

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EMPLOYEE RETENTION WITH EMPLOYEE ENGAGEMENT AS A MEDIATING
FACTOR AMONG EMPLOYEES IN CONSTRUCTION SECTOR**

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This project is submitted
in partial fulfilment of the requirements for a
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ABSTRACT

This study aims to identify the relationship between selected HRM practices (reward and recognition, career development and benefits) and employee retention with employee engagement as a mediating factor among employees in construction sector. A quantitative study was conducted by using cross-sectional survey method. The pilot study had been carried out that involved 30 respondents and the result depicted high reliability for all questionnaire items with Cronbach's Alpha value in the range of 0.825 to 0.921. 130 sets of questionnaires were distributed to office employees in the six construction companies and 110 sets were collected back but only 97 sets were useable. Data collected was analyzed using Spearman Correlation and Linear regression analysis. From the data analysis, it was found that there is a moderate positive correlation between reward and recognition, career development and benefits toward employee retention. Furthermore, findings of this study showed that employee engagement has mediated the relationship between three selected HRM practices and employee retention. Other than that, implications of this study towards organization, human resource practitioner and theoretical contribution were also discussed. Several recommendations were provided to organization and human resource practitioner as well as future researcher.

Keywords: selected HRM practices, reward and recognition, career development, benefits, employee retention, employee engagement, employees, construction sector

ABSTRAK

Kajian ini bertujuan untuk mengenal pasti hubungan antara praktik HRM yang dipilih (ganjaran dan pengiktirafan, perkembangan pekerja dan faedah) dan pengekalan pekerja dengan penglibatan pekerja sebagai faktor pengantara di atas pekerja di sector pembinaan. Kajian kuantitatif dilakukan dengan menggunakan kaedah tinjauan keratan rentas. Kajian rintis telah dilakukan yang melibatkan 30 responden dan hasilnya menggambarkan kebolehpercayaan yang tinggi untuk semua item soal selidik dengan nilai Cronbach's Alpha dalam lingkungan 0.825 hingga 0.921. 130 set soal selidik diedarkan kepada pekerja pejabat di enam syarikat pembinaan dan 110 set dikumpulkan semula tetapi hanya 97 set yang dapat digunakan. Data yang dikumpulkan dianalisis menggunakan Korelasi Spearman dan Regresi Linier analisis. Dari analisis data, didapati bahawa terdapat hubungan positif sederhana antara ganjaran dan pengiktirafan, perkembangan pekerja dan faedah terhadap pengekalan pekerja. Selanjutnya, penemuan kajian ini menunjukkan bahawa penglibatan pekerja telah memediasi hubungan antara tiga praktik HRM yang dipilih dan pengekalan pekerja. Selain itu, implikasi kajian ini terhadap organisasi, pegawai sumber manusia dan sumbangan teori juga dibincangkan dalam kajian ini. Pengkaji juga memberi cadangan kepada organisasi, pegawai sumber manusia dan pengkaji lain yang akan datang.

Kata kunci: praktik HRM yang dipilih, ganjaran dan pengiktirafan, perkembangan pekerja, pengekalan pekerja, penglibatan pekerja, pekerja, sector pembinaan

CHAPTER ONE

INTRODUCTION

1.1 Background of study

The construction industry plays a major role and contributes to the economic development of Malaysia. According to Malaysia Productivity Corporation (2015) stated that the industry also accounts for almost 3.9% of the overall Gross Domestic Product (GDP) in Malaysia. According to Department Statistics Malaysia (2019), the total sum of construction sector work performed in the second quarter of 2019 was RM37.4 billion, which increased 0.8 % annually to RM35.9 billion compared to the first quarter of 2019. The development of our country's construction industry not only boosts the country's GDP income but now also enhances the country's socio-economic growth (Rahim, et al. 2016). The managers, executives, non-executives and others in the construction organization play a vital role to promote the internal job well done. Without the employees in the organization, the whole organization cannot function well and make a profit. Hence, the construction industry faces a major challenge with the high employees' turnover rate and this will bring a negative effect to the organization.

Apart from that, the impact of the high turnover rates has raised the concern of the HR professionals in every industry and intent to resolve such a problem. Due to the high turnover rate, employee retention is vital to every organization no matter which sector. Employee retention can define as the employee willing to stay in an organization for the highest period (Das & Baruah, 2013). However, Watson (2015) stated that most of the workers choose to leave the job with 36% within two years compared to 29% in 2012. Thus, the great majority of the company and institution are faced with employee retention as one of the critical

problems and challenges (Nasir & Mahmood, 2016). Besides, employee engagement also plays a crucial role in influencing the staff to stay for an organization. The organization must be able to understand the satisfaction of the employee toward the HRM practices because it may bring an impact on employee engagement. Therefore, the organization needs to invest in engaging the employees to keep talented employees.

However, retaining employees has become a global challenge. Therefore, human resource management practices are essential to organizational efficiency to preserve talented employees and keep employee retention. HR practitioners will design and implement effective human resource policies and practices to accomplish organizational goals and retain talented employees (Tangthong, Trimetsoontorn & Rojniruntikul, 2014). Management which takes pivotal drivers such as reward and recognition, career development and benefits into consideration and provides better to compare with other competitors in retaining employee towards the organization. Furthermore, numerous researchers had proved that these HRM practices are significant in the effort of improving employee retention among organizations in Malaysia.

1.2 Problem Statement

Nowadays, the challenge of retention of workers in the Malaysian company has been taken more seriously. In Malaysia, most of the employer faces the problem of retaining skilled employees in the company and the turnover issue is always on the rise. In 2015, there are 9% of the turnover rate experienced by the construction sector in 2015 (Institute of Labour Market Information and Analysis, 2016). According to Yildirmaz, Ryan and Nezaj (2019), the average turnover rate in the construction sector is 3.5% total each monthly and this statistic showed it is moderately high compared with other sectors. A study by Thomas (2015) also indicated that the construction industry is facing the challenge of the high

turnover rate of workers in the organization and seek out the cause of the employee turnover thus to find the effective ways to retain them.

According to Butali, Mamuli and Wesangula (2013), the low productivity and increase the costs of the organization can result due to the high turnover rate. The expenses that need cover due to the turnover of the previous employee and needed for the newcomers are costs of recruiting, training expenses, advertising costs, new hiring costs, cost selection and others (Sinniah & Kamil, 2017). This kind of expenses not only covers for the organization profits lost but also needed in the recruit other new employees to replace the position. Turnover has many implicit or invisible costs that an organization has to absorb when voluntary turnover happens, and these unseen costs arise from new employees (Hosain, 2016). Therefore, organization are taken seriously to utilizes effective ways for employee retention.

Generally, career development may affect the employee's decision to leave or remain the organization. Purba and Karwur (2018) reported that the greater risk of losing the talented employee will be faced if the company is unable to offer career development to the employee. This is due to the employees tend to job-hop to another organization for better career development opportunities. Based on 2018 Retention Report by Mahan, Nelms and Bearden (2018), 21% of the employees left work due to the reason of career development. Employees refused their self cannot move up to get promotion and perceived them in a dead-end job. Therefore, career development is significant to the employees who have the careerism and also career-oriented improvement (Purba & Karwur, 2018).

Reward and recognition also one of the important elements to concerns for employee retention. According to A'yuninnisa and Saptoto (2015), the pay and the reward can affect each of the employees to make a decision either to remain or quit from the organization. The

employees who receive the reward and recognition are satisfied to engage and willing contribute to working with the organization (Mendis, 2017). The organization that unable to reward employees on performance basis will increase their dissatisfaction and definably leave from the organization. Ng et al. (2012) claimed that most of the organization in Malaysia do not provide the desired reward and less of the recognition given to employees' contribution and leads them lose interest and incline for turnover options to other organization.

Furthermore, failure to provide attractive benefits offered by the organization can influence the employee leave from an organization. Ahmad, Toh and Bujang (2013) mentioned that only 32% of the worker is satisfied with benefits provided by the organization. Most of the organization want to minimize their costs so they choose to only provide a few of the benefits package to employees. This behaviour will result in the organization's employee turnover.

Employee engagement is among the key management issues associated with the retention of employees. According to the Vaijayanthi, Shreenivasan and Prabhakaran (2011) also stated that employee engagement can be used to measure the degree of the employees are positive or negative emotions to attach and engaged with their current work and organization. It's also can impact on their willingness to stay or leave with their organization. Engaged employee's also will produce the best output towards the organization which is less turnover intention, higher productivity in the workplace, more commitment to the organization and others (Das, 2016). However, the opposite of the disengaged employees will bring the negative emotion to the organization and shows less engaged with the organization, manager and other colleagues. The past researcher also proved that when the employees are actively engaged with the organization, they tend to strives for the organization and intended to stay (Tripathi & Singh, 2014).

However, the reviews of literature show that the majority of studies concentrate on the relationship between selected HRM practices and retention of employees (Aguenza & Som, 2012; Tangthong, Trimetsoontorn & Rojniruntikul, 2014; Imna & Hassan, 2015). There was an only limited study on the mediating impact of the employee engagement on the relationship between selected HRM practices and employee retention in Malaysian organization. Thus, this study is aimed to explore the mediating effect of employee engagement on the relationship between selected HRM practices and employee retention.

1.3 Objective of study

1.3.1 General objective

- To investigate the relationship between selected HRM Practices and employee retention with employee engagement as a mediating factor.

1.3.2 Specific objectives

- To determine the relationship between reward and recognition and employee retention.
- To determine the relationship between career development and employee retention.
- To determine the relationship between benefits and employee retention.
- To determine the mediating effect of employee engagement on the relationship between reward and recognition and employee retention.
- To determine the mediating effect of employee engagement on the relationship between career development and employee retention.
- To determine the mediating effect of employee engagement on the relationship between benefits and employee retention.

1.4 Research Hypothesis

H_{a1}: There is a significant relationship between reward and recognition and employee retention.

H_{a2}: There is a significant relationship between career development and employee retention.

H_{a3}: There is a significant relationship between benefits and employee retention.

H_{a4}: There is a mediating effect of employee engagement on the relationship between reward and recognition and employee retention.

H_{a5}: There is a mediating effect of employee engagement on the relationship between career development and employee retention.

H_{a6}: There is a mediating effect of employee engagement on the relationship between benefits and employee retention.

1.5 Conceptual framework

Figure 1.1 exhibits the conceptual framework which includes independent variables and dependent variable as well as mediating factor in this research.

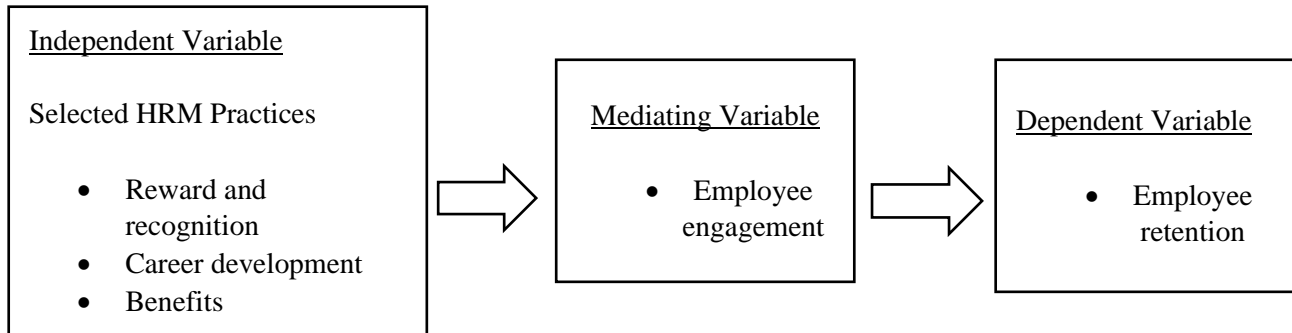


Figure 1.1. Conceptual Framework

Source: Alias, Noor and Hassan (2014); Tangthong, Trimetsoontorn, and Rojniruntikul, (2014).

1.6 Significance of the Study

1.6.1 Organization and Human Resource Practitioner

By conducting this study, it can provide insights and understanding to the organization and human resource practitioner on indicators that can affect the retention of employees. It will also define the elements that can influence the degree of employee engagement and also employee retention in the organization. Through this study, it enables human resource practitioner to plan and take suitable action based on the variables namely reward and recognition, career development and benefits that would help the organization to cope with employee turnover and job-hopping to other organization issues. In terms of reward and recognition, HR practitioner can recognize the performance of each employee and offer the reward to the employee who qualified to get. For career development, HR

practitioner can design the career programs and offer to all employees to increase their skill and competencies. Next, the benefits also one important variable and HR practitioner can emphasize the benefits package that should provide for staff to let them increase their welfare. The study's results also showed the HRM practices and retention of employee are significant towards the organization with employee engagement plays as the mediation factor. Hence, this research could benefit the practitioner in retaining the valuable employees with effective human resource practices.

1.6.2 Future Researcher

This study also serves the purpose and contributes to the research field especially in human resource management as it serves as a guideline for researcher awareness and to conduct more study in the future. Besides, the future researcher can expand more framework to gain more related area regarding research. The researcher can study and understand the factors that can influence employee retention with employee engagement as a mediating factor of an organization in a deeper and wider context.

1.7 Definition of terms

1.7.1 Rewards and recognition

Conceptual Definition: Reward and recognition refer to the term of reward as the pay system that given by the organization to the employees as the response of the work performed and incentives (Das & Baruah, 2013).

Operational Definition: Rewards and recognition in this study is the performance bonus and salary increment given by the organization to the employees who had archived specific goals and good performance in the work.

1.7.2 Career development

Conceptual Definition: Career development refers to the process of employers to help employees develop their abilities and improve their employment prospects in the internal and external employment market. (Aguenza & Som, 2012).

Operational Definition: Career development in this study means the process to develop the employee in terms of learning and skill development to get the promotion.

1.7.3 Benefits

Conceptual Definition: Benefits refers to the statutory and non-statutory benefits that the organization provides to enhance the employee's welfare (Yamamoto, 2011).

Operational Definition: Benefits refers to the wellness program or benefits package such as leaves, insurances, maternity paid leaves and others that offered by the organization.

1.7.4 Employee engagement

Conceptual Definition: According to Balakrishnan, Masthan and Chandra (2013), employee engagement is the degree willingness of the employees show the commitment, perform well in the task and stay for an organization.

Operational Definition: Employee engagement is the degree of the employee's involvement and positive emotion by employees toward their task in the organization.

1.7.5 Employee retention

Conceptual Definition: Employee retention refers to the policies and procedures that human resource use to avoid the talent employee existing from the current organization (Chiekezie, Emejulu & Nwanneka, 2017).

Operational Definition: Employee retention refers to practices including reward and recognition, career development and benefits that may assist the employer in attracting employees to remain for the organization for a long term of service in this study.

1.8 Summary

The objective of this chapter was to explain the background of study, problem statement, objectives of the study as well as research hypotheses. After that, it also aimed at discussing the conceptual framework, significance of the study and definition of terms.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter discussed further on the review of literature on the employee retention, employee engagement, rewards and recognition, career development and benefits. Related theory and model for this study are also discussed in this chapter. Besides, it also the presents relationship between the variables through past studies.

2.1 Research Context

2.1.1 Employee retention

Employee retention defined as the organization's ability to preserve or attract its employees in the organization, and it's also emerging as a major challenge for organizations (Dutta & Banerjee, 2014). Retention of workers is beneficial for both the company and the employee. Most of the organization are currently faced the challenge of the turnover issue and they are seeking effective ways to preserve valuable workers for a longer period. Cost of turnover also one of the important issues of retention for employees for an organization. Studied also indicated that the expense of the turnover increases hundreds of thousands of moneys to an organization's expenditures (Akira, 2012). Not only this, the reputation, productivity, image and sustainability of one organization can influence due to the high turnover rate (Azeez, 2017).

Conversely, a high rate of employee retention can bring a good impact and benefits for an organization. According to Vasantham (2016), the organization should avoid the incidence of a shortfall of highly qualified workers who may have a particular knowledge of