

**THE IMPACT OF HRM PRACTICES ON EMPLOYEE RETENTION OF
SKILL WORKER AT LIKOM CASEWORKS, MALACCA**

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DECLARATION BY SUPERVISOR

I hereby declare that I have checked this project and in my opinion, this project is adequate in terms of scope and quality for the award of the degree of Bachelor of Technopreneurship (Honours)

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DECLARATION

“ I declare this thesis entitled „The Impact Of HRM Practices on Employee Retention of Skill Worker at Likom Caseworks, Malacca“”

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DEDICATION

For my father Sabri Bin Senapi and my mother Wan Rohaya Binti Wan Othman, thanks for your love and support. This final year project is dedicated to show my truly appreciation for both of you.

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ABSTRACT

Employee Retention is one of the common challenges facing by most the organization currently. Though this, skilled workers should be retained in the organization in order to creates significant economic value though the work performed (human capital). Skilled workers is generally characterized by high education or expertise levels and high wages. Skilled workers involves complicated tasks that require specific skill sets, education, training and experience, and may involve abstract thinking. The main objective of this study is to determine the dimensions of HRM practices that affect employee retention for skilled workers, to rank the dominant dimensions of HRM practices and to investigate the relationships between Human Resource Management (HRM) practices and employee retention for skilled workers. There are four dimensions of HRM practices namely compensation, training and career development, work environment and person organizational fit. A quantitative study is used in this research and the data have been collected by using questionnaire. It been distributed though online survey and by hand at Likom Caseworks, Malacca. Pearson Correlation analysis been done to assess the relationship of all the variable. The outcome of the findings showed a only one independent variable which is personel organizational fit showed a positive and significant correlation of HRM practices and employee retention. But the rest of the independent variables were insignificant. Discussions explained the both findings of each HRM practices in supporting employee retention in Likom Caseworks. Eventually, conclusion and recommendation were mentioned.

Keywords : **Employee Retention, Skilled Workers, Compensation, Training and Career Development, Work Environment, Person Organizational Fit, Malacca.**

ABSTRAK

Pengekalan pekerja adalah salah satu cabaran yang dihadapi oleh kebanyakan organisasi pada masa ini. Walaupun ini, pekerja mahir perlu dikekalkan dalam organisasi untuk mewujudkan nilai ekonomi yang signifikan melalui pelaksanaan kerja (modal insan). Pekerja mahir secara umumnya mempunyai ciri-ciri pendidikan tinggi atau tahap kepakaran dan gaji yang tinggi. Pekerja mahir melibatkan tugas-tugas rumit yang memerlukan kemahiran khusus, pendidikan, latihan dan pengalaman, dan mungkin melibatkan pemikiran abstrak. Objektif utama kajian ini adalah untuk menentukan dimensi amalan HRM yang mempengaruhi pengekalan pekerja bagi pekerja mahir, untuk menentukan kedudukan dimensi dominan amalan HRM dan untuk menyiasat hubungan antara amalan Pengurusan Sumber Manusia (HRM) dan pengekalan pekerja bagi pekerja mahir. Terdapat empat dimensi amalan HRM iaitu pampasan, latihan dan pembangunan kerjaya, persekitaran kerja dan kesesuaian seseorang dalam organisasi. Kajian kuantitatif digunakan dalam kajian ini dan data yang telah dikumpulkan dengan menggunakan soal selidik. Ia telah diedarkan melalui soalan kaji selidik dengan kaji selidik dalam talian dan dengan edar secara terus di Likom Caseworks, Melaka. Analisis korelasi Pearson telah dilakukan untuk menilai hubungan semua pembolehubah. Hasil dapatan menunjukkan hanya satu pembolehubah bebas iaitu kesesuaian seseorang dalam organisasi menunjukkan korelasi yang positif dan signifikan terhadap amalan HRM dan pengekalan pekerja. Tetapi bagi pembolehubah bebas yang selebihnya adalah tidak signifikan. Perbincangan menjelaskan bagi kedua-dua penemuan setiap amalan HRM dalam menyokong pengekalan pekerja di dalam Likom Caseworks. Akhirnya, kesimpulan dan cadangan telah disebutkan.

Kata kunci: Pengekalan Pekerja, Pekerja Mahir, Pampasan, Latihan dan Pembangunan Kerjaya, Persekitaran Kerja, Kesesuaian Seseorang Dalam Organisasi, Melaka

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LIST OF ABBREVIATIONS

FPTT	Faculty of Technology Management and Technopreneurship
UTeM	University Teknikal Malaysia Melaka
BTEC	Bachelor of Technopreneurship with Honours
SPSS	Statistical Package for Social
HRM	Human Resource Management
P-O Fit	Person-Organization Fit
P-J Fit	Person-Job Fit

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Employee retention simply refers to how many your current employees stick around over a given period of time. Retention is considered as all-around module of an organization's human resource strategies. It commences with the recruiting of right people and continues with practicing programs to keep them engaged and committed to the right organization (Freyermuth, 2004). Employee retention is the one of the imperative issues within competitive organizations today as employees are the most valuable assets in any organization. Normally in an company's best interest to put its effort in retaining the talented employees that they have, and not recruiting anyone new. (Ayahu, 2012).

Moreover, Sourabh et.al (2013) an organization have their need and importance to retaining a valuable or skilled workers because is essential for them. This is because, an organization invests time and money in grooming an individual and make them ready to work and understand the corporate culture. A new joinee id completely raw and the

management really has to work hard to train him for his overall development. It is a complete wastage of time and money when an individual leaves an organization all of a sudden. The HR has to start the recruitment process all over again for the same vacancy will cause a mere duplication of work. Finding the right employee for an organization is a tedious job and all efforts simply go waste when the employee leaves.

It is essential for the organization to retain the valuable employee showing potential. Every organization needs hardworking and talented employees who can really come out with something creative and different. No organization can survive if all the top performers quit. It is essential for the organization to retain those employees who really work hard and are indispensable for the system. The management must understand the difference between a valuable employee and an employee who doesn't contribute much to organization. Sincere efforts must be made to encourage the employees so that they stay happy in the current organization and do not look for a change. (Sourabh et.al, 2013)

1.2 Problem Statement

Many of companies have put some money and much effort in the training and development to their employees (Cappelli, 1999), they put more added-value to their employees. However, employers are still facing with new problem much as employees with better skill and knowledge change their job more active than before. The first question that came to our mind was how to retain their employees. If organization want to survive in this intensive business environment, they need the full contribution from their employees. The first question is how to retain their employees, not to join their competitors' organization. If organization want to get healthy and steady profit growth, they also need their employee to work hard together to reach the goal. The question is to make sure the organization has an effective workforce, employees are preferred to stay in the organization.

Therefore, the research problem carried out in this study is to observe the impact of HRM practices (compensation, work environment, training & career opportunities and person-organizational fit) and employees' intention on skill worker to stay in Likom Caseworks, Malacca. This research will investigate what is the main dimensions in HRM practices which causes employee turnover and why employees are preferred to stay?

1.2.1 Statement of the Research Question

There are plenty of challenge waits by gain data collection in scope of HRM practices and employee retention. This research identified major challenge in the context of skilled employee retention such as

1. What are the dimensions of HRM practices that affect employee retention for skilled workers?
2. What is the dominant dimension of HRM practices for employee retention of skilled workers?
3. What is the relationship of the dimensions of HRM practices on employee retention for skilled workers?

1.3 Research objective

The specific objective of this study are show as follows:

1. To determine the dimensions of HRM practices that affect employee retention for skilled workers.
2. To rank the dominant dimension of HRM practices for employee retention of skilled workers.
3. To investigate the relationship of the dimensions of HRM practices on employee retention for skilled worker.

1.4 Scope and Limitation

The scope of this study involves the response from the boards of directors, top managers, executives, engineers (high skill), supervisor, head of clerk, and employees who work in office (skilled) and technicians, employees who work in manufacturing (semi-skill workers) in Likom Casework in Malacca. The 75 respondent had been identified to answer the questionnaire that will be given to them. Researchers estimate the respondents group for the high skilled workers is 40, while for skilled workers is 25 and semi-skilled worker is 10 respondents.

1.5 Significance of the Study

This study is made to investigate the relationship of the dimensions of HRM practices toward employee retention for skilled worker in organization, Malacca. These studies are also to measure the dominant dimensions of HRM practices on employee retention for skilled worker to indentifying why employees are preferred to stay in Likom Casework, Malacca. To achieving the both objectives in this study, the researcher need to know what make employee turnover in organization, Malacca? Which one of the dimensions of HRM practices can affect the skilled worker to stay work in Likom Caseworks, Malacca?

This research is hope to extend the body of knowledge and give some understanding to the employer and the HR manager to realize that skilled workers are essential to maintain in their organization. By having this study, the employer and the HR manager may also have the idea and view on what initiatives need to be used or created to retain skilled workers to be loyal to the company. Through this research, it can lend a hand to increase the knowledge of HR manager to retain and make workers loyal to the organization.

1.6 Summary

The overall overview of this chapter was covered the background of the study that shown the dimensions of HRM practices on employee retention for skill worker in Likom Casework, Malacca. The problem statement identify the reason of this research. The overall overview is followed by the objective of this research which states the related variable for this research. Then, it followed by the scope of study which is focused on the region for this research. Finally, the researcher should be concern about the limitation of the study which can affect the research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introductions

This chapter focus on the literature review of the Human Resource Management Practices that affect skilled employee retention in Likom Caseworks, Malacca which is included the definition of the Human Resource Practices and the variable of employee retention as well as the application, implication, dominant dimensions and the relationship of Human Research Management Practices. This study also explains the three classification of skills category and the retaining of employee will be measure by employee satisfaction. The researcher have several of reference material has been use as the guide line of the study such as books, journal, article and internet related page.

2.1.1 Conceptual Model

According to Management Study Guide (2013), employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new joiner, make him or her become a skill worker. Then, a corporate ready material and bring them at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. Usually, an organization can reduce its employee turnover and all associated costs that very costly.

The table below shows the previous research done by several researchers regarding the HRM practices and employee retention as shown in the table below:

Table 2.1.1: The Previous Research that have Been Done from Other Researcher

Researcher	Variable (X)	Variable (Y)
S.Tangthong, J. Trimetsoontorn, & N. Rojniruntikul, 2009, 163, 5(2)	Compensation & benefits and reward system, Training & development	Employee retention
V.B. Ajaru, 2012, 1	Employee retention	
T. Hussain & S.S. ur Rehman, 2013, 3626-3627, 6(19)	Reward and compensation, Training and development	Employee retention
Asiedu-Appiah et al., 2013, 32-37, 2(2)	HRM practices, Training and development, Compensation and incentive policies, Employee retention	

B.H. Janjua & A. Gulzar, 2014, 77-78, 1(16)	Review of literature: The Impact Of HRM On Employee Commitment and Employee Retention In Telecom Sector Of Pakistan: Exploring The Mediating Role Employee Loyalty	
Dr. U. Narang, 2013, 48-49, 4(1)	Career Development Opportunities, Work Environment, Rewards	Employee retention
Prof. N.R. Patel & Prof. Dr. M.B. Patel, 2014, 98, 8(3)	Career Development Opportunities, Work Environment, Rewards	Employee retention

Thus, the above models are used as the guidelines to identify the impact of HRM practices on employee retention in Malacca by focusing on the skills worker for retaining them in the organizations.

2.2 Skilled Workers

A segment of the work force with a high skill level that creates significant economic value through the work performed (human capital). Skilled labor is generally characterized by high education or expertise levels and high wages. Skilled labor involves complicated tasks that require specific skill sets, education, training and experience, and may involve abstract thinking. (Investopedia, 2014). Moreover, there are three classifications of skill categories which are (Katya, 2007):

1) Highly skilled

Highly skilled work employee is one who does the work which involves skill or competence of extra-ordinary degree and possesses supervisor ability. A highly skilled worker is one who is capable of working efficiently and supervises efficiently the work of skilled employees. (PayCheck, 2014). According to Meera (2009), highly skilled work employee is one who does the work which involve skill or competence of extra-ordinary degree and possesses supervisory ability.

2) Skilled

Skilled employee is one who is capable of working independently and efficiently and turning out accurate working. He must be capable of reading and working on simple drawing circuits and process, if necessary. A skilled employee is one who is capable of working efficiently of exercising considerable independent judgment and of discharging his duties with responsibility. He must possess a thorough and comprehensive knowledge of the trade, craft or industry in which he is employed. (PayCheck, 2014). According to Meera (2009), skilled employee is one who is capable of working independently and efficiency and turning out accurate working. He must be capable of reading and working on simple drawing circuits and process, if necessary.

3) Semi-skilled

Semi-skilled employee is one who has sufficient knowledge of the particular trade or above to do respective work and simple job with the help of simple tools and machines. A semiskilled worker is one who does work generally of defined routine nature wherein the major requirement is not so much of the judgment, skill and but for proper discharge of duties assigned to him or relatively narrow job and where important decisions made by others. His work is thus limited to the performance of routine