

# Key Determinants Influencing Lower & Junior Management Employee Retention: A Case Study of a Glove Manufacturer

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**Abstract:** Employee retention is one of the challenging process in human resource management although there are many research studies have been carried out in the past. Poor employee retention in an organization incurs high intangible cost and resources to maintain the operation performance, includes the glove manufacturer. This paper aims to identify and examine the key determinants influencing lower & junior management employee retention in a glove manufacturer for outlining the major areas that should be improved to increase the employee retention rate. Occupational Safety & Health, Performance Management, Training & Development, Total Rewards and Employee Motivation are the variables that obtained through literature review from the previous studies. These variables have been hypothesized to examine the cause-and-effect towards Employee Retention in the glove manufacturer. Primary data is collected through survey questionnaires into 300 lower and junior management employees in the glove manufacturer. Partial Least Squares-Structural Equation Modeling (PLS-SEM) is selected as the most appropriate technique to analyze the quantitative data. As a result, Training & Development and Total Rewards with Employee Motivation as the Full Mediator show a positive significance relationship to Lower & Junior Management Employee Retention in a glove manufacturer. Current reward system should be examined to enhance the employee motivation by considering paying higher than market rate for retaining the employees effectively. Training contents need to align with the technology implementation pace for upskilling plan to the technicians and staying competitive. Achieving high competency rate improves the operation and business growth at the same time. Sustainable practices in occupational safety & health and performance management fulfilled basic needs among the employees and thus insignificant to employee retention strategy in the glove manufacturer.

**Keyword:** Employee Retention, Training & Development, Total Rewards, Employee Motivation, Glove Manufacturer

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## INTRODUCTION

### *Research Background*

Employee retention is one of the crucial efforts that has been taken in the organization to sustain the operation and business. Human resource is the most valuable asset of an organization that could not be replicated under the same intellectual capital, unlike machineries (Holliday, 2021). High turnover rate due to poor employee retention ability has been leading to severe losses in the form of monetary and non-monetary to the organization (Hassan, 2014). The loss of skilled employees and talents will lead to operation hiccups for driving the team to deliver the organization goals as high turnover rate reduces the productivity. Thus, the management is necessary to relook into the talent management plan for consistently retaining the talent pool and sustaining the business operation. There are many employee retention strategies have been established and yet the challenge of employee retention is persisting in the organization, including the glove manufacturer. Glove manufacturers contribute to the Malaysia Economic Performance under the Manufacturing Sector. Refer to Fig. 1 below, Manufacturing Sector is recorded 24.8% economic contribution in Fourth Quarter Year 2021 with 9.1% growth compared to Third Quarter in Year 2021 (Department of Statistics Malaysia, 2022). On 24<sup>th</sup> March 2022, one of the glove manufacturer's Managing Director Datuk Lee Kim Meow stated "Our employees are not just our most valuable assets, they are also part of the growing glove manufacturer family, thus we would like to support their retirement years through this initiative. We also believe that opportunities for personal and professional growth, as well as competitive rewards and remuneration such as the PRS, are key to attracting and retaining new and existing talent." (The Malaysian Reserve, 2022), this statement has clearly elaborated that employee retention strategy is very important in glove manufacturer.

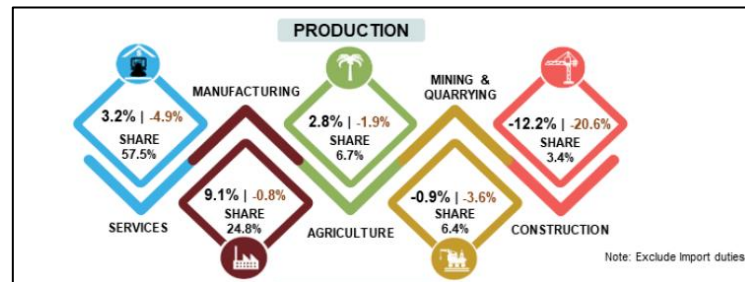


Fig. 1: Gross Domestic Product's Production Share in Malaysia, Q4Y21 (Department of Statistics Malaysia, 2022)

### ***Problem Statement***

With the rapid growing pace, especially the pandemic that requires high amount of healthcare products in the world, the glove manufacturer has expanded the production capacity up to 20% compared to pre pandemic period. High expansion needs more work force to support the operation for performing daily routine work, such as machine operators, technicians and general workers. The management hierarchy of the glove manufacturer is categorized according to management level, whereby Lower & Junior Management are non-skilled workers, technicians and low-skilled workers while Middle Management and above are staffs. The management style is based on meritocracy whereby everyone has equal opportunity in the career advancement as long as capable. The glove manufacturer also practiced zero discrimination, no bully and no harassment for all employees in the company. The turnover rate was recorded at 18.6% in the glove manufacturer that was higher than the turnover rate in manufacturing industry at 15.79% in Year 2019. Furthermore, in FY2022, the glove manufacturer has further tracked the worker turnover rate and found that it has increased to 26.47% from 21.37% in FY2021; whereas the manufacturing peers' turnover rate was at 24.36% in Year 2020. Besides on the recent turnover rate data, according to the turnover rate trend and the growing headcount in the glove manufacturer, the turnover rate is increasing every year from 12.30% in FY2017, then 17.73% in FY2018, 16.30% in FY2019 and latest 18.5% in FY2021. With the turnover rate increased significantly and higher than the peers, the problem statement has been clearly identified that there is a gap to improve on the attrition rate in the glove manufacturer for growing sustainably and healthily. If the problem persists continuously, the glove manufacturer's productivity will be brought down by the loss in man-hour, operation will be greatly affected, overworked issue will happen on the existing employees causing the loss of employee morale and eventually the operation flow, process & product quality and company financial performance will drop significantly.

### ***Research Objectives***

- To study the factors influencing the Lower & Junior Management employee retention in the glove manufacturer
- To investigate the mediating impact from Employee Motivation between Total Rewards and Employee Retention in the glove manufacturer

### ***Research Questions***

With respect to Research Objectives stated, below is the Research Questions to be taken into account in this research studies:

- What are the factors influencing the Lower & Junior Management employee retention in the glove manufacturer?
- Does Employee Motivation mediate the relationship between Total Rewards and Employee Retention in the glove manufacturer?

### ***Significance of Study***

Every research shall bring significance to the stakeholders to overcome the problems and challenges as part of the research objectives. Thus, the significance of this research study is to outline the key determinants influencing Lower and Junior Management employee retention in the glove manufacturer. This will allow the Management Team in the glove manufacturer strategizes in employee retention effectively from the research outcomes. At the same time, this study raises the awareness to the industry about the importance of occupational safety & health for retaining the employees (Applebaum, 2010). Other than that, it emphasizes the importance of paying right compensation for appreciating the employees' contribution, the improvement on performance management and appraisal system as well as the benefits of training and development for sustainable development (Raza, 2017). With that, it prevents the consequences of high turnover rate from low productivity, loss of employee morale and drop in company financial performance, which brings direct and indirect impact to the existing employees, suppliers, customers and other shareholders as the main stakeholders of the glove manufacturer.

## LITERATURE REVIEW

Journal articles and other reading sources are reviewed to gather and analyze the key determinants that influence the employee retention in the similar industry by other researchers. Relevant theories and models are studied to reflect the application and evaluation of research concepts.

### *Employee Retention*

“Retention” is defined as the possession of something/someone, according to the Cambridge Advanced Learner’s Dictionary & Thesaurus by Cambridge University Press (Cambridge University Press, n.d.). Employee retention is an effort that has been put in by the management within an organization to avoid employee turnover or leaving the current job (Holliday, 2021). However, employee retention is the major challenge that has been facing in many organizations and becoming a threat to the company for sustaining the operation and business as (Hassan, 2014) and (Namasaka David Butali, 2013) have stated that high turnover rate in the company affected the financial performance and its goal plan. Low employee retention is leading to high turnover rate in the organization and the general root cause is due to poor employment practices and its retention policies. This problem is happening in worldwide as described by (Bares, 2017) (Chew YeeCheong, 2015) and (Munir, 2020) added that Malaysia Manufacturing Sector faced high employees’ turnover intention. High turnover rate in Malaysia Manufacturing Sector has been further supported by the researchers (Chin, 2018) & (Rozana Othman, 2017). In recent news article written by Zazali Musa, Federation of Malaysian Manufacturers (FMM) mentioned that there are 600,000 vacancies of unskilled workers to be filled in for running the operation smoothly (Musa, 2022). Other than the impact on operation, low employee retention rate implies to high recruitment fees, additional investment on training and the fall in competency level of the team (Oladapo, 2014) (Nomahaza Mahadi, 2020). With the massive shortage of labour in the industries, employee retention, especially the unskilled and low skilled workers, is crucial to be managed strategically and effectively for reserving the work force to sustain the operation productivity and business profitability.

### *Occupational Safety & Health*

Occupational Safety & Health (OSH) is a science relevant to workers’ wellbeing, safety, security and health protection in workplace through risks and hazards control as well as its mitigation measures. There is an established OSH system enforced by the International Labour Organization (ILO) and local authorities, which is Department of Occupational Safety and Health (DOSH) in Malaysia. Based on the Occupational Safety and Health Act (OSHA) 1994 under the Act 514, Section 15 stated the general duty of every employer is to secure the safety, health and welfare of the employees in any activities that are against risks to safety or health at work (Law of Malaysia, 1994). The main objective of OSH system enforcement is to protect the employees against the sickness and injury in workplace that involves multidisciplinary field for prevention and protection (Alli, 2008). Besides that, Anilena Mejia (2012) stated that OSH is related to emotional health (Anilena Mejia, 2012). Cox & Cheyne (2000) identified the safe physical workplace should equip with clear lighting, supporting facilities and equipment in work and high security (Cox, 2000). Safe atmosphere allows high job satisfaction and low turnover intention; research carried out by Applebaum (2010) found that the physical working condition influences the employee retention from the impact on physical and psychological stress (Applebaum, 2010). Majid Ali (2014) has studied the impact of Safety & Health on Employee’s Retention through a regression model and the outcome showed that there is positive relation between OSH and employee retention (Ali, 2014). Workplace safety is the basic physiological-physical need for all employees to protect themselves from any injury, accident and loss of life. Thus, physiological and safety needs dictate the employees’ behaviors and performance in workplace, as one of the hierarchical motivational theory which will be explained in Section 2.3.1. This has been further supported in Saad Salman’s research conceptualized that employees’ motivation level, job satisfaction and retention are driven by OSH (Saad Salman, 2016). Through the reviews, OSH is the basic needs in workplace that should be fulfilled before retaining the employees, thus the hypothesis basis of OSH aids employee retention is formed in this research study, as following:

**H1: There is a significant relationship between Occupational Safety & Health and Lower Management & Junior Management employee retention in the glove manufacturer**

### *Performance Management*

Performance Management is a system involves the appraisal and feedback in Human Resource Management to allow employees set goals, review the performance indicators and communicate the improvement plans with superiors. Performance Management is a continuous process for aligning the employees’ individual goals with organizational goal with strategic planning and development (SHRM, n.d.). Performance Management System also worked as a tool of resource planning and management to manage the employees and resources available through strategic planning, monitoring the process and reviewing the contribution towards the goal setting for evaluating and rewarding the employees through performance appraisal. Performance Appraisal involves the one-to-one session between the employee and superior that should be arranged periodically to evaluate the key achievements, receive feedback and guidance for improving the performance. Anthony (2005) revealed that the performance appraisal process could motivate the employees at the same time (Anthony, 2005). With the outcome from performance appraisal as the formal evaluation system, top management could allocate the compensations and other rewards effectively and fairly. Apart from the earlier article states about appraisal

process motivates the employees, Bagul (2014) has pointed that increases the commitment at work at the same time, which is also has a significant impact to employee retention (Bagul, 2014). A fair and equitable performance appraisal system can improve the employee performance, productivity and the intention to stay from the employees' perception on fairness in performance management system, as revealed by (Erdogan, 2002) & (Robert C. Dailey, 1992). Kalgora (2015) & (Raza, 2017) also found that there is an affective relationship between performance appraisal and employee retention. From the literatures, performance management is one of the important factors to employee retention in the organization, thus the hypothesis is proposed that:

**H2: There is a significant relationship between performance management and Lower Management & Junior Management employee retention in the glove manufacturer**

### *Training & Development*

Training & development is the activities that the organization provide to the employees during their tenure for fulfilling the expectation to perform the works up to the standard and requirement. It is essential to allow employees acquire new skills to enhance the employees' competency level and experience to align with the organizational goal and future development (Zane L Berge, 2022). Training & Development is an upskilling action which is invested and committed by the organization to allow employees to develop new skill for future market to sustain the operation and business growth as the long-term goal. Other than acquiring new skills, training & development is a process of cultivating the employees to the behaviors, norms and cultures in the organization. Training the personnel to improve the behaviors and attitudes is useful in team development and management through leadership skill. This prepares the employees to step forward into future position and job scope. Since Year 1997, Bassi outlined the evidence that training & development increased the employee retention rate (Laurie J. Bassi, 1997), which has further proven by (Susan Oakland, 2010); (Melanie K. Jones, 2009). (Raza, 2017) analyzed that the training & development is important for lowering the employee turnover as part of the talent management strategies. In his research study, the regression analysis outcome showed that there is positive impact towards employee retention by training & development with a growth of 3.2% retention rate with the enhancement of training & development. Furthermore, another research has found that training opportunities given to the employees have contributed significantly to the employee retention (Saira Ashfaq, 2013). Hence, with the supportive evidence through literature review, the relationship between training & development and employee retention is relevant to this research study and hypothesized as following:

**H3: There is a significant relationship between training & development and Lower Management & Junior Management employee retention in the glove manufacturer**

### *Total Rewards*

Total Rewards is one of the Human Resource Functions that is relevant to the compensation and welfare provided by the company. Based on Human Resources Glossary in Gartner Glossary, total rewards include salaries, incentives, promotion, bonus etc. (Gartner, n.d.). Commonly, two major reward types are intrinsic reward and extrinsic reward. Intrinsic reward defines as the psychological achievement in the employees as the efforts have been paid off with positive outcome and recognition. In short, intrinsic reward is non-monetary reward. Furthermore, Faiza Manzoor (2021) explored that the employee performance is influenced by the intrinsic rewards in his research study (Faiza Manzoor, 2021). On the other hand, extrinsic reward is the monetary reward that is reflected in the employees' paycheck, which is countable and tangible. For instance, monetary reward is the annual salary increment, bonus and allowances. Scholar Baakile (2011) noted that pay satisfaction from monetary compensation is the key determinant to turnover intention. He also found that salary is the employees' key determinant that affects their behaviors in workplace that reflected to the productivity (Baakile, 2010). Research study by Oladapo stated that compensation affected the employee retention (Oladapo, 2014). There is also a study described that the compensation system worked as the recognition to the employees' contribution as the motivation tool and reward, which has influenced the employee motivation and individual performance (Randy K. Chiu, 2002). Compensation system is the capable cognitive motivator to the employees that reflected how much was earned from the efforts paid off in the job performance, whereby it is explained in Expectancy Theory (Osibanjo, 2014). Hence, there is a clear linkage between total rewards and employee retention from the articles, so this study is hypothesized that:

**H4: There is a significant relationship between total rewards and Lower Management & Junior Management employee retention in the glove manufacturer**

### *Employee Motivation*

Motivation defines as the enthusiasm for doing something, referring to Cambridge Dictionary (Cambridge University Press, n.d.); whereas it is derived from motive that stimulate the individuals' behavior to accomplish something (Juneja). Employee motivation plays an important role to improve the job satisfaction and intention to stay. There are two types of motivation, which are intrinsic and extrinsic motivation, and both types are significantly important in employee retention. Extrinsic motivation is related from extrinsic reward obtained from the employers, such as wages, bonuses and career growth opportunities. Intrinsic motivation is also related to the intrinsic reward based on job passion that has fulfilled the psychological needs. A research by Ong Choon Hee about Motivation and Employee Retention among Millennials in

Malaysia studied the influence of extrinsic motivation and intrinsic motivation towards employee retention (Ong Choon Hee, 2019). Sunil Ramlall (2004) has reviewed the relationship between the employee motivation, employee behavior and retention through the theoretical models, and then cited the motivation factors and theories are valid to the factors of employee turnover (Ramlall, 2004). Furthermore, many articles have emphasized the relationship between rewards and motivation, Kendra Cherry (2021) mentioned that extrinsic motivation is driven by tangible rewards which is highly effective to increase motivation level of an individual (Cherry, 2021) and Atif Raza (2017) reviewed that money acted as the extrinsic motivation stimulates employee cooperation and bond (Raza, 2017). Haider (2015) also found that intrinsic reward has a significance relationship with employee retention through employee motivation (Haider M, 2015). Therefore, with the analytical data from the literatures showing relationship between the motivations to employee retention as well as the motivation carries the mediating impact between total rewards and retention, thus the hypotheses in this research study are proposed as following:

**H5: There is a significant relationship between employee motivation and Lower Management & Junior Management employee retention in the glove manufacturer.**

**H6: There is a significant relationship between total rewards and employee motivation in the glove manufacturer.**

**H7: Employee motivation mediates the relationship between total rewards and Lower Management & Junior Management employee retention in the glove manufacturer.**

**Conceptual Framework**

With the hypotheses above, the conceptual framework is shown in figure below, whereby dotted line is the mediating hypothesis path.

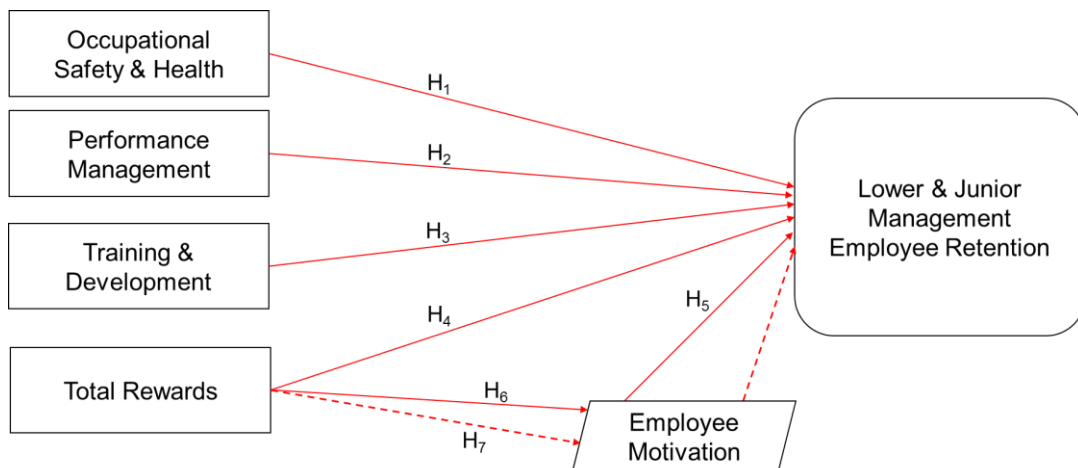


Fig. 2: Conceptual Framework

**Review of Theoretical Models: Maslow’s Hierarchy of Needs**

Maslow’s Hierarchy of Needs is the motivator presented in a pyramid of human needs, such as the basic needs (physiological & safety), psychological needs (belongingness and esteem) and self-fulfillment needs (self-actualization), as shown in Fig. 3. Abraham Maslow has developed this theory of human motivation in Year 1943, described that the hierarchy of human needs drives the human behavior in each stage (David Lester, 1982). Maslow learned the behaviorism after achieved in each of the needs before moving into next stage of hierarchy (McLeod, 2022). Physiological needs are crucial for survival as the basic needs in life, such as food, water, air and shelter. In order to get the basic needs as an adult, the financial income plays the important role to acquire the needs, which relates from the Total Reward as the wages and incentives are the source of income. Security & safety needs are about the protection on own health and wellness which is related to the dependent variable of Occupational Health & Safety in this research study. Training & Development and Performance Management are the psychological needs in the organization for employees to have the sense of being valued by the employer about their participation, contribution and accomplishment.



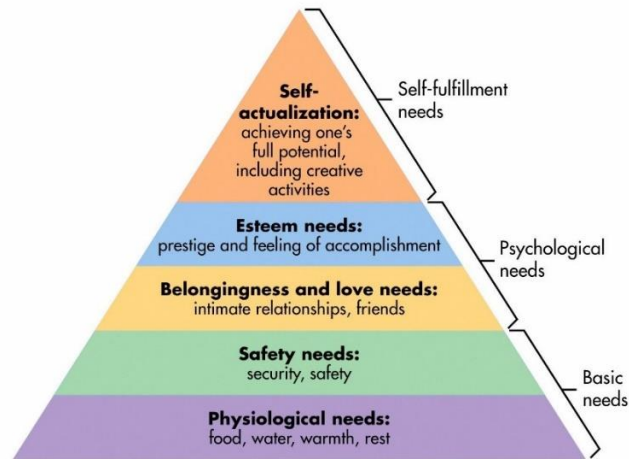


Fig. 3: Maslow's Hierarchy of Needs (McLeod, 2022)

**Expectancy Theory of Motivation**

Expectancy Theory of Motivation is found by Victor H. Vroom in Year 1964. It defines as the human behavior is governed by the motivation once the expectation is met. Vroom (1964) explained that the efforts put into the job performance are expecting all plausible outcomes. Expectancy theory comes into stages from effort to performance then reward, which are explained into 3 core elements (Valence, Instrumentality and Expectancy) in the articles (Lunenburg, 2011) (Juneja). Expectancy is the assumption on the efforts give the desired performance whereby expectancy stays origin if the estimated performance level is trivial and does not meet the expectation. Instrumentality is the measurement of an individual's expectation on the desired performance leads to acceptable reward, whereby the instrumentality is 0 if the relationship between the performance and reward is insignificance. Valence is the expectation from an individual emotion and behavior with the respect of the rewards after the efforts put in to achieve the performance (Lunenburg, 2011). Vroom has also further discovered that the motivational behavior defined as the equation below:

$$Motivation = Expectancy \times Instrumentality \times Valence$$

Equation adopted from Lunenburg, F. C. (2011). Expectancy Theory of Motivation: Motivating by Altering Expectations . International Journal of Management, Business and Administration, 1-6.

This theory of motivation is an important implication to provide motives to the employees to work towards the organizational goal. Thus, it is relevant and applicable to the Performance Appraisal in Performance Management System that will be examined its significance to Employee Retention in this study.



Fig. 4: Expectancy Theory (Redmond, 2016)

**Herzberg's Two Factor Theory**

Herzberg's Two Factor Theory, by psychologies Frederick Herzberg, stated the Motivator and Hygiene Factors are influencing the job satisfaction. Herzberg presented that there are mutually exclusive factors determining job dissatisfaction and job satisfaction from each factors, by which the opposite of job satisfaction is not satisfaction whereas the opposite of job dissatisfaction is not dissatisfaction (Herzberg, Avoiding pain in the organization, 1970); (Herzberg, 1974). According to the theory, the absence of each factors will influence the employees' motivation that will be beneficial to the organization in employee retention (Raza, 2017) (Nickerson, 2021) since earlier sections have reviewed that employee motivation has a

significance relationship to employee retention. Employees who are motivated are dedicated in their job performance; begin from their attendance, energy level and individual behavior at workplace. In short, Hygiene Factor is the physiological needs and Motivator Factor is the psychological needs of human being that are related to Maslow's Hierarchy of Needs. Referred to Fig. 5, job satisfaction is influenced by the motivator factors, such as achievement, recognition, advancement and career growth; while job dissatisfaction is driven by the hygiene factors, such as the working environment, policies, compensation system and coworker relationship. With that, the principles have clearly outlined the application on this theory into this research study under the dependent variables of Occupational Safety & Health and Total Rewards are the Hygiene Factors to the employees, which have an affective result to job dissatisfaction. On the other hand, Performance Management, Employee Motivation and Training & Development are the Motivator Factors that influence employees' job satisfaction.

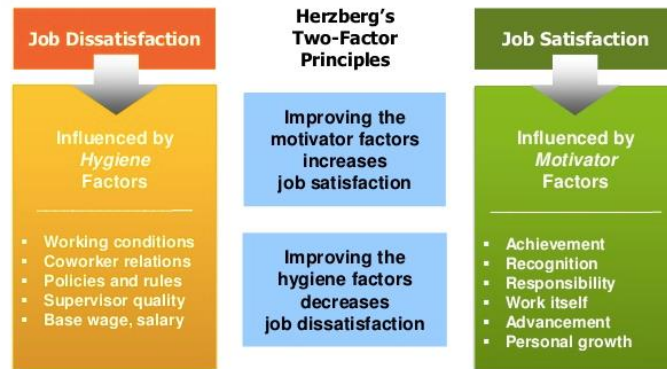


Fig. 5: Herzberg's Two Factor Principles (Lumenwaymaker, n.d.)

## METHODS

A quantitative causal research study is designed to examine the hypotheses between the variables through the survey questionnaires from the Junior and Lower Management employees in a glove manufacturer. Survey questionnaires are adopted from similar study (Foong Mui Leng, 2015) and distributed randomly through the stratified random sampling to two different job grades (Lower Management & Junior Management) in the glove manufacturer. The questionnaires have been given to 300 Lower Management (non-skilled workers) and Junior Management (semi-skilled workers) employees (out of 18,532 employees) in the glove manufacturer according to Krejcie and Morgan Table (Bukhari, 2021) and ideal sample size for PLS-SEM (Mumtaz Ali Memon, 2020). Survey data obtained is turned into numerical analysis through data screening, measurement model analysis and structural model analysis in Smart PLS 3.3.3 software, whereby the structural model analysis outcome draws the conclusion & significance of the hypothesized relationship between the variables.

## FINDINGS

Research data will be analyzed from the survey questionnaires collected from 300 respondents who are the Lower & Junior Management employee in the glove manufacturer for achieving the research objectives. As initial stage of the statistical data analysis, there are 63 suspicious responses and 9 outliers detected from 300 raw survey data, thus only 228 respondents' set of data is eligible for subsequent analysis. According to descriptive statistics, the range of mean values between 3.669 and 4.295 in rating scale from 1 to 5 indicates the respondents have high agreement to all the variables in survey questionnaires, whereas the standard deviation falls between 0.055 and 0.07 is considered small variability within the dataset (Abdul Rahman Othman, 2011).

### Demographic Information

After the data screening in the earlier section, there are only 228 respondents fit for subsequent analysis to examine the hypothesized relationship between the constructs. They are the Lower & Junior Management employees in the glove manufacturer who have responded to the survey whereby the Section A of the questionnaire has included the personal details about the respondents' age, gender, ethnic group, marital status, education level, service period, whether is his/her first job and current gross salary range. Majority of the respondents' age is between 21 to 25 year-old (94 respondents, 41.2%), followed by the age of 25-35 at 90 respondents (39.5%). Out of the total 228 respondents, 58.8% of them is male and 41.2% is female. Major ethnic group among all the respondents is Malay (88 employees, 38.6%), followed by Indian (72 employees, 31.6%), Nepali (26 employees, 11.4%), Bangladeshi (24 employees, 10.5%) and the rest with less than 10 respondents in each ethnic group. Majority of the respondents is single, at 150 of them (65.8%).

Furthermore, in terms of their education level, there are 83 SPM holders out of 228 respondents (36.4%) which is the major contributor in the education level distribution before the Diploma holders with 51 employees (22.4%) and Others (37 employees, 16.2%). There are 61 respondents (26.8%) worked for 1-2 years, followed by 58 respondents (25.4%) worked

less than 1 year and 55 out of 228 respondents (24.1%) worked more than 4 years in the glove manufacturer. Majority of the respondents told that this job is not their first job, recorded at 58.8% from the 228 respondents in total. Lastly, regarding their gross salary range, 116 respondents are having the range between RM 1,501 and RM 2,000 per month, and then 84 respondents are paid at most RM 1,500.

**Measurement Model Analysis**

Measurement model, also known as outer model, consists of indicators in the path model’s element and the relationship between the constructs in PLS-SEM (Joseph F. Hair G. T., 2016). The Measurement Model of this research study is conducted in SmartPLS 3.3.3 software through PLS Algorithm analysis to outline its reliability and validity, by which the overview of the Measurement Model is shown in Fig. 6. After the measurement model analysis, Fig. 6 showed that there are six latent variables, such as Occupational Safety & Health (OSH), Performance Management (PM), Training & Development (TD), Total Reward (TR), Employee Motivation (EM) and Employee Retention (ER). The number labelled in each of the constructs is the Cronbach’s Alpha ( $\alpha$ ) value whereas the number on the arrow is the factor loading values between the indicator and construct. As a result, Table I has reported the result of reliability analysis and convergent validity in the measurement model.

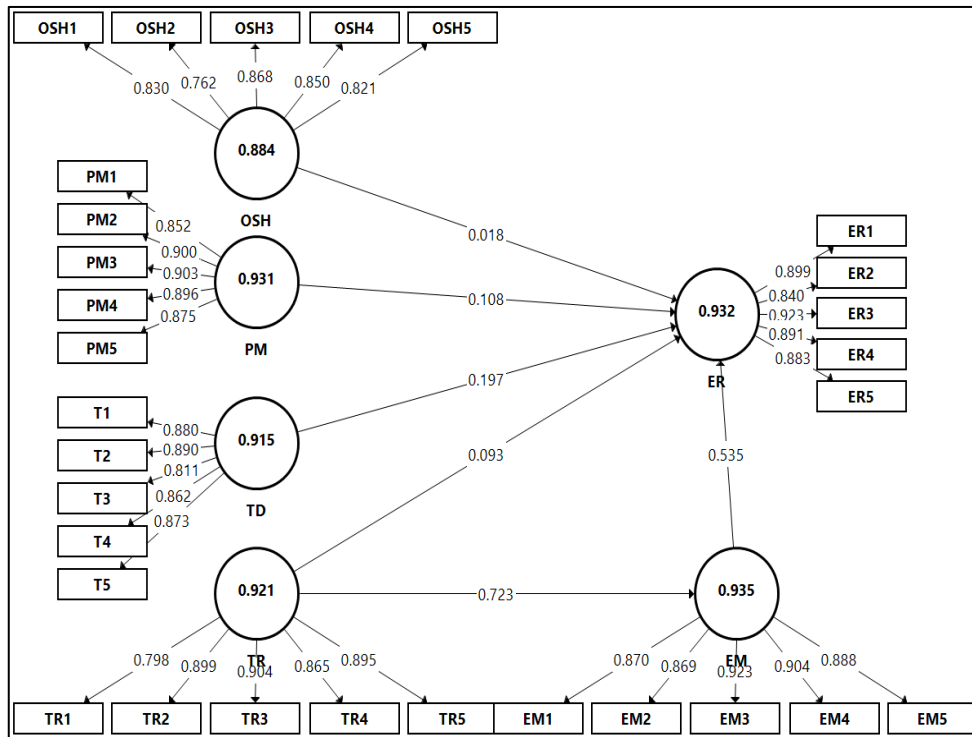


Fig. 6: Measurement Model

**Table I: Result of Reliability Analysis and Convergent Validity in Measurement Model**

Variables	Indicators	Loadings	Cronbach’s Alpha ( $\alpha$ )	Composite Reliability	Average Variance Extracted (AVE)
OSH	OSH1	0.830	0.884	0.915	0.684
	OSH2	0.762			
	OSH3	0.868			
	OSH4	0.850			
	OSH5	0.821			
PM	PM1	0.852	0.931	0.948	0.784
	PM2	0.900			
	PM3	0.903			
	PM4	0.896			
	PM5	0.875			
TD	T1	0.880	0.915	0.936	0.746
	T2	0.890			
	T3	0.811			



	T4	0.862			
	T5	0.873			
	TR1	0.798			
	TR2	0.899			
TR	TR3	0.904	0.921	0.941	0.762
	TR4	0.865			
	TR5	0.895			
	EM1	0.870			
	EM2	0.869			
EM	EM3	0.923	0.935	0.951	0.794
	EM4	0.904			
	EM5	0.888			
	ER1	0.899			
	ER2	0.840			
ER	ER3	0.923	0.932	0.949	0.787
	ER4	0.891			
	ER5	0.883			

### Reliability Analysis

For measuring the internal consistency of the indicators, Cronbach's Alpha ( $\alpha$ ) and Composite Reliability are utilized for the reliability analysis in this research study. For an acceptable internal consistency reliability aligning with the rule of thumb for model evaluation, Cronbach's Alpha and Composite Reliability value are required to achieve at least 0.70 (unless it is an exploratory research), by which above 0.8 is considered satisfactory and above 0.9 is considered excellent reliability (Joe F. Hair, 2011). According to Table I, Cronbach's Alpha was found between 0.884 and 0.935 while Composite Reliability has a range between 0.915 and 0.951, by which both reliability values are higher than 0.70, therefore this has indicated that the constructs fulfilled the internal consistency reliability.

### Convergent Validity

Convergent validity is an assessment to measure the degree of correlation of two measures of the same construct, which is also one of the important aspects in construct validity. Based on Joe F. Hair about the model evaluation on convergent validity, the convergent validity assessment should utilize the outer loadings, composite reliability and average variance extracted (AVE) (Joe F. Hair, 2011). The rule of thumb for convergent validity stated that the recommended items loading should be greater than 0.70 while AVE value was at least 0.50 for an adequate degree of convergent validity (Joe F. Hair, 2011) (Larcker, 1981). Based on Table I, all indicator loadings are higher than 0.70, with lowest 0.762 from indicator OSH2 and highest 0.923 from indicator EM3 & ER3, thus it has confirmed the indicator reliability. In terms of AVEs for convergent validity, Table I **Error! Reference source not found.** showed that the AVEs in this research study are above the recommended value of at least 0.50, at the range between 0.684 and 0.794. Hence, the assessment outcome has shown the constructs met the convergent validity standard.

### Discriminant Validity

To assess the discriminant validity, Fornell-Larcker criterion is computed from the measurement model and tabulated in Table II. In order to achieve the criterion, the square root of AVE value in the latent constructs must be greater than its highest squared correlation with other constructs. Refers to Table II, the highlighted values are the square root of AVE value from each latent constructs and the values in diagonal columns are always bigger than the other values from other latent variables. Hence, the measurement model is fulfilling the discriminant validity with respect to the Fornell & Larcker (1981) Criterion (Larcker, 1981) (Joe F. Hair, 2011).

**Table II: Result of Fornell & Larcker (1981) Criterion**

Constructs	EM	ER	OSH	PM	TD	TR
EM	0.891					
ER	0.862	0.887				
OSH	0.681	0.646	0.827			
PM	0.794	0.756	0.673	0.885		
TD	0.813	0.79	0.704	0.733	0.863	
TR	0.723	0.703	0.548	0.702	0.692	0.873

### Structural Model Analysis

Structural Model Analysis is a procedure to examine the relationship and significance between the constructs. The structural model of this research study is shown in Fig. 7, illustrates the path relationships between the latent variables. In the figure below, the numbers on the arrow represent the path coefficient ( $\beta$ ) with the empirical t-values (t-statistics) in the bracket from the significance testing of the structural model. To explain the path model further, Occupational Health & Safety (OSH), Performance Management (PM), Training & Development (TD) and Total Rewards (TR) are the exogenous constructs; Employee Retention (ER) is the endogenous construct and Employee Motivation (EM) is the mediator between the TR and ER. In Structural Model Analysis, as guided in the context by Joseph F. Hair, there are systematic approach to assess the structural model in sequence, which involves Collinearity Assessment, Significance Testing for the path coefficient ( $\beta$ ), empirical t-values, probability value (p-value) and confidence interval (LL & UL), Explanatory Power ( $R^2$ ), Effect Sizes ( $f^2$ ), Predictive relevance ( $Q^2$ ) and Predictive power ( $Q^2_{predict}$ ) (Joseph F. Hair G. T., 2016).

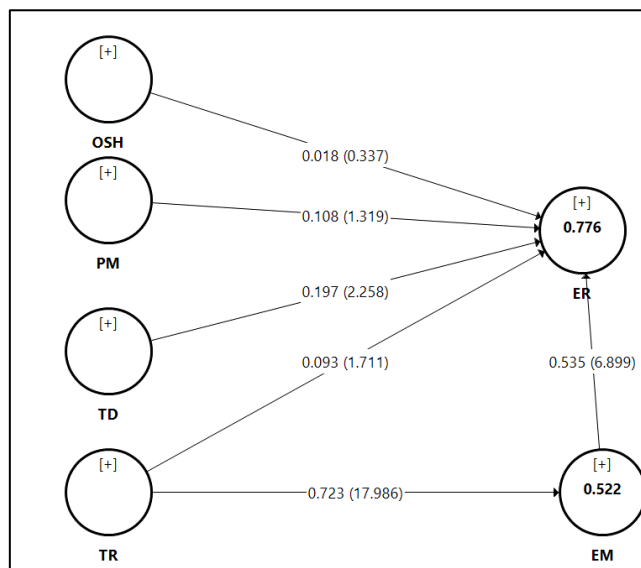


Fig. 7: Structural Model with its Significance Value

**Collinearity Assessment**

Collinearity issue may affect the fluctuation in the regression coefficients arising the parameters interpretation difficulty. Variance Inflation Factor (VIF) is recommended to assess the collinearity in the structural model in PLS-SEM.

**Table III: Result of Collinearity Assessment through VIF**

Variables	Collinearity (VIF)
Employee Retention (ER)	-
Occupational Health & Safety (OSH)	2.108
Performance Management (PM)	2.989
Training & Development (TD)	2.859
Total Rewards (TR)	2.431
Employee Motivation (EM)	3.357

According to the article *PLS-SEM: Indeed a Silver Bullet* by Joe F. Hair, referring to the Rule of Thumb for Model Evaluation, in the context of PLS-SEM, the Variance Inflation Factor (VIF) value should not be exceeding 5.0 because VIF higher than 5 indicates a potential multi-collinearity problem (Joe F. Hair, 2011). In this research study, the result of collinearity assessment is tabulated in Table III, whereby all the latent variables' VIFs are less than 5.0 that has addressed and quantified the severity of collinearity issue.

**Significance Test of Structural Model Relationships**

Significance testing is the process to identify the path coefficient for knowing the likelihood of the relationship between the variables, by which it provides the significance of the hypothesized relationship in each path between the variables that allows the researchers decide whether the hypotheses are accepted or not.

Table IV: Results of Significance Testing with Explanatory Power &amp; Effect Size

Hypothesis	Relationship	$\beta$	t-value	p-value	LL	UL	$f^2$	R <sup>2</sup>	VIF	Decision*
H <sub>1</sub>	OSH → ER	0.018	0.337	0.736	-0.087	0.127	0.001		2.108	NS
H <sub>2</sub>	PM → ER	0.108	1.319	0.187	-0.057	0.261	0.016		2.989	NS
H <sub>3</sub>	TD → ER	0.197	2.258	0.024	0.029	0.371	0.048	0.791	2.859	S
H <sub>4</sub>	TR → ER	0.093	1.711	0.087	-0.014	0.200	0.016		2.431	NS
H <sub>5</sub>	EM → ER	0.535	6.899	0.000	0.381	0.685	0.303		3.357	S
H <sub>6</sub>	TR → EM	0.723	17.986	0.000	0.637	0.795	1.093	0.491		S
H <sub>7</sub>	TR → EM → ER	0.387	6.072	0.000	0.264	0.514				S

\*S = Supported; NS = Not supported

In statistical measures,  $\beta$  value indicates the path coefficient, which represents the relationship between the latent variables in the path model, whereby  $\beta$  range between 0 and 0.10 indicates insignificant hypothesized relationship,  $\beta \geq 0.20$  indicates significant hypothesized relationship (Joseph F. Hair G. T., 2016). For empirical t-value, null hypothesis ( $H_0$ ) should be rejected if the empirical t-value > critical t-value by which the critical t-value benchmarked as 2.33, 1.65 and 1.28 for one-tailed test and 2.57, 1.96 and 1.65 for two-tailed test at  $p < 0.10$ ,  $<0.05$  and  $<0.01$  respectively (Joseph F. Hair G. T., 2014). For the confidence interval, it indicates the bound limits between the upper limit (UL) and lower limit (LL) towards the zero point (T. Ramayah, 2016), moreover the LL and UL should not be falling into the range of either both show positive or negative values (Joseph F. Hair G. T., 2014). Hence, Table IV has listed the direct hypothesized relationship with its measures in the structural model. There are 3 hypotheses showed significant and positive relationship, such as H<sub>3</sub>: TD → ER, H<sub>5</sub>: EM → ER and H<sub>6</sub>: TR → EM. On the other hand, there are 3 hypotheses showed non-significant relationship, which are H<sub>1</sub>: OSH → ER, H<sub>2</sub>: PM → ER and H<sub>4</sub>: TR → ER. Furthermore, it has shown the mediating relationship as the result of significance testing in the structural model, by which hypothesis H<sub>7</sub> delivered a significance and positive relationship between the variables.

Based on the article about Mediation analysis by David P. MacKinnon, there are 3 types of mediation as full mediation, competitive partial mediation and complementary partial mediation (David P MacKinnon, 2007). A decision tree to understand the types of mediation and non-mediation is referred in the article of *Reconsidering Baron and Kenny: Myths and Truths about Mediation Analysis* to identify the type of mediation for Employee Motivation (EM) in this research study (Xinshu Zhao, 2010). Referring to the tabulated result in Table IV, the direct relationship (c) in H<sub>4</sub>: TR → ER showed insignificant relationship while the indirect relationship (a x b) in H<sub>7</sub>: TR → EM → ER is significant, this implication classified that EM is Full Mediation in this research study. In short, EM is a mediator identified consistent with the hypothesized structural framework between TR and ER.

Coefficient of determination ( $R^2$ ) value is the measure for explanatory power of the structural model to define the combined effect from the independent variables to dependent variable; in short, it reflects the variance of the dependent (endogenous) variable in the model (T. Ramayah, 2016) (Joseph F. Hair G. T., 2014). High  $R^2$  value indicates the predictive power of the latent variables in the PLS path model (Joseph F. Hair G. T., 2016). There is also a guideline of  $R^2$  cut-off values by which ranged from weak, moderate to substantial at 0.25, 0.50 and 0.75 respectively (Wynne W. Chin, 1998) (Joe F. Hair, 2011). Besides the  $R^2$  value, effect sizes ( $f^2$ ) is taken into account to measure the substantive impact of the constructs to the dependent variable. Jacod Cohen's guideline is also referred for identifying the magnitude of the  $f^2$  value, by which 0.35, 0.15 and 0.02 indicate large, medium and small effect to the endogenous variable respectively (Cohen, 1988). In this research study, the assessment outcome delivered the same trend as the Significance Test whereby H<sub>1</sub>, H<sub>2</sub> and H<sub>4</sub> showed that OSH, PM and TR have no effect to the endogenous variable, ER. In terms of  $R^2$  value, ER showed substantial level of explanatory power ( $R^2 = 0.791$ ) while EM is in weak level ( $R^2 = 0.491$ ).

### Predictive Accuracy

Predictive accuracy is an assessment to be conducted to measure the ability of a model in data prediction by considering the observed data.  $Q^2$  is the computed metric in SmartPLS through blindfolding procedure, which is a resampling process that cross-validates and predicts the construct data in the model. According to the rule of thumb,  $Q^2 > 0$  reflects that the exogenous constructs have the predictive relevance for the endogenous construct (Joe F. Hair, 2011). In fact, further guideline has also indicated that  $Q^2 > 0.50$  considered high accuracy,  $0.25 < Q^2 < 0.499$  is medium and  $0.10 < Q^2 < 0.249$  is considered low (Joseph F. Hair J. J., 2019). In this research study,  $Q^2 = 0.597$  for ER (high) and  $Q^2 = 0.406$  for EM (medium), whereby the predictive accuracy is considered as acceptable.

### Predictive Power

As the recommendation by the researcher Joseph F. Hair, out-of-sample prediction is a set of procedures to estimate and evaluate the predictive performance of a model through the data sample (Joseph F. Hair J. J., 2019). The predictive power should be measured and reported as a metric of  $Q^2_{\text{predict}}$  and RMSE (Root-Mean-Square-Error, also known as prediction

errors), which generated from PLSpredict in SmartPLS. According to the predictive model assessment guideline by Galit Shmueli,  $Q^2_{\text{predict}}$  is evaluated to examine the prediction outperform the most naïve benchmark whereby  $Q^2_{\text{predict}} > 0$ , then assess the prediction statistics and identify the symmetry of the prediction error (Galit Shmueli, 2019).

**Table V: Result of MAE,  $Q^2_{\text{predict}}$  and RMSE for Predictive Power**

Items	PLS-SEM		$Q^2_{\text{predict}}$ (latent)	LM	PLS-SEM MAE - LM MAE [RMSE]
	MAE	$Q^2_{\text{predict}}$ (indicator)		MAE	
ER3	0.504	0.474		0.509	-0.005
ER4	0.565	0.545		0.540	0.025
ER5	0.487	0.540	0.622	0.494	-0.007
ER2	0.486	0.377		0.459	0.027
ER1	0.548	0.492		0.511	0.037

Remarks: LM = Linear Regression Model

In this research study, as tabulated in **Table V**, indicators **ER4, ER2 and ER1** showed **positive RMSE values**, which is 3 out of 5 items (**majority**), and thus this structural model implies a **low out-of-sample predictive power**, as per guideline mentioned above.

## DISCUSSION AND CONCLUSION

### *What are the Factors Influencing the Lower & Junior Management Employee Retention in the glove manufacturer?*

Based on Table IV,  $H_1$  (Safety & Health),  $H_2$  (Performance Management) and  $H_4$  (Total Rewards) are rejected by the Significance Test outcome as the  $\beta$  value indicates as an insignificant hypothesized relationship (Joseph F. Hair G. T., 2016), furthermore the LL & UL are not in a range of either both positive or negative values. This insignificance-hypothesized relationship has also been proven from the effect size test by which the magnitude of the effect size is none due to the  $f^2$  value is found less than 0.02. Effect size is a measure of the substantive impact of the constructs to the dependent variable, which is Employee Retention in this case study. **On the other hand**, as the results in Table IV,  **$H_3$  (Training & Development),  $H_5$  (Employee Motivation) and  $H_7$  (Total Rewards-Employee Motivation-Employee Retention) are accepted by the Significance Test outcome.** This is because:

**$H_3$ :** its empirical t-value > critical t-value (Joseph F. Hair G. T., 2014). This significance hypothesized relationship has also been proven from the effect size test by which the magnitude of the effect size is small due to the  $f^2$  value is found at 0.048 (> 0.02 but < 0.15).

**$H_5$ :** its empirical t-value > critical t-value (Joseph F. Hair G. T., 2014). This significance hypothesized relationship has also been proven from the effect size test by which the magnitude of the effect size is medium due to the  $f^2$  value is found at 0.303 (> 0.15 but < 0.35).

**$H_7$ :** its empirical t-value > critical t-value (Joseph F. Hair G. T., 2014). Therefore, this major finding from the indirect effect of Employee Motivation on Total Rewards and Employee Retention is significant and it indicates that Employee Motivation has an indirect impact on the relationship between Total Rewards and the Lower & Junior Management Employee Retention in the glove manufacturer. This result has proven the study outcomes from Kendra Cherry (2021) who has published that the extrinsic motivation is driven by the tangible rewards towards job retention. Researcher Haider (2015) has also found that intrinsic reward carried a significant relationship with employee retention through employee motivation that has supported the mediating impact from motivation between total rewards and employee retention. Anyway, the mediation type and strength will be further discussed in next section to answer the second research question of this study.

**In conclusion, to acknowledge the research questions and objectives, Training & Development, Employee Motivation and Total Rewards with Employee Motivation as the Mediator are the Key Determinants Influencing the Lower & Junior Management Employee Retention in the glove manufacturer.**

### *Does Employee Motivation (EM) mediate the relationship between Total Rewards (TR) and Employee Retention (ER) in the glove manufacturer?*

Employee motivation is presumed as the mediator between Total Rewards and Employee Retention after reviewed in literatures with the supports from the past research studies. Based on Table IV, the hypothesized direct relationship (c) in  $H_4$ :  $TR \rightarrow ER$  showed insignificant relationship while the indirect relationship (a x b) in  $H_7$ :  $TR \rightarrow EM \rightarrow ER$  is significant. As a result, the relationship above can be elaborated that the direct relationship between the independent variable of TR does not show a positive impact to the dependent variable, ER in the glove manufacturer. On the other hand, with the intervention of a mediator EM, the entire cause-and-effect relationship becomes very significant whereby the significance

test on  $H_7$  has proven that. Relook into the individual path in the Structural Model, the force between the independent variable (TR) to the mediator (EM) shows the highest path coefficient ( $\beta = 0.723$ ), while the force between the mediator (EM) to dependent variable (EM) records the second highest path coefficient ( $\beta = 0.535$ ). This highlights that employee motivation plays an important role in mediating the relationship between TR and EM as a whole path.

Refer to the Decision Tree for Understanding Type of Mediation and Non Mediation adopted from the research article of *Reconsidering Baron and Kenny: Myths and Truths about Mediation Analysis* by researcher Zhao Xinshu, Employee Motivation is the mediator that is consistent with the hypothesized theoretical framework and unlikely can be omitted, also known as Full Mediation (Xinshu Zhao, 2010). There are 3 mediation types and the gold standard is Full Mediation that holds the strongest mediation role in the model of interest. A mediator with full mediation force cannot be omitted from the model to overcome the challenge in the dependent variable. In this case, EM cannot be neglected during the execution on Total Rewards enhancement for increasing the Employee Retention among lower and junior management employees in the glove manufacturer; otherwise, the improvement action on Total Reward alone does not revamp the retention thought. In short, Total Rewards with Employee Motivation is one of the keys to retain the lower and junior management employees.

Hence, to answer the research question, **Employee Motivation (EM) mediates fully (cannot be omitted) on the relationship between Total Rewards (TR) and Employee Retention (ER) in the glove manufacturer among the Lower and Junior Management employees.**

### ***Implication of the Study***

The research outcome has clearly shown that Training & Development, Employee Motivation and Total Rewards with the presence of Employee Motivation are the key determinants influencing the lower and junior management employee retention in a glove manufacturer. Based on this study, Employee Motivation is a full mediator that could not be omitted from the relationship between Total Rewards and Employee Retention; otherwise Total Rewards alone has no impact to the Employee Retention among the lower and junior management employees. As emphasizing the role of Employee Motivation between the Total Reward and Employee Retention, the Management Team shall examine current monetary and non-monetary reward system that able to enhance the employee motivation; for instance, consider paying higher than minimum wage as the basic salary to the lower & junior management employees. A little increase in employees' wages will bring significant extrinsic motivation impact to their job performance and living standard. Transportation and food (or basic needs) subsidies need to be reviewed for employee welfare to boost motivation and improve employee retention that aligns to the Maslow's Hierarchy of Needs. At the hike in consumer price and cost of living due to inflation, attractive salary package as the tangible rewards boosts extrinsic motivation effectively, which has been stated in the research by A. Raza (Raza, 2017).

Training & Development is another key factor on retaining the Lower and Junior Management employees to deliver optimum job performance and efficiency. Learning new knowledge and skillsets is the fundamental tool in an organization to sustain its operation and business growth as technology is changing rapidly. Organizations often neglected the linkage between training & development and employee retention, whereby poor employee retention incurs higher investment cost to train & retain the employees for stabilizing the operation. Moving along with the Fourth Industrial Revolution pace, On-Job-Training towards the advance technology, such as computational advance control, automation system, digitalization interface etc., should be focused for upskilling and retention strategies. Currently, the manufacturer has inadequate of competent technicians and operators to operate the machines with advance technology implemented in faster pace than training programs. Artificial Intelligent (AI), Programmable Logic Control (PLC) and other advance technologies' training programmes should be considered in the Training Scopes. Management Team shall relook into the budget allocated for training & development programme especially on the increase in the utilization rate of Human Resource Development Fund (HRDF) that has only about 40% utilized in the past for improving the competency of the employees and enhancing the retention rate over time. Human Resource Manager shall source for quality trainers who able to deliver better value adding knowledge to the employees other than filling up the number of trainings conducted per year. Increasing the training frequency and relevancy to the skillsets will build the ownership to the employees over time and retaining the employees in the company.

As for Performance Management system, which is insignificant to the employee retention in present study, this is because of the consistent 360-degree feedback system from superior, peers and internal customers. Performance management for Lower & Junior Management employees is reflected in shift reports whereby job quality and completion are directly reported in daily basis to the superiors, which has explained the contradicts on the hypothesized relationship towards Employee Retention. For Occupational Safety & Health (OSH), the organization has high maturity in OSH management system, safety awareness among the employees and outstanding commitment from the Safety & Health Committee (SHC) could be the main reason of insignificant relationship between OSH and ER. Factory is certified with ISO 45001:2018 standard in OSH Management System, indicating great safety mind-set among the employees (survey data shows highest mean value at 4.295 as the supported evident).



***Recommendation for Future Studies***

This study focuses on one glove manufacturer in Perak, Malaysia, which has limited to a specific sampling boundary towards the non-skilled and semi-skilled workers. Future research can explore the potential of the employee retention strategies with respect to different variables in the entire glove manufacturing industry in Malaysia. Furthermore, random sampling technique can be improved into specific job grade to determine the driving force of the hypothesized relationship between the variables from the distribution skewness, neither coming from non-skilled nor semi-skilled workers.

***Conclusion***

In this research study, the key determinants influencing the lower and junior management employee retention in the glove manufacturer are Training & Development, Employee Motivation and Total Rewards with the mediation of Employee Motivation. Employee Motivation has full mediation between Total Rewards and Employee Retention. In conclusion, there are 4 out of 7 hypotheses supported in this research and employee motivation is a factor that cannot be neglected when applying reward system for employee retention.

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