THE EFFECT OF CAREER DEVELOPMENT ON EMPLOYEES’ RETENTION IN LOGISTICS INDUSTRY AT LABUAN F.T.: THE ROLE OF PAY SATISFACTION AS A MEDIATOR

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ABSTRACT

Most organizations always look for ways in how to improve employee retention and satisfaction in order to maintain their organizational productivity and performance. The purpose of this paper is to investigate the perspective of selected employees on the effect of career development on employee retention in logistics industry at Labuan F.T, with pay satisfaction playing the role as the mediator. The sample size of this quantitative study is 200 employees of Asian Supply Base Sdn. Bhd. (ASB) while the sampling method is purposive sampling and convenience sampling. The collection of data was analysed using Smart-PLS. The results showed that career development has a significant impact on employee retention, whereas the relationship between career development and employee retention can be mediated by pay satisfaction.

Keywords: Career Development, Employee Retention, Pay Satisfaction

RESEARCH HIGHLIGHTS

1. Although there is good number of past literatures that studied the effect of career development on employee retention in various industries, it is still lack of focus specifically among employees working in logistics industry despite the growing demands and expansion of the industry.

2. The findings showed that career development has a significant impact on employee retention and there was a mediation relationship of pay satisfaction between career development and employee retention.

3. This study is relevant to be part of the insight in emphasizing the importance of profession advancement and remuneration satisfactory for employees working in logistics field, particularly for the reason that there is rapid growth of the industry and its technologically progressive business operations.

Research Objectives

Most organizations looking for ways in how to improve employee retention and satisfaction in order to maintain their organizational productivity and performance. According to Gyansah and Guantai (2018), the organization that aware and focuses in implementing career development will have bigger potential in achieving higher productivity from well-prepared and established workforce. The thriving of the logistics industry in Malaysia (Malaysia Freight and Logistics Market, 29 September 2020) contributing into the increasing need of having efficient workers while maintaining experienced workforce. The focus on employee development and retention are to make sure that the companies would be able to keep up with the growing development in logistics industry. In terms of past studies, although there is good number of past literatures that studied the effect of career development on employee retention in various industries, it is still lack of focus specifically among employees working in logistics industry despite the growing demands and expansion of the industry. There is also existing rarity of investigating the mediating effect of pay satisfaction. Therefore, this study is aimed to investigate the effect of career development...
development on employee retention through the lens of employees who are working in logistics industry at Labuan F.T., Malaysia while pay satisfaction plays the role as mediator.

**Methodology**

The target population of this paper is employees of logistics industry, specifically those who are working in Asian Supply Base Sdn. Bhd. (ASB). ASB is a Sabah government-linked company based in Labuan. There are estimate 5,000 employees which make up the population of this study. Out of this population, approximately 200 employees are randomly selected as sample of respondents. The respondents were gathered through an online questionnaire conducted between month of October to November 2020. The questionnaire is consisting of two main sections. First section (Section A) is set to entail respondents’ socio-demographic profile, and the second section (Section B, C and D) contained item questions for all three variables: career development as independent variable, employee retention as dependent variable, and pay satisfaction as the mediator. The collected data from questionnaire were processed and analyzed using SmartPLS – Structural Equation Modeling (SEM) technique.

**Results**

The results of the analysis of measurement model shown that the composite reliability (CR) scores of two constructs (career development = 0.942; employee retention = 0.850; pay satisfaction = 0.952) transcended the recommended criterion of 0.7, which displaying the high internal consistency or the appropriateness of the scales used in this study. After items elimination done based on CR analysis results, the average variance extracted (AVE) scores of all constructs (career development = 0.618; employee retention = 0.587; pay satisfaction = 0.625) also exceeded the recommended threshold of 0.5 (Fornell & Larcker, 1981) which indicated that there was an adequate convergent validity (CV). The assessment of structural model was performed to determine the causal relationships between career development, employee retention, and pay satisfaction. The bootstrapping analysis showed that all the indirect effects, $\beta = 0.081$ and $\beta = 0.083$, were significant with t-values of 4.398 and 5.027, and the path coefficients for both hypotheses were statistically significant ($p < 0.05$). The results for hypothesis 1 ($\beta = 0.081$, $t = 4.398$, $p < 0.05$) indicated that there was a positive influence of career development on employee retention, which supported H1. The results also shown that the indirect effect 95% Boot CI Bias Corrected: [LL = 0.230, UL = 0.546], which indicated that the relationship between career development and employee retention can be mediated by pay satisfaction, hence, supporting H2.

**Findings**

The main purpose of this study is to investigate the effect of career development on employee retention among employees who working in logistics industry at Labuan F.T. with pay satisfaction acted as mediator. Based on the findings, it was found that career development has a significant impact on employee retention. This is not surprising because career development has been considered as one of the main retention strategies
in organizations (George, 2015). The practice of career development is prominently believed to benefits both employees and organization, as it is not only contributing in nurturing vocational objectives and fulfilment but also affiliating with the organizational needs, opportunities, and goals (Schultze & Miller, 2004). Moreover, there is a mediation relationship of pay satisfaction between career development and employee retention. This finding may signify the importance of improving pay satisfaction to retain labour force and minimalising turnover rate (Treuren & Frankish, 2014; Singh & Loncar, 2010), as well as empowering career development program that motivates them to thrive professionally.

References


Author’s Biography

Al Gaffrie Bin Mil Kusin currently pursuing a Doctor of Business Administrations (DBA) at Universiti Teknologi Mara (UiTM) Malaysia. He graduated from Universiti Malaysia Sabah (UMS) in Master of Business Administrations. He obtains his Bachelor Degree in International Marketing (Hons) from Universiti Malaysia Sabah Labuan International Campus (UMSKAL). Currently, he is assigned as a Manager of Corporate Services at Asian Supply Base, a hub-logistic company for the Oil & Gas Industry at Labuan F.T. In 2021, he received the BEST
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Hamsinar Hasan was graduated with Bachelor degree in Psychology (Youth and Community Development) from the Universiti Malaysia Sabah (UMS) in 2015. She is currently working as a freelance teacher and part-time tutor for Open University Malaysia (OUM) since 2017. Her field of experience mostly involves teaching, research assisting, data analysing, enumerating, and proofreading. She is planning to further her study for Master degree in near future, with research interests include education, youth and community psychology, cross-cultural psychology, developmental psychology, cognitive psychology, learning and behaviour, health psychology, and social psychology, as well as any related subjects in other social sciences.