

DETERMINANTS OF JOB RETENTION AMONG FOREIGN WORKERS IN THE ELECTRONICS INDUSTRY: THE ROLE OF JOB SATISFACTION, EMPLOYEE ENGAGEMENT, AND BENEFITS & COMPENSATION

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Abstract: *Retention of foreign workers has become a critical concern for organizations that rely heavily on this labour segment. They make up the majority of workers in low- and semi-skilled jobs in Malaysia and account for 20% of the workforce. However, an observation in a multinational electronic company recorded a turnover rate of approximately 28.6% in 2023, a level considered significantly high for an organization dependent on foreign workers for operational continuity and production activities. This rate surpasses the industry's average threshold for healthy labour retention, suggesting underlying issues in organizational practices, worker satisfaction, and overall employment experience. Frequent resignations and employee migration not only disrupt productivity but also lead to long-term operational inefficiencies. The quantitative cross-sectional study examined how job satisfaction, employee engagement, and benefits and compensation affect foreign workers' job retention in an electronics multinational corporation (MNC). The results showed that only benefits and compensation predicted foreign workers' job retention. This implies that while intrinsic motivators like satisfaction and engagement improve employee experiences, extrinsic support systems, especially compensation and benefits, are most important in retaining migrant labour. The findings offer critical insights for HR practitioners seeking to reduce turnover and enhance long-term organizational sustainability through more effective and tailored retention strategies.*

Keywords: *Job Retention, Job Satisfaction, Employee Engagement, Compensation, and Benefits.*

Introduction

Malaysia's manufacturing is heavily dependent on migrant labour to fill low- and semi-skilled roles. As of 2023, over 2.8 million individuals were employed in manufacturing, with a significant proportion comprising foreign workers from Indonesia, Bangladesh, and Nepal (Statista, 2024; World Bank, 2024). This labour segment is essential to sustaining the nation's industrial output, yet its management presents serious challenges. High turnover rates often lead to productivity loss and increased operational costs. A large electronics multinational manufacturer in Malaysia has experienced these challenges first-hand, with a reported turnover rate of 28.6% in 2023, far exceeding industry norms. This rate surpasses the industry's average threshold for healthy labour retention, suggesting underlying issues in organizational practices, worker satisfaction, and overall employment experience. Frequent resignations and employee migration not only disrupt productivity but also increase recruitment and training costs, leading to long-term operational inefficiencies (Omar et al., 2022). Foreign workers are crucial to the multinational company, and their premature departure places pressure on recruitment cycles, training budgets, and workflow continuity. Many foreign workers face significant challenges in adapting to Malaysian work environments, including language barriers, cultural disorientation, and job insecurity (Rahman et al., 2020). Despite these realities, organizational responses to retention challenges have been limited in scope.

Job retention becomes more complex due to the challenges of adapting to a foreign work environment, overcoming language barriers, and dealing with legal constraints (Rahman et al., 2020). Alam et al. (2018) define job retention as a combination of organizational practices and governmental support that enables workers to remain in their roles while addressing issues of well-being, fairness, and security. Recent studies emphasize that foreign workers often face distinctive challenges, including limited upward mobility, social isolation, cultural adjustment issues, and vulnerability to exploitation (Rahman et al., 2020; Yusoff et al., 2023). Foreign workers often occupy low- or semi-skilled positions with limited opportunities for advancement. Lack of upward mobility contributes to low job satisfaction and encourages workers to seek better opportunities elsewhere (Tan et al., 2021). Alam et al. (2018) highlight that foreign workers often receive lower wages and fewer benefits than their local counterparts despite performing similar work. Such discriminatory practices lead to job dissatisfaction and higher turnover.

Research identifies job satisfaction, employee engagement, compensation and benefits as factors that influence job retention. Recent studies in the Malaysian manufacturing sector confirm that higher job satisfaction significantly reduces the intent to leave, especially when employees are provided with growth opportunities (Abd Halim et al., 2020). Job satisfaction is widely recognized as a core determinant of retention. Satisfied employees tend to perform better and demonstrate higher levels of commitment to organizational goals. Studies have shown that commitment is a significant factor in encouraging retention (Tan et al., 2021). Unsatisfactory working conditions, excessive workloads, and a lack of support often lead to stress and burnout, causing foreign workers to leave their jobs prematurely (Ahmad & Omar, 2017).

Engaged employees are more likely to exhibit loyalty, discretionary effort, and organizational citizenship behaviour, all of which contribute to lower turnover rates (Schaufeli & Bakker, 2004; Saks, 2006). When foreign workers feel included, they are more likely to remain loyal to their employer (Alam et al., 2018). Employee engagement programs that promote transparent communication and fair treatment build trust between workers and employers. This trust fosters loyalty and significantly reduces turnover rates (Tan et al., 2021). Engagement programs often

include initiatives like recognition awards, social events, or wellness programs. These activities boost foreign workers' morale and job satisfaction, making them less likely to seek alternative employment (Yusoff et al., 2019). Engagement is especially important in ensuring that workers feel valued and connected to the company's mission and values (Nasurdin et al., 2022).

Competitive compensation is the foundation of financial security for foreign workers. Studies have shown that employers offering salaries above the market rate experience higher retention rates among foreign workers (Tan et al., 2021). Foreign workers who feel they are paid fairly for their work are more motivated and likely to remain committed to their organization. Benefits such as healthcare and housing contribute to positive morale and long-term loyalty (Alam et al., 2018). Lee, Tan, and Chong (2023) revealed that the absence of structured benefits was among the leading causes of foreign workers' turnover in Malaysian electronics firms. Moreover, Mustapa and Hamzah (2022) emphasized that migrant workers tend to prioritize financial stability and living conditions over job satisfaction alone, thereby making benefits a decisive factor in retention decisions.

Job retention among foreign workers warrants an in-depth examination of the factors that influence their decision to stay or leave. This study focuses on three critical variables, including job satisfaction, employee engagement, and benefits and compensation. The scope of this study is confined to investigating the determinants of job retention among foreign workers in an electronics MNC in Malaysia, henceforth, generalization requires careful attention. Understanding the extent to which these variables influence job retention will help MNC develop strategies to reduce turnover and retain a stable, motivated workforce. To sum up, this study is to examine whether intrinsic factors like job satisfaction and engagement, as well as extrinsic factors like benefits and compensation, determine retention among foreign workers in an electronics multinational corporation.

Literature Review

The literature review provides the theoretical and empirical foundation for understanding the determinants of job retention among foreign workers. The review is grounded by two theories, namely, (1) Human Capital Theory and (2) Social Exchange Theory. These theories inform the selection of the variables, including job satisfaction, employee engagement, and benefits and compensation, and provide the rationale for the tested hypotheses. Human Capital Theory, a cornerstone in labour economics, emphasizes the idea that investments in education, training, and skills development increase the productivity of individuals, thereby benefiting both the individual and the economy. The theory plays a crucial role in understanding the dynamics of the labour market, particularly when examining the retention of foreign workers. Foreign workers often migrate in search of opportunities where they can maximize the return on their human capital investments. On the other hand, the social exchange theory is frequently used to analyze the interaction between employers and employees, particularly in the literature on employee retention and turnover (Coyle-Shapiro & Conway, 2005; Gopalan et al., 2020). Social Exchange Theory and the retention of foreign workers are interconnected through the idea that relationships between employers and employees, including foreign workers, are based on reciprocal exchanges. Retention strategies that align with this theory emphasize trust, mutual benefit, and employee satisfaction. Research indicates that when employees perceive fairness and support from their employers, their commitment improves, and could reduce turnover intentions (Coyle-Shapiro & Conway, 2005; Xuecheng, 2022).

Job Retention

In the context of foreign workers, job retention becomes more complex due to the challenges of adapting to a foreign work environment, overcoming language barriers, and dealing with legal constraints (Rahman et al., 2020). Alam et al. (2018) define retention among foreign workers as a combination of organizational practices and governmental support that enables these workers to remain in their roles while addressing issues of well-being, fairness, and security. Recent studies emphasize that foreign workers often face distinctive challenges, including limited upward mobility, social isolation, cultural adjustment issues, and vulnerability to exploitation (Rahman et al., 2020; Yusoff et al., 2023).

Foreign workers often face difficulties integrating into Malaysian workplaces due to cultural and language differences. According to Yusoff et al. (2019), the lack of cultural training and language support from employers leads to communication challenges, misunderstandings, and dissatisfaction. These barriers create feelings of isolation among foreign workers, contributing to lower retention rates. Nguyen et al. (2023) found that foreign workers who receive cultural orientation and language support exhibit stronger workplace integration and job satisfaction. These interventions reduce the psychological strain of acculturation and foster stronger emotional ties to the organization.

Transparency and fairness in work assignments, contract terms, and treatment foster trust and reduce the likelihood of turnover. A study by Xuecheng et al. (2022) found that foreign workers are more likely to remain in organizations that offer transparent employment practices, clear communication, and fair compensation. Similarly, Rahman and Lee (2023) argued that companies implementing consistent engagement programs, such as mentorship schemes, grievance redressal systems, and inclusion activities, could report significantly lower attrition rates among their foreign workforce. Lim et al. (2023) reported that retention improves when workers are assured of visa renewals, contract extensions, and continuity of employment. Foreign workers often occupy low-skilled or semi-skilled positions with limited opportunities for advancement. This lack of upward mobility encourages workers to seek better opportunities elsewhere (Tan et al., 2021). Being away from their families and communities creates additional psychological and emotional stress for foreign workers. Ahmad and Omar (2017) suggest that the absence of social support systems in the host country exacerbates feelings of loneliness and job dissatisfaction, ultimately leading to higher turnover rates. Providing channels for voicing concerns is essential (Ahmad et al., 2023) and providing adequate housing, access to community activities, and recreational amenities (Yusoff et al., 2023) helps improve worker morale and decrease turnover.

According to Tan et al. (2024), foreign workers in labor-intensive sectors like manufacturing are more likely to stay in organizations that offer comprehensive health benefits, safety training, and wellness initiatives. Yet, many foreign workers in Malaysia experience discriminatory practices, unequal treatment, and exploitation. Alam et al. (2018) highlight that foreign workers often receive lower wages and fewer benefits than their local counterparts despite performing similar work. Such discriminatory practices lead to job dissatisfaction and higher turnover. Poor working conditions, lack of safety measures, and excessive workloads are prevalent issues faced by foreign workers in Malaysia. Research by Rahman et al. (2020) found that many foreign workers are employed in sectors such as construction, manufacturing, where workplace hazards are common. Unsatisfactory working conditions not only affect retention but also the health and productivity of workers. Immigration policies and work permit restrictions have a significant impact on job retention among foreign workers. Mustapa

et al. (2019) note that frequent changes to immigration laws, delays in renewing work permits, and the limited duration of employment contracts create job insecurity. These uncertainties often force workers to leave their jobs prematurely or return to their home countries.

Three critical factors influencing job retention among foreign workers are job satisfaction, employee engagement programs, and benefits and compensation. These elements address the challenges foreign workers encounter and significantly impact their decision to stay with an organization. Factors like job satisfaction, employee engagement programs, and benefits and compensation play a critical role in influencing retention. Ultimately, addressing the needs of foreign workers is not only beneficial for individual employees but also essential for achieving organizational success.

Job Satisfaction

Job satisfaction is a crucial determinant of employee retention, particularly for foreign workers who often face unique challenges such as cultural adaptation, language barriers, and limited social support systems. Job satisfaction is positively associated with lower turnover (Locke, 1976; Tan et al., 2021). Satisfied foreign workers are more likely to remain loyal to organizations that meet their needs in compensation, safety, communication, and career progression (Mustapa et al., 2019; Ahmad et al., 2023). Companies that invest in improving job satisfaction often see improved morale and reduced absenteeism (Yusoff et al., 2019). Research has consistently demonstrated that satisfied employees are more likely to remain in their roles, thereby reducing turnover and fostering workforce stability (Ahmad et al., 2023). For foreign workers, job satisfaction has an amplified importance as it determines their ability to integrate into the workplace, develop long-term relationships with employers, and feel valued within the organization (Rahman et al., 2023). When foreign workers perceive fairness in their compensation, work environment, and treatment by employers, their organizational commitment strengthens, leading to decreased turnover rates (Tan et al., 2024). Competitive salaries and comprehensive benefits are central to this equation. Offering foreign workers financial stability and security through fair compensation fosters loyalty and reduces their inclination to leave (Miller et al., 2023). This is especially relevant for foreign workers, who often migrate to support families back home. For example, enhanced remuneration packages and cost-of-living adjustments have been shown to significantly boost job satisfaction among this workforce segment (Chong et al., 2024).

Providing foreign workers with access to training programs, leadership development courses, and clear career advancement pathways reinforces the organization's commitment to their growth (Alam et al., 2023). A study by Lim et al. (2023) found that foreign workers who are empowered to enhance their skills and experience professional growth are less likely to leave, as these opportunities signal long-term stability and upward mobility. By fostering professional development, employers can create a sense of purpose and belonging that motivates workers to remain in their roles. Programs such as mentorship opportunities, cultural exchange activities, and language support significantly reduce feelings of alienation, fostering a sense of inclusion and belonging (Nguyen et al., 2023). For instance, organizations that prioritize diversity and cultural sensitivity create an environment where foreign workers feel respected and valued, which, in turn, improves their commitment to the organization (Miller & Tan, 2024). Access to mental health resources and support groups also addresses the psychological challenges foreign workers may face, further enhancing satisfaction and retention (Ahmad et al., 2023).

Transparent communication and organizational fairness are other factors that strongly influence foreign workers' retention. Employees who perceive their employers as honest, responsive, and equitable in decision-making tend to have higher levels of satisfaction and commitment (Chiu et al., 2023). Open communication about workplace policies, performance expectations, and career progression opportunities builds trust and strengthens the employer-employee relationship (Rahman & Lee, 2023). This is especially critical in industries that rely heavily on foreign labour, such as manufacturing, where trust and collaboration are essential to productivity and retention (Zhang et al., 2023). Organizations that prioritize flexible work arrangements, wellness programs, and improved living conditions for their foreign workforce often see a marked reduction in turnover rates (Lim et al., 2023). For instance, a study by Tan et al. (2024) revealed that flexible schedules and recreational programs significantly improve job satisfaction, especially among foreign workers who face limited leisure and social opportunities. For multinational companies hiring foreign workers, implementing tailored initiatives to enhance job satisfaction can mitigate high turnover rates, reduce costs associated with recruitment, and ensure sustainable operational success in a competitive labor market.

H₁: There is a relationship between job satisfaction and job retention among foreign employees

Employee Engagement

Employee engagement plays a pivotal role in ensuring job retention, especially in workplaces that rely heavily on foreign labour. Engaged employees exhibit higher levels of job satisfaction, organizational commitment, and productivity, all of which contribute to lower turnover rates (Lim et al., 2023). For foreign workers, engagement carries additional significance due to their unique challenges, including cultural adjustment, isolation, and unfamiliar work environments (Tan et al., 2024). By implementing robust engagement strategies, organizations can foster a sense of belonging and loyalty among foreign workers, leading to long-term workforce stability. When foreign workers are given access to skills development, certification programs, or internal promotion opportunities, their motivation and loyalty increase substantially (Alam et al., 2023; Chong et al., 2024). Studies have consistently shown that engaged employees are more likely to remain with their organizations. According to Rahman et al. (2023), engagement creates a psychological bond between employees and their workplace, reducing the likelihood of turnover. For foreign workers, engagement programs that provide mentorship, career guidance, and cultural support help address their specific challenges, such as navigating cultural differences and overcoming language barriers. These efforts not only improve job satisfaction but also increase retention rates (Nguyen et al., 2023).

Recognition and career development opportunities are critical elements of engagement that directly influence retention. Research by Miller and Tan (2024) found that foreign workers who feel recognized for their contributions are more likely to remain committed to their roles. Initiatives such as performance-based bonuses, employee awards, and public recognition enhance morale and foster loyalty. Additionally, organizations that invest in career development programs, including technical training and leadership development, enable foreign workers to see a clear path for growth, which significantly reduces turnover intentions (Ahmad et al., 2023). Transparent communication and inclusivity further strengthen employee engagement and retention. Open communication about job expectations, workplace policies, and career progression fosters trust and ensures employees feel valued. Chiu et al. (2023) highlighted that regular feedback sessions and clear communication channels help foreign workers align their goals with organizational objectives, thereby increasing their emotional

connection to the workplace. Furthermore, inclusive practices, such as cultural diversity training and celebrating global traditions, create an environment where foreign workers feel respected and integrated (Rahman & Lee, 2023). This inclusivity reduces feelings of isolation and strengthens organizational commitment.

Social support mechanisms are equally important for foreign worker engagement. According to Lim et al. (2023), providing access to counselling services, mental health support, and peer mentoring programs creates a sense of security and trust among foreign workers. These initiatives directly address the emotional and psychological challenges faced by employees, leading to higher retention. Moreover, engagement programs that promote community-building activities, such as team-building exercises or local cultural exchanges, further enhance workers' emotional connection to their organization (Rahman et al., 2023). The benefits of employee engagement extend beyond retention. Engaged workers are more productive and committed, contributing proactively to organizational success. Research by Zhang et al. (2024) found that companies with high engagement levels among foreign workers reported a 30% increase in operational efficiency. Additionally, engaged employees often act as brand ambassadors, attracting new talent through positive word-of-mouth and enhancing the organization's reputation in the labour market (Chong et al., 2024).

H₂: There is a relationship between employee engagement and job retention among foreign employees

Benefits and Compensation

Competitive benefits and compensation packages are important to retaining foreign workers, particularly in manufacturing sectors. Compensation involves direct financial rewards such as wages, overtime, and performance bonuses, while benefits encompass non-monetary incentives, including health insurance, housing allowances, and paid leave (Xuecheng, 2022). Together, these elements form a comprehensive package that significantly impacts foreign workers' job satisfaction and retention. Foreign workers often prioritize financial stability to support their families back home. Offering competitive salaries and timely payments ensures workers feel financially secure and valued (Alam et al., 2023). Performance-based bonuses have been shown to enhance loyalty and reduce turnover intentions among its foreign workforce (Ng et al., 2023). Additionally, organizations that provide family support programs, such as child education subsidies or family health coverage, further reinforce workers' commitment (Rahman et al., 2023).

Long-term incentives, such as performance-based bonuses and retention bonuses, further strengthen job retention. Living arrangements and logistical support also play a significant role. Subsidized housing, transportation, and meal allowances not only alleviate financial burdens but also improve workers' overall experience. Companies offering these benefits experience higher workforce stability and lower absenteeism rates (Yusoff et al., 2023). Furthermore, wellness programs, including mental health support, recreational facilities, and cultural integration events, demonstrate an employer's commitment to worker well-being, further enhancing retention (Chinomona et al., 2023). Research by Miller et al. (2022) highlights that organizations offering structured bonus programs experience lower turnover rates, as employees feel motivated to perform well and remain with the company. Additionally, retention bonuses provide financial incentives for workers to stay beyond their initial contract period, reducing hiring and training costs for employers (Chiu et al., 2023). By aligning financial rewards with employee tenure, companies create a culture of stability and appreciation, which

directly impacts foreign worker retention. By implementing performance-based incentives, enhancing onboarding and cross-cultural integration programs, and offering competitive salary packages, organizations can reduce recruitment and training costs, boost productivity, and ensure a more stable workforce (Mustapa et al., 2019).

A study by Zhang et al. (2023) found that when foreign workers perceive fairness in their salary structures and benefits allocation, they are 35% more likely to remain with their employer. Employers who engage in regular salary benchmarking and ensure equitable pay practices foster a sense of job security and loyalty among their workforce. Employers must remain proactive in benchmarking their compensation policies against industry standards to ensure competitiveness. Regular updates to pay structures, inflation adjustments, and expanded benefits packages signal an organization's dedication to its workforce. For example, research by Xuecheng (2022) found that companies that adapt their benefits packages to address the evolving needs of their workers retain talent more effectively.

H3: There is a relationship between benefits and compensation and job retention among foreign employees

Findings and Analysis

Research Design

The research followed a non-experimental, correlational approach, using a structured questionnaire to collect data from foreign workers in an electronics multinational company in Senai, Johor. The industry was selected as it is noted contributed 5.8 percent to the nation's GDP in 2022. The government targets the contribution to achieve RM120 billion with RM495 billion in export earnings in 2025 (MIDA, 2024). Since the sector that relies heavily on large foreign workers often faces with high turnover rate, henceforth, call for urgency in examining factors affecting job retention. The unit of analysis for this study was individual foreign workers employed at an electronics company. Each foreign worker who participated in the study represented a single data point, and their responses to the questionnaire served as the basis for analysis.

Demographic Profile

The total foreign worker population comprised 238 individuals. Due to the relatively small and manageable size of the population, a census sampling method was applied. Ultimately, 78 completed and valid responses were obtained, with the majority male, aged between 21 and 35 years old, and originating predominantly from Nepal, Bangladesh, and Indonesia. Most participants had a secondary school level education and had been working with the company for more than one year. These characteristics reflect a typical demographic composition of foreign labour in Malaysia's manufacturing sector and provide context for interpreting their responses related to satisfaction, engagement, and retention.

Reliability test

The reliability of the constructs was tested using Cronbach's alpha. All four variables, job satisfaction, employee engagement, benefits and compensation, and job retention, demonstrated high internal consistency, with alpha coefficients exceeding the minimum threshold of 0.70. This confirms that the measurement items used in the survey were both reliable and suitable for further statistical analysis.

Multiple Regression

To further explore the predictive power of the independent variables on job retention, a multiple linear regression analysis was conducted. Multiple regression analysis was conducted to identify which independent variables significantly predicted job retention. The model's R-squared value was 0.814, indicating that approximately 81.4% of the variance in job retention could be explained collectively by job satisfaction, employee engagement, and benefits. This reflects a strong model fit and demonstrates that the independent variables together have substantial explanatory power regarding retention among foreign workers. The model included job satisfaction, employee engagement, and benefits and compensation as predictors. The analysis showed that only benefits and compensation had a statistically significant influence on job retention ($\beta = 0.419, p < 0.05$), whereas job satisfaction ($\beta = 0.170, p = 0.126$) and employee engagement ($\beta = 0.139, p = 0.211$) were not significant predictors when considered in the multivariate model. The findings suggest that tangible rewards and material support systems play a more critical role in influencing foreign workers' decisions to stay with the organization than do intrinsic motivators.

These results indicate that while all three independent variables are positively correlated with retention, benefits and compensation stand out as the only impactful predictors when all variables are considered together. This could suggest the presence of multicollinearity among the predictors, especially considering the high correlations observed between them. Nonetheless, the finding underscores the critical role that benefits play in influencing foreign workers' decisions to stay with their employer.

The results indicate that while foreign workers value job satisfaction and engagement, these factors alone do not strongly determine their decision to remain with an organization. Instead, benefits and compensation emerged as the most influential factor. This outcome aligns with the premise of Social Exchange Theory, which suggests that employees evaluate the balance of contributions and rewards when making employment decisions. It also supports the Human Capital Theory perspective that meaningful investment in employee welfare increases retention. The results underscore the need for organizations to prioritize extrinsic incentives in workforce management strategies when dealing with foreign labor forces whose employment decisions are often shaped by financial obligations and material well-being.

Conclusion

The study concludes that while job satisfaction and employee engagement are positively related to retention, they are not the strongest predictors of whether foreign workers will remain in the electronics multinational corporation. Instead, benefits and compensation play the most decisive role. This is consistent with Social Exchange Theory, which posits that employees evaluate the balance between what they contribute and what they receive in return (Blau, 1964). Similarly, Human Capital Theory emphasizes that employees stay when organizations invest in their financial and professional development (Becker, 1964). These findings underscore the importance of aligning HR strategies with the practical needs of foreign labor, especially in the manufacturing sector.

Recommendation

In light of the findings, it is recommended that the electronics MNC strengthen its compensation frameworks to ensure that salaries, bonuses, and incentives are competitive with industry standards and reflective of workers' contributions. Employers should routinely benchmark pay against national and sector-specific norms and ensure fairness in salary

distribution to avoid perceptions of inequality that could prompt dissatisfaction and attrition. Additionally, benefits packages should be expanded and diversified to include comprehensive healthcare coverage, reliable transportation services, adequate hostel accommodations, and other welfare-oriented support systems. These tangible offerings not only alleviate financial stress but also demonstrate the organization's commitment to worker well-being.

It is also crucial for the electronics MNC to refine its employee engagement programs by incorporating culturally inclusive activities, language support, and regular recognition for foreign workers' contributions. Engagement initiatives should not be generic but must address the specific emotional and psychological challenges faced by foreign workers adapting to a new country and workplace. For instance, culturally sensitive orientation programs, mentorship schemes, and grievance redress mechanisms can foster a greater sense of belonging and organizational loyalty

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