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The Effect of Career Development and Wellbeing Programs on Employee Retention in Manufacturing Companies

Zalpa Khoirunnisa^{1*}, Aprilia Dwi Aisyah²

^{1,2}Universitas Pelita Bangsa

Email: zalpakh2249@gmail.com

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Abstract

Employee retention is an important issue for manufacturing companies, especially in the face of a shortage of qualified workers. The company's ability to retain potential employees is crucial, because retaining competent employees is more effective than looking for new employees. Career development and employee well-being programs are considered important factors in increasing loyalty and job satisfaction, which in turn can reduce employee turnover rates. This study aims to examine the influence of career development and welfare programs on employee retention in manufacturing companies. The research method used was qualitative with a purposive sampling approach, involving 60 respondents who worked for more than two years. The variables studied included career development (dedication, commitment, passion, and learning) as well as welfare programs (salary, supervision, co-workers, and communication), which were associated with employee retention (working conditions, vision and mission, work attitudes, and work assessments). The results of the study show that clear career development and supportive wellbeing programs significantly increase employee commitment, loyalty, and retention. The practical implications of these findings are the importance of companies offering appropriate career development opportunities and adequate wellbeing programs to create a productive work environment and high employee loyalty.

Keywords: Employee Retention, Career Development, Welfare Programs

Introduction

Employee retention is an important issue for manufacturing companies, especially in the face of labor shortages. Employee retention is the company's ability to retain potential employees that the company has to remain loyal to the company. For companies, retaining competent people is very important because retaining employees is better than looking for new employees (John, 2019). Employee Retention is closely related to the program for maintenance, the maintenance is carried out with the target of the employee's physical, mental, and loyal attitude towards his work. Maintenance programs can run well if they are carried out in conjunction with programs to provide benefits needed by employees and adhere to internal and external consistency within the company (Lintang et al., 2024).

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Survey (The Deloitte Global, 2022) which involved 23,220 Generation Z and Millennial respondents from 46 countries showed that less than 25% intend to stay in their current company in the long term. In his report, Robert Walters surveyed more than 2,600 professional workers from more than 1,100 companies in six countries, namely Singapore, Malaysia, the Philippines, Thailand, Indonesia, and Vietnam. This data underscores the employee retention challenges faced by modern companies, while highlighting the importance of workplace well-being as a key factor in creating a positive and productive work environment (Nusaiba et al., 2024). Keeping employees loyal and comfortable working in the company is a very difficult task for the company, because humans have a dynamic nature, meaning that even an employee can make mistakes at work or not achieve maximum results at work. Employee welfare programs are an effort implemented to make a person's life worthwhile. Human resources are the most important asset of any company.

In an increasingly complex and global business era, companies need to be able to manage human resources such as identifying, developing, retaining, and placing the right employees in the right positions in order to compete effectively in the global market (Al Rinadra et al., 2023). In order to develop in increasingly fierce corporate competition, an organization must react quickly, especially to increasingly fierce business competition, therefore career development efforts are carried out. Career development is the process of identifying employees' career abilities and through the application of the right model to provide training, educational facilities to employees, then the employees are more committed and loyal to the organization and employees who are given education and training will be able to increase production in the company (Tuna et al., 2024).

Some of the phenomena that occur from several companies are that employees feel uncared for and feel unprosperous, finally they resign. The challenge in maintaining a balance between career development and wellness programs over employee retention is how to address the needs of individuals in their career development with the company's need to keep employees staying. So, this can be a tricky balance, especially if employees feel that they don't have enough development opportunities and don't get much well-being in the organization (Chrisyanti et al., 2024). In general, career development opportunities and welfare programs are one of the factors that determine whether or not an employee stays in a manufacturing company. This research wants to focus on how career development and wellbeing programs provide opportunities for employees to be loyal to manufacturing companies. Therefore, from that background, the author was then interested in raising the title *The Influence of Career Development and Welfare Programs on Employee Retention in Manufacturing Companies*

Methods

The type of research used in this journal is research with quantitative methods, methods that intend to understand the subject of research such as behavior, perception, motivation and so on. This study was conducted with a non-probability sampling method where the population is employees of manufacturing companies spread across many industrial areas. The sample in this



study includes employees who have worked for two years. Sample size can be taken with the formula Hair (Fatma et al., 2021) Because the size of the population is not yet known for sure and suggests that the sample size is 5-10 times the indicator variable. So that the number of indicators is 12 indicators multiplied by 5 ($12 \times 5 = 60$). So through calculations based on this formulation, the number of samples to be studied is 60 people. The instrument used is a questionnaire for each indicator. The questionnaire was distributed through two methods, namely directly by distributing physical forms to employees at the workplace and online through survey platforms such as Google Forms or email to reach a wider range of respondents. The first independent variable is career development with indicators: dedication, commitment, enthusiasm, and learning (Sepahvand & Khodashahri, 2021). The second independent variable is the welfare program with indicators: salary, supervision, colleagues, and communication (Gelencsér et al., 2023). And the dependent variable is employee retention with indicators: working conditions, vision and mission, work attitude, and work assessment (Chatzoudes & Chatzoglou, 2022). The description variable uses a likert scale with data analysis that has been collected using the SmartPLS data processing application.

Results and Discussion

Respondent Profile

Table 1 Respondent Profile

Respondent Profile		Number of Respondents	Percentage (%)
Gender	Male	25	41.6%
	Woman	35	58.4%
	Total	60	100
Age	22 years – 28 years	59	98.3%
	29 years – 38 years	1	1.7%
	> 38 Th	0	0%
	Total	60	100
Education Level	Sd	0	0%
	Junior	0	0%
	High School/Vocational School	50	83.3%
	S1	10	16.7%
	S2	0	0%
	S3	0	0%
Total	60	100	
Position	Operator	45	75%



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Staff	10	16.6%
Head of Section	5	8.3%
Total	60	100

Source: Questionnaire Data (2024).

Validity Test

The value of the r calculation (Pearson Correlation) will later be a benchmark to determine the validity or not of the question items used to support the research. The calculated r value will then be compared to the table r value to be searched.

Table 2 Outer Loading Results

	PK	MCC	RK	Information
X1.10	0.839			Valid
X1.2	0.752			Valid
X1.3	0.817			Valid
X1.5	0.729			Valid
X1.6	0.876			Valid
X1.8	0.813			Valid
X1.9	0.805			Valid
X2.2		0.762		Valid
X2.3		0.765		Valid
X2.4		0.772		Valid
X2.5		0.794		Valid
X2.6		0.766		Valid
X2.7		0.833		Valid
X2.8		0.836		Valid
X2.9		0.812		Valid
Y1.1			0.790	Valid
Y1.10			0.825	Valid
Y1.2			0.797	Valid
Y1.3			0.726	Valid
Y1.5			0.892	Valid
Y1.6			0.858	Valid
Y1.7			0.827	Valid
Y1.8			0.873	Valid
X1.1	0.787			Valid

Source : SmartPLS (2024)

Information:

PK = Career Development

MCC = Wellbeing Program

RK = Employee Retention

The test results after the model revision by removing several indicators that do not meet the standards so that all indicators have a loading standard above 0.7 which means that they have met the criteria and are considered valid.

Reliability Test

Table 3 Construct Reliability and Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Extracted Variance (AVE)
PK	0.921	0.926	0.936	0.646
MCC	0.916	0.917	0.931	0.629
RK	0.932	0.934	0.944	0.681

Source : SmartPLS (2024)

The convergent validity of the measurement model can be seen from the correlation between the indicator score and the variable score. The indicator is considered valid if it has an AVE value above 0.5 or shows that all the outer loading dimensions of the variable have a loading value > 0.7 so that it can be concluded that the measurement meets the convergent validity criteria (Fauziah, 2019). From table 3, it is shown that each variable has a Cronbach's Alpha value above 0.6, which is 0.9, and a composite reliability value above 0.7, which is 0.9. And each variable also has an AVE value above 0.5, so it can be concluded that the variables used are valid and reliable.

R-Square

Table 4 R-Square Values

	R Square	Adjusted R Square
RK	0.813	0.806

Source : SmartPLS (2024)

The data presentation in table 4, it can be seen that the R-Square value for the employee retention variable is 0.806. The acquisition of this score explains that employee retention can be explained by the independent variable of 80.6% while the remaining 19.4% therefore this study is included in the good goodness of fit.

Path Coefficient

Hypothesis test is a hypothesis test by conducting a T test. The result of rejection or acceptance uses a T test with the same conditions as the t-statistic value used is 1.96. If the t-statistic value obtained is greater than or equal to the t-table ($t\text{-statistic} > 1.96$), then H_0 is rejected and H_a is accepted (Ariadi, 2023).

Table 5 Hypothesis Test (T)



	Original Sample (O)	Average Sample (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
PK -> RK	0.541	0.541	0.135	4.014	0.000
PKS -> RK	0.397	0.397	0.146	2.721	0.007

Source : SmartPLS (2024)

Based on table 5, namely Path Coefficient, it can be explained that the influence between Career Development (X1) and Employee Retention (Y) with a coefficient value of 0.541. The result is that the t-statistic for the X1 construct is below 1.96, which is 0.397 and at the Probability Values (P-Values) it is more than 0.05, which is 0.000, so it can be concluded that H1 is accepted.

Based on table 5 of Path Coefficients above, it can be explained that there is an influence of welfare programs (X2) on employee retention (Y) with a coefficient value of 0.397. The result is that the t-statistic for the X2 construct is above 1.96 which is 2.721 and at the Probability Values (P-Values) it is less than 0.05 which is 0.007. So it can be concluded that H2 is acceptable.

The Relationship Between Career Development and Employee Retention.

According to (Rahmat et al., 2024) stated that career development has a significant impact on employee retention. Career development refers to a person's job title or status during their working life. The career development process provides opportunities for employees to take part in training, get promotions, and improve their skills to improve performance within the organization. Career development involves identifying the employee's career abilities and implementing an appropriate model to achieve them. Organizations that provide training and educational facilities to employees tend to have higher levels of commitment and loyalty than employees. Employees who receive education and training can also increase the company's productivity.

Based on the data provided, the gender of the respondents was divided between male (41.6%) and female (58.4%). These gender differences can affect respondents' perceptions or experiences related to career development and well-being programs. Men and women may have different views on career development opportunities. The age range of respondents is mostly in the range of 22-28 years (98.3%), while only a few are 29-38 years old (1.7%). Young employees (ages 22-28) tend to be more oriented towards opportunities to learn and grow in their careers. Technical skills development and opportunities for promotion will be very relevant. With most respondents having a high school/vocational education (83.3%). Career development that matches this educational background, such as technical training or certification programs, can strengthen their retention in the company, as they will feel valued and have opportunities to grow. In this study, respondents mostly worked as operators (75%), followed by staff positions (16.6%) and section heads (8.3%). Operators, as the majority of respondents, may be more focused on opportunities to move up or expand their skills in a particular field. Programs that

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support technical and professional development that is more in line with the operator's level will be highly appreciated. Meanwhile, staff and section heads may be more interested in managerial or leadership development programs to improve their skills in strategic decision-making. If promotion and career development opportunities are available, this can increase motivation and retention.

Various studies have examined the influence of career development on employee retention, especially in the manufacturing company sector, which is known for its high employee turnover rate. Previous studies have shown that effective career development can increase employee satisfaction and commitment, leading to increased retention. As shown by Gibbet Murambawi Magaisa's research in the title Factors Affecting Employee Retention in Zimbabwean Companies (Magaisa & Musundire, 2021). In the journal it is stated that, Development is a tool used to motivate employees to stay in an organization. The results showed that 80% of respondents stated that they had never received development in the organization, while only 20% stated that they had received development. for a long time. Employee development is necessary if the organization wants to succeed. Employee development plays an important role because it can improve employee skills for current and future positions. Organizations are faced with technological changes as well as fierce competition.

Theoretically implicated, career development affects job satisfaction, organizational commitment, and employee motivation, all of which contribute to increased retention. In practical implications, by providing clear and supportive career development opportunities, companies can increase employee satisfaction and loyalty and provide trust.

The Relationship of Welfare Programs to Employee Retention.

According to (Achmad Fauzi & Manao, 2023) One of the human resource management strategies carried out by the company is to maintain its employees. One form of employee maintenance is to form an employee welfare program. The company's responsibility for employee welfare is generally considered a good workplace, in this case it includes providing safe and healthy working conditions, welfare facilities and programs for employees, work balance and employee livelihood because if the company prioritizes that factor, employees will be enthusiastic about work, work performance will increase, be highly disciplined, and be loyal in supporting the company's goals.

Wellbeing programs that offer flexibility or family health support may have a greater impact on women who are more often involved in family responsibilities. In contrast, men may be more concerned with financial well-being or better health insurance. Young employees may be more concerned about well-being related to mental and physical health, such as work-life balance and flexibility programs. The provision of good health facilities or support for sports activities can be an added value that increases their retention. Welfare programs that involve further education and training or allowances for continuing higher education will be more attractive to employees with an undergraduate education. Meanwhile, employees with a high school/vocational education background may be more interested in incentives related to physical



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health or other benefits that are more directly felt. Employees with operator titles may focus more on well-being related to physical health or job benefits, given their duties that often involve physical work. Employees with staff or department heads are more interested in the well-being associated with work-life balance and benefits that can support their personal lives.

Employee wellbeing programs are one of the important factors that can affect retention rates in a company. By paying attention to the physical, mental, and financial well-being of employees, companies not only create a healthy and productive work environment, but also increase employee commitment and loyalty. An effective wellbeing program can help employees feel valued and supported, which can ultimately reduce turnover rates and extend their tenure at the company. This is in accordance with what Poi Goodwin showed in his journal entitled *Employee Welfare Packages And The Performance Of Public Organizations In Rivers State, Nigeria* (POI, 2020) which states that employee welfare programs and compensation at work are useful steps to create a harmonious work environment in the company. Provide adequate employee welfare programs to employees, improve service quality, resource utilization efficiency and satisfaction among staff. This increases company productivity and retains highly motivated and satisfied employees. In terms of theoretical implications, wellbeing programs have a direct impact on job satisfaction, organizational commitment, and employee motivation all of which play a role in increasing retention. From the point of view of practical implications, companies that offer effective wellbeing programs can increase productivity, create a positive work culture, and build good relationships between the company and its employees. Thus, good management of welfare programs not only provides benefits for employees, but also for the company as a whole.

Conclusion

Employee retention is an important issue for manufacturing companies, especially in facing the challenges of labor shortages and increasingly fierce competition. To retain competent employees, companies need to manage maintenance programs that include welfare, career development, and maintaining employee physical and mental conditions. These programs must be accompanied by consistency in internal and external policies to create a positive and productive work environment. Career development opportunities and welfare programs have proven to be key factors influencing employee loyalty to the company. Based on the results of this study, it can be concluded that partially career development and welfare programs have a significant effect on employee retention in manufacturing companies. The results of statistical tests show that both of these variables contribute to increasing employee loyalty to the company. Thus, this study shows that companies need to focus on employee career development and welfare to increase retention and maintain employee loyalty. In addition, the results of this study also show that the indicators used in this study are valid and reliable, with an R-Square value of 0.806 indicating that this research model has a good fit. The limitation of this study is that this study does not consider external factors such as economic conditions, employment policies, and organizational culture that can also affect employee retention. In addition, time constraints make

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this study only capture a picture in a certain period, so it cannot observe the long-term effects of career development and welfare programs on employee retention. For future research, it is recommended to include research that covers various industrial sectors to increase the generalizability of the results. In addition, further research can use a longitudinal approach to understand the long-term impact of career development and welfare programs on employee retention and consider additional variables such as job satisfaction, organizational culture, and leadership style for a more comprehensive analysis.

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