Factory Closure Challenges for Human Resource Intervention in Closure Management Process and Employee Anxiety

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ABSTRACT

This paper explores the factory closure management process and its impact on employee anxiety in a foreign-based manufacturing firm that had been operating for more than 30 years. The closure significantly affected operational employees, many of whom had spent their entire careers within the company. Most employees possessed only a single working experience and had achieved promotions through internal career advancement without formal educational qualifications. Consequently, they faced considerable challenges in securing new employment opportunities after the factory closure. The main objective of this study is to examine the perspectives of 200 respondents regarding the effectiveness of the closure management process implemented by the human resource management team, as well as the level of employee anxiety experienced during the transition period. The research adopted a two-phase mixed-method approach. The first phase involved quantitative data collection through questionnaire surveys using a five-point Likert scale to evaluate employee perceptions of closure management practices and anxiety levels. The second phase employed qualitative analysis through engagement with selected government agencies to assess whether the company's closure management process aligned with recommended best practices for employee welfare and industrial transition management. The findings indicate that most respondents considered the closure management practices acceptable and consistent with government guidelines related to employee welfare. Furthermore, the study found no strong correlation between the closure management process and employee anxiety. Most employees demonstrated an understanding of the company's decision and appeared mentally prepared for the closure despite the unfavourable circumstances. In conclusion, the study provides practical insights and best practices for manufacturing firms managing employee separation and organizational closure processes.

Keywords: Factory Closure; Human Resource, Closure Management Process, Employee Anxiety; Manufacturing Firm

INTRODUCTION

Factory closures are highly disruptive organisational events that affect not only business continuity but also employees' financial stability, psychological well-being, and future career opportunities. In manufacturing sectors such as foundries, these impacts are more severe because workers often possess specialised skills that are difficult to transfer to other industries. Human Resource (HR) interventions therefore play a critical role in helping employees adapt and recover during closure processes. Key HR intervention elements include strategic communication, legal compliance, workforce transition support, psychosocial assistance, and coordination with

external stakeholders. However, existing studies tend to examine these elements separately and focus mainly on procedural or compliance-related issues. As a result, there remains limited understanding of how integrated HR practices can effectively support employee readiness, resilience, and long-term employability during factory closures, particularly in emerging economies such as Malaysia.

The need for effective HR intervention has become increasingly important due to global economic volatility, supply chain restructuring, and shifting foreign direct investment (FDI) patterns. Malaysia's manufacturing sector, which is highly dependent on multinational corporations and export-oriented industries, is particularly vulnerable to these global changes. Foreign-based manufacturing companies, particularly Japanese multinational corporations, have increasingly relocated operations to countries such as Vietnam and Indonesia because of lower labour costs, favourable investment conditions, and strategic supply chain diversification. Consequently, Malaysia has experienced growing cases of downsizing and factory closures, especially in labour-intensive manufacturing sectors. These closures not only create economic displacement but also lead to psychological stress, unemployment anxiety, and reduced social well-being among affected workers and their families. Existing support systems, including the Employment Insurance System (EIS) under SOCSO, provide some assistance, but concerns remain regarding the adequacy, accessibility, and coordination of such interventions.

The closure of a foreign-based manufacturing company operating in Malaysia illustrates these challenges within the local industrial context. Following global restructuring and regional investment realignment, the company ceased operations after decades of manufacturing activities in Malaysia, affecting hundreds of employees and disrupting the surrounding industrial ecosystem. Although the organisation collaborated with government agencies and labour unions to provide support such as job placement and retraining assistance, the effectiveness and sustainability of these interventions remain unclear. Current HR practices in closure situations are often procedural, focusing mainly on retrenchment compensation and legal compliance rather than long-term employee development and emotional resilience. This creates a gap between formal HR policies and the actual needs of displaced workers, particularly among low- and medium-skilled employees who face difficulties in securing alternative employment.

This study is motivated by the absence of a comprehensive and context-specific HR intervention framework for managing factory closures in Malaysia. Existing research lacks integration between macroeconomic pressures, organisational HR strategies, and employee psychological outcomes. Furthermore, limited attention has been given to cultural factors such as mental health stigma, weak coordination among stakeholders, and gaps in institutional support systems. Therefore, this research seeks the key elements to develop a more holistic and empirically grounded framework that integrates employee readiness, well-being, transition support, and stakeholder collaboration. By examining the closure experience of a foreign-based manufacturing company in Malaysia, the study aims to contribute both theoretically and practically to HR management in crisis and closure contexts, while providing recommendations for more sustainable and human-centred intervention strategies in Malaysia's manufacturing industry.

RESEARCH METHODS

This study employed a mixed-methods research design integrating both quantitative and qualitative approaches to investigate the effectiveness of HR interventions in fostering employee readiness and well-being during factory closure processes. The mixed-methods approach is widely recognised in organisational and HR research for providing comprehensive insights into complex workplace transitions by combining numerical analysis with in-depth experiential perspectives (Creswell & Creswell, 2018). The quantitative component involved a questionnaire survey distributed to 200 employees affected by the closure of Panasonic Appliances Foundry Malaysia (PAPFMY). The questionnaire was designed to evaluate employees' perceptions regarding communication effectiveness, closure management processes, exit support, and mental health readiness during the factory closure process.

The survey instrument utilised structured Likert-scale questions to measure employee responses toward HR interventions implemented during the organisational transition. Statistical Package for Social Sciences (SPSS) software was used to analyse the collected data, including descriptive statistics and correlation analysis to

identify relationships between HR intervention factors and employee well-being outcomes. Similar approaches have been commonly applied in organisational restructuring studies to evaluate employee perceptions and workforce transition readiness (Griep et al., 2025).

In addition to the quantitative method, qualitative data were collected through semi-structured interviews involving HR practitioners, union representatives, and policymakers. Semi-structured interviews enabled participants to provide detailed insights into communication strategies, legal compliance, emotional support, retraining programmes, and organisational transition management practices during factory closures. According to McGrath et al. (2024), qualitative approaches are valuable in understanding employees' psychological adaptation and organisational responses during restructuring processes.

Field observations and company document reviews were also conducted to strengthen the validity and reliability of the research findings. Organisational documents related to termination procedures, compensation policies, retraining programmes, and closure management strategies were analysed to support triangulation between quantitative and qualitative findings. This triangulation approach enhances the credibility of organisational research by integrating multiple data sources and perspectives. The theoretical foundation of the study was supported by several established organisational and psychological theories, including Lewin's Change Management Model, Kotter's 8-Step Change Model, Maslow's Hierarchy of Needs, and Stress and Coping Theory. Previous studies emphasised that effective organisational restructuring requires not only operational planning but also employee-centred HR interventions that support psychological adaptation and long-term employability (Agrawal et al., 2026; Pandey et al., 2025).

Overall, the methodology enabled the study to examine both measurable employee outcomes and deeper organisational experiences, contributing to the development of a comprehensive and empirically supported HR intervention framework for managing factory closure processes in Malaysia.

RESULT AND DISCUSSION

Analysis of Demographic

The demographic composition of the manufacturing firm showed a significant ageing workforce, with 32.0% of employees aged between 50–60 years and 27.5% aged between 40–49 years. Together, these groups represented nearly 60% of the respondents. This ageing workforce was important in understanding employee readiness for factory closure. Older employees often possessed long working experience, firm-specific skills, and strong attachment to the organisation. However, they were also more vulnerable to closure-related challenges because they generally had lower labour market mobility and faced greater difficulty adapting to new employment opportunities.

From a readiness perspective, older employees were often less willing to change careers due to skill obsolescence, lower digital adaptability, and their proximity to retirement age. This reduced the effectiveness of general HR interventions and highlighted the need for more targeted support such as retirement planning, employability programmes, and psychosocial counselling. In comparison, younger employees aged 18–29 years (26.0%) and those below 39 years (14.5%) were generally more adaptable, mobile, and open to retraining opportunities. However, because younger employees formed a smaller proportion of the workforce, the organisation's overall readiness for closure remained limited.

The demographic imbalance also indicated that readiness for factory closure differed across employee groups. Younger employees were more likely to demonstrate higher employability and resilience, while older employees were more likely to experience uncertainty, financial insecurity, and emotional stress. This finding supported the argument that employee readiness was influenced by demographic factors and therefore required a more customised HR intervention framework (Adams, J., 2024).

The factory closure had a significant impact on senior employees, as many had spent a large part of their careers with the company and faced difficulties in finding new employment due to age-related barriers. The sudden transition also affected their financial stability and long-term career planning. In contrast, younger employees

generally had greater flexibility and opportunities to explore new career paths. This situation highlighted the importance of career planning, reskilling, further education, and industry transition programmes, especially for younger employees who could adapt more easily to changing employment conditions.

The manufacturing firm mainly employed permanent local workers, representing 87.0% of the workforce. This reflected the company's strong commitment to workforce localization and local talent development. Permanent foreign employees accounted for 12.0% of the workforce, indicating that some foreign expertise was still needed for specific technical or operational roles. In addition, expatriates represented only 1.0% of employees, showing minimal dependence on external professionals for management or specialised expertise. Overall, the employment structure demonstrated a balance between local workforce development and selective foreign expertise integration.

Most employees worked in the Plant/Manufacturing department, which accounted for 47.5% of the workforce, reflecting the company's strong focus on production activities. The Quality Control and Quality Assurance (QC/QA) department represented 24.0% of employees, highlighting the importance of maintaining product quality and regulatory compliance. Process Engineering and Product Engineering departments accounted for 9.5% and 8.5%, respectively, showing the company's emphasis on process improvement and product development. Meanwhile, the HR and Group Administration department represented 8.0% of employees, while Procurement had the smallest workforce at 2.5%, indicating fewer employees involved in sourcing and supply chain functions.

The distribution of employees based on years of service showed that the manufacturing firm, which had operated in Malaysia for 34 years since its establishment in 1991, had a highly experienced workforce. The majority of employees, 46.5% (93 employees), had served the company for more than 20 years. This reflected strong employee loyalty, high retention, and deep organisational knowledge. In comparison, employees with 11 to 19 years of service represented only 12.0% (24 employees), indicating a smaller proportion of mid-tenure workers. This imbalance suggested potential challenges related to workforce transition, succession planning, and knowledge transfer, especially during the factory closure, as many experienced employees were directly affected.

Closure Management Process

The closure management process was a crucial aspect of organizational transitions, ensuring that employees, unions, and stakeholders were treated fairly and in compliance with legal requirements. Table 1 presented the level of agreement on various aspects of this process, reflecting employees' perceptions of how effectively the company managed the closure. The results indicated that employees generally agreed that top management adhered to the closure procedures agreed upon with the union, with a mean score of 3.99. This suggested that management honoured its commitments, reinforcing a structured and transparent process that minimized resistance and enhanced trust, which aligns with best practices in organizational change management emphasizing procedural justice and stakeholder alignment (Castleberry, A., and Nolen, A., 2024). Additionally, responsibility and accountability for employees during the closure were well established, as indicated by a mean score of 4.06. Clearly defining roles and responsibilities ensured an organized transition, reducing uncertainty and maintaining employee confidence in the process (Armstrong & Taylor, 2023).

A fundamental element of the closure process was timely communication regarding retrenchment. Employees acknowledged that retrenchment letters were distributed on the announcement day, as reflected in the mean score of 4.20. Providing immediate notification ensured that employees were not left in uncertainty, which significantly reduced anxiety and dissatisfaction. Effective communication during downsizing has been widely recognised as a critical factor in maintaining employee trust and psychological stability (Creswell & Creswell, 2023; Van den Broeck et al., 2021). However, while the closure benefits were generally accepted by employees and unions, they received a slightly lower mean score of 3.73. This suggested that, despite overall agreement, there might have been concerns about the adequacy or fairness of the benefits, indicating an opportunity for improvement in employee compensation and support during closures (Bennett et al., 2022).

Transparency played a significant role in the closure process, with employees perceiving management as open and honest about the factory's closure, as shown by a mean score of 4.01. Transparent communication mitigates resistance and promotes trust, as unclear messaging often leads to dissatisfaction and disputes (Robbins & Judge, 2024). Furthermore, compliance with government-mandated closure procedures was strongly agreed upon, receiving a mean score of 4.15. This indicated that the company followed all legal requirements, ensuring that employees' rights were protected and reducing the risk of legal challenges, consistent with labour governance frameworks.

Employees also strongly agreed that retrenchment announcements, including benefit calculations, were provided at least one month before the last working day (mean: 4.25). This aligned with best practices in workforce transition planning, allowing employees sufficient time to seek alternative employment or make necessary financial arrangements (World Bank, 2023). Additionally, the company ensured that the Immigration Department and related embassies were notified about the closure concerning foreign workers, which received a mean score of 4.05. Proper notification ensured compliance with immigration laws and facilitated smoother transitions for foreign employees (Gohar et al 2021).

Financial transparency, particularly regarding retrenchment benefits, was also emphasized. Employees acknowledged that HR shared the method used to calculate retrenchment benefits, as indicated by a mean score of 4.12. Clearly communicating benefit calculations reduces misunderstandings and disputes, reinforcing procedural fairness (Greenberg, 2023). Additionally, HR provided assistance in submitting required documents to government agencies for government-provided benefits, receiving a mean score of 4.14. This support ensured that employees could access financial aid and other benefits promptly, reflecting effective HR intervention practices (Williams and Hauret 2020).

The approach taken to employee retrenchment was also considered structured and fair. Employees agreed that retrenchment was conducted in batches rather than all at once, with a mean score of 4.21. A phased retrenchment strategy minimized sudden unemployment shocks and allowed for better workforce planning (Bennett et al., 2022). The fairness of employee selection for retrenchment batches also received a mean score of 4.21, indicating that employees generally perceived the process as impartial. However, overall fairness in the retrenchment process received a slightly lower score of 3.94, suggesting that while most employees believed the process was just, some might perceive biases or inequities, which is common in downsizing contexts (Griep, Y., Vantilborgh et al., 2021).

Compliance with legal obligations was strongly emphasized in the closure process. The submission of employees' names to relevant government bodies, such as the Labour Department (JTK), LHDN, and SOCSO Department, received the highest mean score of 4.42. This reflected strong adherence to regulations and ensured that employees received the necessary institutional support. Additionally, the company reviewed agreements with customers and suppliers for early termination (mean: 4.22), demonstrating a responsible approach to business closure that minimized disruptions to external stakeholders

The findings suggested that the closure process was managed effectively, with strong adherence to transparency, legal compliance, and structured retrenchment planning. While most aspects received high agreement, concerns about benefit adequacy and perceived fairness highlighted areas for potential improvement. Effective closure management therefore requires continuous communication, equitable treatment, and strict regulatory compliance to ensure a smooth and ethically responsible transition for all stakeholders involved (Armstrong & Taylor, 2023; Robbins & Judge, 2024).

Table 1: Agreement on the closure management process

CODE	DESCRIPTIONS	MEAN
CMP1	The Top Management follow the closure procedure agreed by both Management and Union	3.99

CMP2	The Top Management establish responsibility and accountability for all employees	4.06
CMP3	The retrenchment announcement letter was been given to all employees during the announcement day	4.20
CMP4	The closure benefits offered to all employees are well accepted and satisfied by Union and employees	3.73
CMP5	The Top Management being transparent to all employees on the closure of the factory to all employees	4.01
CMP6	The Management followed all company closure procedure set by Government	4.15
CMP7	The retrenchment announcement letter (together with the calculation of the retrenchment package) been given to the employee at least 1 month before their last working day	4.25
CMP8	The Immigration Department and related Embassy were being notified on the closure for the foreigners working in the Company	4.05
CMP9	Human Resource shared on the calculation method for the retrenchment benefits and other benefits for the closure to employees	4.12
CMP10	Human Resource will help employees in providing all documents required to be submitted to government departments for the benefits provided by Government	4.14
CMP11	The retrenchment of the employees will be done by batches (not all at one time)	4.21
CMP12	The closure process used at the Company is fair and equitable	3.96
CMP13	All employees name will be submitted to the Government bodies for the closure especially to Labour Department, Tax Department and SOCSO Department	4.42
CMP14	All agreements between the Company and the customers as well as the suppliers were being checked for early termination	4.22
CMP15	The selection of employees that will be going out by batches was done fairly	4.21
CMP16	All employees being treated fairly during the process of retrenchment	3.94

Employee Mental Health

The findings from Table 2 provided a comprehensive insight into employees' mental well-being following the announcement of their company's closure. The responses indicated a mix of resilience and distress, shaped by job insecurity, uncertainty about the future, and varying levels of emotional response. A significant concern among employees was job security, with a mean score of 3.38 reflecting anxiety about losing their jobs within the next six months. This aligned with existing research, which suggested that perceived job insecurity was one of the strongest predictors of stress, depression, and reduced job satisfaction. Additionally, a mean of 3.26 suggested that employees expected undesirable changes in their work situation before the final closure, highlighting the uncertainty that could further contribute to emotional distress. However, one positive aspect was that employees seem well-informed about the closure process, as indicated by the highest mean score of 3.52. Effective communication in such situations played a crucial role in reducing anxiety and ensuring a smoother transition.

Despite the anticipated job loss, some employees maintained a sense of purpose in their roles, as reflected by a mean of 3.19. Research suggested that individuals who found meaning in their work tend to cope better with workplace adversities, even in challenging situations such as organizational downsizing. Employees also appeared to exhibit emotional resilience by not attributing all negative outcomes to personal failure (Mean: 3.35), which was crucial in mitigating the long-term effects of stress and depression. Decision-making confidence remained relatively stable, with a mean score of 3.07, indicating that employees still felt capable of making both major and minor decisions despite the ongoing uncertainty. Furthermore, moderate confidence in securing new employment (Mean: 3.08) suggested that employees were not entirely hopeless about their future career prospects. Higher employability and a sense of control over future employment opportunities were known to reduce the psychological burden of job loss (Irving and Smith 2022).

However, while some employees demonstrate resilience, the findings also highlighted significant emotional distress in certain areas. The presence of suicidal thoughts, though with a low mean score of 1.67, remained a critical concern, as even a small percentage of employees experiencing such thoughts warrants immediate attention. Studies had shown that sudden job loss was a major risk factor for suicidal ideation and mental health deterioration. Additionally, employees exhibited mild but noticeable symptoms of stress-related physical and psychological health issues, such as appetite changes (Mean: 2.01) and fatigue (Mean: 2.05). The closure announcement also appeared to have triggered self-doubt and feelings of failure, with some employees expressing concerns about letting themselves or their families down (Mean: 1.88). The perception of being punished (Mean: 1.89) further indicated that some employees felt unfairly treated, which contributed to increased frustration and job-related distress.

Emotional instability was further highlighted by reports of employees being on the verge of tears or crying frequently (Mean: 1.81). Additionally, irritability and annoyance (Mean: 1.88) suggested heightened emotional reactivity, which was common among individuals facing job-related stress. Although these mean scores were relatively low compared to other items, they signalled underlying distress that could escalate if not properly addressed. Workplace closure and job loss were known to cause disruptions in employees' mental health, often leading to long-term emotional and psychological consequences if support systems were not in place. The findings suggested that organizations undergoing closure should prioritize clear and transparent communication, provide emotional support, and facilitate career transition programs to assist employees in navigating this challenging period. Addressing these concerns through counselling services, job placement assistance, and mental health awareness programs helped mitigate the long-term impact of job loss on employees' well-being. By implementing these strategies, organizations fostered a more supportive work environment even during periods of transition, ultimately reducing the adverse effects of workplace closure on employees' mental health.

Table 2: Agreement on the employees' mental health affected

CODE	DESCRIPTIONS	MEAN
MHA1	I might lose my job in the next 6 months	3.38
MHA2	I am expecting an undesirable change in my work situation	3.26
MHA3	The employees are well informed and understand the closure process without resorting to blame, anger, or retribution	3.52
MHA4	I feel down, depressed and hopeless after hearing on the closure announcement	2.87
MHA5	I have the feeling of doing useful work after the Announcement	3.19
MHA6	The bad things in my life aren't all my fault	3.35

MHA7	Have you ever have the thoughts of suicide after knowing the company closure announcement	1.67
MHA8	After the announcement of the closure, thoughts of a mental breakdown regarding my future overwhelmed me.	2.16
MHA9	Poor appetite or overeating	2.01
MHA10	Feeling tired or having little energy	2.05
MHA11	Feeling bad about yourself- or that you are a failure or have let yourself or your family down	1.88
MHA12	I felt that I had nothing to look forward to	2.15
MHA13	I get upset or angry easily	2.04
MHA14	I feel overwhelmingly sad at times	2.10
MHA15	I feel like a complete failure	2.07
MHA16	I feel like I am being punished	1.89
MHA17	I am often on the brink of tears or cry	1.81
MHA18	I feel irritated and annoyed by things in my life	1.88
MHA19	I find it easy to make decisions, big and small	3.07
MHA20	Have you felt pressure from your manager to come to work after the announcement	2.61
MHA21	Are you confident that you will have another job after the company closure?	3.08
MHA22	Trouble concentrating on current job after knowing that the factory is closing down	2.95

Correlation analysis

The correlation analysis was conducted using the Spearman Rank Correlation method to examine the relationship between the closure management process (CMP) and employee mental health anxiety (MHA). Spearman correlation was selected because the study used ordinal data collected through a five-point Likert scale questionnaire, making it appropriate for identifying the strength and direction of relationships between variables. According to statistical interpretation, correlation values between ±0.10 and ±0.29 indicate weak relationships, ±0.30 and ±0.49 indicate moderate relationships, while values above ±0.50 represent strong relationships.

The findings indicate that effective closure management practices were generally associated with lower levels of employee anxiety and emotional distress. Several management practices, particularly those related to transparency, fairness, communication, and support from the Human Resource Management (HRM) team, demonstrated moderate negative correlations with anxiety indicators. For example, CMP10 (HR assistance in preparing government-related documentation) showed a strong negative relationship with MHA16 (feeling punished) at r = -0.60, suggesting that employees who perceived greater HR support experienced lower emotional distress. Similarly, CMP15 and CMP16, which focused on fairness during retrenchment, were negatively correlated with feelings of sadness, hopelessness, and emotional instability among employees.

Positive correlations were also identified in areas related to employee understanding and preparedness. MHA3, which measured employees' understanding of the closure process without blame or anger, showed moderate positive correlations with most CMP variables, with the highest relationship observed for CMP9 at r = 0.59. This finding indicates that transparent communication and explanation of retrenchment benefits improved employee acceptance of the closure process.

However, the overall findings revealed no consistently strong correlation between closure management practices and employee anxiety. This suggests that although good management practices reduced emotional stress to some extent, employees were generally mentally prepared and understood the organizational circumstances surrounding the closure. Many employees had long service experience in the company and were already aware of the declining business performance before the official closure announcement. This condition may have psychologically prepared employees for the possibility of retrenchment, thereby reducing the overall anxiety level during the closure process. In addition, the involvement of government agencies and the provision of welfare support further strengthened employee confidence during the transition period.

Previous studies similarly reported that transparent communication, procedural fairness, and organizational support can reduce uncertainty and psychological distress during downsizing and retrenchment processes (Brewster and Brookes 2022).

Table 3: Spearman Correlation Results

	CMP1	CMP2	CMP3	CMP4	CMP5	CMP6	CMP7	CMP8	CMP9	CMP10	CMP11	CMP12	CMP13	CMP14	CMP15	CMP16
MHA1	-0.01	0.00	0.05	0.00	-0.02	0.04	0.01	0.12	0.05	0.13	0.10	0.04	0.12	0.12	0.10	0.03
MHA2	0.06	0.11	0.09	0.04	0.08	0.12	0.08	0.22	0.14	0.17	0.19	0.13	0.19	0.16	0.15	0.10
MHA3	0.46	0.48	0.49	0.28	0.34	0.52	0.50	0.55	0.59	0.56	0.53	0.42	0.49	0.55	0.36	0.49
MHA4	-0.22	-0.21	-0.19	-0.33	-0.30	-0.21	-0.27	-0.25	-0.17	-0.26	-0.16	-0.21	-0.19	-0.09	-0.27	-0.26
MHA5	0.21	0.21	0.14	0.01	0.05	0.26	0.19	0.29	0.36	0.24	0.28	0.21	0.27	0.32	0.09	0.18
MHA6	0.16	0.11	0.08	-0.01	-0.09	0.15	0.03	0.17	0.22	0.14	0.17	0.08	0.19	0.15	0.06	0.06
MHA7	-0.38	-0.27	-0.30	-0.23	-0.23	-0.29	-0.23	-0.18	-0.36	-0.33	-0.32	-0.30	-0.27	-0.24	-0.26	-0.29
MHA8	-0.35	-0.30	-0.28	-0.35	-0.33	-0.25	-0.26	-0.24	-0.22	-0.38	-0.33	-0.35	-0.29	-0.25	-0.36	-0.36
MHA9	-0.32	-0.31	-0.27	-0.20	-0.20	-0.28	-0.35	-0.27	-0.26	-0.36	-0.30	-0.20	-0.30	-0.26	-0.30	-0.28
MHA10	-0.44	-0.38	-0.32	-0.33	-0.29	-0.35	-0.38	-0.38	-0.33	-0.48	-0.42	-0.40	-0.37	-0.34	-0.51	-0.47
MHA11	-0.48	-0.42	-0.40	-0.35	-0.30	-0.43	-0.52	-0.49	-0.46	-0.57	-0.48	-0.38	-0.48	-0.41	-0.48	-0.43
MHA12	-0.35	-0.27	-0.31	-0.35	-0.34	-0.31	-0.41	-0.37	-0.37	-0.52	-0.45	-0.41	-0.36	-0.34	-0.45	-0.50
MHA13	-0.36	-0.35	-0.30	-0.36	-0.34	-0.32	-0.40	-0.38	-0.40	-0.50	-0.43	-0.40	-0.40	-0.39	-0.49	-0.42
MHA14	-0.37	-0.36	-0.30	-0.36	-0.31	-0.36	-0.39	-0.38	-0.38	-0.44	-0.38	-0.41	-0.38	-0.39	-0.48	-0.51
MHA15	-0.48	-0.46	-0.44	-0.37	-0.34	-0.47	-0.48	-0.39	-0.52	-0.54	-0.46	-0.39	-0.35	-0.44	-0.47	-0.51
MHA16	-0.50	-0.48	-0.47	-0.33	-0.32	-0.43	-0.49	-0.43	-0.46	-0.60	-0.52	-0.39	-0.42	-0.43	-0.49	-0.50
MHA17	-0.51	-0.43	-0.37	-0.33	-0.32	-0.45	-0.47	-0.38	-0.48	-0.53	-0.48	-0.39	-0.41	-0.46	-0.46	-0.48
MHA18	-0.46	-0.47	-0.38	-0.32	-0.32	-0.43	-0.44	-0.41	-0.43	-0.51	-0.39	-0.38	-0.40	-0.43	-0.46	-0.49
MHA19	0.20	0.35	0.21	0.25	0.27	0.21	0.15	0.31	0.21	0.23	0.27	0.32	0.16	0.23	0.24	0.15
MHA20	-0.08	-0.08	-0.05	0.03	-0.05	-0.07	-0.11	0.02	-0.06	-0.04	0.02	0.01	-0.04	-0.08	-0.02	-0.12

MHA21	0.25	0.25	0.31	0.13	0.14	0.32	0.42	0.47	0.41	0.39	0.49	0.33	0.32	0.35	0.31	0.33
MHA22	0.13	0.08	0.09	-0.02	-0.01	0.16	0.02	0.12	0.18	0.05	0.13	0.11	0.04	0.08	-0.06	-0.02

Correlation is significant at the 0.01 level (2-tailed).

Stakeholders review and analysis

The following section presented findings based on insights gathered from interviews conducted with representatives from seven key government agencies. These agencies played a critical role in overseeing various aspects of workforce management, regulatory compliance, and employee welfare, particularly in the context of company closures. The agencies involved in the interviews include the JTK, MIEU, the Social Security Organization SOCSO, LHDN, MIDA, the Immigration Department, and the respective Embassy. Each organization provided a unique perspective on the challenges and necessary considerations when managing workforce transitions and company closures. A summary of the roles and contributions of these agencies is provided in Table 4.

These interviews were conducted to gain valuable insights into the roles, responsibilities, and perspectives of each agency in managing and supporting factory closures. The discussions focused on various aspects, including labour regulations, financial implications, employee welfare, legal compliance, and immigration matters related to foreign workers. By analysing the responses from these agencies, this study aimed to highlight the key challenges, regulatory considerations, and potential policy improvements that could enhance the effectiveness of factory closure processes while ensuring the protection and well-being of affected employees.

Table 4: Summary of Closure Management Process with related agencies

	JTK	MIEU	SOCSO	LHDN	MIDA	IMMIGRATION	EMBASSY
CMP1	X	X	X	X	X	X	
CMP2							
CMP3	X	X					
CMP4	X	X					
CMP5	X	X			X		
CMP6	X	X	X	X	X	X	
CMP7	X		X	X		X	
CMP8						X	X
CMP9	X						
CMP10	X		X	X		X	
CMP11	X		X	X			
CMP12							
CMP13	X		X	X		X	
CMP14							

CMP15							
CMP16							

JTK

“At JTK, our primary responsibility was to ensure that the company followed the closure procedures in full compliance with labor laws and regulations. We oversaw that the company adhered to the agreed closure procedure between management and the union (CMP1), ensuring that employees’ rights were safeguarded. Transparency was a key aspect of this process, and we worked closely with management to make sure that employees received clear communication regarding the closure (CMP5).

Additionally, we monitored the issuance of retrenchment announcement letters (CMP3) and ensured that these letters, along with details of severance packages, were provided to employees at least one month before their last working day (B7). We also verified that the retrenchment process was conducted in batches rather than all at once (CMP11) to minimize workforce disruption. Our role extended to ensuring that the names of retrenched employees were submitted to relevant government bodies, including the Labour, Tax, and Social Security departments (CMP13). Overall, our focus was on protecting employees' rights and ensuring a structured, legally compliant closure process."

MIEU

"As a labour union, MIEU played a critical role in representing employees' interests throughout the closure process. Our main priority was ensuring that all employees were treated fairly and that their retrenchment benefits were properly calculated and communicated (CMP4). We worked alongside management to confirm that the offered closure benefits were accepted and satisfactory to both employees and the union.

We also ensured that retrenchment announcement letters were given to employees on time (CMP3) and that the company followed fair selection criteria when determining which employees left in different batches (CMP15). Additionally, we advocated for transparency by holding management accountable for sharing retrenchment calculations with employees (CMP9). We expected all employees to be treated fairly and equitably throughout the retrenchment process (CMP12, CMP16). Our role was to safeguard employees' welfare by ensuring that management upholds all agreed-upon commitments.”

SOCSO

"At SOCSO, our role was to ensure that employees who were retrenched during the closure received the necessary social security benefits. We oversaw the submission of employee names to relevant government departments (CMP13), including SOCSO, to facilitate benefit processing. We also ensured that retrenchment calculations complied with labor laws and that employees received financial compensation in accordance with regulations (CMP7).

Furthermore, we collaborated with HR to ensure that the correct documentation was provided to government agencies so that employees could access available benefits (CMP10). We also monitored the phased retrenchment process (CMP11) to minimize the financial burden on affected employees. Ultimately, our goal was to support employees through this transition by ensuring they received proper compensation and post-employment benefits."

LHDN

"From LHDN’s perspective, our responsibility was to ensure that all tax-related matters associated with the company closure are handled correctly. This included overseeing the financial aspects of the retrenchment process, particularly ensuring that severance packages and benefits complied with tax regulations (CMP7). We verified that all retrenchment announcements, including the calculations of severance packages, were provided to employees in a timely manner.

Additionally, we ensured that the company met its tax obligations by submitting employee records and necessary documentation before finalizing the closure (CMP13). We also reviewed agreements between the company and its customers or suppliers to assess any financial implications or early termination clauses (CMP14). Our focus was on maintaining tax compliance while ensuring that employees received their benefits without unnecessary delays or deductions."

MIDA

"As the national investment authority, MIDA ensured that the company closure was conducted in alignment with industrial policies and investment regulations. We oversaw that all government-mandated closure procedures were strictly followed (B6) and that proper notifications were sent to the relevant authorities.

We also monitored the transparency of the closure process, ensuring that management clearly communicated the situation to employees (CMP5). Additionally, we ensured that agreements between the company, customers, and suppliers were reviewed for potential early termination (CMP14). We played an important role in balancing the interests of the company, its employees, and the broader investment landscape, ensuring that the closure did not disrupt industrial stability."

Immigration Department

"At the Immigration Department, our primary responsibility was to ensure that all foreign employees affected by the closure were accounted for and supported. We required companies to notify us about their closure so that we could process necessary work permit cancellations, visa transitions, or repatriation arrangements (CMP8).

Additionally, we worked closely with HR to ensure that all foreign workers received the appropriate documentation needed to claim their retrenchment benefits (B10). Our role was to protect the interests of foreign employees while ensuring that the company closure complied with immigration laws. We also collaborated with embassies to coordinate any necessary legal and logistical support for affected workers."

Embassy

"As representatives of our nationals, the Embassy's role was to protect the rights of foreign employees affected by the company closure. We expected timely notifications from the company so that we could assist in legal and logistical matters related to their employment status (CMP8).

Our focus was ensuring that foreign employees received their rightful severance packages and benefits (CMP7). We also collaborated with immigration authorities to facilitate work permit cancellations or extensions, helping employees' transition smoothly to new employment or repatriate if necessary. Additionally, we worked with HR to ensure that all required documentation was provided for government benefit applications (CMP10). Our primary goal was to provide assistance and safeguard the well-being of our nationals during this challenging period."

CONCLUSION

The present study highlighted the critical role of human resource intervention in managing factory closure processes and reducing employee anxiety within a manufacturing environment. The findings revealed that employees generally accepted the closure management practices implemented by the company, particularly in areas related to communication transparency, legal compliance, fairness, and welfare support during the retrenchment process. Although employees experienced uncertainty regarding job security and future employment opportunities, the overall emotional impact remained manageable due to early preparation, transparent communication, and strong collaboration between the company, labour unions, and relevant government agencies. The study further demonstrated that systematic closure management practices positively influenced employee understanding, preparedness, and acceptance of organizational transition. In addition, the involvement of agencies such as JTK, SOCSO, Immigration Department, and labour unions strengthened

employee confidence and ensured better welfare protection throughout the closure process. (Johnson and Kavanagh, 2020)

This research contributes practical insights and a useful reference framework for manufacturing firms in implementing ethical, structured, and employee-centered closure management strategies. For future research, further studies should explore long-term employee outcomes after retrenchment, including employability, financial recovery, career transition, and psychological well-being. Future work may also compare closure management practices across different industries and countries to develop a more comprehensive and sustainable human resource intervention framework for organizational closure and workforce transition management.

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