

# “Impact of Effective Human Resource Practices on Employee Retention”

## Abstract

This paper shows the impact of human resource management practices on employee retention. Employees are the necessary assets for every organization as without employees organization cannot earn profitable business result. A survey was done to achieve the objective. A Questionnaire was created on the basis of literature review which was based on likert scale. Factors like Compensation, Reward, performance appraisal, health and safety, training and development and career development are the factors which are independent variables. Employee retention is the dependent variable. The gathered information was examined by using regression and factor analysis. This includes descriptive and exploratory research design. Data collected on the basis of primary and secondary source.

**Key terms:** Human resource practices, employee retention, career development, training and development, compensation, reward, health and safety and performance appraisal.

## Introduction

As day to day the economic condition of an organization is changing and they have to cut jobs and remove workers from the organization. Organization may face number of problems related to their duties, as well as organization may need to replace or substitute the talented employees which may lead to hiring new employees which will incurred expense in the form of hiring, advertising, screening, verifying documents, interviewing and training of new employees .so to avoid such type of problems the many of the organizations are in search of best method to retain their best employees. According to (Mobley 1982), states that a company earning strong profit having good reputation with best resources but without its talented employees company will not be able to achieve its objective in the competitive market. Talented employees having best skills, good knowledge plays an important role to achieve competitive advantage in commercial market.

When an individual leaves the job the other employee also notice, which will make employee to think about his present job and to think to search for new job this will be a advantage for the competitors, that's why organization should give the importance to their employees and to provide job satisfaction in term of salary, reward, career development, compensation etc.

Employees are the main target for any organization. According to Abbasi & Hollman, (2000) states that to retain employees is the main objective of organization since the cost of preparing, recruitment and selection and training development are very expensive so to avoid such issues organization should select such suitable employees which fulfill the desired requirement for the job.

## Literature review

### Human resource management practice

Human resource management practices is a process of interrelated policies, procedures and actions set by an organization to achieve goals and competitive advantage and to manage people in an organization effectively and efficiently. According to Mariyam Imna and Zubair Hassan (2015) state that Human resource practices adopted by the organization will not only help the organization to accomplish its goals but will immensely help in retaining its talented employees.

Hrm practices are the source for business profits. According to Mathis et al, (2004) when the organization provides compensation, rewards, Performance appraisal showing strengths and weaknesses of their employees and train the employees to gain knowledge and skills for present and future jobs will lead to help the organization to have talented employees which will result in increase productivity effectively and efficiently.

### Employee Retention

The policies, procedures and practices followed by the organization to hold the employees for specific period of time is known as employee retention. Employees leave the job due to certain reasons which are conflicts with superiors, subordinates and other team member. It also may be due to unfairness, low salary and lack of motivation by an organization. The management must retain its best talented employees as they are important part of the system and help organization to contribute their role effectively. According to Ozutku (2009), The Internal and external factors affect HRM practices factors which affect human resource practices which include both internal and external factors and similarly differ from one organization to other organization. According to Tiwari (2012), Organization uses different strategies to achieve competitive advantage and this strategies are helpful to increase productivity effectively and are connected systematically with hrm practices, it signifies that working environment can improved by mean of efficient options related to hrm practices that always continuously support selected strategy.

### Compensation

According to Mondy et al, (2005) states that Compensation is define as total monetary and non monetary rewards to be paid to employees for their work. Compensation system is design to attract the employees for longer period of time, Compensation System help to motivate the employees to enhance their efforts and results toward the accomplishment of organization objective. According Philips et al, (2003), Compensation is a vital source to attract, motivate and retain the employees to contribute continuously to achieve success. Compensation plays important role to influence the employee's choice of work in the organization. If the management fails to pay compensation to the employees then the employee will have negative attitude toward the organization which will make employees to think to leave the current organization. According to Trevor et al, (1997) studied that incresse in salary and other non monetary benefits results in employee retention.

### Reward

Rewards are provided in the form of tangible benefits, but with the changing economy and the globalized work environment , rewards and recognition has taken different forms. Some of them beings rewards based on performance, individual recognition, non-financial, incentives rewards etc. According to Nazir, et al.,(2013 )when an organization motivates the employee through providing additional pay based on their performance to improve retention. According to Danish & Usman , (2010) Employee recognition procedure includes employees appreciation which is a necessary as employees look for the value and respect in organization. This increases employee productivity effectively, trustworthiness, retention and employee satisfaction.

## **Training and Development**

Tangthong, et al., (2014) state that it is one among of the vital source of human resource management practices as this facilitate to achieve new skills, abilities, advanced understanding, optimistic attitude about situation and individual behavior leading to achieving competitive advantage and profit there are numerous different kind of trainings methods. The methods of training and development are of two types. Off-the job training includes job rotation, mentoring and coaching and development of employee. Hanif,(2013) state that On-the-job training includes work effectiveness, develops concern in work, gives job satisfaction and reinforces the loyalty towards the organization results in employee retention. Coaching and Mentoring is a one among the helpful improving method. This method allows discussion. According to Ameer & Hanif, (2013) this technique creates execution of employees expanding the efficiency empowering employees and remain in the organization for a more extended time frame. Sinha & Sinha, (2012) state that an Employee advancement activity has a influence on inspiration of the employees and allegiance.

## **Career Development**

According to Allen (2010) The important problems faced by the organization is how to retain their employees. SHRM, (2012) Career development is the important part of human resource that gives the chance for each and every kind of talented employees to constantly participate in the exercises'. A development activity includes Baruch & Peiperl (2000) planning for the advancement of the employees, development and self-appraisal. Broadbridge,(2007)state that the succession planning were meant for improvement for future growth, job rotation and promotion leads to retain employee .

## **Health and safety**

According to Mearns & Reader, 2008 state that Maintaining employee well being and providing safety to the employees is one of the most important activities of human resource because it is legitimately similar to the authoritative performance that serves to adding to the achievement of the organization effectively .It incorporates safe work environment, job-related well being programme, security examination. Gaceri, (2015) studied that by Providing proper health and safety work environment and standards improves the performance of the organization which will result in avoiding and reduction of costs related illness , accidents. Armstrong, (2006) studied that this cause more employee retention. Health program help the employees to reduce th stress level which results in increase in productivity, less absents.

## **Performance appraisal**

According to Hong, et al., (2012) Performance appraisal of employees is characterize a procedure to evaluate individual execution on the basis of relegated duties to provide further career advancement and mostly the correspondence is between the management and employee. One the important part of performance evaluation is individual opinion and review, execution appraisal, goals setting, assessment, and intermittent feedback. Kasemsap, (2015) state that Employee opinion move toward resulting in improving the employee work conduct and update knowledge that drives the individual execution and employee retention. Agbola et al, (2011) likewise communication helps the employees to motivate to participate in the appraisal procedures that empowers individual to remain more attentive and remain in the organization.

## Research Objective

This study evaluate the impact of human resource management Practices on employee retention. Following are the objectives:

- To identify different practices followed by organizations for employee retention.
- To analyze various factors of HRM practices influencing employee retention
- To suggest measures for improvement.

## Hypothesis

H0: There is no significant effect of HRM practices on employee retention.

H1: There is significant effect of HRM practices on employee retention.

## Research Methodology

### Research Design

Research design shows the type of research methods to collect the different type of information for the research study. This study includes quantitative method for the collection of data.

**Creswell, 2013** states that “This technique allowed researcher to rebuild complex problem to a narrow number of factors and supports understating the predictors of the results.”

This study includes both exploratory and descriptive type of research design. The main objective of using both type of research is to collect the data as Exploratory research helps to analyze the existing problem or situation to have the better understanding and descriptive research includes fact finding information and characteristic of the employees..

### Research Questionnaire

The questionnaire for this study included 14 questions. The questionnaire includes both classification and targeted questions. Section A included name, designation and qualifications. Section B includes the questionnaire which were formatted in likert scale method.

### Data collection

It is based on primary and secondary sources of data.

### Primary Data

This are collected from the questionnaire. The questionnaire was used for the reliability and simplicity which specify to the question asked. . Primary data also consist of observation and personal interview of the individual. Also primary research provides adequate outcomes and is suitable for severe survey.

### Secondary data

Secondary data are collected through literature review, books, journals, past records and research paper etc.

## Sample Size

The sample size constitutes of 55 HR executives employees. The population includes the employees working in manufacturing industry Selaqui, Uttarakhand.

## Sampling technique

Non- probability convenient sampling considered for the study.

## Statistical technique

Percentage method is used to analyze the data .The research was done by using SPSS and regression and factor analysis is done in order to evaluate the data.

## Data analysis and Interpretation

### Regression Analysis

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379 <sup>a</sup>	.143	.127	.43149

a. Predictors: (Constant), hrm practices

The information indicates that the value of 'R' is 0.379, R-Squared is 0.143, Adjusted R Square 0.127 and Std. Error is 0.43149. R shows the relationship between among observed and estimation values of the dependent variable. The value of R must be between from -1 and 1. Smaller values show that the model does not fit the information and data as well. For this situation R is .379. The table shows the model summary and is a poor fit statistics. We find that the adjusted R square of model is 0.127 with the  $R^2 = .143$ . This implied that 14.3% of the retention of employees was explained by human resource practices.

## ANOVA

**ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1.650	1	1.650	8.864	.004 <sup>b</sup>
Residual	9.868	53	.186		
Total	11.518	54			

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), HRM Practices

**Interpretation:** The table shows the finding was further illustrated in the analysis of variance table. The F-test statistic indicates the regression mean square is divided by the residual mean square. Regression's of F-test constitute of null hypothesis that there is no linear relationship between the two variables With  $F = 8.864$  & 54 degrees of freedom the test was recorded hence the value of  $p < 0.04$  which was less than 0.05, thus we can assume that there is high positive indicating that null hypothesis is rejected. Hence there is a significant there is a relationship.

## Coefficients

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.455	.232		1.958	.056
	Human Resource practices	.438	.147	.379	2.977	.004

a. Dependent Variable: employee retention

**Interpretation:** This means that Factors of HRP practices like Training & development, Career Development, work environment, incentive, encourage have a low impact on employee retention. It is used to check the relationship between the predictor variable human resource planning and retention of employees and there was significant relationship between the two variables with  $p\text{-value} = 0.04 < 0.05$  for the model and beta value is .379. This suggest that there is a positive relationship.

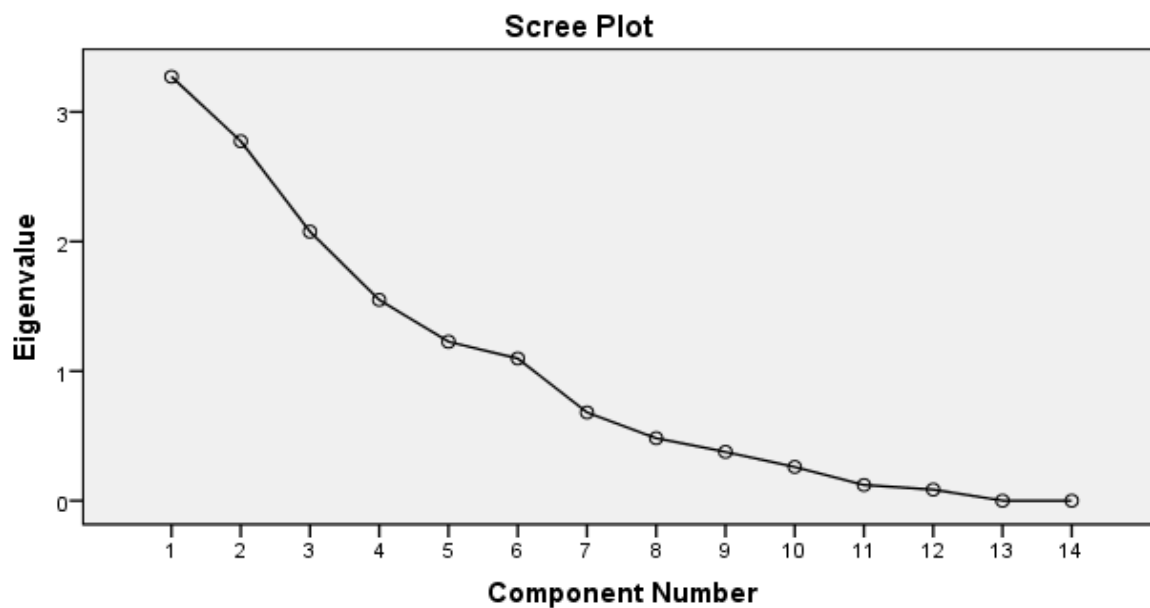
## Factor Analysis

### Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.272	23.368	23.368	3.272	23.368	23.368	2.686	19.189	19.189
2	2.774	19.814	43.182	2.774	19.814	43.182	2.669	19.061	38.250
3	2.076	14.827	58.009	2.076	14.827	58.009	2.310	16.500	54.750
4	1.549	11.067	69.076	1.549	11.067	69.076	2.006	14.326	69.076

Extraction Method: Principal Component Analysis.

**Interpretation:** The above table indicates, the Eigen value, the percentage of variance for the 1st component is Training and development 23.368% (Total=3.272), the second component is career development 19.814 (Total=2.774) and the third component is Health and safety with 14.827% (Total=2.076).The fourth component is Mentoring 11.067% (Total=1.549). Therefore component indicates an Eigen values is less than 1 rule.



<b>Rotated Component Matrix<sup>a</sup></b>				
	Component			
	Training & Development	Career Development	Health & safety	Mentoring
1. Training program is always linked with employee career development/growth	.936			
2. Provision of training and development opportunities enhancing employability	.936			
3. Mentoring is embraced as career advancement strategy	.653			
4. Employee retention plays a vital role in productivity		.950		
5. Company pays more attention to incentives and perks offered to employees		.950		
6. Employees are Rewarded periodically for their performance		.518		
7. organization encouraged employees to participate in training to improve skills and Competencies			.735	
8. Job securities Provided by the organization			.713	
9. The work environment is open and trustworthy			.668	
10. Health and safety programme for self and dependents			.603	
11. There are no barriers of communication				.810

12. Employees are recognized for their performance				.717
13. Management come forward to support employees when employees are facing a critical situations				.577
14. Employee compensation packages strongly affect whether an employee stays with an organization				

**Interpretation:** The analysis of Eigen Values and the scree plot suggested four factor . The total variance obtained by that four factors for the dependent variable employee retention is 69.076%. So to retain the dimension, Eigen values should be 1.0 or more more than 1.0. Hence the component shows that the value are more than 1.0 and cumulative variance for all the statement exceeded 69.07%. Therefore all of the item are remained under each variable.

**Component1:** The 1st component that is Training and development with the 3 questions, in the factor analysis classifies Training and development .936, career development .936 and mentoring .653 as one factor.

**Component2:** The 2nd component that is Career development with the 3 questions, in the factor analysis classifies Employee retention .950, incentive .950 and rewards .518 as one factor.

**Component3:** The 3rd component that is health & safety with the 4 questions, in the factor analysis classifies encouraged.735, Job Securities.713, Work environment.668 and Health & safety.603 as one factor.

**Component4:** The 4th component that is Mentoring with the listed 4 questions, in the factor analysis classifies communication .810, Performance.717 and Support .577 as one factor.

Therefore, training and development component is highly related with career development, enhancement of employability where as mentoring needs to be improve which will lead to motivate the employees to attract for longer time in the organization. Similarly the career development is highly linked with incentive and productivity where as reward and recognition has low significant.

## Finding and Conclusion

Based on the results the study indicates that human resource practices impact employee retention which helps to attract for longer period. Finding shows that different important factors Career development, training and development, Productivity, incentive, motivation, communication and performance recognition has high impact on employee retention whereas work environment, health & safety program reward and management support is not provided properly to employee which has less impact on employee retention and should be motivated for their performance as these results in increasing high productivity effectively and efficiently.

Training should be given for any change in technology to motivate employees to adopt it. The most important factors in retaining employees in the organization is career development as this type of practices in the organizations should be done as this is linked with training development. Rewards should be provided to increases productivity effectively and overall performance of the individual as this results in attracting the employees for longer period of time. This research shows that training and development is a collective or has a relationship with career development opportunities for employee retention. It is not a sustainable way to retain employees. Therefore rewards in term of non-financial benefits and other reward, remuneration and employees recognition ways are used to retain employees instead of giving more importance on monetary techniques.



This study conclude that these hrm practices should be used in the organization to help the employees so that organization can hold its best talented employees for longer period of time and by providing training and development will save the time ,cost and and the organization can not only achieve its goals and profitable results but also achieve competitive advantage.

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