

IMPACT OF HUMAN RESOURCES MANAGEMENT PRACTICES ON EMPLOYEE TURNOVER - AN EMPIRICAL STUDY WITH SPECIAL REFERENCE TO IT SECTOR

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Abstract *Employees jump from one organisation to another for a job change. This has become a serious issue in IT sector nowadays. To reduce the employee turnover rate, it is necessary to have good human resource management practices. In this study the impact of human resource management practices on employee turnover has been tried to identify. A sample of 250 professionals is selected for analysis purpose. Regression analysis was done to identify the results. The results indicate that there is a significant impact of human resource management practices on the employee turnover. This study will help the management to frame various human resource management practices to reduce employee turnover.*

Keywords: *Employee Turnover, Human Resource Management Practices*

INTRODUCTION

Organisations are facing a greater challenge of how to reduce the employee turnover. Firstly, the human resource management practices play a major role to control the employees leaving of the organisation. The human resource management practices have a greater influence on the employee retention. Every organisation should frame the HRM practices which satisfy the employees of the organisation. In this study we are trying to identify the various practices of HRM which have greater influence on the employees.

Employee Turnover

Employee turnover reflects the ratio of organisation's employees who are leaving from the organisation to the extant number of employees in the organisation during the described period of time. The contemporary studies (Holtom, Mitchell, Lee, & Eberly, 2008; Steel & Lounsbury, 2009) explored that employee turnover reduces the effectiveness of the organisation impacting its productivity rate and also

diminishes the morale of present employees working in the organisation. In fact the cost of employee turnover seems to be more than financial cost. It is because organisation loses the employees of high knowledge and efficient skill-set which lowers the name and fame of the organisation.

Human Resource Management Practices

The different practices followed by the organisation for the sake of its employees constitute the human resource management practices. The various human resource management practices considered for the study are:

- Training and development
- Compensation
- Organisation culture

Training and Development

Training is the process by which human resources secure capabilities to assist in the attainment of managerial goals. Training also facilitates employees to accomplish their essential roles and do their work in suitable ways. It imparts

knowledge and provides practice in use of skills that are of immediate value on the job. It helps employees meet role expectations. If employees are well-trained, they can provide better services (Rogers, 2003).

Compensation

Compensation is the dominant HR practice, with the overriding principle that the policy of total compensation, including recognition, benefits and the psychological contract, should be aligned according to corporate goals, with a clear line of sight from the individual's actions to the rewards for achieving these goals (Tyson, 2006).

Organisation Culture

Stated values, unwritten rules, mission statement, communication networks, leadership behaviour, how people are rewarded and accountable and the work design systems - all play a role in forming an organisation's culture (Mulligan, 2001).

REVIEW OF LITERATURE

There are a number of the empirical studies stating that there is no influence of the high level of voluntary employee turnover on productivity and profitability of any organisation (Brown, Garino, & Martin, 2009; McElroy, Morrow, & Rude, 2001), workforce performance (Shaw *et al.*, 2005), behavioural commitment and instrumental communication (Mueller & Price, 1989), social capital (Shaw *et al.*, 2005). According to Arnold and Feldman (1982), Baysinger and Mobley (1983), and Cotton and Tuttle (1986), perceptions of job security, presence of a union, compensation level, job satisfaction, organisational culture, demographic variables such as age, gender, education, and number of dependents, organisational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employees leaving. Sheridan (1992) found that perceptions of organisational culture influenced turnover. Thus, the theoretical rational is used for examining the effects of HRM-practices on turnover which lies on these individual-level factors. Among the few empirical studies on the effects of specific HRM practices on group turnover, the work of McEvoy and Cascio (1985) pointed that job enrichment interventions and realistic job reviews were moderately effective in reducing turnover. Both the economic and social effectiveness of HRM in different types of organisation have an effect on the rate of employee turnover. The point discussed is one of the important things of organisation's general management and directly, the effectiveness of HRM. Since more of voluntary employee turnover has effect on organisation's economic and social processes, the key role

played by HRM practices is in reducing the employee turnover.

When looking at global level, it is not a new scientific study. The studies about relationship between HRM practices and employee turnover, experts' interest in the role of management in employee turnover process, and the managerial methods for reducing employee turnover emerged in the early 20th century (Douglas, 1919; Fisher, 1917; Willits, 1915). The impact of HR practices on employee turnover is explained in different ways.

- a. The degree of relation between the performance of the organisation, consisting the variables classified the employee turnover, and human resource management effectiveness or HRM systems, stated as set of specific practices or techniques (Arthur, 1994; Huselid, 1995; Richard & Johnson, 2001).
- b. Similar to earlier mentioned, but concentrating directly to link employee turnover with HR practices (Gardner, Wright, & Moynihan, 2011).
- c. The degree of employee turnover related to particular HR practices (Barrick & Zimmerman, 2009)
- d. With a particular technique of few practices (Williams, 2000)
- e. Describing the outcomes of meta-analysis of employee turnover (Holtom *et al.*, 2008).
- f. Improving the models on employee turnover (Steers & Mowday, 1981).
- g. Finding the non-managerial effects of employee turnover that could be removed by human resource management.

In spite of taking into account plenty of studies on employee turnover, there is a lack of detailed review of HRM practices' impact on employee turnover. Some studies were observed on employee turnover in case of information technology employees (Ghapanchi & Aurum, 2011) and nurses (Daouk-Oyry, Anouze, Otaki, Dumit, & Osman, 2014) where the authors explained that HR practices have an impact on employee turnover. This could denote to better theoretical understanding and verification of HR practices which can be applied to reduce employee turnover in particular situations. Apart from this, the findings on this scope could contribute in reducing employee turnover as a part of problem solving in the organisation.

RESEARCH METHODOLOGY

In this study to identify the impact of human resource management practices on employee turnover, a sample of 250 is selected from various IT companies. In this part conceptual frame work and research design are discussed.

Objectives of the Study

1. To study the various practices of HRM (training and development, compensation, organisational culture)
2. To identify the impact of HRM practices on employee turnover.

The purpose of this paper is to recognise the relationship between HR practices and employee turnover in the organisation.

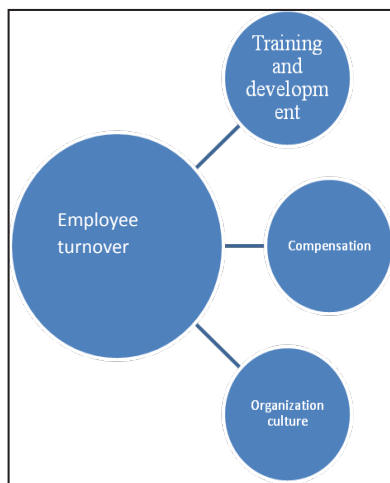


Fig. 1: Hypothesised Model

The present research study was carried out by using quantitative and qualitative methods. A number of systematic literature reviews were conducted to state what HR practices are effective in reducing employee turnover. The important sources for this literature were different disciplines of online academic databases as EBSCO host website and Scientific

Direct. The criteria for database selection were

1. Relating to social science (or) specific importance to management (or) organisational behaviour.
2. Complete text availability.
3. The sources which have terms like “employee/ personnel/ staff/labour/ job/turnover”.

The additional sources of literature were Scopus, ProQuest, Springerlink, and Wiley online library databases. The relevant literature was collected from full-text articles which have the works like “employee turnover” or “personal turnover” or “self turnover” in the articles title, subject terms or abstract, and keywords “personal management” or “HRM” or “HR-Practices” in all fields of article.

Hypothesis

H₁: There is a positive relation between training and development and employee turnover.

H₂: There is a positive relation between compensation and employee turnover.

H₃: There is a positive relation between organisational culture and employee turnover.

DATA ANALYSIS AND DISCUSSION

Regression analysis and correlation matrix were obtained. Correlation matrix given in Table 1 reveals that all the variables selected for the study (training and development, compensation, and organisation culture) are highly correlated with employee turnover rate.

Table 1: Correlation Matrix

Variables	Training and development	Compensation	Organisational culture	Employee turnover
Training and development	1			
Compensation	0.604	1		
Organisational culture	0.633	0.782	1	
Employee turnover	0.377	0.727	0.765	1

The study is further done by the statistical tool regression analysis. Table 2 shows the results. The table exhibits how effectively the model fits the data.

Table 2: Regression Results

Variables	B	Standard error	T	Significant	Collinearity statistics Tolerance VIF	
(Constant)	1.473	0.219	6.434	0.000		
Training and development	-0.300	0.075	-4.034	0.000	0.562	1.866
Compensation	0.321	0.060	5.407	0.000	0.373	2.763
Organisational culture	0.584	0.082	7.034	0.000	0.302	2.823

R² = 0.653, Durbin-Watson = 1.852, F=99.828 (P < 0.01), VIF: Variance inflation factors.

The beta coefficient for training and development is negative showing that it has negative impact on employee turnover. There is an inverse relationship in the t-statistic -4.034 ($P < 0.01$). From this, first hypothesis i.e., there is a positive relation between training and development and employee turnover, is rejected.

The other two hypotheses are accepted as the t-statistic value is greater than p and is positive i.e., 5.407 and 7.034 {5.407 $P < 0.01$ and 7.034 ($P < 0.01$)}

RESULTS

The identified HRM practices which have the relationship in effective reduction of employee turnover are associated with the following categories: job design, recruitment, and selection, induction, training and development, succession planning, compensation and reward, performance management, internal communication, involvement, equal opportunities, employment security, and prestige.

CONCLUSION

An ineffective HR practice in the organisation leads to increase in employee turnover. All organisations should follow an effective maintenance of HR practices. The employees felt that effective HRM practices are directly and positively related with employee turnover. Hence the organisation should try to formulate suitable HRM practices in compensation and organisational culture in order to satisfy the employees so that the employee turnover can be reduced.

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