

## IMPACT OF HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES ON EMPLOYEE RETENTION

Dr. Kranti Walia\*

Astha Bajaj\*\*

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### ABSTRACT

*Employee retention is of great importance these days. The retention of employees is important in every company. It is not only important to select the right employee for the organization, but also to retain these employees. So retention is possible only if the employees are given proper training in respect to their employment, good working environment, career development opportunities, work-life balance, proper incentive and benefit policies, grievance policies and supervisor policies. This research has been conducted to study the impact of HRM practices on employee retention among the employees of the branches of ICICI Bank, AXIS Bank and HDFC Bank in the Haryana state. The data was collected from 80 respondents through questionnaire. The study shows that there is a positive relation between HRM practices and employee retention. If the HRM practices applied by the organizations are well organized, then the employees like to work in such organization. This is because they get good environment to work and have full freedom to work. So, retention of employees is in the hand of the organization.*

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\*Assistant Professor, Department of Business Administration, National Institute Of Technology, Kurukshetra

\*\*Research Scholar, IMS Department, Baddi University of Emerging Sciences and Technology  
Baddi, Himachal Pradesh

**INTRODUCTION:**

Employee retention is important for firm performance. If the organization is not able to retain its employees, it will not be able to capitalize on human assets developed within the organization.(Shekshnia, 1994).Employee retention simply refers to how many of your current employees stick around over a given period of time. Retention is considered as all-around module of an organization's human resource strategies. It commences with the recruiting of right people and continues with practicing programs to keep them engaged and committed to the organization (Freyermuth, 2004). For retaining the most important asset, best HR practices need to be used. Studies have indicated that retention driven by several key factors, which ought to be managed congruently: organizational culture, strategy, pay and benefits philosophy, and career development systems (Fitzenz 1990). Organizations develop human resource policies that genuinely reflect their beliefs and principles and the relationship between management and employees, or they may merely devise polices that deal with current problems or requirements.

**LITERATURE REVIEW:**

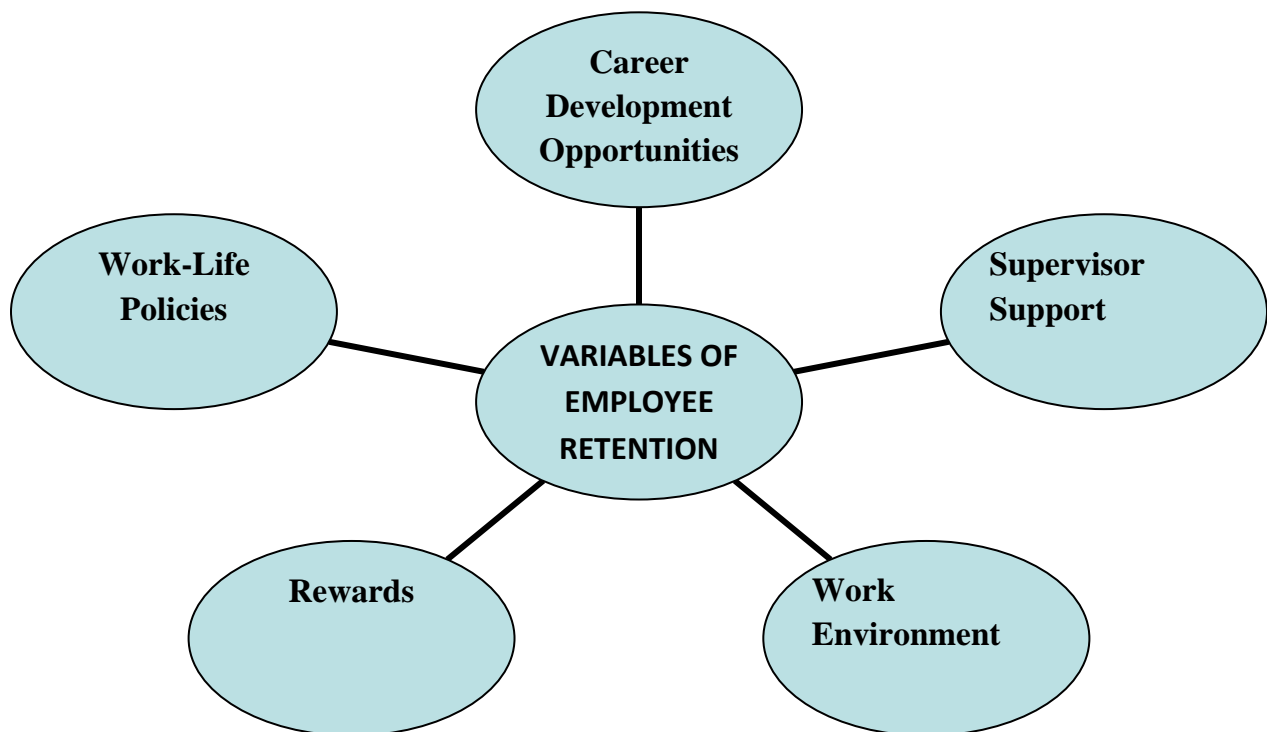
A high retention rate would not necessarily be a good thing. It would include poor performer's as well unhappy employees who feel trapped in their jobs due to inertia, a sense of obligation or other reasons.(Carsen).In order to retain employees, it is important that the organization uses proper HR practices otherwise the turnover of employees increases. A number of studies have found that managing turnover is a challenge for organizations, as different organizations are using different approaches to retain employees (American Management Association, 2001).

Society has now become knowledge-based where clearly human capital is considered a key resource and indispensable to the survival of businesses. Increasingly, organizations are competing for the best talent employees (porter 2001). New paradigm organizations recognize that an important element in business management practices is the need to successfully motivate and retain high talent employees who survive organizational restructuring, downsizing, consolidation, reorganizing or re-engineering initiatives (Clark 2001). Employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated (Meaghan & Nick 2002). Therefore, managers must recognize that employees as major contributors to the efficient achievement of the organization's success (Abbasi & Hollman 2000). Managers should retain employee for the benefit of the organization success.

Certain most important practices include recruitment and selection, training and development, performance management, remuneration systems, occupational health and safety, industrial relations, Human resource Information System, Impact of recent legislations (Delery and Doty 1996; Jackson and Schuler 1995; Oakland and Oakland 2001). At the organization level, HRM practices have been identified as a source of business revenues(Mathis & Jackson 2004). This is because HRM practices such as compensation(that offer attractive rewards to attract and retain skilled manpower), performance appraisal (that determine employees strength and weaknesses) and training and development(that train potential employees to undertake higher grade task), are considered the foundation strategies to ensure organization have a group of talented employees that can aid in increasing organizational productivity.

### **MAJOR DETERMINANTS OF EMPLOYEE RETENTION:**

After reviewing the several articles relevant to the employee retention various variables were considered. But the major determinants selected for the study are the following five variables, to study the impact of HRM practices on retention of employees:



- 1) **CAREER DEVELOPMENT OPPORTUNITIES:** Career Development is one of the variable which has a lot of impact on Employee retention. As the employees in an organization

are too much conscious for their career, so they prefer a job where they can get more opportunities to develop their skills. Skill development could include improving basic literacy, technological know-how, interpersonal communication, or problem solving abilities. A company that wants to strengthen its bond with its employees must invest in the development of their employees (Woodruffe, 1999).

**2) SUPERVISOR SUPPORT:** Supervisors are the “human face” of an organization. According to Eisenberger and associates (1990), an employee’s view of the organization is strongly influenced by their relationship with their supervisor. By having support, employees are less likely to leave an organization and be more engaged by having good relationship and open communication with the supervisor (Greenhaus, 1987). Borstorff & Marker (2007) found that employees want trustful supervisors who know them, understand them and treat them fairly. Abusive supervisors create conflicts in employee’s attitude for job, life and organization.

**3) WORK ENVIRONMENT:** An employee loves to work at a place, where he is given a proper environment to work. Many companies are providing flexible schedules and work arrangements and are experimenting with other ways to help individuals manage their work and personal life issues (Perry-smith and Blum 2000: Solomon 1999).

Employees expect a work environment, where they can utilize their abilities and satisfy their basic needs. Workspace designs have a profound impact on workers and tend to live with job as long as satisfied (Brill, Weidemann, Olsen, Keable & BOSTI, 2001). According to ASID, In order to retain old workers, the design of workplace should create environment that support workers of poor eyesight, provide tools which need less potency and apt position for aging body (Croasmun, 2004).

**4) REWARDS:** A reward can be extrinsic or intrinsic it can be a cash reward such as bounces or it can be recognition such as naming a worker employee of the month, and at other times a reward refers to a tangible incentive, reward is the thing that an organization gives to the employee in response of their contribution or performance so that the employees become motivated for future positive behavior. In an organization, rewards can take several forms. It includes, cash bonuses, recognition awards, free merchandise and free trips. It is very important that the rewards have a lasting impression on the employee and it will continue to substantiate the employee’s perception that they are valued. (Silbert, 2005). Attractive remuneration packages

are one of the very important factors of retention because it fulfills the financial and material desires as well as provide the means of being social by employee's status and position of power in the organization. Many researchers demonstrate that there is a great deal of inter-individual difference in understanding the significance of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999).

**5) WORK-LIFE POLICES:** Today a major concern in business is Workplace flexibility. The one thing becomes very clear that money alone is not enough; employees are willing to trade a certain amount of money for reduced work hours in their schedules. There should be a fit between the schedule the person needs and the actual number of hours worked. Distress and fatigue from excessive time on job can lead to decline in performances of the employee. A large amount of time at work is not a good predictor of productivity and it is observed that periods of time away from work can be extremely beneficial to the quality and productivity of a person's work. So it is more cost-effective and productive for management to design the work arrangements to fit the human than it is force the human to fit the system (Barnet & Hall, 2001). So, if employees are provided with proper work-life balance such as flexible work schedules, family friendliness, leave and immediacy to their home, such type of employees work happily and there is high retention.

### **OBJECTIVES OF THE STUDY:**

The main purpose of this study is to measure and assess the relationship of Employee retention as the dependent variable, with career development, supervisor support, working environment, rewards and work-life policies that are considered as independent variables.

The specific objectives of the study are:

- To analyze the major determinants of employee retention in banking sector of Haryana state.
- To measure the impact of various independent variables (major determinants) on employee retention on the banking sector of Haryana state.

### **RESEARCH METHODOLOGY:**

This study examined the relationship of career development, supervisor support, work environment, rewards and work-life policies with employee retention among the employees of banking sector of Haryana district. For the present study, primary data was used. The primary

data was collected through the questionnaires. For analysing the major determinants of employee retention, the secondary data was gathered from the previous research articles from various journals.

### DATA COLLECTION:

The data was collected through questionnaires; the questionnaires were got filled from the employees of the branches of ICICI Bank, AXIS Bank and HDFC Bank. The sample size of the study is 80. Among them 40 respondents were from ICICI, 20 from AXIS bank and 20 from HDFC bank. The frequencies and crosstab techniques are applied to analyse the data.

### DATA ANALYSIS AND INTERPRETATION:

In order to assess the impact of HRM practices on the retention of the employee's different banks of Haryana, likert scale technique was used. The responses from every respondent for each determinant are scored on a five point scale i.e.; strongly agree, agree, uncertain, disagree and strongly disagree. Higher scores in each determinant indicate the high level of impact on employee retention and lower scores indicates less impact of determinants level of job satisfaction. In total 6 questions were asked from the respondents, which were related to the determinants taken in the study. The responses of the various respondents have been given below in Table-1.

**Table – 1**

**Responses of various employees of different banks**

Determinants	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Chances of Promotion	19	45	12	3	1
Complaint Ignorance by supervisor	3	19	18	29	11
Help by Colleagues	23	50	4	1	2
Allocation of rewards regarding Work	10	51	6	10	3
Too much Work Burden	1	4	2	43	30
Conflict between Work and	1	18	1	33	27

Personal Life					
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**Source: Field survey**

In the table-2 the first variable “Chances of Promotion” was taken up which is related to Career development opportunities. Out of total respondents, 45 respondents were agreed and 19 were strongly agreed that there are good chances of promotion in their banks. The willingness of the respondents to retain in the concern was for 68 respondents.

**Table-2**

**Responses of various employees regarding their willingness to retain in the organisation**

Chances of Promotion	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	1	0	1
Disagree	2	1	3
Uncertain	9	3	12
Agree	37	8	45
Strongly Agree	19	0	19
Total	68	12	80

**Source: Field survey**

Table-3 shows the variable “Complaint ignorance by supervisor” as the second variable which was related to supervisor’s support. Out of total respondents, 29 respondents were disagreeing and 11 were strongly disagree. But there were 19 respondents who agreed that the supervisor ignored the complaints made by them .The intentions of the respondents to stay in the concern were clear with 25 and 10 respondents out of the mentioned respondents.

**Table-3**

**Responses of various employees regarding their willingness to retain in the organisation**

Complaint of Ignorance by Supervisor	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	10	1	11

Disagree	25	4	29
Uncertain	15	3	18
Agree	16	3	19
Strongly Agree	3	0	3
Total	69	11	80

**Source: Field survey**

Table-4 shows the third variable “Help by colleagues” which is related to work environment. Out of the total respondents, 50 respondents agreed that they were helped by their colleagues and 23 respondents were strongly agreed. And all of them were ready to retain in the organization (those who were strongly agreed). It means that congenial work environment has a positive impact on the employees.

**Table-4**

**Responses of various employees regarding their willingness to retain in the organisation**

Help by Colleagues	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	2	0	2
Disagree	1	0	1
Uncertain	3	1	4
Agree	39	11	50
Strongly Agree	23	0	23
Total	68	12	80

**Source: Field survey**

As per Table-5, in case of the fourth variable “Allocation of rewards at work” which is related to rewards or compensation, 51 respondents were agreed that they were rewarded properly in case of their achievements at work. Out of these respondents, 45 were ready to retain in the organization.

**Table-5**

**Responses of various employees regarding their willingness to retain in the organisation**



Allocation of rewards regarding work	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	2	1	3
Disagree	7	3	10
Uncertain	4	2	6
Agree	45	6	51
Strongly Agree	10	0	10
Total	68	12	80

**Source: Field survey**

In the Table-6 “Too much work burden” which is related to work-life balance determinant is given. Out of the total respondents, 43 respondents disagreed about work burden and 30 were strongly disagreed with the same. Out of those respondents who were disagreed, 34 were willing to retain in the concern.

**Table-6**

**Responses of various employees regarding their willingness to retain in the organization**

Too much work burden	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	22	8	30
Disagree	34	9	43
Uncertain	2	0	2
Agree	3	1	4
Strongly Agree	1	0	1
Total	62	18	80

**Source: Field survey**

In the Table-7 given below the variable “Conflict between work and personal life” which is related to work-life balance is analysed. Out of total respondents, 33 respondents disagreed and 27 strongly disagreed that there was any imbalance between their work and personal life. Among

them who were strongly disagreed, 14 respondents wish to stay in the concern over a period of life.

**Table-7**

**Responses of various employees regarding their willingness to retain in the organisation**

Conflict between Work and Personal life	Willing to retain in Organization		Total
	Yes	No	
Strongly Disagree	14	13	27
Disagree	26	7	33
Uncertain	1	0	1
Agree	18	0	18
Strongly Agree	1	0	1
Total	60	20	80

**Source: Field survey**

**CONCLUSION:**

In this study several determinants which are responsible for the best HRM practices are reviewed and hence used as effective variables for the study. The results of the study showed that there is a great impact of HRM practices on employee retention. The frequencies of career development and work environment show the highest values in relation to their perceived level of retention with the concern. It means that the respondents are more inclined towards their career growth and want to work in an environment where they get support from their colleagues. So, in today's environment the organizations have to take care of their people, as they are the people who will yield profits and growth. Organizations have to provide their employees with the best career growth opportunities, working environment, rewards, supervisor support and work-life balance and should work on them. This will help the employees to work with full attention and dedication towards their work.

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