

HR Practices and Employees Retention, an empirical analysis of Pharmaceutical sector of Pakistan

Muhammad Saleem¹, Hina Affandi²

¹(Management Sciences, Foundation University, Pakistan)

²(Management Sciences, Foundation University, Pakistan)

Abstract: *The purpose of this research is to know the impact of Human Resources practices (Fairness of rewards and Growth opportunities) on Employee Retention, considering Perceived Organizational Support as a mediating variable. This research was conducted on employees of pharmaceutical sector of Pakistan. Primary data was collected through questionnaires, which were floated among 100 employees of pharmaceutical sector. SPSS software was used to find out the results. To figure out the association between variables, Regression analysis was considered. The results indicated that both the Hr Practices (FOR & GO) are significantly related with employee retention with POS as a mediating variable. Employees who are getting FOR and GO remain loyal to the organization for much of their life. If the employees are well rewards they tend to think that their contribution is being considered and valued. Although the impact of Hr practices on employee retention has been examined before but it has not been investigated in Pakistani context, especially in pharmaceutical sector.*

Keywords: *Human Resource Practices, Employee Retention, Perceived Organizational Support, Fairness Of Rewards & Growth Opportunities.*

I. Introduction

Perceived organizational Support (POS) is an important factor for firms these days, especially for pharmaceutical companies because of the high turnover rate in Pakistan. Research indicates that employees develop a belief that how much the organization values their commitment to work and considers their well being (i.e., [1]). More perceived organizational support (POS) results in greater feeling of attachment to the firm (i.e., [2]). Employee's perception about his organization's support and care for him is closely related with the work attendance (i.e., [1]). Although there are several of outcomes and issues regarding work, related to POS, but the issue which is requiring further attention is relationship among POS and Employee Retention (i.e., [3]). Organizations will be able to retain employees with more POS, there will be less chances of employees to leave the organization (i.e., [4]). Research has shows that Human resource practices and POS are closely related with each other (i.e., [3]).

HR practices contribute a lot to a firm's competitive edge. There are different prospective that have been used for the relationship among HR practices and employee's turnover intention (i.e., [5]) & perceptions of organizational performance (i.e., [6]). Literature shows that a huge investment in the implementation of HR practices and work force may benefit to firm's financial performance (i.e., [7]). There are several types of Human resources practices related to POS which have been taken into consideration (i.e., [3]). This study focuses on two Human Resources practices (Fairness of rewards and Growth Opportunities) which contribute in retaining skillful employees. Key employees want to get recognized and rewarded in order to work enthusiastically (i.e., [8]). Skillful employees are well educated and hardworking individuals. Therefore, employees need opportunities for growth and self-actualization (i.e., [9]).

HRM literature shows that by implementing HR practices which affect employee commitment, their nature of work and employee skills have a strategic advantage for the firm (i.e., [10]). Two HR practices were identified by Shore and Shore that were important for developing high POS (non mandated organizational caring & employees recognition about their contribution for the organization) (i.e., [11]). It's very important for an organization to retain skillful employees as they are a valuable asset for the organization as they have the capability of being productive and adaptable (i.e., [5]). Organizations face difficulties in keeping the competitive advantage when they are substituting they key employees (i.e., [12]). High mobility of human resources is one of the problems faced by the organizations in intense competition (i.e., [13]).

The purpose of this research is to study the relationship of HR practices with employee retention, with the mediating role of perceived organizational support. The aim was to identify how the firms use Human resource practices to retain skillful employees by generating high perceived organizational support in pharmaceutical sector of Pakistan because as such no study is found in Pakistan.

II. Literature Review

2.1. Hr Practices and employee retention:

HRM practices are linked with employee's performance and turnover intentions (i.e., [7]). It is claimed that strongly focused employees with high skills even bound their efficacy when not properly aspired to attain better performance. Therefore, the utilization of HRM practices is important for influencing employee's motivation by inspiring them to work efficiently. This means that, HRM work practices that contribute in higher motivation and development would enhance employee retention. Moreover these practices affect negatively to the organizational turnover rate (i.e., [1]). Ramlall describes the relationship among employee motivation and employee retention by affirming that HR practices for retaining employees are very much impelling when established upon identification, analysis, and criticism about motivational theories of employees. (i.e., [14])

2.2. Fairness of rewards:

There are several HR practices that have an impact on employee retention; fairness of reward is one of them. Rewards are frequently discussed in literature these days. Reward is anything that an organization is liable to give to its employee's on showing good performance and commitment (i.e., [5]). Rewards can be tangible as well as intangible. Tangible like cash or bonus in salary and intangible like employee of the month or recognition. It is significant that rewards have a long lasting effect on the workforce and it will continue to engage employees to perceive that they are being valued (i.e., [3]). To have employees' commitments accordingly recognized and compensated, would pretend to head employees to perceive that organization is paying attention to their well-being and is willing to its willingness to devote in assembling needs for recognition (i.e., [8]). Based upon Rhoades & Eisenberger, described procedural justice is an important work-experience antecedent of POS (i.e., [15]). 'Procedural justice determines how fairness is used in different ways to determine the allocation of resources among workforce (i.e., [13]). Equity Theory holds that rewards that an individual receives on his efforts is not the only concern. The relationship of his rewards among what reward others receive is also a key issue (i.e., [14]).

2.3. Growth opportunities:

Besides fulfilling physiological needs, skillful employees believe that they should prolong their presence for the betterment of the firm as well as to grow within the organization to satisfy the need for development (i.e., [16]). Greater POS can be achieved by providing career growth opportunities to the employees with meets their wish for personal development (i.e., [8]). Similarly, Rhoades and Eisenberger revealed that by giving possible growth opportunities like, training and promotions may show employees concerns and create a feeling that their contributions are being recognized by their organizations (i.e., [15]). Since the organization actions go far away from what is authorized by the firm's policy, employees consider themselves as an elective treatment by the firm which indicates organization's care for them (i.e., [16]). Eisenberger also pointed out that opportunity for recognition and promotion has a positive effect on POS (i.e., [17]). Research reveals that POS is boosted when growth opportunities are granted to the employees by the firm (i.e., [8]). POS is forecasted by the training given to the employees by the organization (i.e., [11]). The developmental experience and promotion both are positively related with employee's perception of organizational support (i.e., [18]). The career growth opportunities are positively related with POS (i.e., [19]). An individual will have greater POS if he/she feels that the organization is providing growth opportunities (i.e., [20]).

2.4. Perceived Organizational Support:

When employees think that how much the organization considers his/her Commitment to work and how much in actual considers his/her well being (i.e., [1]). An essential portion of social exchange relationship among workers and their organization is portrait by POS, because it indicates how much the organization has done for them in actual or what employees believe that the organization has done something for them. In organizational support theory, POS is an important concept (i.e., [1]), which presumes that the organization has a preference; positive/negative towards their employees, that surrounds there well being as well as contribution for recognition." (i.e., [21]). And the norm of reciprocity is also a key to organizational support theory (i.e., [22]), which implies that, if the organization is giving favorable treatment to the employees such as greater POS, they should feel that it's their duty to consider organization's welfare and help in achieving firm's long-term/short-term goals.

2.5. Employee Retention:

To make proficient employees avoid leaving the organization, which has an impact in productivity of the organization (i.e., [23]). Literature shows when employees are under a supervision which meets their needs, they are motivated to remain attached with the organization (i.e., [24]). Employees' retention is the 'opposite of

turnover and turnover is said to be the sum of voluntary and involuntary differentiation among workers and their organization (i.e., [25]). Employee retention is not enough in the context employee turnover; rather the focus should be how the work force is preserved and retained, which further is able to meet the firm’s objectives. For them, retaining such employees who do not meet the organizational objectives is not necessary, there should be good retention focusing on employees who are efficient (i.e., [26]). Retaining talented individuals is an advantage for a firm because the knowledge and skills of the employees are important for organizations in gaining competitive advantage (i.e., [27]). When there is a shortage in the availability of high performing employees, employee retention becomes a vital issue for the organizations (i.e., [28]). The companies are always searching for new ways to retain employees and improve the efficacy of their labor, while the employees are always looking for better opportunities (i.e., [29]). Retaining employees is very challenging (i.e., [30]). Attracting and retaining talented employees could be a problem for HR executives (i.e., [31]) due to bounded rationality, especially the association of social and cultural norms of the employees with their country (i.e., [32]).

III. Research Methodology

Convenience sampling technique was used in this research because there was time constraint and small size of population. Primary data was collected through questionnaires and secondary data was collected through journal articles, books and internet.

Employee retention items were adopted from (i.e., [33]), which consists of 4 items was used for employee retention. For fairness of rewards we used a questionnaire by (i.e., [34]) in which 11 scale items were used to measure fairness of rewards. Questionnaire for growth opportunities was taken from (i.e., [20]) in which 4 scale items were used to measure growth opportunities. Questionnaire for POS was taken from (i.e., [21]), in which 36 items were used.

5 point likert scale questionnaire was used to collect data with 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly disagree. A total of 16 items were used in this research. Reliability, correlation and regression analysis were concluded using full observation software.

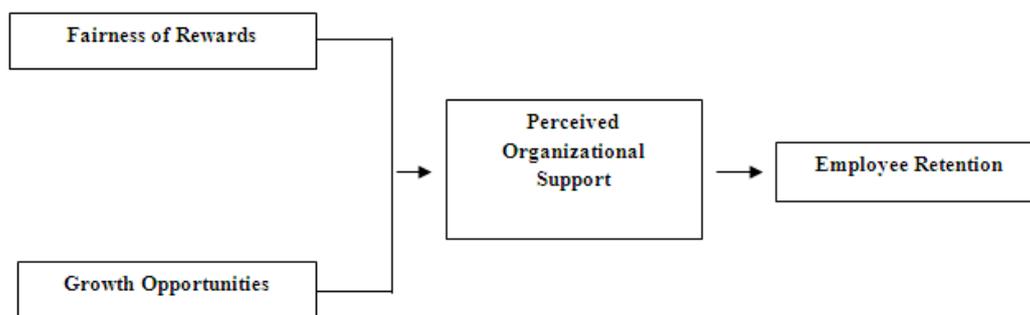
Table 1: Reliability Score

| Variables | Cronbach’s Alpha |
|----------------------------------|------------------|
| Employee Retention | .797 |
| Perceived Organizational Support | .820 |
| Fairness of Rewards | .901 |
| Growth Opportunities | .805 |

N=100, Independent Variables (Fairness of rewards and growth opportunities), Dependent Variable (Employee Retention), Mediating variable (Perceived Organizational Support).

The participants of this research were employees of pharmaceutical sector of Pakistan. Sample size of this study was 100 employees which were of managerial and non managerial grades. 100 questionnaires were distributed and received 100 questionnaires back so response rate was 100%.

IV. Research Model



V. Hypothesis

H 1: Fairness of reward is significantly associated with employee retention with the mediating role of perceived organizational support.

H 2: Growth opportunities are significantly associated with employee retention with the mediating role of perceived organizational support.

VI. Data Analysis

Table 2: Percentages (Demographics)

| Demographics | | Percentage |
|---------------|----------------|------------|
| Gender | Male | 82% |
| | Female | 12% |
| Age | 20-30 | 68% |
| | 31-40 | 23% |
| | 41-50 | 6% |
| | Above 50 | 3% |
| Qualification | Graduation | 43% |
| | Masters | 56% |
| | Others | 1% |
| Level of Job | Managerial | 28% |
| | Non Managerial | 72% |

N=100

The above table shows the percentages of the demographics. The total population was 100 in which 82% were male and 28% were female. 68% were aged between 20-30 years, 23% were between 31-40, 6% were between 41-50 and 3% were above 50. 43% of the employees were graduated, 56% has done masters or above and 1% were diploma holder e.g. DAE. 28% of the total population held managerial positions while 72% employees held non managerial positions.

Table 3: Descriptive statistics (Demographics)

| Demographics | Mean | St Deviation | Minimum | Maximum |
|---------------|--------|--------------|---------|---------|
| Gender | 1.1200 | .32660 | 1.00 | 2.00 |
| Age | 1.4400 | .74291 | 1.00 | 4.00 |
| Qualification | 1.5800 | .51601 | 1.00 | 3.00 |
| Level of Job | 1.7200 | .45126 | 1.00 | 2.00 |

N=100

The above table shows the remaining descriptive statistics of the demographics. The results showed that the mean value of gender is 1.1200, standard deviation is .32660, minimum value is 1.00 and maximum value is 2.00. Similarly the mean value of age is 1.4400, standard deviation is .74291, minimum value is 1 and maximum value is 4. The mean value of qualification is 1.5800, standard deviation is .51602, minimum value is 1.00 and maximum value is 3.00 and the mean value of level of job is 1.7200, standard deviation is .45126, minimum value is 1.00 and maximum value is 2.00 respectively.

Table 4: Descriptive Statistics and Correlation:

| Variables | Mean | St Deviation | Correlation | | | |
|-----------|--------|--------------|-------------|--------|--------|----|
| | | | EMR | POS | FOR | GO |
| EMR | 6.2450 | .92522 | 1 | | | |
| POS | 12.542 | .84839 | -.604** | 1 | | |
| FOR | 12.680 | 1.2792 | -.407** | .507** | 1 | |
| GO | 13.262 | 1.0374 | -.337** | .428** | .504** | 1 |

N=100, Independent variable=HR Practices (Fairness of Rewards & Growth Opportunities), Mediating Variable=Perceived Organization Support & Dependent Variable=Employee Retention.

The above table shows the correlation between the studied variables, also shows standard deviation and mean of the variables. The above mentioned HR Practices were found to be significantly correlated with each other. Both, FOR & GO are also significantly correlated with POS and Employee Retention. All of the studied variables are found to be significantly negatively correlated with Employee Retention while FOR & GO are significantly positively correlated with POS.

Table 5: Regression Analysis (H1)

| Predictor Variable | Perceived Org Support | | | Employee Retention | |
|---------------------|-----------------------|----------------|-----------------|--------------------|----------------|
| | B | R ² | ΔR ² | B | R ² |
| Fairness of Rewards | .252** | .476** | .126** | | |
| Fairness of Rewards | | | | .136 | .165 |

Perceived Org Support .535** .378**
.213**

Mediation

Fairness of Rewards .136 .165
.165

N=100, Independent Variable (Fairness of Rewards), Dependent Variable (Employee Retention), Mediating Variable (Perceived organizational support).

The above table shows the regression coefficient of Independent Variable on control demographics and mediating variable i.e. fairness of rewards, perceived organizational support and employee retention of employees from pharmaceutical sector. The R² for mediation is .476**, change in R² is .126** and B value is .252** respectively. Results show that independent variable is significantly related with the mediation. The R² for dependent variable is .378**, change in R² .213** and B value is .535**, which shows that the mediating variable is significantly related with the dependent variable. An insignificant relationship could be seen between independent and the dependent variable as the value for R² is .165, change in R² is .165 and B value is .136 respectively

Table 6: Regression Analysis (H2)

| Predictor Variable ΔR^2 | Perceived Org Support | | | Employee Retention | |
|------------------------------------|-----------------------|----------------|--------------|--------------------|----------------|
| | B | R ² | ΔR^2 | B | R ² |
| Growth Opportunities | .358** | .459** | .109** | | |
| Growth Opportunities | | | | .096 | .114 |
| Perceived Org Support | | | | .562** | .372** |
| | | | | | .114 |
| Mediation | | | | | |
| Growth Opportunities | | | | .096 | .114 |
| | | | | | .114 |

N=100, Independent Variable (Growth opportunities), Dependent Variable (Employee Retention), Mediating Variable (Perceived organizational support).

The above table shows the regression coefficient of Independent Variable on control demographics and mediating variable i.e. growth opportunities, perceived organizational support and employee retention of employees from pharmaceutical sector. The R² for mediation is .459**, change in R² is .109** and B value is .358** respectively. Results show that independent variable is significantly related with the mediating variable. The R² for dependent variable is .372**, change in R² .258** and B value is .562**, which shows the mediating variable is significantly related with the dependent variable. An insignificant relationship could be seen between independent and the dependent variable as the value for R² is .114, change in R² is .114 and B value is .096 respectively.

VII. Conclusion

As human capital is the main asset for an organization, so the organizations should take necessary measures to retain skillful employees. The purpose of this research was to study the effect of Hr Practices on employee retention, considering perceived organizational support as a mediating variable. As shown in the results it is concluded that organizations are less likely to retain employees when there is unfairness in rewards and lack of growth opportunities. The results showed that Growth and Fairness of rewards are negatively associated with employee turnover. This research showed that Perceived organizational support is positively and significantly related with Fairness of rewards and growth opportunities, as well as with employee retention. So to retain skillful employee there must be opportunities for growth and fairness in reward system.

VIII. Future Recommendations and Limitations

This research was done on employees of Pharmaceutical sector of Pakistan. This research should be tested on other sectors like, telecom, FMCGs, banking and educational institutes etc. Due to limited time, we could manage a very small sample size i.e. N=100, so the sample size should be increased to know the overall relationship of tested variable across Pakistan. In this research tow Hr Practices (Fairness of rewards and growth opportunities) were tested. In future researchers can use other Hr practices like retraining, redevelopment,

executive bonus, time off etc could be used to check their impact on employee retention. Questionnaires were used as a data collection tool. This could sometimes lead to inappropriate information due to non seriousness in filling the questionnaire. More effective data collection tools should be used for reliable information gathering.

References

Journal Papers:

- [1]. Eisenberger, R., & Huntington, R. (1986). Perceived organizational support. *Journal of applied psychology*, 71:500-507.
- [2]. Shore, L. M., & Wayne, S. J. 1993. Commitment and employee behavior: Comparison of affective commitment and continuance commitment with perceived organizational support. *Journal of Applied Psychology*, 78: 774–780.
- [3]. Allen, D. G., Shore, L. M., & Griffeth, R. W. 2003. The Role of Perceived Organizational Support and Supportive Human Resource Practices in the Turnover Process. *Journal of Management*, 29: 99–118.
- [4]. Eisenberger, R., Fasolo, P., & Davis-LaMastro, V. 1990. Perceived organizational support and employee diligence, commitment, and innovation. *Journal of Applied Psychology*, 75: 51–59.
- [5]. Long, C. S., Perumal, P., & Ajagbe, M. A. 2012. The impact of human resource management practices on employee's turnover intention. *Institute of Interdisciplinary Business Research*, 4:2.
- [6]. Delaney, J. T., & Huselid, M. A. 1996. The impact of human resource management practices on perceptions of organizational performance. *Academy of management journal*, 39: 949–969.
- [7]. Huselid, M. A. 1995. The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38:635-662.
- [8]. Shore, L. M., & Tetrick, L. E. (1991). A construct validity study of the survey of perceived organizational support. *Journal of Applied Psychology*, 76:637-643.
- [9]. Alderfer, C. P. (1972). *Existence, relatedness, and growth*. New York: Free Press.
- [10]. Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37, 670-687.
- [11]. Shore, L. M., & Shore, T. H. (1995). Perceived organizational support and organizational justice. In R. Cropanzano & K. M. Kacmar (Eds.). *Organizational politics, justice, and support: Managing social climate at work* (pp. 149-164). Westport, CT:Quorum Press.
- [12]. Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: the role of human resources in gaining competitive advantage. *Human Resource Management*, 37:31-46.
- [13]. Wright, P. M., McMahan, G. C., & McWilliams, A. (1994). Human resources and sustained competitive advantage: a resource based perspective. *International Journal of Human Resource Management*, 5(2).
- [14]. Ramlall, S. (2004). A review of employee motivation theories and their implications for employee retention within organizations. *Journal of American Academy of Business*, 5.
- [15]. Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature.
- [16]. Maslow, A. H. (1954). *Motivation and personality*. New York: Harper & Row.
- [17]. Eisenberger, R., Rhoades, L., & Cameron, J. (1999). Does pay for performance increase or decrease perceived self-determination and intrinsic motivation? *Journal of Personality and Social Psychology*, 77:1026-1040.
- [18]. Wayne, S. J., Shore, L. M., & Liden, R. C. (1997). Perceived organizational support and leader-member exchange: A social exchange perspective. *Academy of Management Journal*, 40:82-111.
- [19]. Meyer, J. P., & Smith, C. A. (2000). *Canadian Journal of Administrative Sciences*, 17:319-331.
- [20]. Liu, W. (2004). Perceived organizational support: Linking Human resource management practices with important work outcomes. Doctorate thesis. University of Maryland.
- [21]. Eisenberger, R., Stinglhamber, F., Vandenberghe, C., Sucharski, I., & Rhoades, L. (2002). Perceived supervisor support: Contributions to perceived organizational support and employee retention. *Journal of Applied Psychology*, 87:565-573.
- [22]. Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. *American Sociological Review*, 25:161-178.
- [23]. Chiboiwa, M., Samuel, M., & Chipunza, C. (2010). An examination of employee retention strategy in a private organisation in Zimbabwe. *African Journal of Business Management*, 4:2103-2109.
- [24]. Baer, E., Fagin, C., & Gordon, S. (1996). *Abandonment of the patient: The impact of profit-driven health care on the public*. New York: Springer Publication Company.
- [25]. Starosta, M. (2006). Engaging employees: Retention strategies for today's growing businesses. Master's thesis. Royal Roads University. Victoria.
- [26]. Waldman, D., & Arora, S. (2004). Measuring retention rather than turnover: A different and complementary HR calculus. *People and Strategy*, 27:6-9.
- [27]. Kyndt, E., Dochy, F., Michielsens, M., & Moeyaert, B. (2009). Employee retention: Organisational and personal perspectives. *Vocations and Learning*, 2:195-215.
- [28]. Jones, D., & Skarlicki, D. (2003). The relationship between perceptions of fairness and voluntary turnover among retail employees. *Journal of Applied Social Psychology*, 33:1226-1243. *Journal of Applied Psychology*, 87:698–714.
- [29]. Leeves, G. (2000). Worker turnover: Hires, separations and employment growth at the employer level. *Australian Journal of Labour Economics* 4:280-295.
- [30]. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17:99-120.
- [31]. Samuel, M., & Chipunza, C. (2009). Employee retention and turnover: Using motivational variables as a panacea. *African Journal of Business*, 3:410-415.
- [32]. Metcalfe, B. (2008). Women, management and globalization in the Middle East. *Journal of Business Ethics*, 83:85-100.
- [33]. Alnaqbi, W. (2011). The relationship between human resource practices and employee retention in public sector organizations: an exploratory study conducted in the United Arab Emirates. Doctorate thesis. Edith Cowan University. UAE.
- [34]. Sarin, S., & Mahajan, V. (2001). The effect of reward structures on the performance of Cross-functional product development teams. *American Marketing Association*, 65:35-53.