

Exploring the Relationship between Human Resource Practices and Employee Retention in the House of Representatives in Jordan

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Abstract

Employee retention is one of the common challenges facing by most of the organizations currently. The objective of the present study is to investigate the impact of human resource practices on employee retention. There are four dimensions of human resource practices namely recruitment and selection, training and development, performance appraisal, and compensation. A total of 200 questionnaires were distributed to all level of employees House of Representatives in Jordan, and 140 questionnaires were returned and used for data analysis. The results indicated that three dimensions of human resource practices (i.e. recruitment and selection, training and development, and compensation) had a significant positive impact on employee retention, while performance appraisal was not found to have any impact on employee retention. This study also discusses the limitations and recommendation for future research.

Keywords: human resource practices, employee retention, House of Representatives, Jordan.

1. Introduction

Employee retention is seen as a phenomenon which is increasingly getting the attention of many organizations (Hong et al., 2012) as it leads to a serious problem when high performing employees leave the organization. Organizations faced with adverse outcomes when good talented workers opt to leave and these include decreased efficiency and productivity, increased costs and threat to the long-term survival and sustainability of the organization (Beach, Brereton, & Cliff, 2003). As such, talent retention has become more and more crucial for the management (Samuel & Chipunza, 2009). In this regard, Slattery and Selvarajan (2005) explained that human resource practices are capable of reducing employee turnover, where intention to leave among employees were found to be minimized when employees perceive that the organizations are providing positive human resource practices (e.g., better pay and benefits, job freedom, and job security) (Stewart & Brown, 2009). Retaining employees is a critical issue and if handled properly and effectively, it would add value and competitiveness to any organization. Employees are considered as to be the top assets of the organization and as such, it is pertinent for organizations to exert efforts to retain existing talents to prevent new recruitment. To this end, increasing employee retention has become a trend in the business organizations in countries, including Jordan. Employees with outstanding skills and talents can significantly contribute to the organization's competitive advantage. Hence, organizations should retain such talents particularly in this challenging and unpredictable environment where change is inevitable (Samuel & Chipunza, 2009).

Employee retention is beneficial for the organization and the employees at the same time. Employees today have a lot of good opportunities in hand. The moment they feel unhappy or dissatisfied with the existing employer or the job they are holding; they will always hop to another employment. It is solely the accountability of the employer to retain their best employees. Failure of doing so may lead to the loss of talented employees. Good employers should realize what to be done to attract and retain their employees. Employees are the most vital resources of any organization. If employees are not able to use their full potential and not heard and valued, they would leave because of stress and frustration (Kakar, Raziq, & Khan (2015). Even when they remain with the organization, the feelings of frustration and dissatisfaction would lead to negative consequences that could affect performance and productivity. When these negative feelings get too overwhelmed, the employees would leave. Nonetheless, if employees get a sense of achievement and belongingness from a healthy working environment, the company would have satisfied and dependable employees contributing to the growth of the company.

Based on the literature review, most of the studies on human resource practices and employee retention were conducted in developed countries while limited studies were carried out in developing countries such as Jordan. This gap indicates the need to examine the role of human resource practices on employee retention and the present study aims to do just that.

2. Literature Review

2.1. Employee Retention

Retention of employees is deemed to be the top challenging issue that corporate leaders which are faced with owing factors like insufficient skilled labor, employee turnover and economic growth. The capability of retaining employees that the organizations value has to be stronger than that of rivals (Johnson, 2000). Various organizations make use of various approaches for employee retention (American Management Association, 2001). Retention is deemed as a crucial element of human resource strategies, beginning from the selection of the right employees, continuing to the practicing programs for retention of potential employees, and ending with their commitment to and engagement with the organization (Zahoor, Ijaz, & Muzammil, 2015). Organizations leaders employ an employee retention technique to maintain an effective workforce while achieving operational needs. Research in literature evidenced that current organizations are now convinced that retention is a strategic concern when it comes to achieve competitive advantage (e.g., Walker, 2001; Youndt et al., 1996). Workers in the current times have high demands than ever before which goes a way beyond perks and salaries which was including cultural and work experience. Providing a flexible, prolific and dynamic working environment in order to retain and attract the potential employees.

2.2. Human Resource Practices

Human resource management refers to the policies and practices involved in carrying out the human resource aspects of a management position including recruitment and selection, human resource planning, training and development, performance appraisal, compensation, job analysis, and labor relations (Dessler, 2007). Human resource management is composed of the policies, practices, and systems that influence employees' behavior, attitude, and performance (Noe, Hollenbeck, Gerhart, & Wright, 2007). Wright et al. (2003) defined human resource management practices as the organizational activities directed at managing the pool of human capital and ensuring that the capital is employed toward the fulfillment of organizational goals. Human resource management practices are therefore a set of interconnected practices that create an environment that can produce high commitment among employees and encourages them to perform their best, which eventually leads to higher organizational performance. Although different researchers have studied different sets of human resource management practices, most of them agree that certain practices are important in generating high organizational performance. Four dimensions are identified for measuring human resource management practices from past studies (e.g., Ahmad & Schroeder, 2003; Delery & Doty, 1996; Pfeffer, 1995). They are categorized as functional dimensions which include recruitment and selection, training and development, performance appraisal, and compensation. They are considered to have a great impact on obtaining, motivating, and retaining employees, and they are responsible for improving continual competitive advantage (Pfeffer, 1995).

2.3. Relationship between Human Resource Practices and Employee Retention

There are various human resource practices as discussed by various researchers and academicians. For instance, Francis (2014) looked into the relationship between human resource practices and employee retention in the manufacturing companies in Nigeria. This study focused on four practices, which included training and development, performance appraisal, career development, and compensation and benefits. Based on the statistical tests conducted, the findings showed that only compensation and benefits had a positive impact on employee retention. In the same vein, Zahoor, Ijaz, and Muzammil (2015) examined the impact of human resource practices on employee retention and data was collected from 41 employees of sales and service departments of telecom sector of Pakistan. Two dimensions of human resource practices were used which are training and development, career development opportunities. Results showed that human resource practices i.e. training and development and career development opportunities significant correlates with employee retention. Similarly, Haider et al. (2015) examined the impact of human resource practices on employee retention in Pakistan. They found that compensation and culture have a positive relationship with employee retention whereas training and development have a negative one. Another study conducted by Kakar, Raziq, and Khan (2015) among 180 bank employees of different banks in Quetta city to examine the relationship between human resource practices (compensation,

training, performance appraisal, and employee empowerment) and employee retention. The results showed that there is significant positive relationship between all human resource practices and employee retention. In a recent study, Karve and Dias (2016) examined the relationship between human resource practices (training and development, performance appraisal, work life balance, career development and employee relation) and employee retention hotel industry in South Mumbai.

Results indicated significant positive relationships between human resource practices and employee retention. On the basis of the argument of the empirical evidence, this study hypothesized that:

H1: Recruitment and selection is positively related to employee retention.

H2: Training and development is positively related to employee retention.

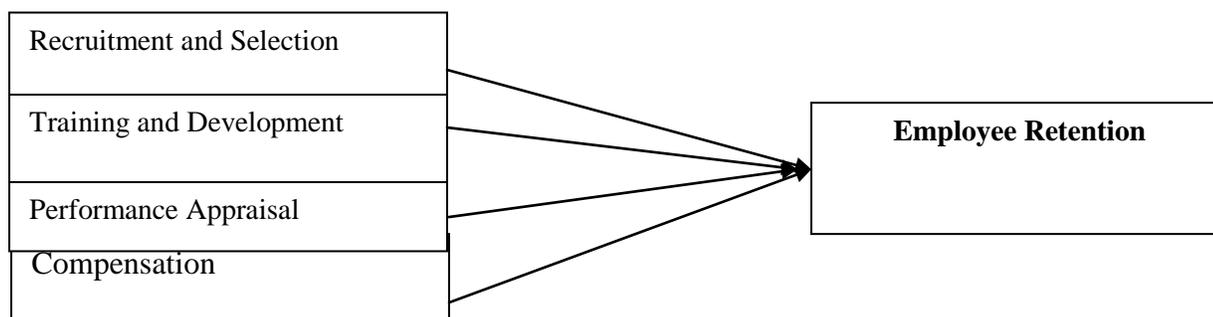
H3: Performance appraisal is positively related to employee retention.

H4: Compensation is positively related to employee retention.

3. Theoretical Framework

The purpose of the current study is to examine the impact of human resource practices on employee retention in the House of Representatives of Jordan. Four dimensions of human resource practices are taken i.e. Recruitment and selection, training and development, performance appraisal, and compensation. In the current study, the employee retention depends upon human resource practices, so the human resource practices are independent variable and employee retention is dependent variable.

1.1 Figures and Schemes



4. Research Methodology

The population of the study cover the selected employees of House of Representatives and the sample size of 140 employees were selected, using the simple random sample techniques. The survey instrument used in the collection of data was the questionnaire. This questionnaire consisted of two sections, first section consisted of general information of the respondents and the second section consisted of questions on the dependent variable, namely employee retention, and the independent variables, namely human resource practices. Human resource practices covered four major functional areas of recruitment and selection, training and development, performance appraisal, and compensation. All human resource practices adopted from Snell and Dean's (1992) study, while employee retention adopted from (Cammann, Fichman, Jenkins, & Klesh, 1983). All items were measured on a five-point Likert scale ranging from '1' "strongly disagree" to '5' "strongly agree."

5. Analysis and Results

5.1. Profile of Respondents

Table 1. Profile of respondents

Demographic variable	Category	Frequency	Percentage
Gender	Male	109	77.9
	Female	31	22.1
Age	20-30	50	35.7
	31-40	59	42.1
	41-50	27	19.3
	51 and above	4	2.9
Education Level	Diploma	26	18.6
	Bachelor	92	65.7
	Master	18	12.8
	PhD	4	2.9
Experience	5 and Less	30	21.4
	6-10	52	37.1
	11-15	43	30.8
	16 and above	15	10.7
Career Level	Employee	92	65.7
	Head section	28	20.0
	Manager assistance	6	4.3
	Manager	14	10.0

Table 1. shows that (77.9%) of the participants were male while the remaining (22.1%) were female. This result reflected the nature of Jordanian and Arab culture in general where males dominate and hold top management positions. Concurrently, with regards to the age distribution, it can be deduced that a majority of the respondents was between 31 and 40 years old (42.1%) while only (2.9%) of the respondents were in the range of age 51 and above years old. Majority of the participants had a bachelor's degree (65.7%). The results indicated that education level is an important factor in seeking employment in the House of Representatives. For work experience, (37.1%) percent of respondents have 6 and 10 years of work experience followed by 11 and 15 years of experience (30.8%), 5 and less years of experience (21.4%), and finally 16 and above years of experience (10.7%). Finally, based on the career level data most of participants were employee (65.7%), while (20.0) of participants were head section, followed by (10.0%) of participants were manager and finally only (4.3%) of participants were manager assistance.

5.2. Goodness of Measures

5.2.1. Factor Analysis

Table 2. Summary of Factor Analysis for Human Resource Practices Construct

Items	1	2	3	4
Factor 1: Recruitment and Selection				
1. Staffing select the best person for a give job.	.882	.292	.094	.122
2. Generally, staffing fill a open position immediately, once a job becomes open on a unit.	.925	.220	.061	.096
3. Many people are involved in the selection decision.	.937	.168	.093	.107
4. Staffing spend a great deal of money to insure to hire the right person for the job.	.796	.276	.112	.164
5. Importance is placed on the staffing process in this establishment.	.829	.131	.181	.171
Factor 2: Training and Development				
1. Your establishment provide proper induction and training upon commencement.	.261	.853	.132	.254
2. There are possibilities of promotion due to trainings and development given.	.199	.891	.198	.244
3. Innovation and creativity are encouraged here.	.219	.836	.276	.210
4. Your establishment provide job-development/ career path guidance to help employee identify/ improve abilities, goals, strengths & weaknesses.	.271	.807	.210	.247
5. You have minimal future within this organization.	.266	.860	.240	.127

actor 3: Performance Appraisal				
Your establishment have regularly scheduled employee- performance appraisal periods for employees.	.145	.290	-.011	.862
Your performance is more often measured with objective quantifiable results (measure overall performance).	.230	.221	.198	.833
Your manager/superior handle performance appraisal without biasness/ favoritism.	.065	.130	.171	.835
The duration of performance appraisal reviewed is sufficient.	.149	.198	.162	.852
Factor 4: Compensation				
Your establishment have a compensation/ benefits system that is communicated to employees.	.122	.151	.845	.232
Your establishment offer compensation/ benefits better then minimal requirement by employment Act.	.154	.204	.890	.109
Your establishment offers an attractive compensation/ benefits package compare to other establishments nearby.	.070	.216	.885	.024
Your establishment have a health and related benefits that is communicated to employees.	.112	.209	.876	.160

Eigenvalue

Percentage of Variance Explained = 61.525%

Kaiser-Meyer-Olkin = .880

Bartlett's Test of Sphericity Approx. Chi Square = 2801.894; df = 153; Sig = .000

Table 2. shows that the value of KMO was .880, which is “meritorious” according to Kaiser 1974) as it was above .80. The BTS value was very large (2801.894) and significant (p <0.001). The KMO and BTS values indicated the human resource practices variables were appropriate for factor analysis.

Table 1.2 shows that human resource practices consisted of four dimensions. The first dimension was recruitment and selection. There were six items of recruitment and selection. Out of the six items, one item (S5) was deleted during the exploratory factor analysis and five items (S1, S2, S3, S4, and S6) remained to be analyzed. All five items had a factor loading of more than .50. This suggested that the five items correlated very significantly to the factor itself with factor loadings ranging from .796to .937 (Hair et al., 2006). This analysis confirmed that the five items measured recruitment and selection. The second dimension was the training and development variable, which has five items. After the researcher run exploratory factor analysis for training and development, there were no differences between the original items and the new items. Thus, the same labels used for each factor. All five items had a factor loading of more than .50, which indicates that the five items correlated very significantly to the factor itself with factor loadings ranging from .807 to .891 (Hair et al., 2006). This analysis confirmed that the five items measured training and development. Next is the dimension of performance appraisal, which has four items. After the researcher run exploratory factor analysis for performance appraisal, there were no differences between the original items and the new items. Thus, the same labels used for each factor. All the four items had a factor loading of more than .50, which indicates that the four items correlated very significantly to the factor itself with factor loadings ranging from .833 to .862 (Hair et al., 2006). This analysis confirmed that the four items measured performance appraisal. Compensation had five items but only four (C2, C3, C4, & C5) were confirmed by factor analysis with the remaining one (C1) deleted. The remaining four had factor loading which was ranging from .845 to .890 (Hair et al., 2006). This confirmed that the remaining items measured compensation.

Table 3. Summary of Factor Analysis for Employee Retention Construct

Items	Component
1. I intend to remain working in this establishment.	.806
2. I will return to work here in the future if I have to quit my job due to unforeseen circumstances.	.782
3. It is possible that I will look for a new job soon.	.796
4. If I were given choice, I would prefer to continue working in this company as long as possible.	.736
5. I often think of leaving the establishment.	.762

Eigenvalue

Percentage of Variance Explained = 60.342%

Kaiser-Meyer-Olkin = .775

Bartlett's Test of Sphericity Approx. Chi Square = 281.722; df = 10; Sig = .000

Similarly, employee retention had five items and following the exploratory factor analysis, no differences were found between the original items and the new ones. The labels used for each factor remained the same. All five items exhibited factor loadings over .50, specifically ranging from .736 to .806 which according to Hair et al. (2006) signifies all five items' significant correlation to the factor itself. Thus, the analysis confirmed that all five measured employee retention.

5.2.2. Reliability Analysis

Table 4. Reliability Analysis

Variable	No. of items	Cronbach's Alpha
Recruitment and Selection	5	.95
Training and Development	5	.92
Performance Appraisal	4	.81
Compensation	4	.84
Employee Retention	5	.78

Cronbach's alpha reliability test was performed on the dependent and independent variables in this study. The reliability coefficient of the studied factors surpassed the acceptable level of 0.70 (Nunnally, 1978). Therefore, the value of Cronbach's alpha for recruitment and selection variable is (0.95); for training and development (0.92); for performance appraisal (0.81); for compensation (0.84); and finally, for employee retention (0.78).

5.3. Regression Analysis

Table 5. Result of Regression Analysis HRP with Employee Retention

Independent variables	Unstandardized beta		Standardized beta	t	Sig.
	B	Std. error			
(Constant)	1.877	.247		7.599	.000
Recruitment and Selection	.161	.066	.214	2.441	.016
Training and development	.145	.074	.195	1.958	.049
Performance appraisal	.046	.070	.057	.656	.513
Compensation	.154	.064	.204	2.403	.018

Note. $R^2 = .266$, $F = 12.230$, $Sig. = .000$

Table 5. shows that the model was generally significant ($F = 12.230$, $Sig = .000$). The results indicate that a value of R^2 is .266, indicating that 26.6% of the variance in employee retention was explained significantly by a number of independent variables i.e. recruitment and selection, training and development, performance appraisal, and compensation. Specifically, recruitment and selection, training and development, and compensation dimensions of human resource practices made unique significant contributions to the prediction of employee retention while the remaining dimension i.e. performance appraisal, did not make any significant effects. Based on the results, H1, H2, and H4 were supported, while H3 was not supported.

Table6. Summary of Result of Hypothesis Testing

Hypothesis	Statement of hypotheses	Result
H1:	Recruitment and selection is positively related to employee retention	Supported
H2:	Training and development is positively related to employee retention	Supported
H3:	Performance appraisal is positively related to employee retention	Not Supported
H4:	Compensation is positively related to employee retention.	Supported

6. Discussion

The present study examined the impact of human resource practices on employee retention among Jordanian House of Representatives employee. This study used four human resource practices such as recruitment and

selection, training and development, performance appraisal, and compensation. The present study hypothesized that recruitment and selection positively influences employee retention. Result indicated that recruitment and selection was statistically significant in predicting employee retention. Specifically, the study found a positive relationship between recruitment and selection and employee retention. This positive significant relationship means that House of Representatives should make sure to employ the most suitable candidate for the vacant positions to lessen the ineffectiveness of employees and the related costs. This result can be attributed to the explanation of Huselid (1995) who contended that recruitment procedures providing an expansive pool of applicants, coupled with a reliable and valid employment selection, and it will be significantly impact to the new employees' skills in terms of quality and type, which in turn, shows that the procedure for staffing selection should consider the skills and knowledge that contributes to organizational performance, as it is deemed to be a top predicting factor for it. The present finding appears to be consistent with previous studies that revealed positive relationship between recruitment and selection and employee retention (Karemu, Kahara, & Josee, 2014; Vispute, 2013). The results showed that there is a significant positive relationship between training and development and employee retention.

The positive relationship between training and development and employee retention shows that training and development is an important human resource practices that effects the decision of employees to retain in the organization. If more training and development activities provided to the employees, employees will continue to serve for the organization for a long period because training and development opportunities indicate that employee can grow in the organization. The present result is thus in line with previous findings (Karve & Dias, 2016; Kakar et al., 2015; Zahoor et al., 2015). The present study reported a non-significant impact of performance appraisal on employee retention. According to a study by Dailey and Kirk (1992), successful performance appraisal and planning systems help improve employees' perception toward justice and fairness at workplace. In essence, employees who feel that they are being treated fairly through effective performance appraisal system would be more likely to retain in their jobs, compared to those who perceived otherwise. On the contrary, this assertion did not hold true for respondents in this particular study. Even though effective performance appraisal was in place, this factor failed to bring about positive impact on respondents' intention to stay. One plausible explanation for this is employees did not see the importance of performance appraisal in relation to their current employment. They perhaps had no intention whatsoever to remain in the present employment. Compensation was found to have a significant positive relationship with employee retention. Moreover, satisfying compensation highly indicated relates to employee retention. This is consistent to Williams et al. (2007) found that if employees are satisfied with how the company operates and communicates its compensation policies, they remained committed to the organization. Additionally, an organization's reward system can affect the performance of the employee and their desire to remain employed (MacDuffie, 1995). The present finding appears to be consistent with previous studies that revealed positive relationship between compensation and employee retention (Francis, 2014; Haider et al., 2015; Kakar et al., 2015).

7. Limitations and Future Studies

The present study has numerous notable limitations, both conceptual and methodological. These limitations confine the interpretations of findings. Firstly, the present study covered only four dimensions of human resource practices (i.e. recruitment and selection, training and development, performance appraisal and compensation), therefore there is a need to study the impact of other dimensions of human resource practices on employee retention also. Secondly, this study had a small sample size; therefore, in order to get more generalize results the simple size could be increased for future research. Thirdly, this study only focused on the direct relationship between human resource practices and employee retention, Therefore, there is a need to develop conceptual and empirical models of human resource practices and employee retention relationship, which include mediating and moderating variables.

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