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The Impact of Human Resource Management Practices on Turnover of Bank Employees in Bangladesh

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This study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on the Employee Intention to Leave (EIL) in the Bangladeshi banks. The sample consisted of 233 employees working for different banks in Bangladesh. The data were gathered by administering questionnaires. The results indicated job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with EIL. Interestingly work family balance was not negatively correlated with EIL. These six variables can jointly explain 67% of the variance in EIL. Results of regressing the HR practices on EIL showed that compensation and job analysis are strong predictors of EIL.

Field of Research: Management, Human Resource Management, Employee turnover, Bank, Bangladesh.

1. Introduction

The effective performance of an organization depends not only on the available technical resources, but also on the quality and competence of its employees as required by the organization from time to time. The difference in the level of performance of two organizations depends on utilization value of employees. Moreover, the efficiency of production process and various areas of management depend to a greater extent on the level of quality employee retention and development. The term human resources refer to the knowledge, skills, creative abilities, talents, aptitude, values and beliefs of an organization's work force. The more important aspects of human resources are aptitude, values, attitudes and beliefs. But only a few companies in Bangladesh have started putting Human Resources Management systems in place that support this philosophy. Employee satisfaction is a prerequisite for staff retention. Organizations with higher staff retention rates are naturally better at retaining knowledge, which can lead to better performance and profit for the business. Improved employee satisfaction reduces the cost of staff turnover, builds brand loyalty with staff and positions the company as an employer of choice that attracts talented people to the organization. It is very important for management to have knowledge about the ways the employees are motivated. Sometimes it may be by monetary incentives or by internal factors like recognition and challenge at work.

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There are about fifty local banks in Bangladesh totally. Most of these banks are private commercial banks and specialized banks except for four nationalized commercial banks. The banking sector alone accounts for a substantial share of assets of the financial system. The efficiency of national investment depends on the complementary roles of both the private and public sectors and this financial sector requires a highly skilled manpower and quality information to undertake this vast range of tasks.

For banks in Bangladesh to survive in a very competitive environment, they need to design effective human resource (HR) practices that encourage the high performance of employees. Past researches have linked various HR practices to employee turnover. There are theoretical explanations or arguments (Miller & Wheeler 1992; Pitt & Ramasehan 1995; Trevor, Barry & Boudreau 1997; Abassi & Hollman 2000; Hoon, Heard & Koh 2000; Batt & Valcour 2003; Firth, Mellor, Moore & Loquet 2004) in respect of impact of realistic job information, job analysis, work family balance, career development, compensation, supervisor support (or HRM practices) on turnover of employees. It seems that there is a gap in the empirical knowledge available about the effects of HRM practices on turnover of employees in the organizational context particularly employee turnover in banks in Bangladeshi context from the perspective of managers.

This study finds out which variables causing employee turnover and how they impact employee intention to leave. In addition to this, the study also focuses on various HR practices in the banking industry.

The following chapter will give a thorough background on all of the concepts used in this study which derive from the work of others and explain how they relate to this study. Some related works on employee turnover and relationships between HRM Practices and Employee Turnover are covered in section 2. Section 3 describes the methodology. The result and analyses have been provided in section 4. Section 5 concludes the study with limitations and future direction.

2. Literature Review

2.1 Employee Turnover Research

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee’s turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin, Joan & Adrian 2004). 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 control employee turnover for the benefit of the organization success.

Employee turnover remains one of the most widely researched topics in organizational analyses (Dalton & Todor 1981). Despite significant research progress there still remains a great deal of confusion as to what factors actually cause employees to leave/remain in their organizations. Among those factors are the external factors (the labour market); institutional factors (such as physical working conditions, pay, job skill, supervision and so on); employee personal characteristics (such as intelligence and aptitude, personal history, sex, interests, age, length of service and so on) and employee's reaction to his/her job (including aspects such as job satisfaction, job involvement and job expectations) (Knowles 1964).

The reason so much attention has been paid to the issue of turnover is because turnover has some significant effects on organizations (DeMicco & Giridharan 1987; Dyke & Strick 1990; Cantrell & Saranakhsh 1991; Denvir & Mcmahon 1992).Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly (Hogan 1992; Wasmuth & Davis 1993; Barrows 1990). According to Hogan (1992), nearly twenty years ago the direct and indirect cost of a single line employee quitting was between $ 1400 and $4000. Turnover has many hidden or invisible costs and these invisible costs are result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organization.

Chang (1999) examined the relationship between career commitment, organizational commitment and turnover intention among Korean researchers and found that the role of career commitment was stronger in predicting turnover intentions. When individuals are committed to the organization they are less willing to leave the company. This was found to be stronger for those highly committed to their careers. The author also found that employees with low career and organizational commitment had the highest turnover intentions because they did not care either about the company or their current careers. Individuals with high career commitment and low organizational commitment also tend to leave because they do not believe that the organization can satisfy their career needs or goals. This is consistent with previous research that high career committers consider leaving the company if development opportunities are not provided by the organization. However, this group is not apt to leave and is likely to contribute to the company if their organizational commitment is increased. Chang found that individuals become affectively committed to the organization when they perceive that the organization is pursuing internal promotion opportunities, providing proper training and that supervisors do a good job in providing information and advice about careers.

2.2 HRM Practices and Employee Turnover

In order for banks to be competitive, they must retain their competent and motivated employees. For that they should understand the relationships between HRM Practices and Employee Turnover. These relationships for selected HRM practices are given below.

Realistic Job Information

Where pre-selection practices are concerned, Pitt and Ramaseshan (1995) found that individuals who displayed a higher tendency to leave their jobs were those who perceived that the job previews that they received during the interview process were not realistic.

Supervisor Support

Firth et al. (2004) found that emotional support from supervisors and self-esteem mediated the impact of stressors on stress reactions, job satisfaction, commitment to the organization and intention to quit. It is suggested that to ameliorate intention to quit and in turn reduce turnover, managers need to actively monitor workloads and the relationships between supervisors and subordinates.

Work Family Balance

In studies that focused on other HR practices, Bame (1993) found that employee turnover was lower when employees had shorter work hours and were given a choice of work schedules, even though their workload was higher. The results suggested that firms that provide employees with flexible work schedules had the advantage of reducing employee turnover. Batt and Valcour (2003) found that most effective organizational responses to work family conflict and to turnover are those that combine work family policies with other human resources practices including work redesign and commitment enhancing incentives.

Compensation (Benefits and Recognition)

In studies related to compensation, Park, Ofori-Dankwa and Bishop (1994) and Trevor, Barry and Boudreau (1997) found that salary growth had a pronounced effect on turnover. Particularly, salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees. Abassi and Hollman (2000) in their study have identified lack of recognition and lack of competitive compensation systems are some reasons for employee turnover in the organization.

Career Development

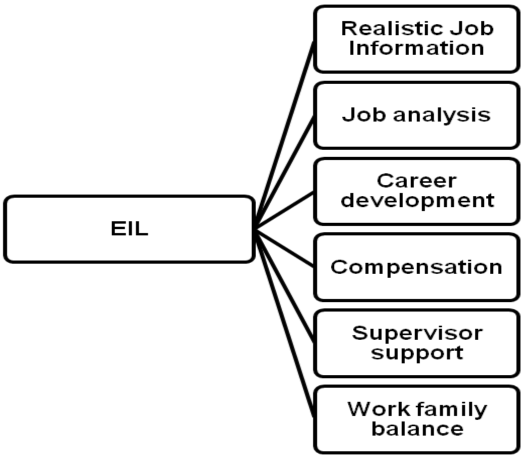
Miller and Wheeler (1992) found that the lack of meaningful work and opportunities for promotion significantly affected employees' intentions to leave an organization. Organizations were able to improve their employees' retention rate by adopting job enrichment programs and enhancing their advancement opportunities. Besides promotion opportunities, the evaluation criteria used in the promotion and reward system also had significant effects on employees’ turnover intentions (Quarles 1994). Ineffective performance appraisal and planning systems contributed to employees' perceptions of unfairness and they were more likely to consider leaving the organization (Dailey & Kirk 1992).

Job Analysis

Job Analysis (JA) is the building block for all HRM activities. The job analysis is a process of obtaining information about jobs (McCormick 1979). Conducting a JA and subsequently providing employees with a job description prevents the situation in which employees do not know what is expected of them to do. JA forms the foundation upon which virtually all other human resource management systems are built and it therefore impacts on employee turnover in general JA subsumes all other HR activities and therefore has a significant effect on employee turnover in general (Hoon et al. 2000).

The above review indicates that banks' HR practices have a significant impact on employee turnover. Hence, the purpose of this study is to investigate the impact of HR practices on employee turnover by considering HR practices of selected banks simultaneously. Based on the above-mentioned literature, realistic job information, job analysis, work family balance, career development, compensation and supervisor support can be identified as HRM practices that have impacts on employee turnover.

Figure 1: Conceptual framework



An analysis and review of the relevant literature on the subject and the various factors highlighted by key industry personnel in the preliminary interviews, it is evident that a single model may not throw light on the multiple HRM practices influencing the turnover as identified in various studies.

Therefore for ease of comprehension and measurement the following conceptual framework has been developed for the purpose of this study (Figure 1). The framework shows that employee is influenced by six (6) main HRM practices. The HRM practices are realistic job information, job analysis, career development, compensation, supervisor support and work family balance. These six (6) HR practices are labeled as the independent variables. Employee intention to leave is labeled as the dependent variable.

3. Methodology

The sample size for this study is 233 employees of 50 local and multinational banks. We have taken confidence level 99% and confidence interval 8.5 with population size more than one hundred thousand which indicates the requirement of minimum 230 samples. That justifies the sample size.

Before distributing the final questionnaire the researcher checked the questionnaire with two banking to find out whether the questionnaire was understandable, needs improvements etc. The questionnaire consists of 66 questions.

Questions are designed in a five point Likert scale to measure HR practices and employee intention to leave. Five point Likert type scale has been used in the questionnaire to measure HR practices. 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree have been given in order to analyze data.

Table 1: Questionnaire distribution according to category

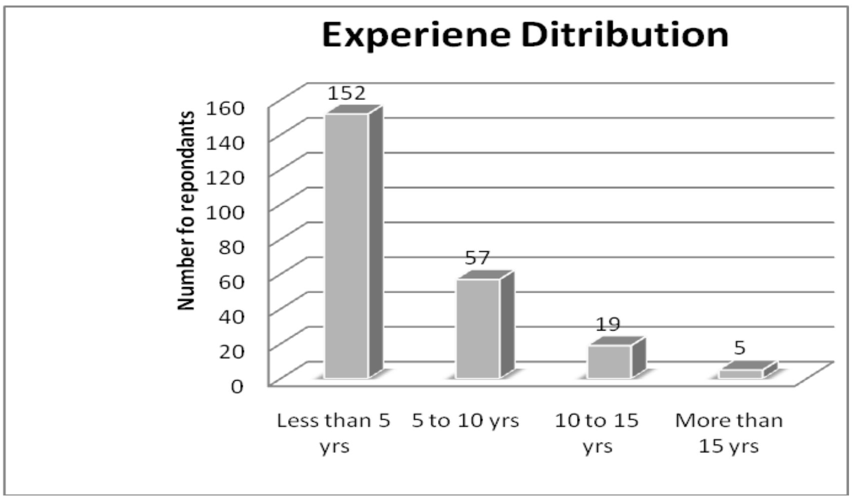
Category	Number of questions
Realistic job information	4
Job analysis	6
Career development	8
Compensation	19
Supervisor support	7
Work family balance	3
Intention to leave	18

The Cronbach's coefficient was used to get the inter item consistency reliability (Walsh 1995). Cronbach's alphas were 0.8096 for realistic job information. 0.7152 for job analysis, 0.8120 for work family balance, 0.7247 for career development, 0.8613 for compensation, 0.9132 for supervisor support and 0.8765 for Employees intention to leave suggesting that each instrument's internal consistency was satisfactory.

4. Findings and analysis

Most of the respondents (152 out of 233) were those who are in the banking industry for less than 5 years. The following chart (Figure 2) shows the number of employees surveyed from different experience group.

Figure 2: Number of employees surveyed according to years served in the industry



Source: Questionnaire Survey

Most of the personnel that we surveyed were male. Among the 233 respondents, only 39 of them were female; which is only 17% of our total respondents. It indicates the dominance of males in banking industry of Bangladesh.

4.1 Pearson's Product Moment Correlation Analysis

The results of Pearson's product moment correlation analysis used to find out the relationship of HRM practices and Employee turnover. The desired level of significance is 0.01.

Table 2: Correlations between intention to leave and compensation

		Intension to leave	Compensation
Intension to leave	Pearson Correlation	1	-.803**
	Sig. (1-tailed)		.000
	N	233	233
Compensation	Pearson Correlation	-.803**	1
	Sig. (1-tailed)	.000	
	N	233	233

**. Correlation is significant at the 0.01 level (1-tailed).

In this analysis one-tailed test was used. Each of the independent variables was tested against the dependent variable to compute the correlation. The SPSS result sheet for measuring correlation between compensation and EIL is shown in Table 2.

This shows the Pearson coefficient is negative, thus the compensation is negatively correlated to EIL. Similarly the coefficients for other variables were computed and the results are summarized below:

Table 3: Pearson Correlation for all selected variables and EIL

No	Independent variables	Employee Turnover(Dependent variable)
1	Realistic job information	-0.042
2	Job analysis	-0.315
3	Work family balance	-0.016
4	Career development	-0.661
5	Compensation	-0.803
6	Supervisor support	-0.445

According to the Table 3, Pearson correlation coefficient suggests that there is a negative relationship between all the independent variables and EIL. The results indicated in Table 3 for work family balance does not entirely reject the relationship but it is very weak. This means that the data does support the relationship (negative) between work family balance and EIL. The relationship between two variables is positive but not significant.

4.2 Multivariate Analysis

Multivariate analysis evaluates the simultaneous effects of all the independent variables on dependent variable. The results of regressing the six independent variables against the dependent variable EIL are shown in the Table computed in SPSS:

Table 4: Aggregate Impact of the HR practices on EIL

				Change Statistics				
R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
.816 a	.666	.657	.63522	.666	6.3888	6	226	.00005

a. Predictors: (Constant), Work_life_balance, Career_Development, Job_Analysis, Realistic_job_information, Supervisor_support, Compensation

The square of the multiple R is 0.666 indicates that the 66% of variance in EIL is explained by the six independent variables jointly. The F value is 6.388 that is significant at P = 0.0005 suggesting that six independent variables have significantly explained the 67% of the variance in EIL.

Table 5: The strengths of influence of independent variable on dependent variable

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	5.224	.240		21.751	.000
	Compensation	-.817	.075	-.844	-10.903	.000
	Career_Development	.121	.084	-.108	-1.446	.149
	Supervisor_support	-.240	.079	-.184	-3.017	.003
	Job_Analysis	.099	.081	.072	1.230	.220
	Realistic _job _information	-.043	.048	-.042	-.886	.376
	Work _life _balance	.054	.050	.051	1.077	.282

a. Dependent Variable: Intention to leave

The strengths of influence that each of the independent variable had on the dependent variable was determined by the use of multiple regression coefficients of the independent variables. The influence of each independent variable is shown in table 5.

As shown in the table compensation had the strongest significant effect on EIL with a standardized beta of -0.844. Supervisor support had significant effect on EIL with a standard beta of -0.184. According to this computation, work family shows a high positive t value showing that is there is no negative relationship between work family balance and EIL. According to Pearson, there is almost zero relationship between work life balance and EIL.

4.3 Stepwise Regression Analysis

A stepwise regression was done to find out the extent of contribution of each variable to R square value or the total explanatory power of the regression model.

The results of stepwise regression (Table 6) show that there were three predictor variables that could significantly contribute to the R square value. The combined effect is shown in table 7. Table 8 shows the coefficients of employee intention to leave.

The outputs from SPSS Analysis are shown as follows.

Table 6: Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Compensation	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	Supervisor_support	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Intension_to_leave

Table 7: Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812[a]	.660	.657	.63581

a. Predictors: (Constant), Compensation, Supervisor_support

Table 8: Coefficients[a]

Model		Standardized Coefficients				
		Beta	R^2	+ R^2	T	Sig.
1	(Constant)				31.506	.000
	Compensation	-.749	.644	.644	-17.662	.000
	Supervisor_support	-.130	.657	.013	-3.073	.002

a. Dependent Variable: Intension_to_leave

The results of the stepwise multiple regression analysis indicated that compensation had the highest beta value and contributed 65% to the variance in EIL. Supervisor Support had the second highest beta value contributed about 1.3%. Work life balance, career development, job analysis and realistic job information were not found contributing to the total explanatory power suggesting that compensation and supervisor support explained about 67% of the variation in EIL.

The relationship between the work family balance and EIL was found to be not negative. Though the literature supports the negative relationship, it was not true for employees in banks. When considering the HR practices in the model, it indicated that 66% of the variance in EIL is explained by six HR practices.

It is found that realistic job information, job analysis, career development, compensation and supervisor supports have negative relationships with EIL. The findings empirically confirm the theoretical arguments explained in the literature review.

Multivariate analysis suggests that two out of the six HR practices namely compensation and supervisor support were found to be explanatory factors having significant effects on EIL. Compensation was found to be the strongest HRM practice predictor of EIL.

Descriptive statistics reveal that employees of banks are neutral (neither agree nor disagree) on an average about HRM practices except job analysis, where they have indicated that job analysis situation had been favorable. These results suggest that all companies should improve the HRM practices.

It was impossible for six independent variables to account for variation in EIL. In fact other variables, which were not considered in this study, should be the variables that will account for the unexplained variance in the EIL. The researcher believes that the important independent variables may be HR and succession planning, due process, training, staffing, performance management, management styles. Future research studies are suggested to find out the effects of these factors on the EIL.

There is no significant difference between the means of the male and female population who intend to leave. Calculation in excel sheet shows that there is no significant difference between male and female employee intention to leave, thus proving the hypothesis research studies are suggested to find out the effects of these factors on the EIL. No significant difference between the mean value of overall satisfaction between age group cluster 1(22-30), 2(31-38) and 3(38+) and the total mean value.

At significance level 12% there significant difference of EIL between age group cluster 1 and age group cluster 3. So there may be a weak correlation. There is significant difference between overall satisfaction of design cluster 1(Assistant officer to Senior Officer) and cluster 2(Junior assistant vice president and above) which proves the hypothesis overall satisfaction will vary with job level, with higher the job level, higher the satisfaction.

5. Conclusion

This study was limited to investigating the impact of HRM practices on EIL in Banks in Bangladesh. Further investigations in other types of industries may provide additional insights into the findings of the study. Another important limitation is that this analysis was cross-sectional in nature. Additional research is suggested to be done longitudinally in order to assess the impact of the factors over time.

Work family balance and EIL was positively correlated. Findings suggest that most of the employees believe that banks are in support for work family balance. Compensation and job analysis were found to be strong HRM practice predictors of EIL. The implication of this finding is that compensation and job analysis are the most critical HRM practices to be implemented by banks to reduce EIL.

The findings of this research study will be important both on the theoretical level and practical level. It was almost possible to substantiate empirically the research model developed for this study. From the perspective of the banks, these findings should assist in developing a set of HRM practices that can potentially assist a firm to reduce the degree of the EIL.

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