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The Impact of Human Resource Management Practices on Retention of Factory Officers: A Study on Tea Plantation Sector in Kegalle District in Sri Lanka

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Abstract

Area of the Study

This study attempts to identify the impact of Human Resource Management (HRM) practices on employee retention based on tea plantation sector in Kegalle district in Sri Lanka.

Problem of the Study

There is an empirical and knowledge gap in the Sri Lankan context on the relationship between HRM practices on employee retention of middle level managers (factory officers). The main objective of this research is to identify the impact of HRM practices on the retention of factory officers in the tea plantation sector in Kegalle district in Sri Lanka. The research problem of this study is: Do HRM practices of factory officers, welfare management, training, career development, compensation management and labour relations practices encourage to retention of factory officers in the tea plantations in Kegalle district?

Method of the study

This study was quantitative in nature and 77 factory officers were randomly selected for the study. Structured questionnaire, which was consisted of independents and dependent variables of the research model, was used to gather the primary data and SPSS (Version 16) was used to analysis the data. Univariate and bivariate analyses were used to analysis the primary data.

Findings of the Study

The findings of the study reveal that welfare management, training, career development, compensation management and labour relations practices of factory officers influence their retention in the tea plantation.

Conclusion of the Study

It is concluded that there were positive relationship between HRM practices (Employee Welfare Management, Training, Career Development, Compensation Management and Labour Relations) and retention of factory officers in tea plantation in Kegalle district. Hence, the management can introduce various strategies to retain their factory officers.

Keywords: HRM Practices, Employee Retention, Tea Plantation, Factory

Introduction

Human Resources (HR) are the backbone of an organization. Moreover, the continuing prosperity of an organization depends on employee's attitudes, value, beliefs while those are aligned with the corporate vision of the organization. According to Aleem, et al. (2012)^[01], building and sustaining a committed workforce within the organization is very critical point

and HRM is considered as the infrastructures for that. So the satisfied workers are a vital resource not only for the organization but also for the whole economy.

As Chew and Chan (2008) when the managers fail to retain their staff have to face many ongoing organizational issues such as the high cost of requirement and selection, the delay and productivity loss during the assimilation period, the likely loss of business opportunity, poor customer relationship, and hidden cost of loss productivity. As Chew and Chan (2008) highlighted that the importance of retaining employees as an aspect of survival of any organizations. Therefore, many organizations are striving to generate a activist organizational climate in an challenge to retain priceless employees through various HRM practices.

As Yazam and Ahamid (2011), increasing organizational performance through high work effectiveness and efficiency, the organization has to focus its employees. For that any organizations have to keep on the high talented employees within the organization for a long period of time. As Becke, et al in 1996 frequently HRM practices are a factor for deciding employee skills, employee motivation, and work design as well as influence the employees' creativity, efficiency and unrestricted conduct (Aleeem et al. 2011).

Most of studies conducted on HRM practices have specific focus on developed nations. In developing countries like Sri Lanka, limited research is conducted with particular focus on the relationship between HRM practices and employee retention in the tea plantation sector. Tea production is one of the major resources of foreign exchange for Sri Lanka, and accounts for 2% of GDP, contributing US \$1,527 million in 2013 to the economy of Sri Lanka. It employs, directly or indirectly, over 1 million people, and in 1995 directly employed 215,338 on tea plantations and estates (Sri Lanka Tea Board website).

Due to the less awareness of the best HRM practices, the tea plantation sector have been faced a problem of retaining the talented employee in the field. Then, there is a question that "What are the best HRM practices that can be helped to retain the middle level managers (factory officers) in the tea plantation sector?"

Problem Background and Problem of the Study

It is intended that the findings of this study will help to provide more theoretical evidence by filling the gap in the research literature concerning the impact of HRM practices on employee retention. In today's highly aggressive labor market, there is wide-ranging evidence that organizations regardless of size, technological advances, market focus and other factors are facing the challenge of employee retention (Ramlall 2004). Research on Human Resource Management practices have been studied extensively among manufacturing and services companies. These theoretical and empirical studies have generally focused on HRM practices within western organizations. Relatively few studies have been done to investigate the impact of HRM practices on employee retention in Sri Lankan tea plantation (Wickremasinghe 2008). This study gets an effort to measure the impact of HRM practices on employee

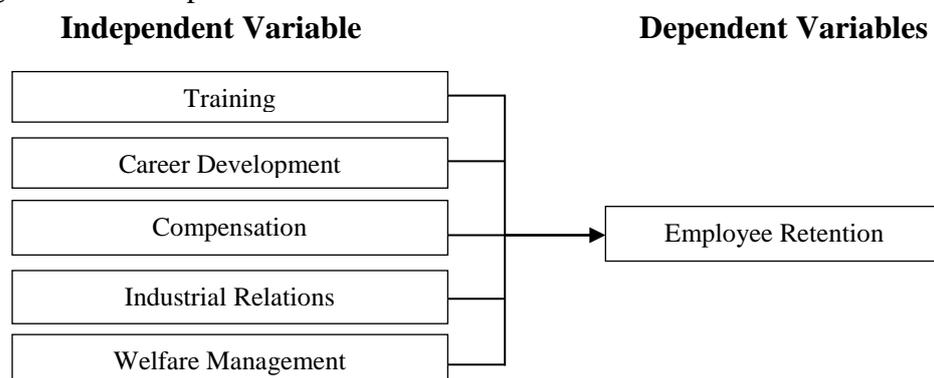
retention in tea plantations in Kegalle district. As Renaud et al. (2014), HRM practices considered to contribute to employee retention and organizational performance.

The research problem of this study is: *Does the HRM Practices (Employee Welfare Management, Training, Career Development, Compensation Management and Labour Relations practices) encourage to retention of factory officers in the tea plantations in Kegalle district?*

Research Framework

This conceptual framework mainly highlights the relationship between two variables. HRM practices are considered as independent variables in this study and the dependent variable is employee retention. Figure 1 depicts the conceptual framework of the study.

Figure 01: Conceptual Framework



Welfare Management

Employee welfare facilities play a significant role in influencing the level of satisfaction of employee while ultimately they will retain with the organization. According to Opatha (2012)^[10] employee retention can be identified as providing facilities and comforts employees of an organization as a results they will be able to lead a better level of living. Hence organization provides certain facilities and comforts to the employee in addition to wages/salaries and incentives. This concept provides a broad meaning, which include variety of facilities. The organization has to spend a considerable amount of money in order to provide a better welfare system for the employees, which considers as an investment. Better welfare system is caused to motivate the employees in long run as well as attract and retain the employees. As Wickremasinghe (2008) states tea plantations are considered as the sector with the highest welfare facilities for its workers in Sri Lanka, which provides assistance to them. This leads to the following hypothesis.

H₁: There is a positive relationship between welfare management practices and employee retention of the factory officers in the tea plantation.

Training

The training of employees is more and more recognized as a vital aspect of best HRM practices. Giving a training to employees arise many benefits to the both trainee as well as

organization (Opatha 2012). Training provides awareness to employees regarding rules and guidelines which guide behaviour and attempts to improve their performance on the current job. As Goldstein in 1991 and Menezes in 2003, training can be recognized in different forms of human assets investment for improvement of individuals and organizations (Chew & Chan 2007). When there is a proper training practices, employee will be able to do their job better. The purpose of training is to achieve a change in the behaviour of those trained and to enable them to do their jobs better. For that there should have a better training programme and it should bring the positive outcomes in skill, knowledge, and attitudes (Opatha 2012). Organizations with significant training opportunities should experience lower turnover rates (Ramllal 2004). Based upon this, it is hypothesized:

H₂: There is a positive relationship between training practices and employee retention of the factory officers in the tea plantation.

Career Development

To motivate employee, it is important that management help them with opportunities for career development. According to Wickremasinghe (2008) the lack of meaningful work and opportunities for promotion significantly affect to the employees' intentions to leave an organization. As Karron and Freese (2013) in their analysis showed that career development motivation is related to retention at the agency. Further they revealed career development motivates to learn about future projects and if the employee does not perceive career development motives, their turnover intentions will be higher. Organizations are always trying to get better their employees' retention rate by accepting the job enrichment programs and enhancing their advancement opportunities. Not only opportunities, but also the evaluation criteria used in the promotion and reward system also have significant effects on employee's intentions to retention. It expects to replicate these results:

H₃: There is a positive relationship between career development practices and employee retention of the factory officers in the tea plantation.

Compensation

Compensation is implied agreements between an employer and an employee. As Willis in 2000, compensation is the most critical issues to attract and retain the talents (Chew & Chan 2007). As Steers and Porter in 1991, Mobley in 1982 and Lawler in 1987, an individual who received monetary compensation from the organization is affected to their decision as voluntary turnover or stay within the organization (Murphy 2004). Further they identified seven variables as a predictor for turnover including pay. Shaw, et al. in 1998 and Becker and Huselid in 1999 and Guthrie in 2001 found that highly competitive wage systems endorse commitment of the employees and thus results in the attraction and retention of a better-quality workforce (Zhao & Kay 2009). For these reasons, we propose the following hypothesis:

H₄: There is a positive relationship between career development practices and employee retention of the factory officers in the tea plantation.

Labour Relations

As Glueck (1979) defines that labour relations is a continuous relationship between a defined group of employees and an employer. Hence, manager deals with each individual who is in the organization. According to Aziz in 1967, this concept is a border concept and it is concerned with relations between employees or staff and employers or management (Opatha 2012). For these reasons, it proposes the following hypothesis:

H₅: There is a positive relationship between labour relations practices and employee retention of the factory officers in the tea plantation.

Method

Study Design

This study was conducted in a quantitative design by collecting data through a questionnaire and the two variables were identified and tested based on the hypotheses developed. This study focuses on hypotheses testing and identifying correlation between variables. These types of studies usually explain the nature of certain relationships and explain the variance in the dependent variable. The target population of the study is factory officers in Kegalle district in Sri Lanka. The survey was carried out among the sample of 80 factory officers who work in tea plantation in Kegalle district. The sample method of the survey was stratified random sampling.

Procedures

After developing and piloting a questionnaire to investigate the impact of human resource management practices and employee retention, the modified survey questionnaire were sent to individual groups of factory officers. The sample consisted of four tea factories which produce black tea (Illukthenne estate, Noori estate, Sapumalkanda estate and Maliboda estate) of Bogawanthalawa tea plantation in Deraniyagala division in Kegalle district. At the beginning, 80 factory officers were invited to answer the questionnaire. Of these 80 factory officers, 77 answered the questionnaire, for a 96 per cent response rate.

Table 01: Sample Details

Sample	Sample Size	Responded Sample Size
Tea factory officers	04	04
Senior assistant tea factory officers	22	22
Assistant tea factory officers	38	35
Junior assistant tea factory officers	15	15
Trainee Tea Factory Officers	01	01
Total	80	77

There were no female factory officers and all were male (100%). There was a fairly even distribution across various age groups (e.g. 1.3% less than 20, 16.9% between 20-29, 44.2% between 30-39, 29.9% between 40-49, 7.8% who were more than 50 years old). There was a fairly even distribution across service period of 1.3% between 1 month and 6 month, 6.5% between 6 month and 1 year, 10.4% between 1 year and 2 year, 37.7% between 3 year and 5 year, 44.1% who were more than 5 years.

Measures

A questionnaire was selected as the major source of data collection and the researcher gathered first hand data by distributing this questionnaire. This is considered to be the best and most practical method to conduct a survey collect data from a sample of this size. The questionnaire consisting of 60 questions were made to collect data. It was organized into two sections and was used to collect data from factory officers. Section one consisted of 10 questions regarding the personal details of respondents such as age, experience, sex, designation, education and marital status.

Section two was designed to test employee's perceptions about HRM practices (Welfare Management, Training, Career Development, Compensation and Labour Relations) and employee retention was measured using questionnaire developed by Luthans 2002^[23] and Anon 2003^[24]. A five-point Likert scale has been used in this second section of the questionnaire to measure the impact of HRM practices on employee retention. The scaling is: 5 for Strongly Agree, 4 for Agree, 3 for Neither Agree or Disagree, 2 for Disagree and 1 for Strongly Disagree have been given in order to analyze data.

Techniques of Data Analysis

To test the hypotheses, Pearson's product moment correlation analysis, frequency analysis and linear regression analysis were used. The statistical computer package SPSS (Version 16.0) was utilized to analyze the data.

Validity and Reliability

The consistency reliability was examined with Cronbach's Alpha test. The results of Cronbach's Alpha test are given in Table 02, which suggest that the internal reliability of each instrument is at satisfactory level (Kottawatta 2014).

Table 02: The results of Cronbach's Alpha test

Instrument	Cronbach's Alpha	No of items
Human Resource Management Practices	.885	41
Employee Retention	.863	19

The content validity of the instrument was ensured by the conceptualization of the variables on literature (Kottawatta 2014) and the content validity of the variables of the study was ensured by the fact that the correlation support the hypotheses formulated linking the relationship between the independent variables and the dependent variables (Kottawatta 2014) ^[16].

Results

To investigate the responses for independent and dependent variables, univariate analysis was used. The results of the univariate analysis are given in Table 03.

Table 03: Univariate Analysis

	Welfare Management	Training	Career Development	Compensation Management	Labour Relation	Employee Retention
Mean	3.7273	3.8727	3.7807	3.3241	3.9177	3.7813
Std. Error of Mean	.10713	.13920	.11050	.09964	.14477	.07423
Median	4.0000	4.1000	4.1111	3.5000	4.5000	4.0000
Mode	4.33	4.60	4.22	3.80	4.67	4.11 ^a
Std. Deviation	.94006	.22148	.96965	.87433	.27034	.65136
Variance	.884	.492	.940	.764	.614	.424
Skewness	-0.470	.240	.532	-0.319	.437	.542
Std. Error of Skewness	.274	.274	.274	.274	.274	.274
Kurtosis	.868	.709	.041	.797	.569	.007
Std. Error of Kurtosis	.541	.541	.541	.541	.541	.541
Minimum	1.50	1.40	1.22	1.20	1.00	2.21
Maximum	4.83	9.50	4.78	4.50	5.00	4.42

According to Table 03, the HRM practices are strong or highly favourable since it is greater than 3 the mean value of employee retention is also greater than 3, then employee retention of the respondents is good.

The results of Pearson's product moment correlation analysis used to test the hypothesis are presented in Table 04. The desired level of significance is 0.01. As this hypothesis is a directional hypothesis, two-tailed test was used.

According to Table 04, Pearson correlation coefficient suggests that there is a positive relationship between the entire independent variables and factory officer's retention.

Table 04: Pearson Correlation for all selected variables and factory officer's retention

No.		Pearson Correlation	Sig. (2-tailed)
1	Welfare Management	0.941	0.000
2	Training	0.819	0.000
3	Career Development	0.932	0.000
4	Compensation Management	0.897	0.000
5	Labour Relations	0.936	0.000

** . Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 04, there is a statistical evidence to claim that there is a positive relationship between welfare management and factory officer's retention, there is a positive relationship between training and factory officer's retention, there is a positive relationship between career development and factory officer's retention, there is a positive relationship between compensation and factory officer's retention and there is a positive relationship between labour relations and factory officer's retention. In other words, a strong HRM practices have a positive impact on employee's retention.

Discussion and Conclusion

The major findings of the study can be summarized as below.

1. There is a positive relationship between welfare management practices and employee retention of factory officers in the tea plantation in Kegalle district in Sri Lanka (r is 0.941 and Sig is 0.000).
2. There is a positive significance between training and employee retention of factory officers of the tea plantation sector (r is 0.819 and Sig. is 0.000).
3. There is a positive relationship between career development practices and employee retention of factory officers in the tea plantation in Kegalle district in Sri Lanka (r is 0.932 and Sig is 0.000).
4. There is a positive relationship between training practices and employee retention of factory officers in the tea plantation in Kegalle district in Sri Lanka (r is 0.897 and Sig is 0.000).
5. There is a positive relationship between labour relations practices and employee retention of factory officers in the tea plantation in Kegalle district in Sri Lanka (r is 0.936 and Sig. is 0.000).

Also the findings of this research study shall be important on the theoretical as well as practical scenario. The findings of this study are important to improve human resource management practices and employee retention of factory officers in tea plantation in Kegalle district. To improve the employee retention more than current position, researcher suggests some recommendations. Hence, tea plantation needs to pay significant attention further for welfare management which includes voluntary welfare facilities and statutory welfare facilities especially the transport facilities for trainee. Management should make awareness programme for all existing welfare scheme that some employees are satisfied and some are not satisfied with the present welfare scheme. Further, tea plantation should focus to improve effectiveness of the training programs that conducted for trainee factory officers and should give feedback for them as better to revise the time duration for training. Hence effective career development programme needs to be established which provide better feedback for factory officers to successfully adjust with the career stage model and it needs to concern about the career plateaus for senior factory officers in tea plantation as a solution tea plantation needs to be created quasi- promotion opportunities for them. Further it is not easy to handle with operational level employees that bring high stress for factory officers so that tea plantation further should maintain proper grievances handling process and better to conduct a counseling programme on behalf of factory officers in tea plantation. As well as tea plantation need to invest more time for maintain sound welfare management programme, training programme, career development programme, compensation adjustment, salary increment plan and sound labour relation throughout the year. This will ensure the factory officer's retention for long time periods, which enhance benefit to both the factory officers and tea plantation.

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