The Human Resource Management Can Reduce Turnover?

Marlize Paulo da Silva (Corresponding author)
Master in Business Administration at FEA-RP, University of São Paulo (USP), Brazil
Av. XV de novembro, 171. Maringá (PR), Brazil. CEP: 87.013-230
Tel: 55-44-8832-7818   E-mail: marlizepaulo@usp.br

Gilberto Tadeu Shinyashiki
Professor Doctor at FEA-RP, University of São Paulo (USP), Brazil
Av. Bandeirantes, 3900. Ribeirão Preto (SP), Brazil. CEP: 14.040-900
Tel: 55-16-3602-4474   E-mail: gtshinya@usp.br

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Abstract
The objective of this work was to identify whether practices in Human Resources Management – Recruitment and Selection, Integration, Training and Development, Benefits, Compensation and Performance Evaluation – have any relation to turnover. It consisted of an applied, descriptive and quantitative research among Brazilian private companies. Human resources data were collected using the McConnell instrument (2001), and turnover rates – global, voluntary and involuntary – were taken from the 2011 calendar year. The results indicate that companies intending to slow or reduce employee turnover need to invest in practices of Recruitment and Selection, Benefits, and Training and Development. On the other hand, the practices of Compensation, Integration and Performance are not significantly linked to turnover, unlike indicated in other studies.

Keywords: Human Resources Management, Turnover, Personnel retention, Brazilian companies
1. Introduction

Brazil has seen a certain organization deficiency in employee retention, considering that turnover surpassed 50% in 2008 and 2010, meaning that over half of all employment contracts were severed. These short relationships were also expressed in the statistic that over 40% of workers did not spend six months under the same employer (DIEESE, 2011).

Huselid (1995), Bohlander & Snell (2010), Cascio (2010) and Schuler & Jackson (1996), among others, look beyond academic discussions to conclude that people are the source of the competitive advantage of organizations. Therefore, the role of organizations in confronting this turnover comes into question. In addition to that factor, current competition between companies for personnel begs the question: which Human Resources Management (HRM) influence turnover?

2. Personnel Management and Turnover

There is a consensual discussion regarding the strategic role that people have within organizations, as they are a source of competitive advantage, add value to the business, and are producers and disseminators of knowledge. Therefore, the paradigm of the human factor of labor highlights the need to value and develop it through HRM policies, in order to perpetuate the sustainable growth of organizations (Schuler, & Jackson, 1996; Milkovich, & Bourdeau, 2000; França, 2008; Cascio, 2010; Bohlander, & Snell, 2010; Robbins, Judge, & Sobral, 2010).

Schuler & Jackson (1996) emphasize that choosing which human resources (HR) practices a company should adopt involves a series of questionings and positions guided towards the business of the organization. Selecting this list of practices requires caution, given the impact they can have on the overall behavior of the organization and the people within it. To Hanashiro, Teixeira & Zaccarelli (2008), these practices should involve: Attracting and Selecting Personnel; Compensation; and Performance Development and Management. Marras (2000) include workplace hygiene and safety, the personnel department and labor relations, while Chiavenato (2004) further suggests the process of personnel monitoring.

In the aspect of Recruitment and Selection, the need to reduce turnover becomes evident in personnel selection, by conducting a more focused process on the evaluation of components which Marras (2000) and Schuler & Jackson (1996) regard as indispensable: the requirements of the position (characteristics the position requires from the professional, comprising knowledge, skills and attitudes essential for good job performance) and candidate characteristics (his/her set of knowledge, skills and attitudes).

The subsequent process, Integration and Socialization, shows empirical evidence of its impacts on the organization and its employees. The practices that make up this process help the newcomer feel more secure over the attributes and performance expected from him/her, thereby increasing the sensation of autonomy, creating feelings of satisfaction towards the company and the job position; the likelihood of turnover is thereby reduced. If the process is
conducted well, it can reduce uncertainties, make the newcomer understand his/her role within the company, increase satisfaction and reduce turnover intentions (Cooper-Thomas & Anderson, 2005; Jaskayte, 2005; Borges, Cristo & Silva, Melo & Oliveira, 2010; Cascio, 2010).

Tanure, Evans & Pucik (2007) point out that 93% of Brazilian executives see Training and Development as a challenge and regard it as a very important retention factor. This issue has gained strength and significance in Brazilian HRM publications according to the study by Demo, Fogaça, Nunes, Edrei & Francischeto (2011), who justified the reasons why investigations start from concerns over personnel qualification and retention. Old and recent works regarding the link between turnover and the practice of Training and Development reveal the existence of a significant negative correlation between those variables (Arthur, 1992; Huselid, 1995; Huselid, Jackson & Schuler, 1997; Luna-Arocas & Camps, 2007; Naqvi, & Nadeem, 2011; Wang, Zhang & Xiongfei, 2011).

For its part, the practice of Performance Evaluation, according to Bohlander & Snell (2010), refers to a formal system structured to measure, evaluate and influence worker attributions, behaviors and results. It involves finding out how the employee does today and whether he/she can do better in the future. To that end, it must be combined with plans for training, development, career and compensation. Whenever workers notice this, they can feel more secure, yet challenged to remain in that same organization (Price, 1981; Allen, Shore & Griffeth, 2003; Petterson, 2004; Huang, Lawler & Lei, 2007; Luna-Arocas & Camps, 2007; Kazi & Zedeth, 2011; Wang et al., 2011).

Another HRM practice involves Rewards. Dealing with personal rewards is a topic that interests and instigates most companies, as it is considered one of the largest operational costs for organizations to bear. Nevertheless, rewards are capable of significantly impacting the success of business strategies, and act as a tool for employee development and motivation, especially with regard to personnel retention. This can effectively occur, even regardless of strategic guidance of the rewards system, only when it does not forsake aspects such as equity in employee wages, attraction and maintenance of talents essential to the organization, compensation for past employee performance, its link to future performance of organizational goals, stimulus of behaviors relevant to the business, its link to the values of the company and its use as a management performance tool that aligns strategies to compensation, with a view to worker development (Hanashiro et al., 2008).

Previous studies have already indicated the negative correlation between rewards and turnover, such as the works by Huselid et al. (1997), Junior & Albuquerque (2002), Paré & Tremblay (2007) and Naqvi & Nadeem (2011). Studies on employee perception of fair distribution also point out that the lower the perception of equity, the greater the intentions of turnover (Price, 1981; Siqueira & Ferreira, 2005; Cançado, Moraes & Silva, 2006; Kazi & Zedeth, 2011; Lopes, Moretti & Alejandro, 2011).

Thus, it becomes clear how HRM practices can serve as indicators of high or low turnover, as they impact the degree of satisfaction and commitment of professionals. With that, this study
therefore aimed to find out whether there are links between HRM practices (independent variables) and turnover of personnel (dependent variable).

3. Method

The chosen HRM practices were: Recruitment and Selection; Integration; Training and Development; Benefits; Compensation; Performance Evaluation. The choice was made based on notes taken from certain studies, such as those by Lacombe & Albuquerque (2008), Jabbour, Freitas, Teixeira & Jabbour (2012) and Beckingham & Coffman (1999).

Turnover data were taken from the year 2011. Turnover was classified as either: global, voluntary (worker resigns) or involuntary (company terminates the worker). It was calculated as the number of severances during the period divided by the average number of employees within the organization during the same period – the year 2011 (Cascio, 2010).

3.1 Sampling and data collection

The sample used for this research was obtained from two sources. The first was the Brazilian Association of Training and Development (ABTD) at its regional office in Londrina, southern Brazil (with 310 affiliated companies). The other source consisted of client companies of a software company located in Maringá, southern Brazil (87 companies). The choice for this section of the south of the country was made due to the ease of access by researchers; therefore, the sample was directed by convenience.

The companies were contacted through the mailing list of the abovementioned channels, at the email of the professional responsible for the HR department of each company. They received an e-mail with an individual hyperlink to an electronic platform containing the questionnaire. Companies participating in the study did not have to reveal their identities.

Of the 397 companies invited to take part in the research, 62 sent back filled out questionnaires. As one of the objectives of the study referred to the location of responding companies (the southern region of Brazil), only questionnaires from companies in that area were considered. This limited the sample to 36 companies.

3.2 Instrument

Data was obtained using a questionnaire, adapted from McConnell (2001) in his work *Auditing your Human Resources Department*. That author aimed to measure the level of efficiency of HR departments. Due to length considerations, 29 of the 232 questions that comprised the original questionnaire were selected, according to their relevance to the ranking of practices, as well as for easier understanding of the questions by respondents. The questions in the instrument had closed answers, in which each type of answer was given a score, which converged at the end of the survey into an overall scale to assess the level of HR efficiency.

Given the editing in the number of questions, it became necessary to identify their internal reliability. The following scales were used: Recruitment and Selection – RS (0.64) with four items, Integration – INT (0.44) with three items, Training and Development – TD (0.64),
Benefits – BENEF (0.70), Compensation – REM (0.64), Performance Evaluation – AD (0.70), and Human Resources Management – HRM (0.87), comprising the set of all practices. According to Hair, Anderson, Tatham & Black (1998), the value of Cronbach’s alpha is satisfactory whenever it is greater or equal to 0.70, whereas Malhotra (2006) accepts values starting at 0.60 for studies in the fields of social and human sciences. Therefore, the alpha values in this instrument can be regarded as within an acceptable rate, except for the Integration scale, which must be observed with caution (0.443).

4. Results and Discussion

The results unfold into three sections: (1) turnover rates; (2) effectiveness scores of HRM practices; and (3) correlations between turnover and HRM variables. Table 1, featuring turnover statistics, is analyzed first.

Table 1. Turnover statistics in the sample

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Standard error of the mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Turnover</td>
<td>36</td>
<td>40.82</td>
<td>33.914</td>
<td>5.652</td>
</tr>
<tr>
<td>Voluntary Turnover</td>
<td>36</td>
<td>18.15</td>
<td>16.479</td>
<td>2.746</td>
</tr>
<tr>
<td>Involuntary Turnover</td>
<td>36</td>
<td>22.87</td>
<td>22.820</td>
<td>3.803</td>
</tr>
</tbody>
</table>

Among the identified turnover rates – global (40.82), voluntary (18.15) and involuntary (22.87) – it is seen that in addition to them being high, the rate of involuntary turnover rates are higher than voluntary rates. This may be due to the fact that severances in these companies have occurred more often at the request of the organization itself – although this analysis requires caution given the variance of the means.

Figure 1 identifies the independent variables of HRM practices.
Figure 1. Point comparison between HR practices of companies in the sample using McConnell’s maximum effectiveness measurement (2001)

RS = recruitment and selection; INT = integration; TD = training and development; REM = compensation; BENEF = benefits; AD = performance evaluation; HRM = full set of Human Resources Management practices.

Figure 1 presents the variables and their absolute efficiency scores, as well as a comparison between these numbers and the ideal number desired by HR departments according to McConnell (2001). Figure 1 indicates, for instance, that of the 249 maximum efficiency points indicated by McConnell (2001), the companies in the sample achieve a mean score of 136.95 points – 55.0% of the total. This means that the personnel management groups investigated herein showed practices with more limited development. Little attention has been given to the practices of Recruitment and Selection (46.5%), Training and Development (51.13%) and Performance Evaluation (40.31%).

As shown in Table 3, in order to perform the correlation test for the variables, the work of Siegal (1956) was used, which recommends that Spearman’s Rho test be applied when using small samples.
Table 2. Spearman’s Rho correlations between the variables of the study

<table>
<thead>
<tr>
<th></th>
<th>TG</th>
<th>TV</th>
<th>TI</th>
<th>AD</th>
<th>BF</th>
<th>IT</th>
<th>RS</th>
<th>TD</th>
<th>RE</th>
<th>HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>TG</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>.865**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TI</td>
<td>.754**</td>
<td>.442**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AD</td>
<td>-.266</td>
<td>-.169</td>
<td>-.285</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BF</td>
<td>-.252</td>
<td>-.075</td>
<td>-.430**</td>
<td>.216</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>-.034</td>
<td>-.083</td>
<td>.108</td>
<td>-.291</td>
<td>.107</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS</td>
<td>-.521**</td>
<td>-.540**</td>
<td>-.267</td>
<td>.197</td>
<td>-.228</td>
<td>.304</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TD</td>
<td>-.342</td>
<td>-.180</td>
<td>.444**</td>
<td>.307</td>
<td>.524**</td>
<td>.202</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RE</td>
<td>-.207</td>
<td>.019</td>
<td>-.263</td>
<td>.290</td>
<td>.362**</td>
<td>.241</td>
<td>.164</td>
<td>.399*</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>HRM</td>
<td>-.272</td>
<td>-.182</td>
<td>-.177</td>
<td>.590**</td>
<td>.425**</td>
<td>.604**</td>
<td>.356</td>
<td>.710**</td>
<td>.637**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**. The correlation is significant at level 0.01 (2-tailed).
*. The correlation is significant at level 0.05 (2-tailed).

TG = global turnover; TV = voluntary turnover; TI = involuntary Turnover; AD = performance evaluation; BF = benefits; IT = integration; RS = recruitment and selection; TD = training and development; RE = compensation; HRM = full set of Human Resources Management practices.

From Table 2, the variables that showed significant negative correlation with turnover are:

1. Recruitment and selection x Global turnover
2. Recruitment and selection x Voluntary turnover
3. Benefits x Involuntary turnover
4. Training and development x Global turnover

Recruitment and selection showed a significant negative correlation with turnover (-0.540 voluntary and -0.521 global). Recruiting and selecting the correct professionals in terms of qualification and considering individual traits that match the culture and organizational management are essential steps for this process to be efficient and result in few severances – in this case, by decision of the employee (voluntary turnover). The process de recruitment and selection aims to hire professionals that can fit into the organization. To that end, two adjustments are necessary: First, assessment of knowledge, skills and aptitudes, and requirements of the job task, based on the job description; second, assessment of individual personality, considering needs, interests and preferences. Whenever these requisites are combined with the organization’s culture and strategy, they become good predictors for future job satisfaction, as well as motivation and good performance (Schuler & Jackson, 1996). However, when there is no structured recruitment and selection practice, the company can become lost among the requisites to be evaluated in the candidate, resulting in an inadequate hire that can cause frustration and failure in the new employee when performing his/her activities, added to difficulty in adjusting to the environment and culture of the organization, creating dissatisfaction and demotivation. Combined, these factors can cause the new employee to resign. This explains why companies with poorly elaborated recruitment
and selection practices showed a negative correlation with voluntary turnover. Other works also corroborate the result found herein, including Huselid, Jackson & Schuler (1997), Mocelin & Silva (2008), Naqvi & Nadeem (2011) and Chen & Cheng (2012).

Benefits, which are included in the rewards plan (and therefore are part of indirect compensation), are tools through which companies attract and retain their talents, for widely known reasons: employee benefits coverage is more financially attractive and is regarded as one less expense by employees, as the company bears these costs, partially or in full. To the company, they are a component that facilitates indirect compensation, resulting in lower taxes and therefore reduced costs (Chiavenato, 2004; Cascio, 2010). The existence of benefits practices may indicate a certain concern with PM by the organization. When these practices are inexistent, it therefore demonstrates that the organization attributes little value to its employees. In Table 2, the practice of benefits and the all other PM practices also show negative correlation with involuntary turnover – that is, it can be seen that the existence of poorly structured PM practices denotes that the organization has an overly simplistic view of its employees, and opts to solve problems related to recruitment, training, evaluation, compensation and benefits through termination rather than by structuring specific PM practices. It is therefore possible to understand the result of the correlation between benefits and voluntary turnover.

Another pertinent result in the significant relationship with turnover is that of Training and Development (-0.342). This PM practice has played an important role in reducing turnover, according to other studies such as those by Arthur (1992), Huselid (1995), Huselid et al. (1997), Luna-Arocas & Camps (2007), Naqvi & Nadeem (2011) and Wang et al. (2011). This practice can be understood as a source of expanded strengthening of organizational competences, which is quite advantageous to the company while providing employees with a means to become qualified and grow professionally and personally. If the organization has a career plan aligned with Training and Development, professionals are more likely to remain with the company (Schuler, &Jackson, 1996; Tanure et al., 2007).

The correlations found in this study are important to partially substantiate data already found and disseminated in the literature. Nevertheless, not all practices showed significance with turnover or achieved the same results of previously published studies.

A relatively unexpected result was that the variable Compensation does not show a strong relationship, given that strong negative correlations were identified between compensation and turnover in the works by Huselid et al. (1997), Junior & Albuquerque (2002), Paré & Tremblay (2007) and Naqvi & Nadeem (2011). This indicates that compensation practices, even at more developed levels, do not contribute to lower turnover rates. It is common to find professionals complaining about compensation in the corporate world, which culminates in the logical conclusion that they may very likely resign from an organization because of this factor. However, this phenomenon can be understood when considering that the items in the compensation scale only contemplated direct compensation forms and policies – that is, nominal wages. Nevertheless, direct compensation may not be the only way to add value to the total as seen by employees. Perhaps nominal wages alone do not represent as much as
other combined variables in a decision to resign. That is, if the organization provides good benefits policies and extends plans for training and development with a focus on careers and growth, as observed herein, then direct compensation may have less weight for the employee on this type of decision. This reinforces that the theoretical reference on compensation can be redefined when ranking the priorities of motivations in order for an individual to remain within a work organization.

Still discussing the results of the correlations, it is seen that Integration practices have the lowest coefficients of negative correlation to turnover. In other words, this practice, even when efficient, does not result in lower rates of personnel turnover. This result disagrees with the studies by Arthur (1992), Cooper-Thomas & Anderson (2005) and Jaskayte (2005), who found this relationship to be significant. According to Cascio (2010) and Schein (1988), it is during the moment of Integration that the company must invest in ways to disseminate its culture on the hired individual. The result of this research therefore shows that the company can terminate employees whenever the previous process – recruitment and selection – was not sufficiently good, revealing that even if integration programs have been developed, poorly selected employees can be terminated. Moreover, we reiterate that the integration scale shows below-recommended reliability, which hinders a more detailed analysis of this relationship.

The last independent variable, Performance Evaluation, is yet another one with a negative correlation to turnover; however, it was not significant. It is rather uncommon to think that this variable does not show the expected relationship, given that the purpose of performance management is to diagnose and analyze performances in order to promote professional and personal growth (França, 2008). Therefore, it is directly linked to Training and Development plans (correlation = 0.444), which had an important relationship with turnover. Thus, the result of this variable point to an unexpected direction – and in this case, inconclusive – considering that other works saw the importance of performance evaluations as essential to the organizational support offered, particularly through leaderships, as revealed in Cha & Quan (2011), Joarder & Sharif (2011), Naqvi & Nadeem (2011), Wang et al. (2011) and Benjamin (2012). This variable requires new measurements for improved conclusions.

In addition to the previously cited variables, another one to consider within these results is the economic conditions of the country or region – that is, the opportunity for job openings generated during the reference period. According to Price (2001), turnover increases when more job opportunities exist in the market, regardless of what companies can offer in terms of PM practices. Therefore, it becomes evident that even if the present study did not contemplate this variable, further considerations are necessary, particularly in light of the results by DIEESE (2011), which indicated that 2011 saw the third largest number of jobs created since the series began in Brazil in 1985, behind only the years 2010 and 2007. A 5.09% expansion in jobs was seen nationwide, with the southern region recording an increase of 4.56%. This growth most likely led workers to resign from companies even without depending on the PM practices adopted by their past and future employers.
5. Final Considerations

In short, this study makes it possible to conclude that there are significant negative correlations between turnover and the practices of Recruitment and Selection, Benefits, and Training and Development. This means that companies that intend to slow or reduce employee turnover must invest in the abovementioned practices. And, contrary to popular corporate belief, compensation practices and those involving performance evaluation and integration do not reflect a strong link to employee turnover rates.

The study further allows the conclusion that high global turnover rates exist in the investigated sample, with added weight on involuntary turnover rates. This indicates that severances initiated by initiative of the company occur more often than those made by initiative of the employee. This may be the reason for little-developed management practices, as it seems, from a corporate perspective, to be easier to terminate whenever complaints or dissatisfactions are raised by employees than to structure HR policies.

Lastly, the study sample shows that HR practices are at a medium level of effectiveness or at more limited development. This reaffirms, along with high turnover rates, how narrowly the companies under study view human beings. This simplistic view by employers does not regard, ignores or does not know social needs, needs for realization, development and acknowledgment that their employees have. As McGregor (1973) already indicated, this culminates in a process of frustration and demotivation, in which behaviors of low productivity and indifference emerge. It is therefore no coincidence that turnover occurs, at high rates.

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References


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