HRM Practices and Employees’ Retention: The Perspective of Job Embeddedness Theory

Palwasha Bibi, Faizuniah Binti Pangil & Johanim Binti Johari
School of Business Management,
UUM College of Business 06010 Kedah, Malaysia

Abstract: In the current study several HRM practices (performance appraisal, promotional opportunities and job security) have been suggested to explain its impact on employees retention. Previously, other studies have endeavored to consider the impact of HRM practices and employees retention but their results are mostly conflicting, therefore further investigation is needed. Moreover, mediating effect of job embeddedness on the relationship between HRM practices and employees retention has been suggested to be investigated. Furthermore, the use job embeddedness theory may help to better understand the relationship.

Keywords: Employees retention, HRM practices, Job embeddedness theory.

1.0 Introduction

The most precious asset to an institute is its employee, so retaining employees in their jobs is necessary for all organizations (Ng’ethe, Iravo & Namusonge, 2012). Employees’ retention is considered as vital source of achieving competitive edge in the market place (Walker, 2001). Employee retention is a process through which employees are motivated to stay in the organization (Griffeth & Hom, 2001). Employees’ retention is one of the main objectives for all institutions, since the expenditure of training and placement of potential employees is very costly (Abbasi & Hollman, 2000). Most of the studies have revealed that employees retention is a crucial issue for organizations, thus these organizations use different methods to retain employees.

Nowadays, most of the organizations are facing the problem of employees’ retention (Ghansah, 2011). According to Zaffane (1994), employees’ retention always had been an important problem for organizations. Retaining the competent employee has become a big challenge for HR managers as according to Harris (2007), competent employees have luxury of choice in the global market. Employing competent staff for the job is important for an organization but retaining them in their jobs is more essential (Ghansah, 2011). As replacing an old employee with a new one increases operational costs in the form of new employees’ training and filling vacancies. Even though retention has been measured through financial figures many times, it can also be measured through the combination of some factors (Ramlall, 2003).

HRM practices are known as of key importance among several factors that have been suggested to be helpful in retaining employees. Organizations must use proper HRM practices i.e. performance appraisal, promotional opportunities and job security in order to enhance employees retention (Khan, 2010). Moreover, Huselid (1995) found evidences that HRM practices enhance employees’ retention. Similarly, Rathnaweera (2010) and Kwenin, Muathe & Nzulwa (2013) also found that HRM practices significantly affect employees retention. Furthermore, job embeddedness theory (Mitchell, Holtom, Lee, Sablynski, & Erez 2001) also provides a basis for linking HRM practices and employees retention, employees working in an organization are more embedded when they feel that HRM practices are favorable and they are getting fair outcomes. Hence, embedded employees are more probable to show positive job outcomes, such as good retention and performance.

In particular, this study will endeavor to contend how HRM practices are theoretically significant in improving employees retention, thus adding to the current literature on the part of HRM practices in employees retention. Moreover, proposing the impact of HRM practices, this study offers theoretical clarification on the part of job embeddedness in mediating the association between HRM practices and employees retention. This paper additionally explains that the past studies conducted on the role of HRM practices in influencing employee retention have conflicting results, proposing that further research is needed to clarify better the relationship. Furthermore, the possible operation of Job embeddedness as mediator may strengthen the relationship.

2.0 Literature Review

2.1 Job Embeddedness

Job embeddedness is a new approach to understanding retention as embedded employees choose to remain employed despite any attitudinal issues or dissatisfiers (Mitchell et al, 2001b). Job embeddedness is defined as Job embeddedness has been defined as “the combined forces that keep a
person from leaving his or her job” people can become stuck or “embedded” in their job as a result of various forces (Yao et al., 2004, p. 159). Mitchell et al., (2001b) described embeddedness as being intertwined in a web that is often difficult to exit. The more enmeshed workers are, the more probable they are to stay in their current position.

Job embeddedness theory, as introduced by Mitchell et al., (2001) offers a method of discovering why people stay in an organization. This study focuses the Mitchell et al., (2001b) job embeddedness theory, which differs from other employment models because it focuses on retention rather than turnover. Job embeddedness represents a unique perspective of non-affective behaviors that are strong predictors of employee retention (Sun, Zhao, Yang, & Fan, 2011). The core assumption of the theory is embedded employees have less intention to leave their current jobs (Mitchell et al., 2001). Furthermore, the theory of job embeddedness is also known as the theory of employees retention. In addition, staff working in an organization is more embedded when they feel that HRM practices are favorable, decisions are made honestly, performance is evaluated fairly, and their jobs are secured, they are highly embedded in their jobs.

Previously, it has been described that proper HRM practices exhibited by an organization must be able to enhance employees retention (Raihan, 2012). However, previous studies by Mobley, Griffeth, Hand, and Meglino (1979); Eisenberger et al, (2002) and Fairris (2004) found a weak significant relationship between HRM practices and employees retention. Which suggests that the possible operation of job embeddedness as mediator may strengthen the relationship between HRM practices and employees retention. In accordance with Baron and Kenny’s (1986) assertion, the mediator function of a third variable, that represents the mechanism through which the predictor variable influences the criterion variable. Therefore Job embeddedness is expected to explain and strengthen the relationship between the HRM practices and employees retention.

Several studies have examined the mediating role of job embeddedness on the relationship between LMX and outcomes like turnover intention, job satisfaction, and actual turnover (Harris, wheeler & kacmar, 2011), ethical climate and performance outcomes (Karatepe, 2013) and work engagement and job outcomes (Karatepe & Ngeche, 2012). Thus, the literature shows that no study has been done on mediating effect of job embeddedness on the relationship between HRM practices (e.g. performance appraisal, promotional opportunities & job security) and employee retention. Thus, it is important to identify the HR practices that create this equilibrium and embed employees in the social exchange (Tanova et al, 2008). Unfortunately, little research has explored how HR practices encourage job embeddedness and improve retention (Bergiel, Nguyen, Clenney and Taylor, 2009). Thus, this study considered job embeddedness as mediator to better understand the relationship between HRM practices and employee retention.

Moreover, Job embeddedness theory (Mitchell, Holtom, Lee, Sablynski & Erez, 2001) also supports this phenomenon by arguing that employees working in an organization are more embedded when they feel that HRM practices are favorable and they are getting fair outcomes. Hence, embedded employees are more probable to show positive job outcomes, such as high retention and better performance (Mitchell et al, 2001). Therefore, this study proposes the following:

Proposition 4: Job embeddedness will mediate the relationship between HRM practices (performance appraisal, promotional opportunities and job security) and employees’ retention

2.2 Employees Retention

The problem of low retention is not new. The scholarly debate on the employee retention stemmed from 1900s when scholars and psychologists begin to identify various reasons that affect employee’s level of interest in their job and possible opportunities (Rowland & Ferris, 1982). It has always been a challenge for employers. Employees retention is a process through which employees are motivated to stay in the organization for longer period of time (Hom & Griffeth, 1995). Similarly, Giri (2008) defined employee retention as the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employees are considered as the most valuable asset of all organizations as they provide competitive advantage to an organization, therefore, retaining them in their job is essential (Ng’ethe, Iravo & Namusonge, 2012). Employee retention is essential for an organization (Ghansah, 2011). Prior studies disclosed that switching an old employee with a new one rises operational costs in the form of (i.e. recruitment, replacement, selection, management time, loss of social capital and costs of learning (Dess & Shaw, 2001)

Numerous researchers have done work to show the importance of employees’ retention. Van-Knuppenberg (2000) argued that employees can get to be more faithful and stay in the institute when they distinguish themselves inside a group and add to the contribution as a group. According to Fitzenz (1990) there are a few components that impact employees’ retention which need to oversee compatibly (i.e. rewards & compensation, training & developments, job security, organization justice, culture, supervisor support and work environment etc). Some researchers identified that HRM practices (i.e. compensation, training & developments, job security, organization justice, and work environment) reduce turnover,

absenteeism and help to increase employee retention (Arthur, 1994; Delaney & Huselid, 1996).

It has been obtained from the literature that although, employees retention has been studied previously, but these studies lack comprehensiveness in explaining the antecedents of employees retention as mostly focusing on different determinant rather than HRM practices. Moreover the theory of job embeddedness ((Mitchell et al., 2001) may help to better understand the relationship. Therefore, this study will explain how HRM practices are important in enhancing employees retention, thus contributing to the existing literature on the role of HRM practices in employees retention.

2.3 Human Resource Management practices

HR management is a new term used for ‘personnel management’. As Dessler (2007) stated that ‘human resource management’ is the new version of personnel management because of fast technological changes in social values and working climate. Torrington and Hall (1998) differentiated between personnel management and human resource management, that personnel management is manpower oriented while human resource management is resource oriented. Though, according to Guest (1997) human resource management is a form of personnel management that is concerned about issues of employees related to excellence commitment and flexibility.

Numerous scholars have been explained HRM practices in different ways. According to Qureshi, Akbar, Khan, Sheikh, & Hijazi (2010), HRM comprises procedure and practices for employees including for the employees that includes remuneration, performance appraisal, training and development, recruitment and selection. Similarly, according to Mondy and Noe (2005), HRM practices are policies and strategies executed by an organization to make sure employees work efficiently to achieve the organizational goals. In the current rapidly growing global market, human resource management practices play significant part in retaining employees, the most important asset of the organization (Qureshi et al, 2010).

According to Frederickson (1986), proper HRM practices help the organization to achieve its goals successfully. In order to retain the highly competent and skilled employee, HRM practices are being used (Byrne, Miller & Pitts, 2010). Most of the HRM strategies are focused on employee satisfaction and retention as HR is the main dynamic asset in an institute which helps in achieving competitive advantage in any business (Gul, Akbar & Jan, 2012). Thus, positive perceptions of employees about the HRM practices of an organization make them embed or stuck in the organization ((Mitchell et al., 2001).

Prior scholars and practitioners have attempted to probe more about HRM practices but very few scholars have underscored that how these practices can assist employee to be remain part of organization (Allen et al, 2003). In the area of human resource management, the impact of HRM practices on performance at individual, group or organizational level, is a vital issue. Little research has been carried out on psychological processes through which HRM practices impact attitudes and behaviors of employees (Zhang and Agarwal, 2009). Therefore, there is dearth of knowledge of how these HRM practices effect perceptions of employees, their states of mind, behaviors, their attitudes and their thinking and how they respond to the practices (Deery, 2002).

Hence, this study will fill the gap in body of knowledge by including the six main HRM practices in this study (i.e. compensation, training and development, performance appraisal, promotional opportunities, supervisor support and job security).

2.2.3 Performance Appraisal

The idea of performance is not absolutely new; it has been using since hundreds of years. Khan, (2007) and Mazhar-ul Haq (1977) argued that performance appraisal initiated at the time of islam’s second Caliph Hazrat Umar Farooq (634-644 AD/13-23 AH), as the Caliph set the criteria for the individuals and then assessed their output performance compared to their given job. Prowse and Prowse, (2009) expressed that formal records about have been found in mid 1800s in Robert Owens organization with respect to performance in New Lanark. While some scholars connected it to and Taylors pioneering and Motion studies time at the beginning of 20th century. Amid 1920-1940 this system got more concern and attention.

Performance appraisal can be defined as the basic HRM function such as evaluation of employees’ performance periodically to improve the utilization of human resources within the organization (Raihan, 2012). Due to usefulness of Performance Appraisal (PA) as a managerial decision tool, it represents a central function of human resource management and has remained an important issue of investigation among organizational researchers (Dulebohn & Ferris, 1999). Waldman, Bass, and Einstein (1987) argued that performance appraisal helps the organization in enhancing and measuring performance of employees. According to Kuvaas (2006) an appropriate performance appraisal system is used as a tool for, developing, retaining and motivating employees in the organization. Moreover, from the perspective of job embeddedness theory (Mitchell et al., 2001), organization feel that decisions are made honestly and performance is evaluated fairly, they are more likely to be stuck in the organization. Thus, stay for longer period of time with the organization.
Proposition 1: Performance appraisal will be positively associated with employees retention.

Proposition 2: Promotional opportunities will be positively associated with employees retention.

Proposition 3: Job security will enhance employees retention.

2.2.4 Promotional Opportunities

Promotional Opportunity refers to upward mobility in the organization. This is expressed as a future chance for advancement within the organization (Raihan, 2012). Promotional opportunity makes the employee satisfied and increases their level of intention to stay within the organization (Price, 2001). Lack of promotion opportunity significantly affects employees’ decision to stay within the organization (Miller & Wheeler, 1992). In fact, promotion to potential employees indicates that organization serves employees’ career interest; while employees in return motivate themselves to serve the interest of the organization. Hence, job embeddedness theory (Mitchell et al., 2001) postulates that a promoted employees feel that the organization value them thus, they are more likely to be stuck in the organization. Thus, stay for longer period of time with the organization.

In literature, promotional opportunities considered to be one of the basic factors in employees’ retention. According to Dockel, Basset & Coetze (2006) promotion enhances employees retention in an organization. Billah (2009) and Eisenberger et al., (2001) found that employees feel more comfortable and satisfied when proper promotional and development opportunities are provided to them in the organization. Similarly, Morris, Yaacob and Wood (2004) also argued that promotional opportunities enhance employees’ retention. However, Fairris (2004) found the opposite result and argued that the importance attached to employee promotion is actually associated with lower retention, thus claimed there is negative relationship between promotion opportunity and employees retention. Moreover, the study of Abeysekera (2007) on leasing company employees in Sri Lanka found that promotional opportunities do not influence employees retention.

While the above studies have made significant contributions to the literature by demonstrating the influence of promotional opportunities on employees retention, however, it is worth to note that the findings of these studies are conflicting. Further research is needed to better understand the relationship in a more precise way. Therefore, this study proposes the following:

Proposition 2: Promotional opportunities will be positively associated with employees retention.

2.2.6 Job Security

It has been highlighted that job security is one of the main HRM practices to retain employees and enhance employees’ performance (Chang & Chen, 2002). Job security refers to the degree to which institutes offer stable positions for their employees (Herzberg, 1968). Furthermore, it is the extent to which individual workforce expect to remain in the job for longer period of time. It is one of the prominent factors for commitment and retaining the employees. Those employees who believe that they will remain employed in the organization and will not lose their job are more committed and intend to stay for longer period of time with the organization. In the same vein, this notion is also supported by job embeddedness theory (Mitchell et al., 2001). Hence, job security is one of the imperative factors which show the perception of individual employee about his/her job in the organization (Conklin & Desselle, 2007).

Furthermore, both in the public and private sector organization job security found to have statistical imperative effective on employee retention (Samuel & Chipunza, 2009). Similarly, Parnell and Crandall (2003) also argued that job security significantly influences employees’ retention positively. Min (2007) again shows the job security as a most effective motivator for retaining employees. In line with the previous findings, Conklin et al. (2007) found in their study of faculty survey that job security has been recognized as one of the core factors for faculty members to decide whether they will stay or leave.

From the above discussion it is projected that job security might be a strong predictor of employees retention. Furthermore, it is expected that job security will enhance employees retention. Hence this study proposes the following:

Proposition 3: Job security will be positively associated with employees retention.

3.0 Proposed Research Framework

Based on the above literature review, a proposed research framework for this study illustrating the mediating effect of job embeddedness on the relationship between HRM practices (performance appraisal, promotional opportunities & job...
HRM Practices and Employees’ Retention: The Perspective of Job Embeddedness Theory

security) and employees retention is presented in Figure 1.

**Figure 1. Proposed Framework**

In explaining the mediating role of job embeddedness on the relationship between HRM practices (performance appraisal, promotional opportunities & job security) and employees retention, the present paper proposes that the use of proper HRM practices will make the employees more embedded in their jobs which in turn will enhance employees retention. Given the empirical support for the job embeddedness theory across various organizational settings, it is proposed that this theory would provide an empirical support for the mediating role of job embeddedness on the relationship between HRM practices and employees retention. Moreover, it is proposed that Job embeddedness theory will also provide empirical support for the mediating effect of job embeddedness on the relationship between HRM practices and job embeddedness.

**4.0 Conclusion**

This paper has presented a model on the mediating effect of job embeddedness on the relationship between HRM practices (performance appraisal, promotional opportunities & job security) and employees retention as presented in above figure. The proposed study has a few basic implications for enhancing employees retention. Firstly, if the proposed model is validated, the finding will give imperative understanding to practitioners and managers about the huge part of HRM practices in increasing employees retention. Secondly, the mediating effect of job embeddedness on the relationship between HRM practices and employees retention will help to explain that the use proper HRM practices will embed the employees and help the organization to retain them.

**References**


