

-RESEARCH ARTICLE-

## IMPACT OF HRM PRACTICES ON EMPLOYEE TURNOVER INTENTIONS THROUGH ORGANIZATIONAL CLIMATE: A SOCIAL IDENTITY PERSPECTIVE

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### —Abstract—

Employee turnover rate is a major concern for organizations. Several prior studies have found a significant role of HRM activities in retaining the employees. However, this stream of research lacks in explaining the process of how that happens. Therefore, based on social identity theory, this research aims to determine the relationship between different HRM activities and employee retention through organizational climate in the Chinese context. The five major HRM functions identified in this research are recruitment and selection, performance appraisal, compensation, training, and career development. A survey of 180 respondents is conducted; all the participants are chosen from employees of four different organizations across China. The responses are analysed using SmartPLS 3.2.8 software by adopting the PLS-SEM technique. The results of this research suggest that all the HRM functions are statistically significant and positively associated with organizational climate. The findings also support the indirect effect of all HRM functions on employee retention through organizational climate. This research will provide an insight into the process that develops employee retention in China and help organizations transform their HR policies. It will also help organizations identify the areas that need improvement.

**Keywords:** Recruitment and Selection, Performance Appraisal, Compensation, Training, Career Development, Employee retention, Social Identity

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## 1. INTRODUCTION

Employment is the cornerstone of a country's economy (Meyer, 2017). Enterprises have created a large number of employment opportunities and hope that employees in these positions can be loyal. However, with the development of society, people's mobility has become stronger, and many enterprises have encountered the problem of employee turnover (Shankar, 2018). Employee retention is a major factor that affects the operations of an organization (Karthick, 2015). It refers to the intention of an employee to switch jobs owing to different factors (Santhanam et al., 2017). Employee turnover is an important factor for organizations as a higher rate leads to increased costs (Pombo, 2019). The organization has to hire new people for the vacant positions which results in extra costs for the company. The other employees may have to work overtime and increase costs for the company. It can also lead to extra costs and time of training the new hires (Pombo, 2019). It also affects the reputation of the company and hampers the flow of work (Shankar, 2018). Every organization seeks to reduce employee turnover to ensure smooth and effective operations. Therefore, it is vital for companies to keep employee turnover rate as low as possible.

To keep a check on the employee turnover rate, it is important to determine the factors that affect the employee's intentions to switch their jobs. Various studies have been conducted in the past to determine the impact of HRM practices on employee retention. It has been found that a positive relationship is present between both the variables. The significance of different HRM activities have also been established in previous researches (Devi, 2016). However, there have been few researches to determine the same in the Chinese context. On the other hand, most of the studies have been conducted on the basis of secondary data obtained from already published sources. The existing literature also lacks in the statistical and mathematical analysis as it is focused on the qualitative analysis. Hence, the results of those studies are not measurable. The literature also lacks in the exploration of the degree of significance each HRM function has on the employee retention (Shankar, 2018).

Further, the work environment affects employees' attitudes towards their organisation, according to organisational behaviour research. Employee behaviour in firms is influenced by both personal and workplace related factors. In this regard, corporate atmosphere is critical in understanding employee behaviour. Simply put, organisational climate is the sum of individual psychological climates (Pramono et al., 2021). However, describing an organization's climate is difficult because it is based on employee impressions. Regardless, the climate has a significant impact on employee perceptions toward belonging, personal connections, and work performance (Berberoglu, 2018). Perceived organisational environment also affects aspects like job happiness, achievement-driven need, affiliation and power, overall organisational effectiveness and performance, and organisational commitment (Moslehpour et al., 2019). Moreover, corporate atmosphere has a substantial impact on employee retention. To summarise,

HRM strategies help employees perceive a healthy organisational climate, which leads to employee retention. Therefore, this research aims at determining the impact of HRM activities on employee's retention through organizational climate in the context of China. This research aims to add more meaningful insights to the existing literature by providing results based on first hand data and statistical analysis.

## 2. LITERATURE REVIEW AND RESEARCH HYPOTHESES

### 2.1 Theoretical Background

The present study considers the Social Identity Theory (SIT) as the underpinning theory of the research. Social identity theory explains human action by analysing the individual's concept of their self in relation to others in the social sphere (Scheepers et al., 2019). The development of one's sense of self occurs as a result of social interactions in which the individual learns which social groups he or she wishes to be connected with (Scheepers et al., 2019). The individual's knowledge that they belong to particular social groups, as well as the emotional and value significance that these memberships transmit, form the basis of their social identity (Scheepers et al., 2019).

Individuals' social identification with particular groups provides them with a system of social orientation: a frame of reference for evaluating themselves and evaluating others who are not members of the group (Davis et al., 2019). Individuals' actions are influenced by their social identities because they evaluate situations via the cognitive frame of their identity and attempt to perform acts that are congruent with their identity (Scheepers et al., 2019). Social identity theory further distinguishes between different levels of inclusiveness in the social groupings to which individuals identify themselves as belonging (Davis et al., 2019). (Individuals who believe in themselves as a distinct entity are at the narrowest end of the scale, implying that they operate only in pursuit of their own personal objectives and desires without regard for the interests of others. At the most extreme end of the spectrum, the individual considers themselves to be a part of humanity as a whole and acts out of care for individuals they do not personally know or are associated with through specific group affiliations, rather than acting out of concern for themselves (Hogg, 2016).

### 2.2 Employee Retention

A strong intention to stay has been found to be one of the most significant determinants of employee retention (Khalid et al., 2018). Companies must contemplate the possibility of losing their well-trained staff who may depart in search of more lucrative opportunities elsewhere. Because unmanaged loss of people disrupts organisational communities, increases expenses, affects productivity, and lowers the morale of those who remain, turnover is considered a negative occurrence in the organisation management process, and should be avoided at all costs (Kurdi, 2020). When employees leave their jobs, particularly salesmen, the business suffers income losses as well as

capital losses from the investments made by the organisation (e.g., training). If this occurs, it could fundamentally alter the structure of the customer relationship, resulting in increased customer switching and less profitable buying behaviour, both in the short and long term (Tian et al., 2020). Replacement of those who leave is another issue to consider, as it involves not only the costs of recruitment and new hire training, but also the time required for the new hires to establish themselves in their territories, gain trust, and generate sufficient revenue streams to make the company profitable (Kurdi, 2020) Companies may need to implement preventative initiatives to retain experienced staff in order to address this issue.

### 2.3 HRM and Employee Retention

HRM needs to enhance the retention of its employees. Issues may arise in areas with reduced entry levels, gaps between individuals, temporary employment, efficiency and competitiveness, pension benefits and the creation of skills (Kampkötter, 2017). According to Onyije (2015) the tone and conditions of employee-employer relationship are described in how a company administers its human resources, as expressed in its HRM practices. Where a social exchange with a reciprocal norm is seen as central, workers are more likely to participate in positive attitudes and actions at work. Through its impact on individual employee performance, human resources practices can affect organizational performance. The following literature discusses HR practices and relationship with employee retention. The researcher has consolidated the potential factors that could impact employee retention in the range of activities involved in human resources in several dominant factors that will influence employee retention with the research hypotheses.

### 2.4 Recruitment and Selection

Gamage (2014) mentioned in his study that the essential function of human resources management role for any type of corporate organization, is recruitment and selection. In fact, the main purpose of the recruitment process is to set up a pool of skilled applicants by inviting more personnel into the organization, while selecting the right candidate for the different positions within the organization is simply the goal of the process. A healthcare worker costs more than 60% of the overall hospital costs (Kontio, 2014). Therefore, it is quite clear that recruitment and selection of incompetent workers will lead to massively adverse costs that companies cannot afford (Jonah, 2021) .Moreover, this recruitment process allows for a wide range of competent applicants with clear and reliable selection processes which have significant implications for skilled employees' quality and form of expertise and concludes that in several studies, an organization's HR policies and practices symbolize vitality. Basariya (2019) believed that the right selection of employees is a key feature in the turnover of employees.

## 2.5 Performance Appraisal

Performance appraisal is one of the key functions of HR department. It allows a company to reward and recognize the efforts made by employees based on their performance. A lack of performance assessment has adverse effects on the enthusiasm of individuals and contributes to c zincreased employees' turnover intentions (Mahmoud, 2018). They also found that when employees consider the performance assessments to have a political purpose for the company, it will disrupt the satisfaction of their workers and their intention of turnover.

Many studies support the argument that the employees' sense of fairness in the evaluation of their results is strictly linked to their organization's commitment to employees, which means, that if individuals acknowledge that decisions are impartial, they will react with strong commitment and want to work hard to achieve organizational objectives (Getnet, 2014). It can thus be established that performance assessment practices are important since they want to accept individuals and cultivate an organizational commitment (Tian et al., 2020).

## 2.6 Compensation

A number of studies considered compensation as a major element that greatly impacts the performance of employees, reduces intention of employees to leave the company in which they work and is negatively connected to employee turnover intentions (Onyije, 2015) Chen et al. (2018) have similarly found that compensation is negatively linked to employees' turnover after completing their research in the telecommunications sector. On the other hand, other researchers found that compensation is important only at the lower level in the academic institution. In this context (Abo-Murad, 2019) showed in his analysis for Australia that wages have an irregular effect on decision-making on employee turnover. Similarly, in their analysis carried out in the U.S. government of information technology, , (Martínez-León et al., 2018) concluded that paying for employee turnover is not statistically a key cause.

## 2.7 Training

Several studies have shown that the employee training has an important connection to intention to leave or remain within an organization (Jehanzeb, 2018), or instance, concluded during their 2013 analysis in Saudi Arabia that education has a positive connection with organizational engagement, and in this same study, the corporate commitment has also been found to have a negative correlation with the intentions of the employees. Moreover, the research related to performance effects on employees' satisfaction, commitment by Julisar et al. (2018) has demonstrated that training supports helps workers in developing positive attitudes between employees towards the organization. In their studies, however, researchers (Sánchez Sánchez - Manjvacas et al., 2020) revealed an adverse relationship between training, organisational commitment, and employee intention for turnover. Education can also be used as an

efficient method to increase the commitment and loyalty of employees towards the company and thereby minimize employee turnover (Arnold, 2018).

## 2.8 Career Development

It has been widely recognized how important individual career development is as a human resources feature that influences employee behaviour. It should be observed that significant career development is possible if employee contribution unions have the opportunity of organizing. Ability and expertise in managing the career of employees efficiently helps retain talent and valuable employees Labrague et al. (2018).

In addition, studies on the same topic have shown that advanced countries' organizations have recognized the solid relationship between individual perceptions of growth and their intention to stop it. This has been proven by offering people employment opportunities growth, which clearly shows how the companies care about their work. In response, employees respond positively by displaying quality job behaviour, which corresponds to their degree of commitment (Wayne et al., 1997). This indicates that companies should strive to build cultures to promote and implement employee growth and improvement strategies in order to help improve and retain certain positive mutual benefits. Sivapragasam et al. (2018) noted that investment in people creates the credibility that the employers invite and retain important people and skills are appreciated and developed.

## 2.9 Organizational Climate

Further, employee behaviour in enterprises is influenced by both personal and environmental factors. Workplace attitudes are influenced by a variety of organisational and social interactions (Pramono et al., 2021). Organizational climate, psychological climate, collective climate, and organisational culture are all words used to describe how employees perceive their workplaces (Berberoglu, 2018). The company climate has a direct impact on employee behaviour. According to Moslehpour et al. (2019), one of the most important aspects of an organisation that influences how people behave is organisational culture, which is defined as the shared beliefs and values within the organisation (Song et al., 2020). To understand an employee's view of organisational climate, one must first understand their perception of their work circumstances (including the organization's attributes) and their interactions with coworkers (Berberoglu, 2018). The organisational climate directly affects the quality and quantity of work done in the organisation (Pramono et al., 2021). Various studies have examined the link between organisational climate and its outcomes. Overall organisational effectiveness, individual performance and work satisfaction are all dependent variables of organisational climate (Song et al., 2020).

## 2.10 Research Hypotheses and Model

HRM practices play a major role in affecting employees' behaviour and attitudes. [Macke et al. \(2019\)](#) indicated that developed countries in recent years have seen major improvements in terms of research on human resources management practices but relatively little has been published about countries that are still in their developing stage. Several previous studies have shown that the HRM practice and employee retention are importantly linked ([Gamage, 2014](#); [Martínez-León et al., 2018](#)).

Based on above literature, we propose the following research hypotheses.

*H1: Recruitment and selection and organizational climate are significantly related.*

*H2: Performance appraisal and organizational climate are significantly related.*

*H3: Compensation and organizational climate are significantly related.*

*H4: Training and organizational climate are significantly related.*

*H5: Career development and organizational climate are significantly related.*

*H6: Organizational climate and employee retention are significantly related.*

*H7: Recruitment and selection has a significant indirect effect on employee retention through organizational climate.*

*H8: Performance appraisal has a significant indirect effect on employee retention through organizational climate.*

*H9: Compensation has a significant indirect effect on employee retention through organizational climate.*

*H10: Training has a significant indirect effect on employee retention through organizational climate.*

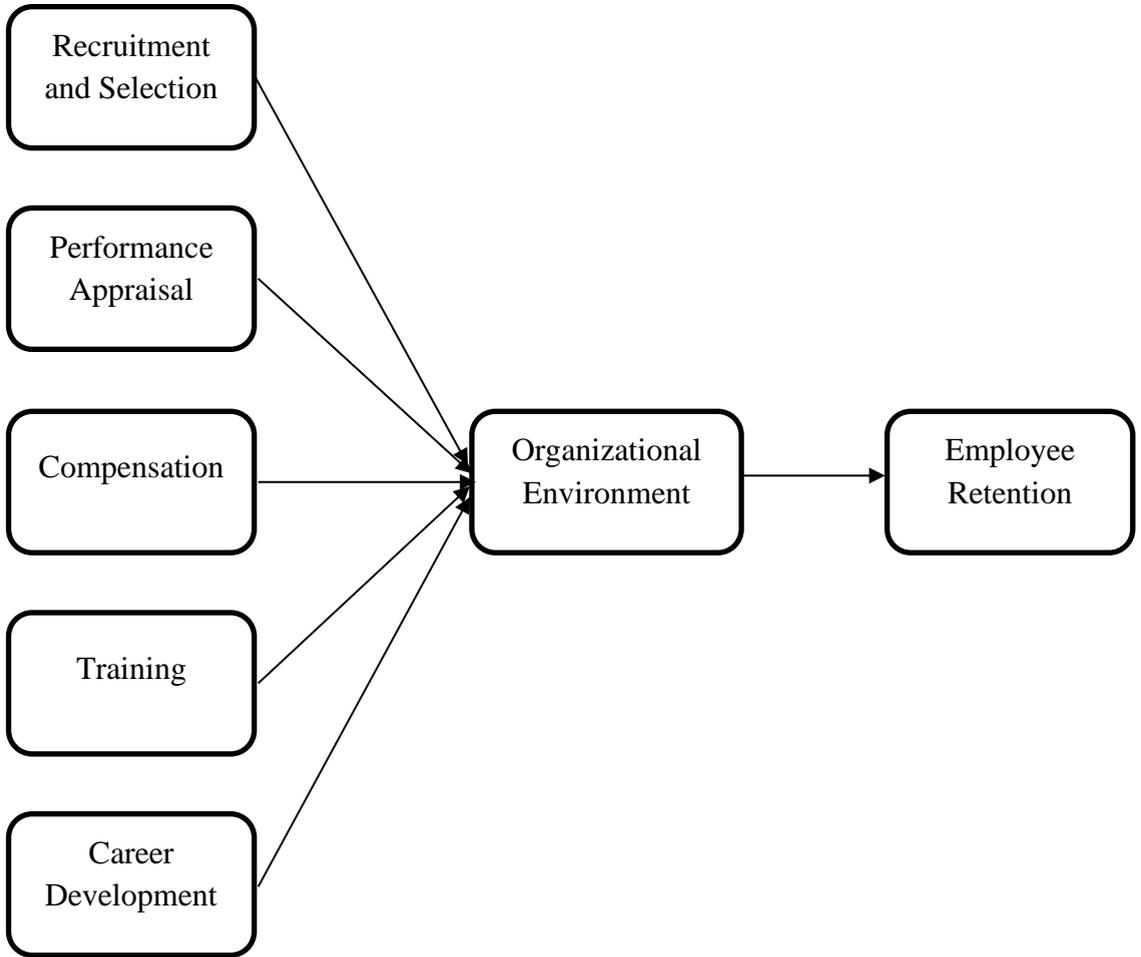
*H11: Career development has a significant indirect effect on employee retention through organizational climate.*

## 3. METHODOLOGY

This research is aimed at determining the impact of HR practices on employee retention within different organizations. It is an empirical study and the relationship between different variables will be tested on the basis of different scales that have been adopted from earlier researches. The research involves an empirical study where primary data is collected from the respondents. 180 respondents are chosen using random sampling method from the organizations of China. The population of the research consists of employees from 4 different organizations of China. All the 4 sampling companies belong to different industries. The research uses 7 major scales to test the response of the

participants. The 7 scales are recruitment and selection, performance appraisal, compensation, training, career development, organizational climate and employee retention. All scales of the constructs consist of 3-Items each. Table 1 below presents the details of scales used in the study.

The following Figure 1 shows the conceptual model of the study.



**Figure 1:** Conceptual framework

To test the hypothesis of the study, the collected data is then analysed using SmartPLS 3.2.8 software by adopting PLS-SEM technique. Before performing the inferential statistics, the descriptive analysis was performed using SPSS 23. The descriptive analysis was performed to provide general information to the readers about the respondents of the study. The next section will provide the details of analysis.

**Table 1: Construct Measurements**

Constructs	Items	Reference
Recruitment and Selection	3-items	(Yang & Lin, 2009)
Performance Appraisal	3-items	(Yang & Lin, 2009)
Compensation	3-items	(Lee, Lee, & Wu, 2010)
Training	3-items	(Lee, Lee, & Wu, 2010)
Career Development	3-items	(Akhtar, 2008)
Organizational Climate	3-items	(Ko & Kang, 2019)
Employee Retention	3-items	(Papa et al., 2018)

## 4. RESULTS

### 4.1 Descriptive Analysis

As can be seen from Table 2, 61% of the respondents are males and 39% of the respondents are females. 63% of the survey participants are nationals and 39% of the respondents are expatriates. 44% of the respondents hold bachelor's degree, 23% hold diploma, 18% hold master's degree, 10% hold PhD degree and remaining 5% are high school graduates. 37% of the survey participants are in the age group 26-35 years, 29% are in the age group 36-45 years, 22% are in the age group 46-55 years, 7% are in the age group at or less than 25 years, and remaining 5% are in the age group 56 years or more. 36% of the participants have 1-5 years of total work experience, 25% have 6-10 years of work experience, 19% have 11-15 years of work experience, 11% have 16 years or more experience and 9% have less than 1 year of total experience.

### 4.2 Inferential Analysis

In order to test the study hypothesis, we adopted the variance-based SEM technique (i. e. PLS-SEM) using SmartPLS 3.2.8 software. In PLS-SEM technique the research framework is assessed using measurement model and structural model. The measurement model assesses the reliability and validity of the constructs used in the research framework. Whereas, structural model uses bootstrap technique to assess the hypothesis of the study. Both the models are discussed in the next sections.

### 4.3 Measurement Model

Our suggested model's reliability, validity, and route coefficients were evaluated using SmartPLS 3.2.8. rho\_A and Composite reliability measures were used to assess the construct's reliability. For validity, we employed the convergent validity and discriminant validity analyses. The convergent validity is about the degree to which a scale items actually represent the latent construct [Purwanto \(2021\)](#). For establishing convergent validity average variance extracted (AVE) was assessed as shown in Table 3 and Figure 2 below. The Cronbach Alpha and composite reliability for each variable are over 0.70, therefore, it suggests that our variables have good reliability ([Kamis, 2021](#)).

Similarly, the convergent validity is also established for our variables as the AVE is over 0.50 for all variables. Furthermore, the discriminant validity is also established using Fornell and Larcker criterion and HTMT analysis as shown in table 4 and 5 (Masisa, 2021).

**Table 2: General Situation of the Sample**

Item	Characteristics	Percent
Gender	male	61%
	female	39%
Nationality	nationals	63%
	expatriates	37%
Education Level	high school	5%
	diploma	23%
	bachelor	44%
	master	18%
	PhD	10%
Age	≤25 years	7%
	26-35 years	37%
	36-45 years	29%
	46-55 years	22%
	>55 years	5%
Total Work Experience	< 1 year	9%
	1-5 year(s)	36%
	6-10 years	25%
	11-15 years	19%
	≥16 years	11%

#### 4.4 Structural Model

The bootstrap analysis was performed in SmartPLS to assess the structural model of the study. As presented in Table 6 and Figure 3, the direct relationships of recruitment and selection ( $\beta = 0.0513$ ,  $p$ -value < 0.05), performance appraisal ( $\beta = 0.181$ ,  $p$ -value < 0.05), compensation ( $\beta = 0.430$ ,  $p$ -value < 0.05), training ( $\beta = 0.128$ ,  $p$ -value < 0.05), career development ( $\beta = 0.433$ ,  $p$ -value < 0.05) with organizational climate. Similarly, the relationship of organizational climate and employee retention is also found to be significant. Moreover, the findings of the study also support the indirect effect of recruitment and selection ( $\beta = 0.337$ ,  $p$ -value < 0.05), performance appraisal ( $\beta = 0.114$ ,  $p$ -value < 0.05), compensation ( $\beta = 0.285$ ,  $p$ -value < 0.05), training ( $\beta = 0.082$ ,  $p$ -value < 0.05), career development ( $\beta = 0.286$ ,  $p$ -value < 0.05) on employee retention through organizational climate. Thus, all hypotheses of the study are accepted.

**Table 3. Measurement Model**

<b>Construct</b>	<b>Items</b>	<b>Loadings</b>	<b>rho_A</b>	<b>CR</b>	<b>AVE</b>
Compensation	Comp1	0.942	0.915	0.945	0.851
	Comp2	0.681			
	Comp3	0.701			
Career Development	Cr1	0.873	0.951	0.823	0.614
	Cr2	0.951			
	Cr3	0.941			
Employee Retention	ER1	0.933	0.923	0.950	0.865
	ER2	0.954			
	ER3	0.903			
Organizational Climate	OC1	0.897	0.909	0.942	0.845
	OC2	0.924			
	OC3	0.936			
Performance Appraisal	PA1	0.901	0.856	0.910	0.772
	PA2	0.786			
	PA3	0.942			
Recruitment and Selection	R&S	0.864	0.891	0.920	0.794
	R&S1	0.944			
	R&S2	0.863			
Training	Tr1	0.940	0.944	0.952	0.894
	Tr2	0.969			
	Tr3	0.927			

**Table 4. Fornell and Larcker Criterion for Discriminant Validity**

	<b>CD</b>	<b>Comp</b>	<b>ER</b>	<b>OC</b>	<b>PA</b>	<b>R&amp;S</b>	<b>Tr</b>
CD	0.923						
Comp	0.129	0.783					
ER	0.634	0.165	0.930				
OC	0.622	0.259	0.651	0.919			
PA	0.338	0.338	0.305	0.405	0.878		
R&S	0.276	0.290	0.282	0.510	0.092	0.891	
Tr	0.330	0.211	0.305	0.225	0.156	0.143	0.946

Note: CD= Career Development, Comp= Compensation, ER= Employee Retention, OE= Organizational Climate, PA= Performance Appraisal, R&S= Recruitment and Selection, Tr= Training

**Table 5. Heterotrait-Monotrait Criterion for Discriminant Validity**

	<b>CD</b>	<b>Comp</b>	<b>ER</b>	<b>OC</b>	<b>PA</b>	<b>R&amp;S</b>	<b>Tr</b>
CD							
Comp	0.447						
ER	0.725	0.499					
OC	0.643	0.153	0.682				
PA	0.334	0.345	0.296	0.426			
R&S	0.272	0.571	0.287	0.461	0.257		
Tr	0.342	0.310	0.326	0.217	0.196	0.161	

Note: CD= Career Development, Comp= Compensation, ER= Employee Retention, OC= Organizational Climate, PA= Performance Appraisal, R&S= Recruitment and Selection, Tr= Training

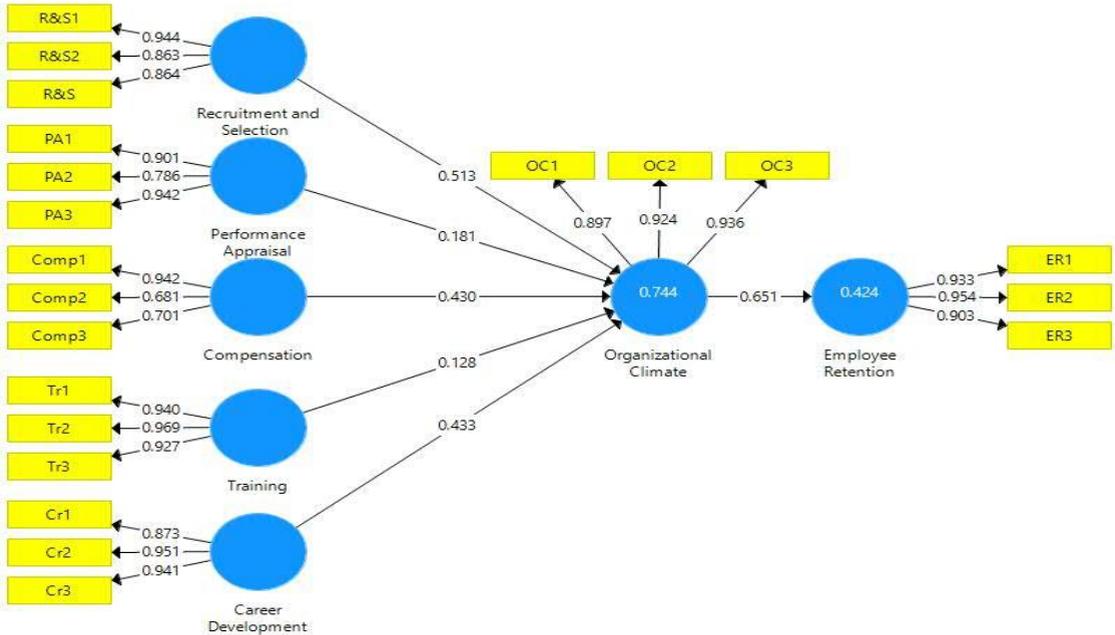


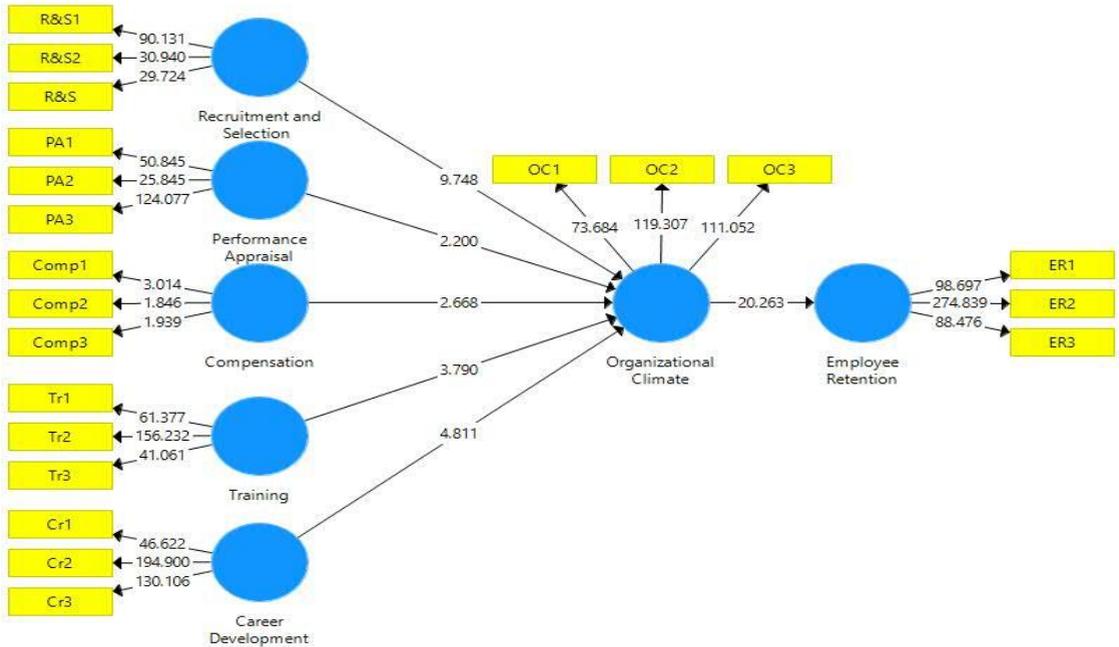
Figure 2. Estimations of Measurement Model

Table 6. Hypotheses Results

Hypothesis	Beta	S. E	T Value	P Value	CI <sup>BCa</sup> Low	CI <sup>BCa</sup> High	Decision
CD -> OC	0.44	0.091	4.811	0.000	0.209	0.561	Supported
Comp -> OC	0.439	0.165	2.668	0.008	0.018	0.559	Supported
OC -> ER	0.649	0.032	20.26	0.000	0.58	0.709	Supported
PA -> OC	0.176	0.08	2.200	0.028	0.073	0.356	Supported
R&S -> OC	0.519	0.053	9.748	0.000	0.394	0.59	Supported
Tr -> OC	0.127	0.033	3.790	0.000	0.064	0.191	Supported
CD -> OC -> ER	0.286	0.059	4.808	0.000	0.132	0.362	Supported
Comp -> OC -> ER	0.285	0.104	2.748	0.006	0.019	0.350	Supported
PA -> OC -> ER	0.114	0.054	2.101	0.036	0.045	0.236	Supported
R&S -> OC -> ER	0.337	0.031	10.71	0.000	0.273	0.393	Supported
Tr -> OC -> ER	0.082	0.022	3.774	0.000	0.042	0.126	Supported

Note: CD= Career Development, Comp= Compensation, ER= Employee Retention, OC= Organizational Climate, PA= Performance Appraisal, R&S= Recruitment and Selection, Tr= Training

\* Significance level < 0.05



**Figure 3.** Estimations of Structural Model

## 5. DISCUSSION

This research is aimed at determining the relationship between different HRM practices and employee retention in Chinese organizations through organizational climate. A comparison is made on the basis of 5 key HRM practices. Different hypotheses were developed to address the research questions. The findings of this research show that there exists a significant relationship between all of the HRM activities i.e., recruitment and selection, performance appraisal, compensation, training and career development with organizational climate. The findings also revealed the positive relationship of organizational commitment with employee retention. Further, the results support the significant indirect effect of all of the HRM activities i.e., recruitment and selection, performance appraisal, compensation, training and career development on employee retention through organizational climate. These findings are in line with the findings of past studies.

According to (Mirsaedi, 2020), the quality of employees hired depends on the recruitment and selection process followed by the organization. If an organization fails to hire right employee, employee retention is expected to be low. In other words, finding the right fit for the job reduces the chances of employee turnover significantly and results in employee retention. A study by Fathy (2018) also suggested that employee turnover

can be reduced if an organization spends more time and money in selecting the right candidate for the job.

Rubin et al. (2020) revealed that if the employee feels that the performance appraisal system in the organization is fair and good, he or she is less likely to switch jobs. Performance appraisal increases the confidence and motivation levels of the employee. He/she feels valued at the workplace and works hard towards the organizational goals. This leads to a high level of job satisfaction which results in employee retention and low employee turnover intentions. Performance appraisal process is known to have a significant impact on the quality of work performed by the employees. It has been established in previous researches that a fair appraisal system results in a reduced intention of employees to quit. Organizational commitment also plays an important role (Rubel, 2015). Another research by Memon et al. (2020) established that the performance appraisal system leads to higher level of worker engagement, which in turn, affects the employee retention.

Ab Malek et al. (2019) stated that compensation has a positive impact on employee satisfaction which in turn reduces employee turnover. One of the major goals of any employee is to earn more. If the employee does not get the fair wage or compensation for the work, he/she performs, he/she won't be satisfied with job and it will result in intention to switch his job for a better pay. A fair compensation system plays a key role in ensuring employee retention. The employees are likely to switch their job if they get a better pay elsewhere. This clearly shows that fair compensation has a significant impact on employee retention. The commitment of HR towards ensuring fair compensation practices reduces the likelihood of employee turnover by a significant amount (Rubel, 2015). This result is supported by other research that found quality of pay to be a major factor that influences the choice of an employee to stay or leave the job. It is found that a fair compensation leads to high levels of job satisfaction which further leads to employee retention (Kim, 2014).

Memon et al. (2016) indicated that proper training and development leads to higher level of work engagement and thus enhances employee retention. Therefore, it is recommended that the training should take place along with a fair compensation and performance appraisal system to enhance employee retention (Shafique, 2018). This research shows that career development and employee retention are positively associated. It is found that a proper career development program where the professional development of the employee is kept in mind along with the growth in business results in higher employee workplace satisfaction and hence leads to reduction in employee turnover intention. This is supported by a study which found that employees have different needs at different stages of their career. Career development programmes are necessary to fill the gap between employee's needs and satisfaction. Therefore, career development results in job satisfaction which is associated positively with employee retention (Labrague et al., 2018).

## **6. CONCLUSION**

While there has been a considerable deal of research to determine the impact of HR activities on employee retention through organizational climate, the existing literature lacks a quantitative or primary research that is based in China. This research establishes that there exists a significant relationship between the human resource activities and the organizational climate. It also determines the impact of each HRM activity on the employee retention through organizational climate. It means that the better the HRM activities, the lesser the employee turnover will be.

## **7. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS**

This research is based on the results of a survey of 180 employees across different industries. It is limited to the geographical context of China. Moreover, this research studies the impact of only five HRM practices on the intentions to switch jobs. The results of this research cannot be generalized and further research in this area is recommended. It is recommended that the results of this research should be used to conduct further studies at a larger scale including more people across different industries. It is recommended that the research conclusions should be used by companies to reduce their turnover rates by improving their HRM functions.

## **8. IMPLICATION**

### **8.1 Managerial Implication**

Employee turnover rate is a crucial factor that affects the overall performance of the company. A high employee turnover rate can lead to additional costs for the company. It might lead to costs of recruiting new people again and again. It also hampers the productivity of the business. A higher employee turnover rate can affect the reputation of the company and people might think that the working environment is not positive. Due to this, highly skilled people might not be willing to join the company. It is very important to keep a check on the employee turnover rates. However, it can never be zero, but still it should be kept as low as possible. The results of this research make it clear that improving the HRM activities and making them more effective will lead to an increase in employee satisfaction, which in turn, will result in employee retention.

### **8.2 Research Implication**

Future research can be conducted to determine the role of other factors or other HRM activities that affect employee retention. Future research direction should be focused on reducing the employee turnover rates as much as possible. The researchers can use the results of this research to expand the research base and conduct it on a broader scale including more participants and employees from people across different industries. Interviews of HR managers and people in other managerial positions can also be conducted to overcome the gap of information. Furthermore, researchers can also test

the impact of a combination of a few factors on the employee retention and differentiate between impact of individual factors and the impact of two or three factors together. This will help understand the mindset of employees and their needs in a better manner and in doing so, increase job satisfaction levels among employees.

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