

Human resource management practices, satisfaction and loyalty among employees of manufacturing industry in Ludhiana

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Abstract

The purpose of this study is to explore the role of human resource management (HRM) practices, job satisfaction and organizational loyalty intentions of employees working in manufacturing sector in Ludhiana. The study majorly based on primary data sources collected from four hundred employees through self-developed questionnaire by using convenient sampling technique. The analysis of data through suitable statistical tools indicates that there is a positive relationship between HRM practices (recruitment and selection, training and development, compensation and benefits, performance appraisals) and job satisfaction and organizational loyalty. The sub factor compensation and benefits are the most important factors which affect the job satisfaction and organizational loyalty.

Keywords: human resource management, practises, job satisfaction, organizational, loyalty

Introduction

In order to adapt to rapid developing environmental conditions, businesses need to act fairly quickly, change accordingly to the evolving rivalry conditions, in other words, they must be flexible. The human resource provides both a competitive advantage and flexibility in this rivalry. This is because human is an important and valuable resource which can take a long time to find and train pecuniary financial resources can be found easily (Davis, 1998).

Organizations are social structures that have come together for the realisation of the specific targets. Since the most important role in these embodiments are given to human, which is a social being, the achievement of defined objectives and activities of the organization depends on the presence of the employees, who are tightly bound to the organizations values, are satisfied with their jobs and have adopted the organization's goals and objectives as their own goals and objectives (Kang *et al.*, 2007) ^[15].

Developing a positive attitude toward the employee's job is expressed as satisfaction. Employees want to fulfil their work expectations in an appropriate environment and under appropriate circumstances in return for their work performance. The more their expectations are fulfilled the higher the job satisfaction will be (Jegadeesan, 2007) ^[14]. Loyalty to the organization is defined as one's loyalty to the organization's goals and values in a biased and effective way. Rather than superficial values, this loyalty is related to doing tasks for the favour of the organization considering the aims and the values of the company. Remaining in the organization for a long time, limited rates of quitting, limited turnover and high level of job satisfaction are among the positive results of high level loyalty to the organization (Saklan, 2010) ^[22].

Hence, in the current research study in response to manufacturing industry of Ludhiana, job satisfaction and loyalty to the organization are considered as important determinants of human resource management practices and their effects will be discussed. In this context, primarily

human resource practices, job satisfaction and organizational loyalty are descriptively explained and then relationship among these variables is highlighted in the study.

Literature Review

Human Resource Management Practices

Having skilled and competent employees is the most important capital for the organizations. This is because human capital influences and shapes the other resources of the organization and at the same time it is affected by them. To be able to shape, control and co-ordinate production factors, are qualifications and they are only possible through human resources. Thanks to human resources, organizations are able to accomplish the goals they set out to achieve (Huselid, 1995) ^[13]. Thus, human resources of the organizations are their most important assets and needs to be invested in.

Human resource planning which is the first step of human resource management is a process of focusing on the organization's goals and objectives and their present and likely future needs (Fındıkcı, 2000) ^[11]. The next important issue in human resource management is the practice of recruitment and selection. It is very important, to bring in the employee who was the abilities that the organization needs, to bring together the right person with the right position. This process which will ensure the continuity of the business, begins with the emergence of human resource needs. The first step to meet the deficit of human resources by announcing it using appropriate measures is the process of the evaluation of the applications. The application forms are chosen according to the applied positions and then interviews are done with the appropriate candidates for vacancies. After test executions, references and determination of tools that are considered for the choice of the employee, such details like salary, working conditions, hours and hiring the successful candidates are discussed (Akai, 1998) ^[1]. After completion of the recruitment and

selection process, a trial period for the new recruits usually begins according to a collective labor agreement. This trial period gives employers the chance to observe the new recruits work performance and business integration while employees learn the job and adapt to their new work environment (Karabulut, Okka & Başıel, 2006) ^[16].

Technological development process that constantly renews itself and brings new information. In conditions of increasing competition businesses which want to go a step ahead, should, teach their employees technological innovations and information. The reason is that one of the ways to create success in an organizational sense customer relationships can be established together with the employees (Wilkinson, 1995) ^[27]. With professional development and education applications, money can be saved from the audit and this increases levels of employees' expertise with morale and satisfaction (Weisberg, 2006; Xiao, 1996) ^[26, 28]. The success of the educational practices are affected by external factors, employees' feelings and thoughts, lack of experience, a limited perspective and individual interests. In order to ensure the success of the educational practices; training should be formed to the needs of employees and should be free from formality, managers should be give attention to the ideas of employees, and there must be an opportunity to choose from the alternative training methods (Beatty and Schneider, 1997) ^[6].

Performance appraisal is, to analyze the job done by employee, and potentials of the employees individually, and to determine achievement degrees of employees' job evaluations. Performance evaluation function is to reveal performance needs by giving feedback about employees' performance, determine rewarding relations, comment on results and make decisions on human resource selections and recruitments (Akin, 2002) ^[2]. Uncovering the needs of employees in the organization is important. To determine material and psychological needs of employees and to set forth a regular relation between the needs of employees with business objectives on specific matters are sine qua non conditions. To increase the performance of those employees, they should be rewarded financially and morally and they should be encouraged for the job. In organizations, there is a great importance in satisfaction and rewarding of employees in order to achieve ever-increasing levels of performance. It is known that rewarding increases employees' morale and motivation (Lee and Miller, 1999). Qualified and equitable reward practises are of critical significance in organizational survival and continuity (Miles and Snow, 1984) ^[19].

Job Satisfaction among Employees

Job satisfaction, organizational behaviour, organizational psychology and human resource management are the areas that the several studies are conducted on. Satisfaction means the happiness on individual's life, environment, job and relations. There are other definitions related with job satisfaction. Job satisfaction is employee's duty, as well as the emotional response to the workplace's social and physical situation (Trevor, 2001) ^[23].

According to the definition of Bhuian, job satisfaction is the negative or positive perception of employee against his job which has been developed in internal or external situations (Bhuiyan and Mengüç, 2002) ^[7].

Job satisfaction is the phenomenon that defines the harmony of employees' job satisfaction, expectations and job's characteristics. This phenomenon is a composition of social

security, fair wages, job and work security, balance between job skills and knowledge job-related pride, promotion opportunities, management policies and the social climate (Oral, 2005) ^[21]. Employee's jobs satisfaction is mostly related with how the employees' jobs expectations meet with his needs and desires (Bingöl, 2010) ^[8]. It is not possible to mention a satisfaction related with only physical and economical realities. In addition there need to be a psychological satisfaction. Organizations are making great effort to ensure organizational opportunities that are meant to provide employee' satisfaction. There are two distinct reasons to classify job satisfaction research as an employee and organization. When these two approaches are considered together, the job satisfaction has its place as a basic concept in psychology and management psychology in means of making a connection between working conditions, individual and organizational results (Dorman and Zapf, 2001) ^[10].

Organizational Loyalty among Employees

Organizational loyalty is one of the highly asserted modern management concepts. Studies about the concept of organizational loyalty have increased since the 1970s, although the history dates back to 1950. Loyalty, as the word, means "show respect, love and loyalty against one". According to Meyer and Allen (1984) ^[18], loyalty is "an emotional return to a particular entity". When reviewing the literature about organizational loyalty, it is possible to encounter several definitions.

Loyalty is the identification of investments of employee in the organization, tendency of employee to the behaviours resulting in a loyalty in attitudinal nature and the organization's values and system of purpose (Balay, 2000). For the employee, it is to continue to stay in the organization, to identify with the entire success, interest and activities of the organization, loyalty of employee towards the organization and concern with success of the organization (Bayram, 2006) ^[5].

Organizational loyalty can be defined as, employee's efforts to achieve these goals, accept institutional purposes and values, and the desire to maintain membership. Under this definition, one of the most important problems encountered in business is that employees are not satisfied with their job and the result is high turnover rate. Organizations that have a high level of organizational loyalty are more active and efficient. Because the possibility of being late for work, leaving work, engaging in negative behaviours such as absenteeism of these individuals, are lower than those without strong loyalty. Those who adopt goals of organizations and make effort above and beyond to achieve these goals improve the competitiveness of organization.

In addition, those who work with high organizational loyalty, express positive opinions to others about the organization, facilitate the organization to appeal qualified personnel (Uygur, 2009) ^[25]. Organizational loyalty is also one of the ultimate goal of the organizations to continue their existence. The reason is that employees who have been loyal to their organizations are more compatible, have more job satisfaction and productivity and work with a high degree of responsibility and a sense of loyalty. Consequently, those who work with high organizational loyalty bring less cost to organizations (Balci, 2003) ^[4].

Organizational loyalty has been considered that one of the main duties of the organization is to ensure satisfaction of

employees with their organizations. Therefore, the importance of the concept of organizational loyalty which is defined as adoption of the organization's goals and values, making efforts to achieve them and be willing to remain as a member of the organization, is increasing. But despite its growing importance, the scarcity of research on studying HRM practices and its relationship with employee satisfaction and loyalty towards organization with reference to manufacturing sector is noticed by researcher. Thus, there exist a research gap; the present study in order to fill this gap conducted a meaningful study to understand the research variables.

Hypothesis of the Study

The existing human resource management practice and policy is related to employee satisfaction and organizational loyalty in study region.

- H₀1 The human resource management practices has no significant influence on employee satisfaction and organizational loyalty in manufacturing industry in Ludhiana.
- H₁1 The human resource management practices has significant influence on employee satisfaction and organizational loyalty in manufacturing section in Ludhiana.

Research Methodology

The current study has been focused on manufacturing sector of Ludhiana district of Punjab. Ludhiana is serving as the hub for different manufacturing organizations in the region including textiles, automobiles, food processing, footwear, machines, and tools and so on. By considering industrial importance of the area, the current researchers select Ludhiana to study HRM practices, satisfaction and loyalty towards organizations among employees.

The present research adopted exploratory research design. This design was considered appropriate because it allows exploring the impact of human resource practices and organizational loyalty among employees. The current research article used both primary and secondary data used in this research. The source of secondary data was the internet, articles, and books and the source of primary data was a questionnaire. Before collection of primary data from respondents, the researchers conducted an extensive review of literature for identification and selection of study variables and constructs.

The present study goes through previous studies (such as, Tsai & Lin, 2004) ^[24] in order to measure the perceptions of employees for human resource management practices. Scale is evaluated in four dimensions: recruitment and selection, training and development, payments and benefits and performance appraisal. Hackman and Oldham (1975)'s three-point scale has been used in order to measure job satisfaction. Mowday, Porter and Steers (1982) ^[20] one-dimensional scale which consists of nine items is used in order to measure organizational loyalty. The scales have been evaluated with Likert (1-absolutely disagree, 5-strongly agree). Higher averages indicate higher job satisfaction and loyalty.

The data for the present study collected through self-developed questionnaire designed in three different sections. The first section contains information of demographic and background analysis of respondents. The second part of the questionnaire contains various statements related to human

resource practices like recruitment and selection, training and development, payments and benefits and performance appraisal. The last and final part of the questionnaire based on measurement of employee satisfaction and loyalty level arises from adoption of different human resource practices by their respective organizations.

Convenience sampling was used to distribute the questionnaire to the respondent employees. A total of four hundred completely filled in questionnaire were obtained from employee participated in field survey. The collected data was analysed by using descriptive statistical tool such as frequency and percent analysis followed by use of average (mean) score and standard deviation.

Analysis and Discussion of Result

The result of the current research presented in three sections. The first sections describe demographic and background information of respondents. The second phases highlighted descriptive analysis of human resources management practices, satisfaction and loyalty variables. The third section highlights about impact of human resource management practices on employee satisfaction and loyalty arises from inferential statistics.

The study results shown in table number 1 revealed that majority of the respondents were male at 78.50% while female was 21.50%. This implies that the gender profile in the manufacturing organizations is imbalanced which could trigger stress due to discriminatory employment practices. The study revealed that majority of the respondents (48.5%) were between 29 – 38 years which is an indication that most of the employees are mature enough to decipher the issues of stress and performance in their work. The table below depicts that 63% of the respondents are married, 26% of the respondents are single with 11% representing respondents who are divorced and widowed respectively. This depicts that majority of the selected respondents were married and hence having responsibility of family can respond to stress. Of the total participants, 302 (75.50%) were based in Ludhiana, and 98 (24.50%) were based other areas outside Ludhiana. As mentioned, that the study was originally meant to be exclusively done in Ludhiana and supported the high response rate from employees in Ludhiana. The findings indicate that a majority of the respondents at 49.25% have a graduation degree and more than 40% have diploma or certificate course in their respective fields. Less than 10% percent were having only secondary school education and these mostly are the short contract staff. This is an indication that most of the respondents have adequate levels of literacy to understand the questionnaire and respond to the issues of stress and performance in the factories. The result of the study indicates that almost similar number of respondents belongs to management (40.75%) and technical (45.75%) cadre in the respective organization. However, very few numbers of participants (12.50%) belongs to short contract staff. This is in line with the speculated sample of the different job categories and it indicates that there is a well-balanced organizational structure in the factories. The findings indicated that majority (35.0%) were permanent fulltime employees which are an indicator of collection of authentic responses and knowledge about job stress and its causes in the organization.

Table 1: Demographic characteristics of the samples

Gender Category	Frequency	Percentage
Male	314	78.50
Female	86	21.50
Age Bracket	Frequency	Percentage
20 – 28 Years	122	30.5
29 – 38 Years	194	48.5
39 – 48 Years	72	18.0
Above 49 years	12	3.0
Marital Status	Frequency	Percentage
Married	252	63.0
Single	104	26.0
Others	44	11.0
Living Area	Frequency	Percentage
Ludhiana	302	75.50
Outsider	98	24.50
Education level	Frequency	Percentage
Postgraduate	85	21.25
Graduate	112	28.0
Diploma	132	33.0
Certificate	45	11.25
Secondary	26	6.50
Job Category	Frequency	Percentage
Management	167	40.75
Technical	183	45.75
Short Contract/Casual	50	12.50
Employment Type	Frequency	Percentage
Fulltime Permanent	140	35.0
Fulltime Temporary	90	22.50
Part time Permanent	100	25.0
Contract /Casual	70	17.50

This information is summarized in above table that other participants groups were belongs to fulltime temporary (22.50%), part time permanent (25.0%) and contract or casual basis employees(17.50%). Thus it is observed that almost all the employee categories were participated in survey. The study results as shown in Table 4.8 indicate that majority of the respondents has worked in the organization for 2 – 5 years and more than this covering 2-5 years (28.50%) followed by 5-8 years (20.25%) and more than 8 years(12.0%). This implies that majority of the respondents have been in the current organizations long enough to understand and respond to issues of stress and performance in the organization. Less than 40% respondents were reported their experience of less than 2 years in current organization in study area.

Descriptive Analysis of HRM Practices, Employee Satisfaction and Loyalty

Descriptive statistics was employed to understand the respondents’ opinion about different HRM practices in their respective organizations and satisfaction level from working with such practices in the organization. The researchers also used to present loyalty among employees towards their respective organizations arise from working with given conditions and human resource practices.

The table number 2 highlights that selected employee participants perceived the performance appraisal system of organization as best human resource practices with high mean rating of more than 3.8 values. The other three variables of human resource management practices were reported almost equal number of mean ratings by employees in the sequence recruitment and selection (mean =3.571), training and development (mean=3.551) and payment &

benefits (mean=3.547). Overall it can be observed by researchers that the existing human resource practices were reported moderating mean values from the selected respondent employees in study area. In case of employee satisfaction and loyalty towards organization the research indicated a bit better findings as indicated by descriptive table number two. The descriptive statistics highlighted that employee satisfaction was inclined towards higher side of measurement scale and showing a high satisfaction (4.313.) among employees from existing human resource practices. The mean value for employee loyalty towards organization also reported positive value (mean=3.901) thus highlighted also good loyalty and loyalty level among employees for better handling of human resource management practices as adopted by organizations in study area.

Table 2: The means, standard deviations of variables

Variables	Mean	S.D
Recruitment and Selection	3.571	0.736
Training and Development	3.551	0.863
Payment and Benefits	3.547	0.747
Performance Assessment	3.893	0.801
Job Satisfaction	4.313	0.778
Organizational Loyalty	3.901	0.733

Impact of HRM Practices on Employee Satisfactions and Organizational Loyalty

The results of multiple regression analysis that we have done in order to test relationship between perceptions of human resource management practices and the job satisfaction and organizational loyalty are shown in Table 3'. According to the results of test a significant interaction is exist between payments and benefits and job satisfaction ($\beta = .424, p <.01$). Besides, significant relationship between as dimensions of human resource practices that training and development ($\beta =.228, p <.01$), payments and benefits ($\beta = .396, p <.01$) and performance appraisal could have been detected. Relationship between job satisfaction and three of human resource practices; recruitment and selection, training and development and performance assessment could have not been detected. Similarly, recruitment and selection, performance appraisal hasn't seen to be effective on the organizational loyalty.

Table 3: HRM Practices’ Influence on Employee Satisfaction and Organizational Loyalty

HRM Practices	Job Satisfaction	T	Organizational Loyalty	
	Beta		Beta	T
Recruitment and selection	-.012	-,155	-.034	-.431
Training and development	,073	,925	.228	2.825**
Payments and benefits	,424	5,056**	.396	4.630**
Performance	,096	1,230	-.064	-.808
F	18.483*		15.973**	
R ²	.270*		.247	
Adj R ²	.260		.231	
** p< .01				

Result of Hypothesis

On the basis of analysis of relationship among human resource management practices, employee job satisfaction and organizational loyalty among employees, regression

table was used. The regression table (see table no. 3) provide sufficient empirical evidences and this indicated that the existing human resource management practices have significant and positive impact on both employee job satisfaction and loyalty towards organizations among employees, thus contributing to improvement in performance of individual workers as well as entire organization. Therefore, on this ground, the proposed null hypothesis (H_0), that postulated no significant influence of human resource management practices on employee satisfaction and organizational loyalty is rejected by supporting the alternate hypothesis (H_1) and concluded that human resource management practices were positively and significantly related to employee job satisfaction and organizational loyalty among employees working in manufacturing industry of Ludhiana.

Conclusion

The results of the study shows us that an important relationship between human resource practices and organizational loyalty and job satisfaction is exist. Positive perceptions about the human resources practice increase job satisfaction and organizational loyalty. Payments and other benefits have been identified as the most important indicators of human resources practises on level of job satisfaction. Similarly, payments and other benefits and employee training development have been affected employees' loyalty to the organization, significantly. These results support the findings of previous studies.

Job satisfaction is felt ready or positive emotional state that is achieved by employee, after employee's assessment of the their job and work experience. It has been suggested that job satisfaction to be effective on employee performance, motivation and employee turnover rate. Meanwhile, organizational loyalty is integration of the employee with the organization's values and goals and requesting contribute to achieving these goals and maintaining membership to the organization. It is suggested that organizational loyalty increases organizational performance, but decreases tardiness at work, absents, leave the job and contributes positively quality of products and services.

There are many factors that affect job satisfaction and organizational loyalty. It is maintained that the co-workers, managers and wage system were related with job satisfaction and organizational loyalty positively but, role conflict and role ambiguity were negatively. The research findings noticed that job satisfaction and organizational loyalty are negatively associated with role ambiguity perceived management support, at the other hand compensation satisfaction, work relationships, and career opportunities are positively correlated. As a result, business managers may gain more competitive qualifications to their organizations such as increase levels of employees' turnover fall and organizational loyalty level with their human resource management practices. This result can be achieved through improvements to increase employees' job satisfaction and organizational loyalty levels.

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