

A Review and Research Agenda; Impact of Human Resource Practices on Job Satisfaction of Employees in Foreign and Local Banks of Pakistan

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Abstract

The job satisfaction has great importance in any organization. This study focuses on impact of human resource practices like performance evaluation, promotion practices, compensation practices, working environment and supervisory relationship on job satisfaction of employees in banking sector of Pakistan. This study further reveals that how employees working in different foreign and local banks in Lahore have different levels of satisfaction. This research is done on the basis of primary data collected from branches of Bank Alfalah, Habib Bank Ltd. and NIB bank in Lahore. SPSS 16 is used to analyze data using T test, correlation and regression analysis. OLS-regression method is used to check the linearity and normality of data and other assumptions helps to check the link between variables. By applying linear regression model, we interpret that there is a strong and positive relationship between the different human resource practices and job satisfaction of employees.

Keywords: Job Satisfaction, Human Resource Practices, Ordinary Least Square Model, Banking

Introduction

The job satisfaction of employees is a major determinant of employees performance in any organization. If employees working in an organization are satisfied by human resource practices by human resource management, the turnover of employees will be lesser which in turn increases the overall productivity.

Greater the satisfaction of employees in any organization higher will the efficiency of employees lead towards the productivity and profits. Banking sector in Pakistan is shows a remarkable growth over the period.

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Due to great competition in market the banks have to survive and compete in the growing banking industry in our country. To retain and satisfy employees in banking sector in their jobs is major problem in banking sector. The purpose of the study is to see whether the human resource department satisfies their employees with their practices and how HumanResource Practices can affect the job satisfaction of employees of localbanks like NIB,Habib Bank Ltd and foreign banks like Bank Alfalah Ltd, Barclays Bank, HSBC, etc.Satisfaction level of the employees working as a team is very important because it directly effect the their performance on job (James, 1996).

Objectives

The specific objectives of this study are

- To prove that how appraisal skills, strong pay structure and working environment dependent on job satisfaction.
- To prove that how job retention (security) satisfy the employees.
- How promotion practices can affect the job satisfaction.
- To find out the factors creating lesser turn over in an organization.
- To find that which human resource practices affect local or foreign banks.

4.1 Hypothesis

The relationship between the human resource practices and job satisfaction of employees leads to following hypothesis

- H0: There is no significant relationship between human resource practices and job satisfaction of employees.
- H1: There is no significant relationship between performance evaluation and job satisfaction of employees.
- H2: There is no significant relationship between promotion practices and job satisfaction of employees.
- H3: There is no significant relationship between compensation practices and job satisfaction of employees.
- H4: There is no significant relationship between human working environment and job satisfaction of employees.

- H5: There is no significant relationship between supervisory relationship practices and job satisfaction of employees.

Literature Review

Literature review on job satisfaction demonstrate that job satisfaction is a important factor in any organization specially in banking sector because banking industry is competitive as well as growing industry now a days. A number of studies have found that managing turnover is a challenge for organizations as different organizations have different methods to reduce their turnover (American Management association, 2001).

According to Hawthorne (1930) that "A happy worker is a productive worker". Employee engagement directly influences the financial results of an organization. Decision making, co-ordination, Employee performance, Appraisals, Rewards, Career development are significant to employee engagement whereas training and performance appraisals are not significantly related to employee engagement (Saima & Rehman, 2009)

According to Hunjra & Rehman (2010) that a positive link is present between job satisfaction and human resource practices such as job autonomy, work environment and leadership behaviour. Along with this result male and female employees has different level of satisfaction.

Muhammad Azar Sheikh, Qamar & Fariha(2010) narates that impact of human resource practices like (career development opportunities, Supervisory support, Working environment, Rewards and Work-life policies) on employee retention . According to them that there is a positive relationship between HRM practices and employee retention which leads towards the productivity in an organization.

Tooksoon & Mudor M (2011) state that HRM Practices like supervisory relationship, training and promotion increases job satisfaction which results decrease in turnover. The dependent Variable is job Satisfaction of employees.

There are five components of job satisfaction; work, pay, promotion, salary and recognition, were examined besides overall job satisfaction.

“The administrative discipline of hiring and developing employees so that they become more valuable to the organization.” (www.businessdictionary.com). Human resource practices which effect the job satisfaction are:

- Practices performance evaluation
- Promotion practices
- Compensation Plans
- Work Environment
- And Supervisory Relationship is considered as the independent variables.

Human resource management means “to select, develop, motivate and maintain human resource in the organization”. It first selects the right human resources or staff (i.e. managers and employees). It trains and develops them. It motivate them recognition and rewards . It also provides them recognition. It provides them the best working conditions.

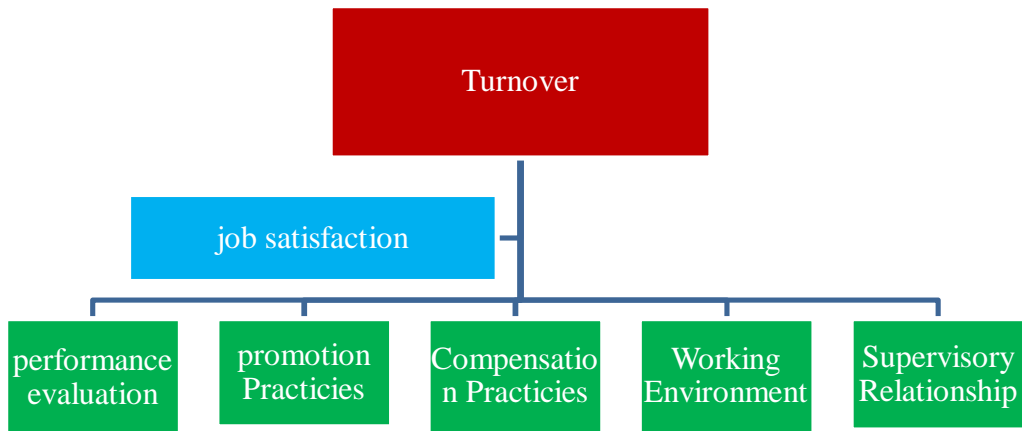
Performance appraisal is an important tool of human resource management. By using this tool we can improve the job satisfaction and productivity of employees in an organization (Brown and Benson, 2003). Incentives by different banks organization like better incentive pay and performance appraisal by human resource department leads to job satisfaction which leads to lesser turn over. However relationship needs to be checked with reference of banking sector in Pakistan.

Teseema & Soeters (2006) found positive and significant relation between promotion practices and employee performance, however HR practices including ‘vacancies filled from within’ on merit have been found positively correlated with work satisfaction . Synergetic systems of HR practices (including merit promotion decisions) lead to higher performance of an organization . From the above mentioned literature it is safely assumed that human resource practices have significant relationship on employee’s satisfaction.

Human capital incentive organizations pay a crucial role in attracting high performance employees by giving them high incentive pay and compensation plans to them.

High performed compensation plans can lead to greater satisfaction of employees and attract employees to their organization. So it is assumed that there is a positive relationship between employee’s satisfaction and compensation plans.

Theoretical Framework



Pakistan is experiencing a remarkable growth. Banking industry in Pakistan experiencing a great challenges .In order to compete in this growing market supervisory relationship with the employees play an important role for the whole team to work efficiently .Retention of well trained and efficient workforce is major issue of HR department. Supervisory relationship with employees can play a significant role in job satisfaction which results in retention of workers in result lesser turn over.

Research Design

The dependent variable is Job Satisfaction of employees and the independent variable is human resource practices. All dependent and independent variables are measured on the basis of opinion gathered from questionnaire collected from employees of foreign and local banks. Target population is employees of bank Alfalah, Habib bank and NIB bank of Lahore.

Primary data is used in this research. A questionnaire is floated in different branches of three banks of these foreign and local banks. 300 questionnaire are floated out of these 300 questionnaire 200 were returned and 25 was uncompleted. A sample of 150 questionnaires was selected randomly for this research.50 sample is selected from each bank on the basis of satisfied sampling.

Data Analysis

The study firstly tests the normality and linearity of cross sectional data used in analysis. For this purpose Ordinary Least Square (OLS) technique is used and model is based on linear regression. OLS technique also provides information about homoscedasticity or heteroscedasticity and co linearity of data or multicollinearity.

The basic assumptions of OLS regression model are:

- Model is linear in parameters.
- The expected value of the errors is always zero
- The residuals have constant variance.
- Independent variable must be correlated with dependent variable.

Individual variables and overall model must be significant.

In the light of discussion in literature and to inquire the relationship between human resource practices and job satisfaction of employees the following equation is being modeled;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where β_0 = Intercept

β_1 = Effect of Independent variable

Y = Dependent variable Job Satisfaction

X1 = Independent variable Performance Appraisal

X2 = Independent variable Promotion Practices

X3 = Independent variable Compensation Practices

X4 = Independent variable Working Environment

X5 = Independent variable Supervisory Relationship

Findings

The properties of variables have been checked by OLS-regression model. The results of data by using linear regression in OLS are reported in following tables;

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
Job satisfaction	3.7433	.75693	150
Performance evaluation	3.4667	.77214	150
Promotion practices	3.2200	.87944	150
Compensation practices	3.0033	.95801	150
Working environment	3.7400	.65977	150
Supervisory relationship	3.9533	.74037	150

Table 2: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.690	5	5.738	14.578	.000 ^a
	Residual	56.679	144	.394		
	Total	85.368	149			

a. Predictors: (Constant), supervisory practices, performance evaluation, working environment, compensation practices, promotion practices

b. Dependent Variable: job satisfaction

Table 3: Results

		Job satisfaction	Performance evaluation	Promotion practices	Compensation practices	Working environment	Supervisory practices
Pearson Correlation	Job satisfaction	1.000	.244	.365	.411	.410	.455
	performance evaluation	.244	1.000	.646	.458	.240	.229
	Promotion practices	.365	.646	1.000	.559	.244	.382
	Compensation practices	.411	.458	.559	1.000	.293	.308
	Working environment	.410	.240	.244	.293	1.000	.373
	Supervisory practices	.455	.229	.382	.308	.373	1.000
Sig. (1-tailed)	Job satisfaction	.	.001	.000	.000	.000	.000
	Performance evaluation	.001	.	.000	.000	.002	.002
	Promotion practices	.000	.000	.	.000	.001	.000
	Compensation practices	.000	.000	.000	.	.000	.000
	Working environment	.000	.002	.001	.000	.	.000
	Supervisory practices	.000	.002	.000	.000	.000	.
N	Job satisfaction	150	150	150	150	150	150
	Performance evaluation	150	150	150	150	150	150
	Promotion practices	150	150	150	150	150	150
	Compensation practices	150	150	150	150	150	150
	Working environment	150	150	150	150	150	150
	Supervisory practices	150	150	150	150	150	150

Results show the following findings:

- R2 represent the coefficient of correlation. Value of R2 is 0.336 that shows the correlation between dependent and independent variables is not big. Independent variable human resource practices measured by performance evaluation, promotion practices.

Compensation practices, work environment and supervisory practices in model explain 33% change in dependent variable job satisfaction that is measured by employee's opinion.

- F-statistic i.e., 0 shows that over all model is significant and explain goodness and fitness of model.
- T-statistic i.e., 0 shows that compensation practices, working environment and supervisory relationship are significant showing values less than .05 and performance appraisal and promotion practices are not significant showing values of greater than .05 individual variables in model.
- Model is significant so regression equation becomes

$$\text{Job satisfaction} = 172\text{comp} + .262\text{workenv} + .275\text{supervisory relation}$$
- Values of variance inflation factor and tolerance indicate that multi co linearity does not exist between two variables.
- Value of Durbin Watson shows 1.722 that there is little problem of homoscedasticity exists in data.
- Test of Chi square shows that its value is 0. This shows chi square is significant.

Graphs indicate that data approaches to linearity that is the basic assumption of OLS-regression model. The histogram shows normality of data.

Conclusion

We analyzed the relationship between trade liberalization and poverty in Pakistan. The concluded points are:

- Findings show that human resource practices has effects on job satisfaction.
- Null hypothesis is rejected in the case of compensation, working environment and supervisory relationship and H3, H4 and H5 is accepted in the case of Performance, Promotion and H1 and H2 is rejected.
- The human resource practices like compensation, working environment and supervisory relationship showing 0 values of t-test level of significance shows that these variable have significant impact on job satisfaction of employees in foreign and local banks of Pakistan but performance and promotion showing greater value than .05 level of significance shows that these two variables are not significant to the job satisfaction.

- The empirical results show that human resource practices including compensation practices, work environment and supervisory relationship has great impact on job satisfaction of bank employees which directly affects the performance of employee's leads to lesser turnover.
- Individual results from questionnaire shows that employees in foreign bank BAL are more satisfied regarding their pay structure and performance evaluation but employees in local banks like HBL and NIB are more satisfied regarding their job security.

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