

Human Resource Management Practices and employees' turnover. First evidence from Social Cooperatives.

Topic: People

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Abstract

This paper aims at investigating the impact of human resource management practices (HRMPs) on overall employee turnover in social cooperatives (SCs), a key player in the national welfare system. These organizations rely on the dedicated work of their employees to achieve their social mission so turnover represent a problem to face with.

Our analysis offer a contribution in order to understand what role HRMPs can play in contrasting turnover.

Key words

human resource management practices, turnover, social cooperative

INTRODUCTION

This paper aims at investigating the impact of human resource management practices (HRMPs) on overall employee turnover in a specific kind of non-profit human service organization that is social cooperative (SC).

In Italy, social cooperatives (SCs) were born in the 1980s as a specific form of cooperative enterprise working in health care, education and social services and they quickly became key players in the national welfare system (Andreaus et al., 2012). In many European and OECD countries, similar forms of organizations are experiencing high growth ratios (Defourny and Nyssen, 2010) and also in Italy, the country on which we develop our analysis, SCs are showing a steady increase in employment rate.

For two decades, this sector is undergoing radical changes (and challenges) due to the rationalization and disinvestments made by welfare state (Borzaga et al., 2014). As a consequence, SCs are facing growing complexity both in the external context and in the internal situation.

While changes in socio-economic trends - such as the aging population and the growth of care need of weak people - lead to an increase in the demand for social services, customers' needs are evolving towards a more qualitatively valuable service. In other words, due to the advancing competition among non-profit organizations (especially social enterprises), public service providers and for-profit organizations (Salamon and Dewees, 2002), SCs are called to improve their efficiency while enhancing higher standards of service quality (Navarro-Espigares and Hernandez Torres, 2011).

It is important to underline that, human service organizations rely on the dedicated work of their employees to achieve their social mission (Guo et al., 2011). The service they provide - often personalized, flexible and professional - is characterized by a strong human component that contributes significantly to the value of the service itself (Morelli, 2010; Mosca et al., 2007). This value, which can be measured in terms of consumer's satisfaction, can be achieved also through durable relations based on the capability of workers to meet the consumers' request and interest.

The increase in demand's quantity is accompanied by the need for a more professional workforce to meet new customers' high quality service needs. Social cooperatives are called to invest in human resources through training and development processes especially devoted to the professionalization of their workforce, because the low level of training programs provided by the national education system (Simonazzi, 2009).

These considerations lead to highlight the importance of the retention policies for SCs, but at the same time, we have to remark some important elements, that represent obstacles to the retention of the workforce in this sector. According to the authors, employees in human service organizations are reported to have low levels of status and wages when compared with other types of organizations, despite higher levels of job satisfaction (Glisson and Durick, 1988; Simonazzi, 2009; Irpet, 2008). Furthermore, this workforce may be attracted by the 'mirage' of other labour markets (less stressful, better paid or more secure). In summary, these organizations are called to face with high levels of turnover (Barak et al., 2001).

This is exactly the reason why this paper aims at deepening the understanding of the HRMPs as factors contributing in preventing employees' turnover in these specific organizations.

THEORETICAL BACKGROUND

There is a vast body of literature on the determinants of employee turnover. However, most of this research has focused on individual-level perspective, studying the determinants of employees' intention to quit the organization (i.e. Yücel, 2012; Flint et al., 2013). In contrast, few contributions relate to the organization-level perspective and consider the aggregate organizational turnover as a dependent variable (Arthur, 1994; Huselid, 1995).

It is widely acknowledged that high levels of turnover might have an adverse effect on organizational performance. According to human capital theory, for example, employee turnover affects workforce performance negatively by diminishing firm-specific human capital accumulations (Shaw et al., 2005). However, some authors working from the perspective of HR strategy point out that "the effect of turnover level on organizational performance depends critically on the nature of the context or system in which the turnover occurs" (Arthur, 1994: 674). Indeed, as the author explains, there are two distinct approaches to human resource (HR) systems, namely 'control' and 'commitment' systems. While the goal of the 'control' system is to reduce labour cost, or improve efficiency by enforcing employee compliance with specified rules and procedures, the 'commitment' HR system "shape[s] desired employee behaviours and attitudes by forging psychological links between organizational and employee goals" (Arthur, 1994: 672). Thus, his study proves that "turnover will be higher in 'control' human resource systems than in 'commitment' human resource systems". (Arthur, 1994: 674).

HRMPs have been discussed frequently in literature. They consist, for example, in selection, training, team activities and incentives (Ahmad and Schroeder, 2003; Cassel et al., 2002; Pfeffer, 1998). These practices are widely recognised as key determinants in explaining firm performance and competitive advantage (Kaya, 2006). Previous organizational studies suggest that HRMPs help to accomplish firm objective and to achieve firm-specific competitive advantage (Barney, 1991; Wright and McMahan, 1992). According to Huselid (1995), human resources are frequently 'underutilized' - meaning that their potential for motivation and skills is not adequately valued. He goes on to argue that HRMPs might have an important role in influencing them. Hence, we would like to demonstrate the important role of HRMPs on employee turnover: more developed are these practices less is the interest of workers to leave. So, we propose that:

Hp. 1: HRMPs have a direct impact on overall employee turnover.

As suggested by Arthur (1994), HRM systems moderate the relationship between turnover and workforce performance, depending on the context in which they operate. Therefore, here we will consider different HRMPs and their different effects on a specific workforce operating in SCs. Among the different HRMPs, we posit that some of them, in relation to the context in which they operate, may have a negative impact on turnover, thus preventing it, whilst others may have a positive effect on it, therefore favouring it.

In SCs, many organizational positions can be classified as non-routinized highly interactive service jobs. In this context, and according to Arthur (1994), a "commitment" human resource system should be more effective. Therefore, specific aspects related to individual training and development should prevail in order to grant employees' commitment and, in turn, organizational performance. Therefore, we posit that HRMPs devoted to training and development might represent negative predictors on overall employee turnover. Thus:

Hp. 2: Formal training programs have a significant, negative and direct impact on overall employee turnover.

Hp. 3: Informal training programs have a significant, negative and direct impact on overall employee turnover.

Hp. 4: Training on job skills has a significant, negative and direct impact on overall employee turnover.

Moreover considering that a 'commitment' human resource system should be more advisable in a similar context, also HRMPs related to organizational efforts in promoting individual participation in the organization would prevent employees' turnover. So, we hypothesize that:

Hp. 5: Communication of strategy has a significant, negative and direct impact on overall employees' turnover.

Team activities are usually consider as having a positive effect on working conditions, promoting a supportive climate and coordination in work (Torrente et al., 2012), because it develops collaboration and at the same time it favourites responsibility's assumption (Zarraga and Bonache, 2003). Even if it is not deeply analyzed in nonprofit organizations, we think that:

Hp. 6: Team activities have a significant, positive and direct impact on overall employees' turnover.

Incentives' role is a classic topic in literature on HRMPs in general and specifically in non-profit sector (Guo et al. 2011): the most appreciated materials and immaterial incentives produce positives effects on worker's satisfaction (Akingbola, 2006; Mosca et al., 2007). In fact, previous research show that workers in this sector, despite receiving a low average level of reward, show higher levels of commitment compared to those perceived in other sectors (Mosca et al., 2007). The use of a consistent, effective and balanced mix of incentives for these specific kind of employees is particularly advisable in order to avoid negative consequences. According to some authors, in fact, the more you are extrinsically rewarded the more you lose the intrinsic aspect of your motivation (Frey, 1997). So, we state that:

Hp. 7: Incentives have a significant, positive and direct impact on overall employees' turnover.

METHOD

The hypothesis will be verified with primary data collected through an on line questionnaire administered to representatives of a pilot sample of SCs in north-central Italy (N= 57). This paper is part of a wider research project aimed at investigating HRM and organizational determinants and performance in Italian SCs. Data gathering is still ongoing. The dataset was built based on the Institutional File of Social Cooperatives hold by each Provinces and Regions (current response rate= 4%).

A prior analysis on the pilot sample of organizations that responded has been carried out showing some prior partial but interesting evidence. The organizations have between 4 and 850 workers (M= 69,66; SD=133,85) and have an average age of approx. 20,2 years (SD=10,90; min=2; max=68).

Measures

Dependent variable. For measuring overall employee turnover, it was asked to the SC's representative the trend of the employees' turnover in their cooperative in previous three years if compared to other cooperatives in the same sector. Response rate ranged from 1= much lower to 5 =significantly higher.

Independent variables. Scales measuring HRMPs already used in previous studies were employed for this work (Cassel et al., 2002; Kaya, 2006; Kotey and Folker, 2007). Some of them were readapted for the specific context of analysis. The incentive scale was proposed for this analysis.

Scale reliability for independent variables was tested using Cronbach's alpha. The results shown in table 1 prove that all coefficients are above the 0.60 criterion (Nunnally, 1967).

Table 1. Independent Variables.

	Reference	Alpha Cronbach	Example of item (number of items)
Team activities	Kaya, 2006	0.905	"Our firm forms teams to solve problems" (3)
Training on job skills	Kaya, 2006 ^(a)	0.672	"At this firm, employees are trained with professional skills" (2)
Communication of strategy	Kaya, 2006	0.825	"In our firm, goals, objectives and strategies are communicated to all employees" (3)

Incentives	Own measure	0.606	“Our organization is effective in providing monetary incentives” (2)
Formal training programs	Kotey and Folker, 2007 (a)	0.871	“Structured training courses” (5)
Informal training programs	Kotey and Folker, 2007	0.717	“Job rotation” (3)

(a) The scale was readapted from the original.

Fifty-seven questionnaires were fully filled by SCs’ representatives and then analysed. Items were explored through a regression analysis using the statistical package SPSS (Version 20.0) (see tables 2).

Table 2. Regression analysis for employees’ overall turnover.

Independent variables	Coefficient	Beta
Team activities	0.574 (0.219)*	0.471
Formal Training programs	-0.766 (0.323)*	-0.532
Informal Training programs	0.246 (.298)	0.162
Communication of strategy	-0.418 (0.234)+	-0.297
Training on job skills	0.454 (0.279)	0.328
Incentives	0.443 (0.187)*	0.328
Constant	1.278 (0.994)	
Observations		57
<i>R</i> ²		0.237
<i>Adjusted R</i> ²		0.147
<i>F</i>		2.637
<i>P</i>		0.026

Note: standard error in parentheses. Sig: + <.1. * < .05. ** < .01.

First, we checked the intended control variables (age, size and cooperative type) to decide if they should be used in the actual regression analyses, claiming that there should be a

correlation with the outcome variable to start with. However, based on the correlation analysis, no variable was included in the model as control variable.

A block entry of independent variables measuring different HRMPs was introduced explaining 23,7% of the total variance. Therefore, results demonstrate that HRMPs explain a good amount of variance of employees' turnover in a significant way. This result supports hp. 1.

Results show that the relationship between formal training programs and communication of strategy is negative thus demonstrating that the use of formal training programs ($\beta=-0.766$; $p<.05$) and communication of strategy ($\beta=0.418$; $p<.10$) affect in a negative and significant way the dependent variable, so preventing employees' turnover and demonstrating hp. 2 and ph. 5, respectively.

Further, results prove that the relationship between incentives and turnover is positive, so revealing that the use of incentives ($\beta=0.443$; $p<.05$), hp. 7, affect in a positive and significant way employees' turnover. Contrary to our hypothesis 6, team activities affect in a positive and significant way employees turnover ($\beta=0.574$; $p<.05$).

In the end, results demonstrate that hp. 3 and hp. 4 are rejected.

FIRST FINDINGS AND CONTRIBUTIONS, LIMITATIONS

This paper aims to deepen the understanding of HRMPs as factors helping to prevent employee turnover in SCs. The problem is particularly apparent in enterprises that offer services strictly based on the relation between customer and worker, where professionalization of the worker depends on a complex mix of specific hard and soft skills. In other words, employees cannot be treated as 'replaceable commodities' but as an investment asset.

Our preliminary results show that HRMPs are crucial for turnover, as a whole and in a significant measure, as the analysis demonstrated. With respect to the different practices we considered, we observe that the topic of training emerges in all its complexity: If formal training programmes appear to affect turnover positively, informal training programmes and training on job skills seem to be irrelevant for turnover. In other words, competency development and enrichment of internal professionalism need to be deepened. On the one hand, there is the issue of investment appropriability of the organization; on the other, there is the need to engage and retain employees (Kamoche and Mueller, 1987).

The relevance of communication in social cooperatives is confirmed not only in coherence with its nature, but also as a tool for managing workers and involving them in strategies (Akingbola, 2006).

On the contrary, we also notice the positive role of incentives in predicting turnover, coherently with the *crowding-out* effect theorized by Frey and Jegen (2001). Finally, it is important to underline some limitations of our study. First, the limited number of SCs dealt within our study represents a weakness. Second, the variables are measured using a common method and source. Consequently, there may be some systematic biases (common method variance) when the same respondent is asked about the examined variables.

Notwithstanding the limitations, the results encourage us to continue exploring this topic, whose relevance is emerging in tandem with the increasing role that these organizations play in a field such as human service, which has become all the more crucial in our society.

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