

# AN EMPIRICAL STUDY ON THE RELATIONSHIP BETWEEN HUMAN RESOURCES MANAGEMENT PRACTICES AND LABOUR PRODUCTIVITY

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## **Abstract**

*Human resources management represents an intensely debated subject in the specialized literature. One particular issue regarding this field is represented by the specific human resources management practices and their influence on organizational performance.*

*The modern companies regard their employees as valuable resources and recognize the need for their development. The human resources exert a great deal of influence on the evolution and performance level of an organization through their specific skills, involvement, and individual activity results. Therefore, the study of the relationship between the human resources management practices and the organizational performance represents an important issue. Among the indicators used to express the performance level, the most frequently encountered is labour productivity.*

*Based on an empirical study, this paper intends to analyse this relationship in the case of the Romanian companies. The structure of the paper is the following: firstly, an overview of the human resources management practices and the relationship with the organizational performance, especially the labour productivity, is presented, and then the results of several previous studies on this topic in Romanian companies are discussed in relation to the subject approached. The next section presents the research methodology, followed by a section reserved for data analysis and interpretation.*

**Key words:** *human resources management practices, organizational performance, labour productivity*

**JEL Classification:** M1, M54

## **1. Introduction**

Human resources management practices represent a subject that has been approached by different specialists. Various issues were analysed within the specialized studies in relation to this concept. One of these issues, that proved to be of a particular importance, was the one concerning the relationship between these specific practices and the organizational performance.

The human resources within a company exert an important influence over the evolution and performance of the organization through their skills, involvement, and individual level of performance. People were considered as a source of competitive advantage for the company by different specialists that issued favourable arguments, even if in the specialized literature there were presented opposite points of view. The specific practices concerning human resources were often subject to an analytical process in relation to the organizational performance.

This paper intends to analyse the relationship between human resources management practices and the level of organizational performance that was frequently expressed by the labour productivity indicator. The analysis used in this paper is aimed at investigating this specific relationship in the case of Romanian companies, based on the results of an empirical study.

## **2. An overview on the relationship between the human resources management practices and labour productivity**

The specialized studies have approached the issues regarding the relationship between the human resources management practices and organizational performance. One can notice

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that among the indicators used to express the level of organizational performance, the labour productivity was the most frequent.

The attention paid by different researchers to this subject demonstrates the particular importance of such research theme in the area of human resources management studies.

In order to emphasize the degree of interest for such a subject, we considered useful and necessary to present the results of several studies dedicated to this theme within the specialized literature. One of the most cited studies is the one undertaken by Ichniowski et. al. (1997) that pointed out the positive influence of innovative human resources management practices over the level of labour productivity within the studied companies. Such innovative practices were considered financial incentives, teamwork, flexible working time arrangements, job security and personnel's training activities. The results have indicated that the companies using such practices have registered a higher level of labour productivity than the ones that didn't. This situation proves the importance of the research subject.

The results of another study by Tamkin (2004) indicated that the organizations using these specific practices have registered significant differences in productivity levels, up to 40%, compared to those that were not using such practices.

Other researchers have found that the human resources management practices have generated an increased level of employee's involvement that positively relates to their productivity and also the fact that the use of specific practices regarding the reward granted had a favourable influence on the labour productivity (Boselie and Wiele, 2002).

More recent studies have indicated the same positive correlation between employees' reward practices and the level of labour productivity (Soomro et al., 2011).

The relationship between human resources management practices and organizational performance, expressed by labour productivity, was approached in different surveys. At European level, one of the most revealing was the European Company Survey (2009). Based on the results provided by this survey Jungblut and Storrie (2011) have analyzed the influence of the innovative practices concerning human resources on the performance level of the companies participating in the study.

Four indicators were considered for the performance level: work climate, the lack of problems concerning the human resources domain, labour productivity, the financial results obtained by each company.

There were considered as innovative human resources management practices: working time arrangement, where practice related to part-time systems or extra time compensations were targeted, financial incentives, especially related to performance, training practices, in this particular case, there were considered practices such as the ones regarding the training programs provided for the part-time employees, autonomous teams, based on the liberty granted to the employees in selecting the tasks to be accomplished and establish the persons responsible for them and those practices regarding the employees' involvement in different processes within organization.

The results of the mentioned study have indicated that the most common practices are the working time arrangements ones, followed by those practices regarding the employees' training, the use of autonomous teams, the practices targeting the employees' involvement and finally, the practices regarding the financial incentives.

The analysis of the relationship between these practices and the performance indicators considered revealed several particular situations. The most significant results were registered in the case of the practices regarding the employees' involvement related to the absence of the problems concerning human resources domain. In the same category, there was mentioned the relationship between training practices and labour productivity. It is also worth mentioning the positive relation between incentive reward and labour productivity. Autonomous teams positively affect the labour productivity and also the working climate.

The above-mentioned results prove that an array of human resources management practice exerts a positive influence on the labour productivity within an organization.

Another issue that should be discussed in relation to the correlation between human resources management practices and labour productivity is represented by the concept of HPWP (high-performance working practices).

These practices represent a set of interrelated human resources management practices that allow a company to recruit, select, develop, motivate, and maintain their employees (Way, 2002).

This concept was approached in a more detailed manner by Pfeffer (1998). Pfeffer has studied a set of practices that included job security, the selectivity of the selection and recruitment process, autonomous teams, payment related to performance level, employees' training. The results obtained have indicated a significant and positive influence of these practices on the organizational level of performance.

The organizations that resort to such type of practices invest a considerable amount of money in human resources in order to ensure a well-prepared personnel, possessing the required abilities and the necessary degree of empowerment for accomplishing the specific tasks for their positions (Becker and Huselid, 1999).

Several issues need to be clarified when approaching the concept of high-performance working practices such as the measurement level of performance, the categories of practices and the systemic effect of such practices (Boxal and Macky, 2007). The systemic effect that points out the positive effect that a bundle of specific practices has on the organizational level of performance, is of a particular interest to our research.

Regarding the indicators used to measure the organizational performance, the studies that approached the relationship between these specific practices and the level of performance, have involved different types of indicators. Thus, in his study, Huselid (1995) aimed to analyze the correlation between such practices and employees' turnover, productivity and financial performance of the studied companies. The results obtained have revealed a significant influence. Another study undertaken by Delerey and Doty (1996) has pointed out a positive influence of the considered human resources practices on the profitability of the banks included in the study.

Other researchers have approached the influence of these practices both on the organizational performance and on the individual level of performance (Applebaum et al., 2000).

Another perspective regarding these types of practices has emphasized, on the one hand, the positive and significant correlation between the high-performance working practices and the employees' involvement. On the other hand, a positive influence was indicated between the involvement level and the considered performance indicators such as operational expenses or company profitability (Wright, Gardner and Moynihan, 2003).

This approach underlines the mediation effect that occurs in the relationship between these specific practices and the organizational performance, through the results generated by this kind of practices. One of the most analysed results was the employees' involvement. In this context, the study of Ahmad and Schroder (2003) pointed out the positive influence of these practices on the operational performance through the degree of involvement.

This situation has been identified by other researchers (Benson and Lawler, 2003; Ramsay et. al., 2000) who reached the conclusion that a higher level of involvement generated by the use of such practices determined an increased level of performance.

The same conclusion was reached by Karatepe (2013) in his study regarding the use of high-performance working practices in the tourism industry. These practices such as training assessment, employee's empowerment and rewards have generated an increased level of involvement with positive effects on the individual performance.

The researchers have identified some differences regarding the use of this kind of practices between companies of different sizes. Thus, the small companies were using few or none of these practices. This situation is explained by the reduced availability of resources or by the strategic decisions made by the business' owners (Kroon et al., 2013).

The above-mentioned aspects prove that the relationship between human resources management practice and organizational performance generally and labour productivity, in particular, represents a complex subject. It was approached by different researchers that emphasized various issues regarding this correlation.

In the next section, we will present the results of several specialized studies that reflect the subject of human resources management practices used in Romanian companies.

### **3. Human resources management practices and performance of the local companies**

The subject of human resources management was approached by different Romanian researchers and by several consulting companies. The particular issue of human resources management practices used by the local companies was better reflected in the specialized studies. Thus, we choose to approach this subject through the results provided by different studies.

have approached the issues regarding the human resources management practices in local companies. A wide range of specific practices was approached in various types of companies. The provided results enable a better understanding of this subject.

Their results proved that the specific practices are subject to a development process that marks the transition from a traditional approach to human resources domain, the administrative one, to a modern approach, strategically oriented.

The topic regarding the practices related to the organizational performance was reflected in these studies in an indirect manner. However, the information provided was sufficient in order to reach a conclusion regarding the development of such practices within the local companies.

The presence of the specific human resources management practices related to organizational performance was underlined by these studies. In order to provide a clear image on this topic, we decided to present those results in a synthetic manner for each of the analysed studies.

The studies undertaken by **Ensign Management Consulting** (2012, 2014 editions) indicated an increasing number of companies seeking to ensure a correlation between personnel' payment and the performance achieved. This practice is still in an early stage and there are a lot of possibilities for improvement.

The 2012 edition of the mentioned study revealed that only few companies used a performance monitoring system.

Both editions of the analysed study indicated some specific areas that need improvements such as career management, competencies management and performances management.

Based on the results provided by these two editions of the mentioned study we can conclude that the human resources management practices associated with a high level of performance are still scarcely represented in the studied companies.

Another specialised study, **Romanian Human Resources Outlook** (2011) provided some interesting results regarding the use of such specific practices related to the high performance. Thus, a small part of the budget of the human resources department is oriented toward the performance management activities. At the same time, the part of that budget targeted to personnel training and development was higher. Therefore, we can assume the concern of those companies for the development of the practices related to the level of performance.

Training activities were based on the use of e-learning platforms for an important number of the studied companies. The use of the modern technologies in the area of human

resources management practices has been proved to have a positive effect on the organizational performance. Moreover, such technologies enable a better assessment of the quality of the training programs which will provide a better understanding of the influence that such programs had over the employees' performance or the organizational ones.

Other practices related to the high performance reflected by the results of this study were the increased decisional power that determines the empowerment level of the employees, the flexible working time arrangements. Such practices have been proved by other specialised studies as ones with a positive influence on the organizational performance. We have to mention the fact that these practices' were still used by a reduced number of the studied companies.

**European Company Survey (2013)** provided some results that indicated a scarce usage of the practice relate to the high performance of the Romanian companies. Thus the flexible working time arrangement was indicated by a reduced number of the studied companies and only for a limited number of their employees. At the same time, the use of supplementary payment associated with performance level was limited to a reduced number of enterprises.

The 2013 edition of AON Romania study reflected the following results concerning the use of the human resources management practice related to the high performance of the participating companies. First, the level of involvement desired by the management of those companies was reported for the employees with ages below 25 and over 45 years old. The involvement level has been proved as a positive factor in the relationship with the organizational performance.

The managers in the studied companies indicated on a large scale that their organizations provided their employees with career opportunities, while the employees perceived those opportunities as reduced. Such career opportunities could generate a positive influence on the individual and organizational level of performance. The benefits provided for the employees in the studied companies were considered as appropriate by the managers, while the employees appreciated in a lower proportion that the company provided such benefits. The benefits provided by a company to its employees represent a practice that could allow an important improvement of the individual performance.

The information presented above has offered an image on the use of the practice associated with the high performance of the local companies. We can notice that such practices are still underdeveloped and there is a need for improvement. Therefore, the study of these practices and their influence on the individual or organizational level; of performance proves to be a topic that needs to be further analysed in the case of the Romanian companies.

In the next section of this paper, we will present the methodology used to develop our empirical study dedicated to this subject.

#### **4. The research methodology**

This research represents an empirical study aimed at disclosing human resources managers' opinions on the use of the human resources management practices and their influence over the individual performance, expressed by labour productivity. It represents part of an ampler research focused on revealing the current issues faced by human resources management.

The research used as main research tool a questionnaire. It comprised several sections focused on general data on the company, on strategies employed in the field of human resources and on the specific practices aimed at providing, retaining and developing human resources within the company. The questionnaire was distributed to human resources managers or those persons responsible for the specific activities, from companies located in Constanta County, between January – April 2017.

A total of 220 questionnaires were distributed, and 115 were returned filled in. Only 100 questionnaires were validated and subjected to analysis using SPSS (Statistical Data Analysis, version 21).

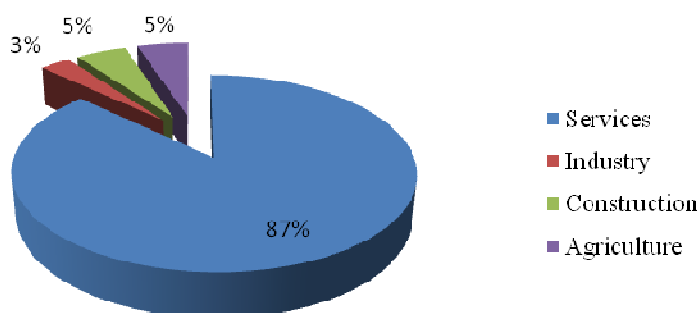
This case study emphasizes the research results from the sections regarding the human resources management practices aimed at providing (recruitment and selection), maintaining and developing (training and incentive payments) the human resources in the studied companies. The aim of the study was to investigate the correlation between these specific practices and labour productivity in the case of the participating companies.

The considered human resources practices was subject to evaluation using five-point semantic differentials (from 1- the least important, to 5 – the most important) or five-point Likert type scales from -1- total disagreement to 1-total agreement). For the evaluation of the labour productivity, we used the perceived importance expressed by the respondents (from 1- the least important, to 5 – the most important). In order to test the influence of these practice on the perceived importance of the labour productivity, several research hypotheses were formulated and tested.

In order to analyse the perceived importance granted by the respondents to the specific practices regarding the recruitment and selection, training and incentive payment we used three variables, each of them composed of several items. In the case of the first variable called Recruitment and selection selectivity, we considered a number of items reflecting the perceived importance of the main selection criteria used in the studied companies and also the importance granted to recruitment sources and selection methods used in the case of operative and management staff. For the variable expressing the importance of training practices, we considered several items that expressed the importance granted to personnel training, the number of participants to the training programs in the previous year and also the opinion regarding the impact of such programs on the individual performance. The last variable considered consists of two items that reflect the opinion of the respondents on the usage of supplementary payment formulas related to both individual and collective performance.

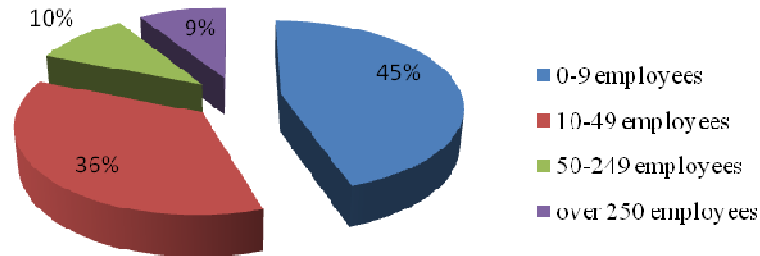
#### *The analysed sample*

Regarding the field of activity, the distribution of the companies involved in the study is the following (figure no. 1): the majority (87%) are active in the service field, 3% are industry based companies, 5% are active in constructions, and only 5% have agriculture as the main object of activity.



**Figure no.1:** The distribution of the companies by field of activity  
Source: Data from survey

As far as the size of the companies is concerned (figure no.2), 45% of them have between 0 and 9 employees, 36% have between 10 and 49 employees, 10% have between 50 and 249, while 9% are large companies with more than 250 employees.



**Figure no.2:** The distribution of the companies by size  
Source: Data from survey

## 5. Data analysis

In case of the first variable that reflects the selectivity of the recruitment and selection practices used by the participating companies, the obtained results indicated a medium value for the collected answers of 3.02, expressing a medium level of importance granted to this type of practices. For the training variable, the medium value of responses was 2.97, indicating the same situation regarding the level of importance. The variable expressing the use of incentive payment registered a medium value of responses of 1.27 that is equivalent to the opinion reflecting agreement.

For the perceived importance granted to the labour productivity the medium value of responses was 4.62 that reflects the highest level of importance.

### *Testing the hypotheses*

H1. There is a significant and positive association between the selectivity of recruitment and selection practices and the importance granted to labour productivity

A test aimed to determine the Spearman' correlation coefficient was conducted. The choice for this test was influenced by the result of the Shapiro-Wilk test ( $p < 0.05$ ) indicating that the two considered variables do not have a normal distribution.

The result obtained for the Spearman' correlation test was  $r_s = .443$ ,  $p = .000$ . It indicates that there is a positive and significant association between the two considered variables. Therefore we retain the alternate hypothesis and reject the null one.

Based on this result we can assume that in the analysed companies the practices that ensure the selectivity in the recruitment and selection process, oriented towards a high level of performance, are positively associated with the importance granted to the employees' productivity.

H2. There is a significant and positive association between the variable expressing the training practices and the importance granted to labour productivity.

A test aimed to determine the Spearman' correlation coefficient was conducted. The choice for this test was influenced by the result of the Shapiro-Wilk test ( $p < 0.05$ ) indicating that the two considered variables do not have a normal distribution.

The result obtained for the Spearman' correlation test was  $r_s = .399$ ,  $p = .000$ . It indicates that there is a positive and significant association between the two considered variables. Therefore we retain the alternate hypothesis and reject the null one.

This result led to the conclusion that in the studied companies the variable that expresses the training practices, that are oriented towards high-performance levels, are positively associated with the importance granted to the employees' productivity.

H3. There is a significant and positive association between the variable expressing the use of incentive payment and the importance granted to labour productivity.

A test aimed to determine the Spearman' correlation coefficient was conducted. The choice for this test was influenced by the result of the Shapiro-Wilk test ( $p < 0.05$ ) indicating that the two considered variables do not have a normal distribution.

The result obtained for the Spearman' correlation test was  $r_s = .217$ ,  $p = .000$ . It proves that there is a positive and significant association between the two considered variables. Therefore we retain the alternate hypothesis and reject the null one.

This result led to the conclusion that in the companies participating in the study, the variable reflecting the use of incentive payment and which was positively related to high-performance levels by other studies, is positively correlated with the importance granted to the employees' productivity.

## **6. Conclusions**

The study of human resources management practices generated a great deal of interest for researchers, especially concerning the relationship between these practices and the organizational and individual performance. The above-mentioned theoretical point of view presented the specific issues that the different researchers have identified when they approached this topic.

This subject generated various opinions in the specialised literature that reflected the importance of such a research theme. Based on the results provided by the specialized studies approaching the human resources management practices in companies from our country we reached the conclusion that this topic represents an area insufficiently explored.

Therefore, we considered relevant to investigate this issue through an empirical study on a sample of companies located in Constanta county.

The results of this study have confirmed the presence at a satisfactory level of those human resources management practices that have been proved, in the specialized literature, to be positively correlated with the high levels of performance. The existence of a positive and statistically significant association between the human resource management practices considered and the importance granted to personnel' productivity in the studied companies could be also noticed. Therefore, we can assume that such practices exert a positive influence on the employees' productivity in the case of the studied companies.

This study has revealed only a small part of this complex subject regarding the relationship between human resources management practices and the organizational performance in case of the Romanian companies. It pointed out some information that complete the results of other specialized studies that analysed the local companies and also indicates future research directions that could be considered.

Further research directions could analyse the differences between companies, considering their size or the level of development of these practices related to performance. Further research could also narrow down the type of investigated companies by their size or by field of activity or extend the sample to include companies from other counties.



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