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## **Employees Perceptions of the Importance of Human Resources Management Practices**

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### **ABSTRACT**

Increased research has been focused on establishing positive effects of HR practices on behaviors outcomes and firm performance and less attention has been taken to the perceptions of employees about the importance of the HR management practices on their professional development and career success. In particular, we wanted to understand these perceptions under a deep economic and labor recession context, such as the one in Portugal between 2010-2014. With this assumption, our study aims to present an instrument that accurately captures employees' perceptions of the importance of Human Resources management practices promoted by organizations. Based on literature, a written questionnaire was developed and data from 525 Portuguese workers were collected between November 2013 and January 2014. Validity of the questionnaire was analyzed and its results confirmed the existence of seven HR practices integration, training, performance management, career management, internal communication, rewards and celebration-demonstrating the questionnaire' construct validity. Perceptions about each of the Human Resources management practices by employees were found to be positively related to global perception of HR activities, however perceptions showed a low valuation of the practices. These results encourage addressing the gap in literature with adequate measures from the point of view of employees' perceptions about the importance of HR activities in the Portuguese context.

**Key words:** Human resources management, HR practices, HR measures

### **INTRODUCTION**

In recent years, increased research attention has been paid to the impact of Human Resources strategy and practices on organizational performance. The growing interest produced in this domain was based on the idea that human resources should be considered as a strategic factor and Human Resources Practices (HRP) can help to create a source of sustained competitive advantage, especially when they are aligned with organization's objectives (Delaney and Huselid, 1996; Wright *et al.*, 2001, 2005; Sun *et al.*, 2007). When organizational human resource strategy is properly configured, it will provide a direct and economically significant contribution to organization performance (Chang and Huang, 2005).

However research has been too much focused on establishing positive effects of HR practices on behaviors outcomes and firm performance (Becker and Huselid, 1999, 2006; Boselie *et al.*, 2005; Guest, 2002; Nishii *et al.*, 2008; Ostroff, 1992; Paauwe and Boselie, 2005) and towards strategic employee behaviors because they are key to the organizational strategy and less attention has been taken to the perceptions of employees about the importance of the HR practices

(Kehoe and Wright, 2013) on their professional development and career success. In particular, we wanted to understand these perceptions in a deep economic and labor recession context where job security is being replaced by the importance of being employable in the employment market.

Based on this assumption, the present study intended to develop and test an instrument that accurately captures employees' perceptions of the importance, or effectiveness, of the organizational HR practices and to verify if each of the HR practices are related to each other. For this purpose, a written questionnaire was developed. Factorial structure and psychometric characteristics of the questionnaire scales were analyzed. First exploratory, followed by a confirmatory factorial analysis was performed and its results confirmed the existence of seven HR practices, demonstrating the questionnaires' construct validity.

This study among Portuguese workers seemed to fit our objective. Portugal, since 2010, requested financial assistance from the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). An Economic Adjustment Program was negotiated and agreed for the period 2011-2014 and it contains deep reforms to promote economic growth and jobs, fiscal measures to reduce the public debt and deficit and measures to ensure the stability of the country's financial sector. However several measures to reduce the public debt had strong negative consequences on families incomes and unemployment raised at historic levels (16% in December 2013), the number of new jobs created in the period are further below the number of lost jobs (Banco de Portugal, 2013).

Human Resources practices are a set of activities implemented by organizations in order to develop employees' competencies and skills as well as to influence their attitudes and behaviors to be focused on the organization objectives and to contribute to the achievement of high performance levels (Gomes *et al.*, 2008). However some studies refers that employees' attitudinal and behavioral reactions depends on the HR practices that employees perceived to exist in the organization (Bowen and Ostroff, 2004; Kehoe and Wright, 2013). Thus, some empirical research has been made on the relationship HRP perception's to employees attitudes, such as job satisfaction and organizational commitment (Meyer and Allen, 1997; Meyer *et al.*, 2002), or organizational citizenship behavior (Organ, 1988; Podsakoff *et al.*, 2000). Furthermore, recent empirical studies suggest that employees' perceptions of the importance given to HR management practices significantly vary from organization to organization (Liao *et al.*, 2009; Hinkin and Tracey, 2010). In an economic recession context, organizations tends to reduce the intensity of HR practices, recruitment is reduced to a minimum, training programs just for the essentials, cut offs in pay (e.g., overtime compensation or special allowances) but under a job insecurity atmosphere employees value what the organization can do for them, in terms of promoting their employability trough the development of their work experience and professional competencies. If organizations within this recession context cannot make promises of a safe formal employment relation they have to be committed to promote the employability level of employees, through performance management systems, training opportunities and others competencies development activities.

As Kanter (2003) points the main source of security to employees is not seeking for a specific job or employer but for employability. This perspective is completely updated and increasing employability positive impacts on well-being and job satisfaction occurs (Gowan, 2012). Employability refers to the extent to which employees acquire, develop and retain skills and experience to maintain or to find a work of the kind they feel appropriate and decent (Rothwell and Arnold, 2007). Their feelings of more or less difficulty to keep or find a new job in another

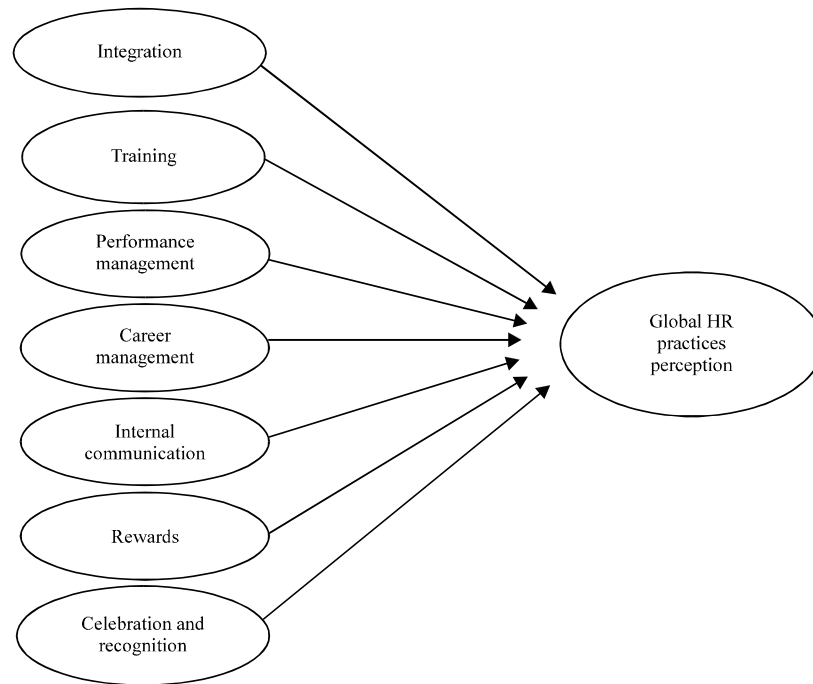


Fig. 1: HR practices and global HR practices perception

organization depend on perception of their employability level. This is an important asset and challenge to organizational HR practices, managing employees is not all about achieving business results but also promoting their employability.

Empirical research evidence about how organizations promote employability is limited (Garavan, 1999) and we have suspicions that it is not a transversal practice and rather it is concentrated for in what organizations define as the strategic or key employees (Kehoe and Wright, 2013) and it seems a contradiction for human resources policies and statements of promoting work wellbeing for all employees. Furthermore, HR practices may not be delivered in all areas or departments or may not be considered as important by employees to develop the competencies and skills regarded as necessary for their professional future (Martin *et al.*, 1998).

In this study we identified based on literature numerous HR practices, some of these practices were dependent on an organization's size, cultures or leadership style but the most referred practices for high-impact organizational performance are related to a job-employee fit, performance and skills development and compensation and recognition (Hinkin and Tracey, 2010).

The general hypothesis outlined above is that each of the identified HR practices has a significant and important impact for global perception of employees about the organizational HR activities and all practices are related to each other (Fig. 1).

## MATERIALS AND METHODS

**Participants and procedure:** The data were collected from Portuguese workers, professionally based in Portugal using researchers connections in organizations and using corporate intranet systems, authorized by organizations, a presentation letter was sent with a link to an online questionnaire to a first group of 120 employees, explaining the research goals and that the

participation was voluntary based and responses would be kept confidential, additionally we ask participants to send the questionnaire link to others co-workers in the organization. The data collection took place during the fourth quarter 2013 and 525 responses were validated.

From the respondents, 65.7% were female and the ages ranged from 19 to 61 years, the average age was 39.4 years (SD = 9.77). The average tenure is 11.9 years (SD = 9.24) and most of them worked as full time schedule (95.2%) and with a permanent work contract (75.4%). In terms of academic qualifications 55.6% had a higher degree diploma (BA or MA).

## **Measures**

**Human resources management practices perceptions questionnaire:** In order to develop a questionnaire to measure employees' perception of the importance of HRP we defined two stages. First stage, inspired by previous recent works on high performance HR practices (Kehoe and Wright, 2013; Hinkin and Tracey, 2010) a total of 21 items were developed to measure seven HR practices (each composed by 3 items): Integration and newcomer hosting (e.g., "When I started working for this organization, I was accompanied and supported by my supervisor"), training (e.g., "The training I receive in this organization increases my professional value"), performance management (e.g., "The feedback I receive about my performance is useful to improve it"), career (e.g., "There are opportunities of career evolution in this organization"), internal communication (e.g., "The information that is transmitted through the internal communication means is useful and relevant for my activity"), rewards (e.g., "My rewards are adequate considering the value of my job comparing to other jobs in this organization") and celebration and recognition (e.g., "In this organization, the moments of celebration and public recognition reinforce employees' team spirit"). Items were scored on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). Human Resources directors of medium-large private sector organizations were consulted (6 directors in Lisbon head offices) to search for ambiguous or unclear items and to validate if all the seven practices and items covered the most significant human resources activities in their organizations, this task was important to gather construct validity and representativeness of the questionnaire (Kline, 1994). In order to analyze the validity evidence in a first moment exploratory factor analysis was conducted and results showed factor loadings higher than 0.50 for all items and the seven practices were identified. In a second stage, Confirmatory Factor Analysis (CFA) was performed following Russell (2002) recommendations when we pretend at analyzing a multidimensional questionnaire. Two CFA analyses were performed for comparison between a one-factor model with a seven-factor model which reflected the structure of the HRP questionnaire, the consistency was observed, the alpha coefficient was computed.

## **RESULTS**

As previously described, this study had two objectives, to test an instrument that accurately captures employees' perceptions about the importance of the organizational HR practices, in order to use it in further studies and to verify the relationships between each HR practice.

**Objective 1 (Construct validity analysis for HR practices perceptions scale among portuguese workers):** Confirmatory Factor Analysis (CFA) with AMOS software was used in

Table 1: HR management practices factor loading

Descriptions	Values
<b>When I started working for this organization I received adequate:</b>	
Information to perform my job	0.779
Support from my supervisor to facilitate my integration	0.828
Support from my colleagues to facilitate my integration	0.776
<b>When I think of the training I received in this organization, it has been enough to:</b>	
Improve my performance	0.874
Increase my professional value	0.883
Develop my professional skills	0.894
<b>When I think of my performance appraisal in this organization:</b>	
Appraisal criteria are understandable and fair	0.823
Feedback I receive is useful to improve my performance	0.797
Qualitative aspects of my performance are also considered	0.721
<b>When I think of my career development in this organization:</b>	
There are opportunities of career progression	0.829
Organization provides me with adequate support and tools to develop my career	0.664
Chances of career progression depends on my performance and my skills	0.809
<b>When I think of my compensation in this organization:</b>	
Rewards I receive are related with my performance results	0.834
Rewards I receive are related with the value of my the job to the organization	0.878
Rewards I receive are related with the value of my job in the market	0.851
<b>When I think of the internal communication in this organization:</b>	
Important facts and news about the Organization are adequately shared among the employees	0.805
Information I receive through the internal communication channels is useful to give me a better understanding of the organization	0.875
Information I receive through the internal communication channels helps me to perform better my job	0.759
<b>When I think of celebration and recognition in this organization</b>	
It is common to have adequate casual meetings or moments of celebration	0.825
Celebrating successes or special moments involving the employees is useful to promote organizational pride	0.810
Moments of celebration and public recognition reinforce employee's team spirit	0.791

the factor structure analysis for the HRM perception's scale developed for this study after exploratory analysis done, in the first moment, showed that all 21 items had factor loadings of 0.76 or above, on a seven factor structure (Table 1). Two CFA were then performed: The seven-factor model which reflected the structure of the HRMP questionnaire with the seven HR practices previously identified and a single-factor model that assumes that all HRM practices items weight on one single factor. Hu and Bentler (1999) recommendations we compared how the models fitted our data and results shows an adequate fit ( $\chi^2 \text{ g L}^{-1} \leq 5.00$ , NFI > 0.90, GFI > 0.90, CFI > 0.90, RMSEA < 0.08 (Forster, 2002), for the seven latent variables (HRM practices: Integration, training, performance, career, communications, reward and celebration) with  $\chi^2 (166) = 322$ ,  $\chi^2 \text{ g L}^{-1} = 1.9$ , NFI = 0.965, GFI = 0.947, CFI = 0.982 and RMSEA = 0.042 and all standardized regressions were significant at level 0.001 level (Fig. 2).

We then calculated the internal reliability for each HRM practices and results (Table 2) showed a high internal consistency, well above the acceptable minimum of 0.70 (Maroco, 2014). These results provide evidence for the construct validity of HRMP employees' perceptions scale as an adequate instrument to follow with the second objective of this study.

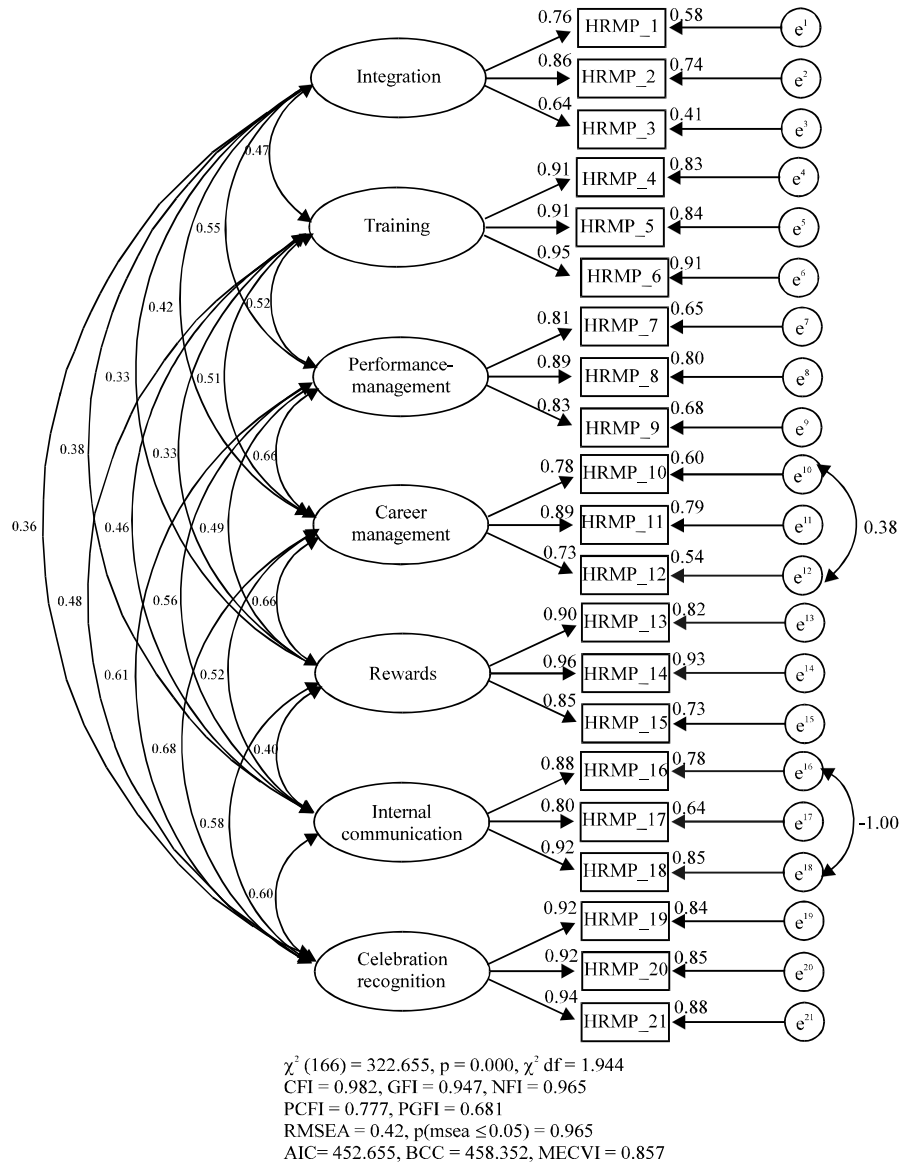


Fig. 2: HR management practices confirmatory factor analysis

**Objective 2 (Relationship between each HR practice):** Firstly, descriptive statistics and correlations for each identified HRM practices and perceived HR Global Practices are reported in Table 3.

For the whole 21-item human resources scale, the mean score was 3.08 slightly above the mean point. All HR practices presents moderate correlations between them and may indicate that good perceptions about the human resources practices promoted by organizations need to be integrated as a global effectiveness, such as for example good performance appraisal practices must be linked with career opportunities ( $r = 0.54$ ) or career satisfaction with rewards ( $r = 0.61$ ) and with success recognition and celebration ( $r = 0.59$ ). Each of HR practices is positively and strong correlated with perceptions of Global HR Practices.

Table 2: HRMP internal consistency

Parameters	Cronbach' alpha	Items	Cronbach' alpha if item deleted
Integration	0.793	HRMP 1	0.713
		HRMP 2	0.627
		HRMP 3	0.793
Training	0.948	HRMP 4	0.932
		HRMP 5	0.931
		HRMP 6	0.907
Performance appraisal	0.880	HRMP 7	0.843
		HRMP 8	0.791
		HRMP 9	0.853
Career	0.868	HRMP 10	0.778
		HRMP 11	0.842
		HRMP 12	0.819
Rewards	0.930	HRMP 13	0.904
		HRMP 14	0.860
		HRMP 15	0.931
Communication	0.869	HRMP 16	0.843
		HRMP 17	0.772
		HRMP 18	0.834
Celebration	0.947	HRMP 19	0.927
		HRMP 20	0.922
		HRMP 21	0.919

Table 3: Descriptive statistics and correlations of HRMP

Parameters	M	DP	1	2	3	4	5	6	7
HRP global perception	3.08	0.71							
HRP integration	3.81	0.79	0.60**						
HRP training	3.39	1.01	69.00**	41.00**					
HRP perform. appraisal	3.07	1.01	0.79**	0.46**	0.47**				
HRP career	2.59	1.05	0.78**	0.32**	0.42**	0.54**			
HRP rewards	2.50	0.99	0.72**	0.30**	0.33**	0.46**	0.61**		
HRP communication	3.29	0.91	0.71**	0.36**	0.43**	0.50**	0.42**	0.37**	
HRP celebration	2.90	1.02	0.80**	0.33**	0.46**	0.56**	0.59**	0.55**	0.56**

\*\*Correlation significant at <0.01

## DISCUSSION

The study provides growing evidence of a relationship between the way organizations promote its human resources management practices and its perceived importance for employees. Main objective was accomplished, the test of a HRM scale among Portuguese workers proved to be adequate and could be used in others studies. Construct validity was assessed by confirmatory factorial analysis that confirm the seven-factor structure, corresponding to the included HRM practices and reliability assessed by alpha coefficient index, as an indicator of the scale internal consistency, showing good psychometrics properties. Second objective, to verify if HR practices relates positively to each other was also achieved. What seems to be interesting is the way employees look at HR practices, more as a set of practices rather than individually. The correlation analysis showed exactly it, all the seven practices where well correlated between them. It seems that these practices are not high valuated by employees under an economic and employment context such as the one this study has been conducted. This findings are generally consistent with



and extend, some results of earlier research that has point an unidimensional approach to the effectiveness of human resources management practices (Arnold, 1990; Morrow and Wirth, 1989), for instance, organizations can promote excellent integration and hosting newcomers programs but if it is followed by weak development practices the global perception is a low value for HR function. In fact, the workers' perceptions of HR practices invites an analysis of the combined system of practices rather than an analysis of the effect of each practice in isolation. This is important because not only is there an effect of coherence among different practices but also because workers' experience this set of practices simultaneously (Becker and Huselid, 1999; Liao *et al.*, 2009; Wright *et al.*, 2005). Furthermore, our findings are in line with Huselid and Becker (2000) perspective, assessing HR practices is most valuable rather than evaluating HR policies which are not necessarily implemented or translated in actions. Similarly Gerhart *et al.* (2000) states if one seeks to assess the impact of HR activities, then using employees as the source would be more a logical approach. Previous research confirms how important is for organization to evaluate perceptions of the extent to which HR practices are implemented and are likely to influence employee attitudes and behaviors (Allen *et al.*, 2003).

Moreover, our study's findings with Portuguese workers sample shows that employees most value the way they are integrated in the organization, as well training and internal communication. Maybe this is a reflex of a negative economic and labor environment since 2010, with high unemployment rates and bankruptcy of many companies. Job insecurity is installed and in this context it seems that employees value an opportunity of a new job, look at training as an important practice to increase employability and communication may means that people want to be inform how the company is performing and what about the near future. However, there is a need for further research in this area, we need to get more understanding how important HR practices are implemented by organizations and how they measure the effectiveness. Is it there, on the results, a strong influence of the conjectural social and economic climate of the country? To remember, Portugal is since 2011 under a requested finance assistance program from the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) with visible negative consequences for employees through deep cuts on salaries, social protection and jobs. We might conclude that the skills acquire or develop through the internal training programs provide by organizations are quite critical for employees to feel employable in market place. Under the current Portuguese recession environment organizations cannot make promises of a safe and secure employment and promoting employability seems to be a good practice of internal social responsibility.

In conclusion, with this study, a questionnaire for assessing the importance given by employees to human resources practices is available for further research and also for organizations. It can be used by HR professionals in order to evaluate the effectiveness of HR activities on the individual perspective and may be helpful for HR policy design and implementation. We may further conclude, that our results suggest that organizations can create value for their employees through promoting and implementing in a balanced way human resources practices and not just putting much effort on isolated activities.

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