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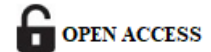
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HRM PRACTICES AND EMPLOYEE RETENTION: A REVIEW OF LITERATURE

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ABSTRACT

Employee retention has emerged as a strategic priority among organizations seeking to maintain productivity, competitive advantage, and organization sustainability. Human Resource Management (HRM) practices critically influencing employees' decisions to stay within an organization. This review article synthesizes existing theoretical and empirical literature to examine the relationship between HRM practices and employee retention. This study examines seven critical practices of HRM; Leadership, Salary, Compensation, Training and development, Recognition, Appraisal system and Supervisor support.

HRM practices are independent variable while employee retention is the dependent variable. The literature review is based on some major organizational theories - Resource-Based View (RBV), Human Capital Theory, Social Exchange Theory, Psychological Contract Theory to elucidate the relationship between HRM practices and retention outcomes. The existing empirical evidence shows that effective HRM practices led to significant increases in employee commitment, success, and organizational attachment over a long period. A conceptual framework was proposed to explain the relationship between HRM practices and employee retention. Conclusion, the organizations using effective HRM practices are able to retain their talented employees and reduce costs to the organization caused by turnover.

Keywords: Human Resource Management, Employee Retention, Leadership, Compensation, Training and Development, Recognition, Organizational Commitment

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1. INTRODUCTION

Human capital has become one of the most valuable strategic resources for modern organizations. When the global environment is very competitive, organizations are mostly dependent on their employees to maintain innovation, productivity, quality of service and long-term competitiveness. As a result, keeping skillful workers has also emerged as a key strategic goal for organisations in both the public and private sector.

Employee retention is an organization's ability to keep employees in the organization for a longer period while reducing voluntary turnover (Kieckhaefer, 2024). High employee turnover has a negative significant impact to the organization such as high recruitment cost, training costs, productivity disruption, knowledge loss, low morale and weakening of the overall organizational performance.

HRM practices has become one of the most powerful organizational mechanisms that affects employee retention. HRM practices are organizational policies, procedures and systems that are used to manage employees from recruitment to retirement (Genty, 2021).

Traditional HRM functions are centered around recruitment, mainly for hiring and administration. However, currently HRM has become a strategic function, and it directly impacts employee behavior as well as organizational performance.

Additionally, organizations who are increasingly acknowledging their employees have found more commitment to their work and responsibilities.

These commitments are results from supportive leaders, attractive compensation packages, better remuneration benefits, professional development opportunities, recognition of work performance or compensations for their achievements in person respectively by means of critical appraisal process or similar support systems together with supporting supervisors. In the absence of such HRM practices, there is relatively high turnover of employees due to dissatisfaction in their job role (Huselid, 1995).

This article reviews previous studies on how different HRM practices affect employee retention, while this article focuses on seven HRM practices selected based on the occurrence in prior literature.

2. PROBLEM STATEMENT

Employee turnover continues to be one of the biggest organizational challenges across the globe. Despite significantly high financial and organizational resources in hiring, training and developing employees, retaining talented employees has been an ever-growing challenge for organizations.

Existing studies provide support for the important role of HRM practices in employee retention. However, previous studies tend to account for HRM practices separately as single aspects of HRM like compensation, leadership or training rather than jointly. Furthermore, there is a fragmented nature of results across industries and organizational contexts.

This calls for a systematic review that combines current empirical data to provide an overview of the effects of several HRM practices on employee retention and seeks to draw patterns from the literature..

3. OBJECTIVES OF THE STUDY

The review article is guided by the following objectives:

General Objective

To examine the relationship between HRM practices and employee retention through a review of existing literature.

Specific Objectives

1. To examine the influence of leadership on employee retention.
2. To analyze the effect of salary on employee retention.
3. To assess the impact of compensation on employee retention.
4. To determine the relationship between training and development and employee retention.
5. To examine the effect of employee recognition on retention.
6. To analyze the influence of appraisal systems on employee retention.
7. To evaluate the role of supervisor support in employee retention.

4. SIGNIFICANCE OF STUDY

This research contributes significantly to the literature on the impact of Human Resource Management (HRM) on employee retention and will provide some ideas about what organizations can do to decrease their employee turnover.

The outcomes of this research will benefit both employers and organizations as they identify specific HRM practices that promote stable workforces and lower turnover-related expenses. This study will aid HR professionals/leaders as they have empirical support to develop retention-oriented employee retention plans.

Additionally, this research emphasizes the value of employee-friendly workplace practices, including training and development, recognition, and supervisory support which contribute positively to employee job satisfaction and commitment.

The results of this study will be beneficial for policy makers/institutional officials when creating policies that enhance employee retention. In addition, this research will serve as an excellent source for other researchers who wish to examine the relationships between HRM practices and employee retention within other organizational settings.

5. LITERATURE REVIEW

5.1. Theoretical Foundation of HRM Practices

Theories supporting a link between HRM practices & Employee Retention
Organizational Theories explain why some HRM practices may lead to better employee retention.

The Resource-Based View Theory (RBV) Barney (1991) argues that organizations achieve sustainable competitive advantages when they have an efficient way of utilizing their valuable internal resources - especially Human Resources. If the organization able to manage their employees well or if they utilize them at maximum capacity and minimize turnover, then they will be able to use them as a resource that can add value to their organization.

Human Capital Theory states that employee investment in learning new knowledge/skills/competences leads to improved employee productivity and greater organizational commitment. As a result, it creates long-term mutual benefit between the employer and employee.

Social Exchange Theory (Blau, 1964) illustrates that when organizations support employees with good working conditions and other HRM practices, in return those employees will be loyal and highly committed to their employers.

Psychological Contract Theory (Rousseau, 1995) supports that when organizations support their employees' employment expectations regarding career advancement, job satisfaction, rewards, recognition, support, etc. - employees are less likely to intend on leaving. Therefore, together, all the above-mentioned theoretical foundations support the understanding of why certain HRM practices contribute to retaining employees.

5.2. Employee Retention

Employee retention is an organizational strategy or practice used to retain its employees at their current jobs for longer periods of time (Gartner, 2024). Employee retention is important because it can help organizations save money by reducing the cost associated with employee turnover. However, the process of replacing salaried employees can be expensive for employer as Bengfort (2024) reported that hiring new employees can cost employers between six and nine months of what an employee would have earned in one year. High turnover rates also affect an organization's operational processes in many other ways. Some of the negative effects include

1. Recruitment and onboarding expense,
2. Reduced productivity while looking for a new employee,
3. Loss of corporate knowledge,
4. Lower customer satisfaction ratings,
5. Lower employee morale, and
6. Lower corporate image.

Herzberg's Two-Factor Theory (1959) identifies two categories of factors that influence employee retention. Hygiene factors are aspects of the workplace environment, including compensation, job security, and working conditions. Motivational factors include recognition, accomplishment, and opportunities for advancement (Hasan & Mishra, 2025).

Similarly, Job Embeddedness Theory suggests that employees will remain as long as they can see a good relationship between them and their organization, a similarity in value to the organizations values, and as long as it would be costly for them to leave (Mitchell et al., 2001).

5.3. HRM PRACTICES AND EMPLOYEE RETENTION

5.3.1. Leadership and Employee Retention

An organization's ability to retain an employee is highly dependent on the type of leader they have. Leaders can build trust with their employees by demonstrating integrity and honesty. Employees will be inspired to work harder when they see their leader is willing to do whatever it takes to make sure things get done. Communication is key to building trust between employees and their supervisors. When employees know what is going on inside the organization, they will develop a sense of ownership and want to help the organization achieve its goals. However, the more an employee feels like they belong to the organization, the less likely they will be to leave. Iqbal, Waqas, and Sami (2022) found that a transformational approach to leadership has a very significant impact on employee retention. In fact, they discovered that the way an employee perceives how their supervisor manages them has a direct effect on whether or not the employee wants to stay with the organization. Moreover, Dwipayana and Suwandana (2021) conducted a similar study in regard to management styles at Ayodya Resort Bali. They concluded that the relationship between employees and their manager contributes greatly to a sense of satisfaction from work. Additionally, Chen (2020) studied leadership styles and employee turnover in China's mining industry. He found that when a leader is effective in providing the proper support and encouragement to their employees, those employees are less likely to turn over due to low job satisfaction. These studies are supported by Carter et al. (2019). This group studied many employees who worked for different organizations and found that the rate of employee turnover was significantly lower when they felt that their supervisor was supportive.

Thus, it seems that employee retention may depend on the quality of leadership at an organization since employees seem to be leaving bad bosses rather than just jobs.

5.3.2. Salary and Employee Retention

Employee retention is influenced by many different components including salary. The competitive nature of salaries significantly impacts an employee's level of motivation, financial stability and overall commitment to their employer. According to Adams' Equity Theory (1963), employees are continually comparing their compensation to other internal and external peers. Employees who feel as though they do not receive equitable pay for the work they perform may experience feelings of dissatisfaction and intent to leave their position (Shinde, 2025). However, Ki, Heng, and Lau (2022) studied remuneration and employee retention among lecturers at Malaysian private universities throughout the Covid-19 pandemic. They used data collected from 205 full-time academic staff members. Ki, Heng & Lau found a positive correlation between salary and job satisfaction and a positive relationship between salary and employee retention. Moreover, Essay UK (2018) surveyed employees working at Pizza Hut and determined that between 75% and 85% of employee turnover can be attributed to salary dissatisfaction. Similarly, Haileyesus (2019) indicated that salary and financial incentives have been major influences on the turnover intentions of academic staff at universities in Ethiopia.

These studies indicate that salary is considered a major factor in retaining employees due to the fact that employees believe that compensation should be reflective of the amount of skill, time and energy applied towards an organization..

5.3.3. Compensation and Employee Retention

Compensation is more than just employee salary and can include things such as bonuses, allowances for expenses incurred while on the job, insurance, retirement or pension plans, and other forms of financial rewards. However, Tenney (2024), reported that compensation is still an important area within HRM, which affects an employee's decision to stay at an organization because they often make comparisons of their compensation with what others receive from their employer. Additionally, Sorn et.al. (2023) did a review study about compensation and the results supported that it does have a very important influence on the ability to keep employees over the long term. Moreover, Alajlani & Yesufu (2022), completed a study of 270 employees who worked at three different colleges/universities in the UAE. Their study concluded with a significant and positive correlation between compensation and employee retention ($p < .05$). Similarly, Nicholas et.al. (2024), conducted a study among private colleges/universities in Ghana, found that compensation had a significant impact on employee retention.

The above discussion suggests that organizations will be able to retain quality talent and decrease voluntary turnover by providing competitive compensation.

5.3.4. Training and Development and Employee Retention

Training and development increase employee commitment to long-term organization success. According to Human Capital theory that when an organization invests in a staff member's professional development, it will increase the staff members' level of commitment to the organization (Becker, 1964). This is due to the fact that the employee realizes that the organization has invested time and money in the employee's continued professional development (Kessler & Lulfesmann, 2002). However, Jehanzeb and Bashir (2013) discovered that organizations that have a strong culture of learning experienced lower voluntary turnover. Additionally, Chi (2024) studied a sample of employees working at private higher education institutions located in Malaysia. The study determined that providing staff with a variety of training and development opportunities had a significant positive relationship between the number of employees who were willing to continue working in their current employment. Moreover, Nicholas et al. (2024) studied a sample of employees from universities located in Ghana and they determined that training and career development opportunities were positively related to the amount of time that employees remained employed with their respective universities. Similarly, according to Collins and Holton (2004), organizations that implement leadership development programs are better able to develop internal talent through succession planning while reducing the need for hiring externally.

The literature strongly suggests employees remain longer in organizations that provide clear opportunities for professional growth and career advancement.

5.3.5. Recognition and Employee Retention

Employee recognition is the act of acknowledging an individual's work-related accomplishments, contributions, values to the organization, and overall performance. Employee recognition meets an individual's psychological need for being appreciated which fosters an employee's emotional connection to their organization.

According to Gallup (2020), Organizations that implement strong employee recognition strategies have significantly reduced employee turnover rates by 59% when compared to organizations with no employee recognition. However, recognizing employees has been shown

to positively impact an employee's engagement, job satisfaction, and commitment to their organization (Schaufeli et al., 2009). In addition, rewarding and recognizing employees had a significant influence on employee retention at Malaysian Higher Education Institutions as per Chi (2024).

Similarly, Chaudhuri (2024) argues many organizations experience loss of top talent due to the fact that although employees may be performing at high levels they feel unvalued.

Therefore, recognizing an employee serves as an excellent way to retain them. When employees believe they are valued and important to the organization, it increases the likelihood of remaining committed to the organization..

5.3.6. Appraisal System and Employee Retention

Performance appraisal systems allow employers to evaluate employee performance, assess their level of success in achieving goals and objectives, provide them with a process to receive feedback from managers or supervisors regarding their job performance, and help develop employees through training and/or coaching to meet future expectations.

Annual performance appraisals have been criticized as being overly focused on evaluation and not enough on developing employees' skills and abilities (Aguinis, 2019). Modern appraisal processes have shifted toward providing continuous feedback to employees, coaching and developing employees' skills, and employee development.

According to Alajlani and Yesufu (2022), there is an extremely significant correlation between the use of performance appraisal systems and employee retention. The regression coefficient indicated that every additional point used on a scale of 1-10 to measure the use of performance appraisal systems resulted in an increase of .82 points in measuring employee retention in universities in the UAE ($B=0.82, p < .001$).

Similarly, Nicholas et al. (2024) reported that using regular employee feedback sessions and holding regular performance discussion meetings between employees and supervisors can lead to improved relations between employees and their supervisor and ultimately result in increased employee retention.

Finally, DeNisi and Murphy (2017) suggest that appraisal systems that are perceived as equitable by employees will motivate employees to perform better at work and will reduce employee dissatisfaction with their organization. Employees typically choose to continue working within organizations that utilize appraisal systems that are viewed as fair, equitable, and developmental.

5.3.7. Supervisor Support and Employee Retention

Support from a supervisor is when an employee believes that their supervisor cares for their overall well-being, provides guidance, and offers professional assistance. According to Social Exchange Theory employees are likely to repay positive supervisory support by increasing their commitment and loyalty to the organization (Blau, 1964).

Dwipayana and Suwandana (2021) stated that positive relationships between an employee and their supervisor can reduce an employee's turnover intention. Employees do not usually leave organizations directly; they typically leave due to poor relationships with their supervisors (Mwita, Tefurukuwa, and Mwakasangula, 2018). Additionally, Gatling and Kim (2019) have shown there is a direct positive relationship between an employee's satisfaction with their supervisor(s), and long-term retention as an employee.

Positive supervisor support builds trust, improves workplace relations, increases employee morale, and enhances organizational attachment.

6. CONCEPTUAL FRAMEWORK

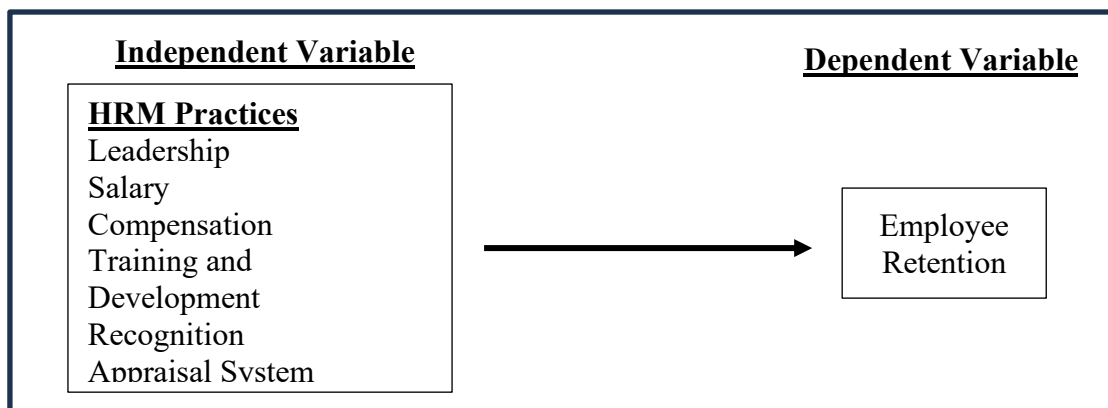


Figure 1 represents the conceptual framework used for this study, where a direct relationship between study variables. HRM practices independent variable which influences dependent variable known as employee retention.

7. METHODOLOGY

This research was conducted using a structured literature review. The literature reviewed in this paper includes all relevant secondary sources.

For the study purpose this study employed employee retention HRM practices (Leadership and Retention, Compensation and Retention, Training and Development, Employee Recognition and Supervisor Support). Additionally, provide empirical evidence, theoretical contribution and examine HRM practices relationship with employee retention. as study variables.

8. RESULTS AND DISCUSSION

HRM practices have a very significant influence on employee retention throughout numerous studies and reviews. Many studies have shown that positive HRM practices contribute positively to job satisfaction and contribute positively to job satisfaction of employees. As a result of these studies, it can be concluded that employees are generally happier at jobs where they feel supported in both their professional and personal lives by their employer.

Transformational Leadership was most clearly identified in the literature as one of the most important elements of HRM in terms of creating job satisfaction and increasing employee retention. In fact, several studies in different regions have shown that transformational leadership significantly contributes to employee retention. For example, Iqbal et al. (2022) found a statistically significant positive correlation between transformational leadership and employee retention. Another study conducted by Chen (2020) examined the effects of effective leadership on employee satisfaction and employee intentions to quit in China's mining industry. The study indicated that effective leadership contributed positively to employee satisfaction and negatively to employee intentions to quit. Therefore, it is evident that employees prefer leaders that engage in open communication, offer direction, demonstrate fairness, and encourage employee growth. However, poor leadership is often a key reason why employees choose to leave their current employers.

Salary is one of the primary variables affecting employee retention. Employees will always compare their wages against those of other employees and/or available wage opportunities in the market. Ki, Heng, and Lau (2022) studied the impact of remuneration on academic staff in Malaysia and determined that there was a positive relationship between remuneration and employee retention. Similar research by Haileyesus (2019) evaluated the salary and financial incentives impacting turnover intention of University Employees in Ethiopia. The study found that salary and financial incentives were two of the primary factors contributing to turnover intention. Overall, this indicates that employees tend to remain longer with employers when

they believe their wages are equitable and reflective of their skills/qualifications/market demands.

Compensation represents all forms of financial rewards provided to employees including bonuses, allowances, insurance, retirement benefits, etc. Compensation is closely associated with salary. Alajlani and Yesufu (2022) conducted a study evaluating the effect of compensation on employee retention in higher education institutions in the United Arab Emirates. The study found that compensation packages were a significant contributor to employee retention. Additionally, Sorn et al. (2023) concluded that compensation continues to represent one of the best ways an organization can retain employees by decreasing turnover. Consequently, these findings indicate that employees do not solely focus on salary when deciding whether or not to accept an employment opportunity. Employees also consider the overall benefits package provided by an organization.

Training and Development Opportunities were recognized as being equally influential on employee retention as compensation. Many studies have documented that employees desire employers to promote their continued professional development. Chi (2024) analyzed the intent of academic employees to remain employed at institutions of higher learning in Malaysia. The results indicated that employees intended to remain employed at institutions offering continuous learning and development opportunities. Another study conducted by Collins and Holton (2004) assessed the relationship between organizational training programs and succession planning/turnover. The results indicated that organizations with strong training programs experienced less turnover and successful succession planning. These findings suggest that employees consider training as an indication that an organization desires their future professional success.

Recognition has also been identified as a significant predictor of employee retention. Employees want to receive acknowledgment for their work efforts and contributions. A survey conducted by Gallup (2020) found organizations with well-established employee recognition systems experienced a 59% reduction in turnover. Schaufeli et al. (2009) also demonstrated that recognition was correlated with greater levels of employee engagement and commitment. Therefore, it can be concluded that employees will remain longer with organizations that recognize them for their contributions.

In addition to recognizing the role of performance appraisal systems in employee retention, the literature also supports the idea that employee retention is influenced by how fairly employees perceive performance evaluation processes. Alajlani and Yesufu (2022) found

appraisal systems significantly impacted employee retention in UAE higher education institutions.

DeNisi and Murphy (2017) stated that appraisals motivate employees when perceived as fair and constructive. Poorly designed performance evaluation systems can lead to dissatisfaction/frustration among employees resulting in many choosing alternative employment.

Supervisor Support has also been established as an important workplace factor influencing employee retention. Employees typically have more frequent interactions with supervisors than senior leaders. Gatling and Kim (2019) found that employees reporting high levels of supervisor support had greater levels of organizational commitment. Mwita et al. (2018) concluded that employees often leave managers rather than leaving an organization due to lack of support from their manager. Managers providing support to employees enable them to overcome work-related challenges, reduce workplace stress, and develop stronger workplace relationships.

Collectively, the literature provides substantial evidence demonstrating that employee retention is rarely influenced by a single HRM practice. Instead, employee retention is primarily caused by multiple interconnected organizational factors functioning collectively. Organizations implementing comprehensive HRM systems combining effective leadership, competitive compensation, professional development, employee recognition, fair performance evaluations, and supportive supervision are more likely to achieve long-term stability within their workforce.

Both *Resource-Based View Theory* and *Social Exchange Theory* have been used to explain the findings of the literature review. Resource-Based View Theory asserts that employees are strategic assets owned by organizations whose effective management creates sustainable competitive advantage. Social Exchange Theory asserts that employees reciprocate the support provided by organizations through increased loyalty and commitment.

9. CONCLUSION

Employer retention continues to be a significant problem for many employers. This review article evaluated the relationship between human resource management (HRM) practices and employee retention and by reviewing theoretical and empirical evidence from the existing literature.

The findings show that there is a significant association between HRM practices and employees' decisions to continue working for their organization. All the variables analyzed showed strong associations with employee retention.

These variables included leadership style, compensation package, training and development programs, employee recognition and reward systems, performance appraisals and supervisors' level of commitment to supporting employees.

Based on our findings, it can be concluded that organizations wishing to lower rates of turnover and build sustainable workforces will need to develop and implement strategic HRM practices that emphasize employee development opportunities, fairness in dealing with employees, recognizing and rewarding employees and establishing policies which create a sense of community among managers and subordinates.

The findings also confirm that successful HRM practices are an important tool for improving employee retention and maintaining long-term competitiveness

10. IMPLICATIONS OF THE STUDY

10.1 Theoretical Implications

This research has contributed to an enhanced understanding of the connection between HRM practices and employee retention. The results have supported theoretical frameworks such as *Resource-Based View Theory* (Jay Barney, 1991) and *Human Capital Theory* (Gary Becker, 1964) which both explain how organizations can improve commitment and retention through investments made with respect to their employees. *Social Exchange Theory* (Peter Blau, 1964) is another theory that supports the concept of improving employee retention. This research also builds upon previous literature concerning the seven HRM practices used within a single model, creating a basis for future empirical studies in regard to employee retention within various organizational settings.

10.2. Practical Implications

The results from this study have provided evidence that organizations may enhance employee retention and lower turnover when using strategic HRM practices. As a result, managers would do well to develop effective leadership practices and provide their employees with competitive salaries, compensation packages, provide opportunities for employee growth through training and development programs, create employee recognition programs, ensure their appraisal

processes are fair, and create strong relationships between supervisors and subordinates.

HR managers and policymakers will find it beneficial to understand that employee retention needs to be prioritized strategically. Organizations that make investments centered around their employees, using employee-centered HRM practices, are likely to achieve improved workforce stability, increased employee satisfaction, organizational commitment, and overall organizational performance.

11. LIMITATIONS OF THE STUDY

This study has several limitations that should be considered. First, the study is based entirely on secondary data from previously published literature, meaning the findings depend on the quality and accuracy of existing studies.

Second, the review focuses only on seven HRM practices, while employee retention may also be influenced by other important factors such as organizational culture, work-life balance, employee engagement, job security, and career advancement opportunities, which were not included in this study.

Third, most of the reviewed studies were conducted in specific countries and organizational settings (), which may limit the generalizability of the findings across different cultural and institutional contexts.

Finally, this review does not examine mediating or moderating variables such as motivation, job satisfaction, or organizational commitment, which may further explain the relationship between HRM practices and employee retention. Future research should address these limitations through empirical testing in diverse organizational environments.

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