# The Effect of Selected Human Resource Management Practices on Employees' Job Satisfaction in Ethiopian Public Banks

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Volume 5 No 1 (2015) | ISSN 2158-8708 (online) | DOI 10.5195/emaj.2015.64 | http://emaj.pitt.edu |

## Abstract

Most of the research has been conducted in the job satisfaction of employees' on employees job related outcomes but there is little well comprehensive research done that shows the influence of HRM practices on the satisfaction of employees towards a job.

This study is co-relational type of research design which is aimed to describe or ascertain if there are significant associations between selected HRM practices and employees' job satisfaction.

In addition to Correlation and Regression, Descriptive statistics, frequencies and percentages were utilized to analyze the data. Interpretation is made on the mean, frequency, and percentage of the data and summarized by bar graphs and pie charts.

The study result has implied that recruitment and selection is found to have moderate but positive correlation with employees' job satisfaction and the remaining, training and development, performance appraisal and compensation package found to have strong positive correlation with employees' job satisfaction. Moreover, the regression result shows that recruitment and selection, training and development, performance appraisal and compensation package have a significant positive impact on job satisfaction.

Each HRM practices in the banks should be a source for employees' satisfaction and then employees will be loyal and willing to stay in those organizations (Banks) because, employees' satisfaction on the job will reduce absenteeism and turn over intentions in public banks.

Keywords: Human Resource Management Practices, Job Satisfaction, Public Banks



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# The Effect of Selected Human Resource **Management** Practices on Employees' Job Satisfaction in Ethiopian **Public Banks**

Amare Werku Ijigu

#### 1. Introduction

Human resource management is critical to the success of the organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a sustainable competitive advantage which means better than competitors at something and can hold that advantage over a sustained period of time (Noe et al..., 2007).

Job satisfaction is a factor that would induce the employee to work in the long term position. Regardless of job satisfaction the organization or firm would confront with the cost of recruitment caused by turnover. (Hamdia Mudor & Phadett Tooksoon, 2011).

Most researches are focused on human resource outcomes of employees such as employee satisfaction, employee commitment, and employee retention due to the changing business environment and organizations are moving towards seeing human resource as a valuable asset in which the knowledge, skills and abilities of human resource is a source of competitive advantages.

According Armstrong M.(2010) commitment, motivation and job satisfaction, either together or separately, will be higher when people positively

experience the application of HR policies concerned with creating an able workforce, motivating valued behaviours and providing opportunities to participate.

In Ethiopia, there are large numbers of employees working

on public organizations and most of them are unsure about their satisfaction towards the HRM practices and with the job. Also it is difficult to get published researches that addressed the effect of human resource management practices on employees' job satisfaction in public organizations. In public or state owned banks, the numbers of employees are not quite stable and some employees look on other competent organizations, specifically private companies with in an expectation of better HRM practices, nice work environment and high satisfaction from the job. Every individual employee wants satisfaction at job but organization is wasting its resources by focusing on wrong HR practices for employee job satisfaction (Muhammad Javed, 2012).

Again due to lack of efficient HRM practices reduce employee's satisfaction towards their organization and ultimately that affects their commitment to the organization (Md. Tofael Hossain Majumder, 2012).

#### 1.1. Research Questions

In order to achieve the desired purpose and address the problem stated the following research questions were developed.

- Which selected human resource management practices affect employees' job satisfaction?
- How selected human resource management practices impact on employees' job satisfaction?
- In what ways do selected human resource management practices affect employees' job satisfaction?

#### 1.2. Objectives of the Study

The main objective of the study is to investigate the effect of selected human resource management practices on employees' job satisfaction.

The specific objectives of the study are:

- To measure the degree of association between selected human resource management practices on employees' job satisfaction.
- To determine which of selected human resource management practices influence on employees' job satisfaction.
- To assess the effect of selected human resource management practices on employees' job satisfaction.
- To provide necessary recommendation to the respected public banks based on the results of the study.

#### 2. Literature Review

HR practices and job satisfaction are studied widely in different parts of the world. As it is cited by Mir Mohammed Nurul Absar *et al...*, (2010) it is assumed that HR practices are closely associated with job satisfaction Ting (1997). Because many scholars and practitioners believe that sound HR practices result in better level of job satisfaction which ultimately improves organizational performance (Appelbaum, Bailey, Berg and Kalleberg, 2000) which is cited on Mir Mohammed Nurul Absar *et al...*, (2010).

In human resource management practices (HRMP), individuals most likely have a higher level of communication with co-workers, employees and outsiders of the organization; a greater involvement of in decision making process. It can be said that individuals give high value to these new opportunities, as result their overall job satisfaction might increase when an employee participates in decision-making, he or she can trust his or her supervisors; perceive his or her jobs as challenging and intrinsically rewarding. Trust and intrinsic rewards are in turn positively related to high organizational commitment and positive attitudes toward the job.

Also, as one of the human resource management practices, job rotation might increase employee's job satisfaction by giving him/her a sense of belonging, reducing boredom, and mastering his/her skills needed for promotions (Sarbapriya Ray and Ishita Aditya Ray, 2011).

# **2.1. Outcomes of Previous Empirical Studies**

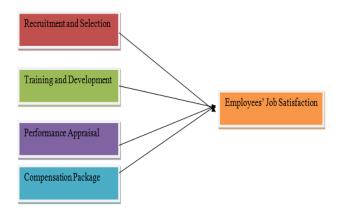
Researchers	Findings
Mir Mohammed Nurul Absar et al, (2010)	-It was found that HR practices have significant association with job satisfaction (JS)In addition, human resource planning (HRP), and training and development (TND) were found to have positive impact on job satisfaction (JS)It was also found that TND has the greatest impact on JS.
Md. Tofael Hossain Majumder (2012)	-The study reveals that all HRM dimensions exercised in the private banking sector of Bangladesh does not satisfied to the employees equally.  -Most of the employees are dissatisfied with compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities.
Sarbapriya Ray and Ishita Aditya Ray (2011)	-It was found that factors like performance appraisal, participation in decision making, training and development, empowerment, compensation influencing human resource management( HR) practices have significant association with job satisfaction (JS)In addition, performance appraisals, participation in decision making are found to have high positive impact on job satisfaction (JS)It has also been found that other elements like training and development, empowerment, compensation have substantial impact on employees' job

	satisfaction.		
	-But, job rotation, self-directed work		
	teams, recruitment and selection have		
	very negligible impact on job satisfaction		
	as their respective t statistics are		
	insignificant.		
Adeel Mumtaz	-Result of Study described that teacher		
et al, (2011)	satisfaction is not predicted by these set		
	of HR practices so there are some other		
	factor which effect satisfaction.		
Nihat Kaya et	-The study show that in addition to the		
al, (2010)	positive impact of HRM activities,		
	organizational climate in particular		
	makes a significant contribution to job		
	satisfaction.		
	-The results indicate HRM practice a		
Hamdia	positively and significantly correlated		
Mudor and	with job satisfaction.		
Phadett	-HRM practice and job satisfaction are		
Tooksoon	negatively and significantly correlated		
(2011)	with turnover.		
	- HRM practice &job satisfaction are		
	strong predictors of turnover.		
Muhammad	-Recognition and training and		
Javed et al,	development are a key source of		
(2012)	employee job satisfaction in Public		
	sector organizations of Pakistan but		
	rewards do not have any significant		
	impact upon employee job satisfaction.		
	-Empowerment, job rotation, Employee		
	participation, Merit-based Promotions &		
Nausheen	Performance-based Pay and Grievance		
Syed and Lin Xiao Yan	handling procedures, were positively		
(2012)	correlated with employee's job		
()	satisfaction.		
	- All the practices except Grievance		
	handling procedures account for unique		
	variances in job satisfaction of the		
	surveyed firm's employees.		
1			

Alina Ileana	-After controlling for personal, job and	
Petrescu and	firm characteristics, it is found that	
Rob Simmons	several HRM practices raise workers'	
(2008)	overall job satisfaction and their	
	satisfaction with pay. However, these	
	effects are only significant for non-union	
	members.	
	-Satisfaction with pay is higher where	
	performance-related pay and seniority-	
	based reward systems are in place.	
	-A pay structure that is perceived to be	
	unequal is associated with a substantial	
	reduction in both non-union members'	
	overall job satisfaction and their	
	satisfaction with pay.	
	-Although HRM practices can raise	
	workers' job satisfaction, if workplace	
	pay inequality widens as a consequence	
	then non-union members may experience	
	reduced job satisfaction.	
Rathnaweera	-The findings of the research revealed	
(2010)	that Human Resource Management	
	practices are significant predictors of	
	employee satisfaction, commitment and	
	retention.	
L		

## 2.2. Conceptual Framework

The reviewed literature leads to formulate a research model. So, the conceptual framework of the study is:



# 3. Research Model and Hypotheses

After looking at the literatures, this research posits the following hypotheses and statistical research model:

**H1**: Recruitment and selection is significantly and positively related to employee job satisfaction.

**H2:** Training and Development is significantly and positively related to employee job satisfaction.

**H3:** Performance Appraisal is significantly and positively related to employee job satisfaction.

**H4:** Compensation Package is significantly and positively related to employee job satisfaction.

# 4. Research Methodology

## 4.1. Research Approach

The research design that is used for this study is a quantitative research design. The reason for choosing quantitative research design is due to the fact that it involves studies that make use of statistical analyses to obtain their findings. In addition, this study is a correlational type of research design which is aimed to

describe or ascertain if there are significant associations between selected HRM practices and employees' job satisfaction.

## 4.2. Study Variables

The independent and dependent variables of the study are:

Independent variables –Recruitment and Selection,
Training and Development, Performance appraisal and
Compensation Package

Dependent variable - Employees' Job Satisfaction

#### 4.3. Sampling Technique

As the data obtained from respective public banks, during the year 2012/13 G.C. the overall number of employees working in state owned banks is 16287.

But, by considering geographical restrictions, access to data, expected rate of return from the study and degree of literacy, the study is confined to employees and managers at head office who are at clerical position of the respective banks.

Convenience sampling technique is used to select sample from the target population. The main reason was banks were unable to provide name list of employees within an assumption to keep the confidentiality of the organization.

The following formula is used to select the appropriate sample size based on 95% confidence level and 5% margin of error or level of precision.

$$n = \frac{z^{2} \cdot p \cdot q \cdot N}{e^{2}(N-1) + z^{2} \cdot p \cdot q}$$

Where,

p =sample proportion, q = 1 - p;

z = the value of the standard variate at a given confidence level and to be worked out from table showing area under Normal Curve;

n =size of sample.

Source: C.R. Kothari (2004)

**Given:** At 95% confidence level the value of Z=1.96P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

N = 2464 which is population size e = 0.05 which is acceptable sample error

$$n = \frac{1.96^{2}(0.5)(0.5)(2464)}{0.05^{2}(2464-1)+1.96^{2}(0.5)(0.5)} = 332.461203$$
$$n \approx 333$$

So, based on the above formula a sample of 333 is selected from the target population and participated in the study which was a sample of both employees and managers.

The sample size obtained is allocated to three banks proportional to their population size.

# 4.4. Method of Data Collection

The study used both primary and secondary sources of data.

Primary data is obtained through questionnaire that is collected from employees and managers at the head offices of the respective public banks.

Questionnaire is prepared for employees and managers. A five point Likert Scale questionnaire is used to measure the

variables of the study. Some of the questionnaire item was adapted from past researches; (Rathnaweera, 2010) and (Nihat Kaya et al..., 2010) which are better to describe the variables under study.

Secondary data was gathered from published and unpublished theoretical literatures and empirical studies, books, journal articles, internet and other publications.

## 4.5. Method of Data Analysis

Quantitative data analysis tools are used to analyse the collected data. Descriptive statistics are used to describe and interpret the results of the study. Correlation analysis more specifically Pearson correlation coefficient is used to measure the degree of association between selected HRM practices and employees' job satisfaction. From inferential statistics, Regression analysis is used to test the hypothesis of the study.

# 4.6. Reliability and Validity

The reliability statistics result of both employees and managers questionnaires respectively are excellent and good based on different literature.

Regarding to validity, Validation of questionnaire item is carried out through initial consultation of experts to judge the research instrument.

## 5. Discussion of Findings

# 5.1. Descriptive Statistics

The mean scores for recruitment and selection was greater than the rest four variables indicating that respondents are satisfied with the recruitment and selection practice. But the mean scores for the rest four variables are closer to three (3) indicating respondents are neutral or moderate in their satisfaction with the respective variables. The standard deviations for the five variables ranged from 0.71230 to 1.02899 indicating that the data were reasonably homogenous.

## 5.2. Correlation Analysis

Despite the correlation coefficient of recruitment and selection is weaker compared with other variables, training and development, performance appraisal and compensation package all are found to be strongly and positively correlated with dependent variable job satisfaction. The value (r= 0.365) suggests that the strength of recruitment and selection is moderate but positively correlated with job satisfaction, (r= 0.677) shows that training and development is strongly and positively correlated with job satisfaction, (r= 0.713) shows that performance appraisal is strongly and positively correlated with job satisfaction and (r= 0.802) shows that compensation package is strongly and positively related with job satisfaction.

#### 5.3. Regression Analysis

Results of linear regression analysis indicated that 13% variance in employee job satisfaction is explained by recruitment and selection, which is evident by the value of R=0.365 F=39.247 at p<0.01 illustrates the model's goodness of fit, the regression result also confirms that recruitment and selection is a significant predictor of job satisfaction (Beta= 0.365, t= 6.265, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that 'Recruitment and selection is significantly and positively related to employee job satisfaction' is failed to reject.

Results of linear regression analysis indicated that 45.6% variance in employee job satisfaction is explained by training and development, which is evident by the value of R=0.677 F=215.942 at p<0.01 illustrates the model's goodness of fit, the regression result also confirms that training and development is a significant predictor of job satisfaction (Beta= 0.677, t= 14.695, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that 'Training and Development is significantly and positively related to employee job satisfaction' is failed to reject.

Results of linear regression analysis indicated that 50.6% variance in employee job satisfaction is explained by performance appraisal, which is evident by the value of R=0.713 F=263.064 at p<0.01 illustrates the model's goodness of fit, the regression result also confirms that performance appraisal is a significant predictor of job satisfaction (Beta= 0.713, t= 16.219, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that 'Performance Appraisal is significantly and positively related to employee job satisfaction' is failed to reject.

Results of linear regression analysis indicated that 64.2% variance in employee job satisfaction is explained by compensation package, which is evident by the value of

R=0.802 F=460.094 at p<0.01 illustrates the model's goodness of fit, the regression result also confirms that compensation package is a significant predictor of job satisfaction (Beta= 0.802, t= 21.450, p<0.01). Thus, the null hypothesis is rejected and the alternative hypothesis 'Compensation Package is significantly and positively related to employee job satisfaction' is failed to reject.

#### 6. Conclusion and Recommendation

#### 6.1. Conclusion

The results of this study revealed that bundles of HRM practices mainly recruitment and selection, training and development, performance appraisal and compensation package are positively related to employee job satisfaction. This result is consistent with Mir Mohammed Nurul Absar et al..., (2010) and Rathnaweera (2010). This means that effective HRM practices lead to employee satisfaction.

#### 6.2. Recommendation

The overall goal and objectives of the banks would be achieved if and only if employees are satisfied with the job. This will be achieved through by each HRM practices in the banks should be a source for employees satisfaction and then employees will be loyal and willing to stay in that organizations (Banks) because, job satisfaction of employees will reduce absenteeism and turn over intentions in public banks. Moreover, the need and expectations of employees' also play a vital role in increasing employees' satisfaction through implementing two

communications and then by continually evaluating the human resource management practices of the banks as well.

#### 7. Recommendation

Public banks should revise and make an adjustment on certain rules and procedures that hinders the employees not to perform with their maximum effort since it has an effect on employees' level of satisfaction.

It is recommended that the management of respective public banks should be able to increase the level of commitment in banks by increasing satisfaction with the specified HRM practices.

Each public bank has to create a link between the recruitment and selection practices and employees job satisfaction by preparing job descriptions and specifications; deciding terms and conditions of employment; reviewing and evaluating alternative sources of applicants, inside and outside the banks and should take other necessary measurements as well.

## 8. Suggestions for Future Research

The study sample is mainly focused on head office employees of respective public banks. So, future researchers can take sample of city and outlying or regional branch employees and managers. Furthermore, the study is basically intended to examine the effect of some of HRM practices such as recruitment and selection, training and development, performance appraisal and compensation package on employees' job satisfaction. Potential researchers can study by considering further HRM

practices whether or not they have an impact on employees' job satisfaction. Finally, the study is emphasized on banking industry specifically on public banks. Others researcher can study on private banks and confirm whether or not HRM practices have an effect on employees' job satisfaction.

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# Appendix

Table 4.7.1. Reliability Test Result of Study Variables
Reliability Statistics result of Employees Questionnaire

Cronbach's Alpha	N of Items
.955	41

# Reliability Statistics result of Managers questionnaire

Cronbach's Alpha	N of Items
.821	13

Table 5.1.1. Mean and Standard Deviation of the Five Study Variables

Statist	Recruit	Training	Perform	Compen	Job
ics	ment	and	ance	sation	Satisfa
	and	Develop	Apprais	Package	ction
	Selecti	ment	al		
	on				
Mean	3.9326	3.3781	3.1740	3.0832	3.3160
Std.	0.7123	0.89106	1.02899	0.98726	0.8477
Sta.	0./123	0.89106	1.02899	0.98726	0.8477
Devia	0				8
tion					

Table 5.2.1. Correlation Result of Recruitment and Selection and Employees' Job Satisfaction

# Correlations

		Recruitment and Selection	Job Satisfaction
Recruitment and Selection	Pearson Correlation	1	.365**
	Sig. (1-tailed)		.000
	N	257	257
Job Satisfaction	Pearson Correlation	.365**	1
	Sig. (1-tailed)	.000	
	N	257	257

# Correlations

		Recruitment and	Job
		Selection	Satisfaction
Recruitment and	Pearson	1	.365**
Selection	Correlation	1	.303
	Sig. (1-tailed)		.000
	N	257	257
Job Satisfaction	Pearson Correlation	.365**	1
	Sig. (1-tailed)	.000	
	N	257	257

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (1-tailed).

Table 5.2.2. Correlation Result of Training and Development Employees' Job Satisfaction

# Correlations

		Training and Development	Job Satisfaction
Training and Development	Pearson Correlation	1	.677**
	Sig. (1-tailed)		.000
	N	257	257
Job Satisfaction	Pearson Correlation	.677**	1
	Sig. (1-tailed)	.000	
	N	257	257

**Table 5.2.3. Correlation Result of Performance Appraisal** and Employees' **Job Satisfaction** 

# Correlations

		Performance Appraisal	Job Satisfaction
Performance Appraisal	Pearson Correlation	1	.713**
	Sig. (1-tailed)		.000
	N	257	257
Job Satisfaction	Pearson Correlation	.713**	1
	Sig. (1-tailed)	.000	
	N	257	257

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (1-tailed).

Table 5.2.4. Correlation Result of Compensation Package and Employees' Job Satisfaction

# Correlations

		Compensation Package	Job Satisfaction
Compensation Package	Pearson Correlation	1	.802**
	Sig. (1-tailed)		.000
	N	257	257
Job Satisfaction	Pearson Correlation	.802**	1
	Sig. (1-tailed)	.000	
** 0 1.:	N	257	257

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (1-tailed).

Table 5.3.1. Regression Result of Recruitment and Selection and Employees' Job Satisfaction

#### **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.365ª	.133	.130	.79077

a. Predictors: (Constant), Recruitment and Selection

# ANOVA<sup>b</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	24.542	1	24.542	39.247	.000ª
Residual	159.455	255	.625		
Total	183.997	256			

a. Predictors: (Constant),

Recruitment and Selection

b. Dependent Variable: Job

Satisfaction

#### Coefficients<sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients		
Model	В	Std. Error	Beta	t	Sig.
1 (Constant)	1.607	.277		5.794	.000
Recruitment and Selection	.435	.069	.365	6.265	.000

# ANOVA<sup>b</sup>

Squares	Df	Square	F	Sig.
24.542	1	24.542	39.247	.000ª
159.455	255	.625		
183.997	256			
	24.542 159.455	24.542 1	24.542 1 24.542 159.455 255 .625	24.542 1 24.542 39.247 159.455 255 .625

a. Dependent Variable: Job

Satisfaction

Table 5.3.2. Regression Result of Training and Development and Employees' Job Satisfaction

# **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.677ª	.459	.456	.62506

# ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	84.369	1	84.369	215.942	.000ª
Residual	99.629	255	.391		
Total	183.997	256			

a. Predictors: (Constant), Training

and Development

b. Dependent Variable: Job

Satisfaction

Coefficients<sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients		
Model	В	Std. Error	Beta	t	Sig.
1 (Constant)	1.140	.153		7.441	.000
Training and Development	.644	.044	.677	14.695	.000

a. Dependent Variable: Job

Satisfaction

Table 5.3.3. Regression Result of Performance Appraisal and Employees' Job Satisfaction

# **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713ª	.508	.506	.59596

a. Predictors: (Constant), Performance Appraisal

ANOVA<sup>b</sup>

Mo	odel	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.431	1	93.431	263.064	.000ª
	Residual	90.567	255	.355		
	Total	183.997	256			

a. Predictors: (Constant), Performance

Appraisal

# ANOVA<sup>b</sup>

M	odel	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.431	1	93.431	263.064	.000ª
	Residual	90.567	255	.355		
	Total	183.997	256			

b. Dependent Variable: Job

Satisfaction

# Coefficients<sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients		
Model	В	Std. Error	Beta	t	Sig.
1 (Constant)	1.453	.121		12.029	.000
Performance Appraisal	.587	.036	.713	16.219	.000

a. Dependent Variable: Job

Satisfaction

Table 5.3.4. Regression Result of Compensation Package and Employees' Job Satisfaction

# **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802ª	.643	.642	.50725

# ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	118.384	1	118.384	460.094	.000ª
Residual	65.613	255	.257		
Total	183.997	256			

a. Predictors: (Constant), Compensation

Package

b. Dependent Variable: Job

Satisfaction

# Coefficients<sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients		
Model	В	Std. Error	Beta	t	Sig.
1 (Constant)	1.192	.104		11.471	.000
Compensation Package	.689	.032	.802	21.450	.000

a. Dependent Variable: Job

Satisfaction