

Study of HR practices and its' impact on labor productivity: Katunayake Export Processing Zone apparel industry

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Introduction

Human Resource has become a valuable and significant asset for business organization due to its specific capability of guiding them towards achieving common goals. Moreover, Human Resources (HR) often account for a large part of an organization's cost structure. Therefore, organizations should provide considerable attention on their human resources. The success of an organization mainly depends on its labor productivity. It is concerned as a vital part of an organization. The concept of productivity is related to manufacturing and services with reference to tangible and intangible inputs and outputs (Adam & Ebert, 1992). Productivity is referred to as the improvement in the quantity and quality of goods and services and the effectiveness of the system and optimization of the output through increased efficiency or minimizing the use of resources (Duckering, 2001). Human Resource Management (HRM) is known as the central business concern that shapes the behavior, attitudes and performance of the employees, hence, HR practices are important tools for organizational performance.

Apparel industry is the highest labor utilization sector in Sri Lanka (Chaturika et al at 2013). Shortage of skilled labor available to the industry is another factor adversely affecting productivity. Consequently, it is more difficult to use the existing labor in the most efficient manner; and as the supply of labor is less than the demand leads to low productivity in results. It is often pointed out that labor productivity in Sri Lanka is low compared with that in other garment-exporting countries (Kelegama & Eparachchi, 2002). It is very much important to match people with the organization and the job to achieve the expected level of productivity. Employers should aware about the dynamic and changing environment of the employees.

Managers should highly focus on labors' productivity, because the success of the organization depends on the hands of the employees.

Main objective of the research was to identify the relationship of the HR practices dimension that influence to the labor productivity of Apparel sector in Sri Lanka. Other objectives were to identify the Labor Productivity measurement & dimensions, identify the impact of the HR practices dimensions on Labor Productivity and identify the most and least important HR practices that influence to Labor Productivity in Apparel sector. Independent variable has been used the parameters of Recruitment and selection, Training and development, Performance evaluation, Promotion practice, Compensation & benefits & Grievances handling system and dependent variable has been used the parameters of Motivation level of work force, Awareness of optimal productivity level, Labor turnover and absenteeism, Level of technology, Lead time & Labor relations to measure the labor productivity.

Methodology

Use stratified sampling technique by using probability proportion to the population. The population was Katunayake Export Processing Zone (KEPZ). The survey was conducted being based on a sample of 150 operational level employees in garment factories in KEPZ. Sample unit was one operational level employee. Further self-administered questionnaire was used to gather information from the sample. Questionnaire was based on five point Likert scale. Both descriptive and inferential techniques were used to analyze data. Descriptive statistic techniques were used to measure and summarize the attributes of the sample. Furthermore, Correlation coefficient analysis was used to measure the degree of linear association between two variables and identify the most and least important HR practices that influence to the labor productivity. Multiple regression analysis was also used to combine contribution of Recruitment and selection, Training and development, Performance Evaluation, Promotion Practice, Compensation & Benefits & Grievances Handling System. Derived Multiple Regression equation as follows,

$$LP = A + \beta_1RS + \beta_2TD + \beta_3PE + \beta_4PP + \beta_5CB + \beta_5GH + \epsilon$$

Results and Discussions

According to the descriptive analysis (Table 1), almost all input variable averages were in the range of $1 \leq x < 2.5$. This illustrates that almost all participants are satisfied with the current practices.

Table 1: Mean and Standard deviation of HR practices dimensions

Dimension	Mean	Standard Deviation
Recruitment and selection (R&S)	2.1978	0.4794
Training and development (T&D)	1.9828	0.4569
Performance Evaluation (PE)	2.1067	0.4459
Promotion Practice (PP)	2.0567	0.3449
Compensation & Benefits (C&B)	1.8267	0.5016
Grievances Handling System (GHs)	1.7179	0.4469

Source: Minitab output of surveyed data

Furthermore, the correlation and regression analysis were conducted to determine the strength of relationship and relative contribution of independent variables on dependent variables. Human resource practices have significance positive correlation on labor productivity under the significance level of 0.05. Further, correlation analysis was proved Training and development (0.802) was the most important factor and promotion practice (0.537) was the least important factor to influence Labor productivity.

Table 2: Summary of Correlation analysis (with Hypothesis)

Dimension	Correlation	P Value < Significant level	Null Hypothesis (H0)	Alternative Hypothesis (H1)	Most & Least Important Factor
R&S	0.606	0.000 < 0.05	Rejected	Accepted	
T&D	0.802	0.000 < 0.05	Rejected	Accepted	Most
PE	0.553	0.000 < 0.05	Rejected	Accepted	
PP	0.537	0.000 < 0.05	Rejected	Accepted	Least
C&B	0.762	0.000 < 0.05	Rejected	Accepted	
GHs	0.692	0.000 < 0.05	Rejected	Accepted	

Source: Minitab output of surveyed data

Apart from that, R square between Human resource practices and labor productivity was 82.1 percent. It can be identified that 17.9 percent unexplained variation which is elaborated that model was fitted with data due to explained variation was highly significant than unexplained variation.

Conclusions

As per the findings of the research, it was observed that there is a strong positive correlation between human resource practices and labor productivity. Further, it can be identified that training and development was the most important factor and promotion practice was the least important factor to influence the labor productivity.

Moreover, it was observed that the employees are satisfied with all six labor productivity dimensions (Motivation level of work force, Awareness of optimal productivity level, Labor turnover and absenteeism, Level of Technology, Lead time, Labor relations) in the apparel industry. Further, it revealed that changes in human resource practices are affected to labor productivity. It was revealed that all six human resource practices (Recruitment and selection, Training and development, Performance evaluation, Promotion practice, Compensation and benefits, Grievances handling system) identified within this study context, were affecting to labor productivity in positive manner.

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