Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 2

ISSN: 1540-3270

Assessing the Impact of HRM Practices on Turnover Rates in the Manufacturing Sector

Shaileen Jain[1], Dr. Viveka Nand Sharma[2]

[1]Research scholar, Faculty of Commerce & Management, Oriental University. Indore, M.P India

[2]Controller of Examination, Oriental University, Indore, M.P India

Abstract

The manufacturing industry is crucial to economic growth, but it still has significant personnel turnover rates, which have an impact on output, quality, and operational effectiveness. The manufacturing sector still has a high employee turnover rate, which affects output, quality, and operational effectiveness even though it is essential to economic progress. This study aims to assess the impact of Human Resource Management (HRM) strategies on employee turnover rates in the manufacturing industry. The study examines the connection between specific HRM procedures, such as hiring and selection, training and development, performance reviews, compensation and benefits, and employee engagement, and employee retention and attrition. Semi-structured interviews and formal questionnaires were employed in a mixed-method approach to collect data from HR managers and employees at specific industrial enterprises.

Regression analysis was used to examine quantitative data to determine the degree of correlation between HRM practices and turnover rates, while qualitative insights offer context for the underlying causes of employee departures. The findings show that comprehensive and employee-focused HRM strategies significantly reduce turnover, especially when they include fair compensation, regular chances for skill development, and transparent evaluation processes. This study contributes to the body of literature by providing practical suggestions for HR professionals and industrial executives seeking to enhance workforce stability through strategic HR interventions.

Keywords: Employee Turnover, Employee Retention, HRM Practices, Performance Appraisal, Workforce Stability, Organizational Commitment.

Introduction

One of the biggest issues facing the industrial industry worldwide is still employee turnover. The loss of talented workers can seriously disrupt operations and raise expenses associated with hiring, training, and lost expertise as industries work to increase efficiency, uphold quality standards, and satisfy market expectations. In this situation, human resource management (HRM) plays a more crucial role in both luring and keeping talent. Employees' decisions to stay with or leave an organization have been demonstrated to be influenced by effective HRM policies, including fair recruitment procedures, ongoing employee development, equitable compensation, and employee engagement efforts.

Particularly susceptible to high turnover rates is the manufacturing industry, which is frequently defined by hard working conditions, shift-based scheduling, and high-performance expectations. Organizational effectiveness as well as long-term competitiveness in both domestic and international markets is at risk due to this tendency. Many manufacturing companies still under invest in strategic HRM initiatives that could reduce turnover, despite increased awareness of this problem.

The purpose of this study is to evaluate how HRM practices affect employee turnover rates in the manufacturing sector. The research attempts to determine the best tactics for lowering turnover and enhancing organizational stability by looking at how different HR practices affect retention. HR specialists and business executives who want to develop a more dedicated, contented, and effective team must comprehend this link.

Despite the fact that there has been a lot of research on this topic of Human Resource Management (HRM) practices and employee retention, there has been a lack of empirical research that exclusively deals with the manufacturing industry in developing economies like India. Moreover, the existing literature tends to examine the HRM practices independently, and little focus is given to the joint impact that these practices have on the employee turnover in labor-intensive sectors such as the FMCG manufacturing. There is also no detailed analysis that includes employee perceptions, as well as organizational HR practices. This paper thus tries to fill this gap by looking at the combined effect of HRM practices on the rate of employee turnover in the Indian manufacturing industry to offer theoretical and practical contributions.

Research Objectives

1. To investigate the connection between employee turnover rates in the manufacturing industry and HRM practices.

2. To determine which particular HRM procedures—such as hiring and selection, training and development, pay, and performance reviews—have the most effects on employee retention.

3. To evaluate how well manufacturing companies' present HRM practices work to lower employee turnover.

4. To investigate how HRM policies are perceived by employees and how this affects their decision to stay or quit.

5. To offer manufacturing organizations useful suggestions for enhancing their HRM practices to increase employee retention.

Literature review

Effective recruitment and selection processes are critical to long-term employee retention. According to Dessler (2017), connecting recruitment strategies to organizational needs enhances job-person fit and reduces early turnover.

In manufacturing environments, poor hiring practices frequently result in low job satisfaction and early departures (Sharma & Jyothi, 2016).

By establishing clear expectations and enhancing work suitability, transparent, equitable, and strategic hiring methods greatly increase employee retention, according to research by Ongori (2007) and others.

Training and development opportunities increase employees' skills, motivation, and commitment, which reduces attrition. According to Kyndt et al. (2009), employees are more likely to remain with a company if they perceive excellent organizational support for their professional development. In the manufacturing industry, ongoing training is essential because processes and technology are always evolving.

Compensation has consistently been demonstrated to be one of the top markers of employee retention. According to a study by Chiu et al. (2002), both monetary and non-monetary benefits have a significant impact on an employee's decision to stay. Because many occupations in the manufacturing sector demand a lot of labor, fair compensation and performance-based incentives are especially important. Because previous research shows that staff turnover can impair a company's performance and is expensive to cover replacement expenses, HR managers place a high priority on retaining talented individuals (Redondo et al., 2021).

Fair and transparent performance review processes are another significant aspect influencing retention. According to Armstrong (2020), performance reviews affect employee motivation, compensation increases, promotions, and feedback. When employees feel that appraisal processes are biased or inconsistent, their dissatisfaction and intentions to quit increase (Gupta & Kumar, 2014).

It is crucial to remember that manufacturing presents particular contextual difficulties that could mitigate the impact of HRM regulations. Shift work, physical difficulties, occupational boredom, and few prospects for career progression are some of these. Ahmad and Schroeder's (2003) research highlighted the necessity of context-specific HRM practices that are adapted to the industrial and cultural milieu of manufacturing companies.

In contrast to Lockwood's (2006) findings, which showed that half of the organizations used human resource management strategies to retain talent, Oladapo (2014) found that about two thirds of the organizations employed these strategies. Oladapo (2014) claims that in order to retain talent, the majority of human resource department employees placed a strong emphasis on internalizing and embracing fundamental HRM principles.

Disengaged employees can have a detrimental effect on morale and productivity in an industrial setting where coordination and teamwork are essential. According to study by Kular et al. (2008), inclusive HR strategies like feedback systems, recognition programs, and participatory decision-making greatly boost employee engagement.

Impact of HRM Practices on Turnover Rates

Employee turnover, or the pace at which workers go and are replaced, is a major problem for businesses, particularly in the manufacturing sector where trained staff is crucial to upholding quality standards and production continuity. Increased expenses for hiring, on boarding, training, and lost productivity are all consequences of high turnover. Customer satisfaction and staff morale may also be impacted. Practices in human resource management (HRM) are essential for either raising or lowering turnover rates. Effective HRM practices can increase organizational commitment, employee engagement, and work satisfaction, all of which support talent retention.

Recruitment and Selection Hiring and Choosing Person-job and person-organization fit are key components of effective recruitment strategies that dramatically lower attrition. Employers are more likely to hire long-term employees when they use competency-based selection, realistic job previews, and organized interviews. When employees find that their expectations and reality don't align, poor recruiting decisions frequently result in early departures.

Compensation and Benefits Pay and Benefits Retention rates are directly correlated with competitive wage packages. This covers non-cash incentives, extensive perks, and performance-based compensation in addition to base pay. Perceived pay fairness and market-competitive compensation typically lower voluntary turnover intentions, according to research.

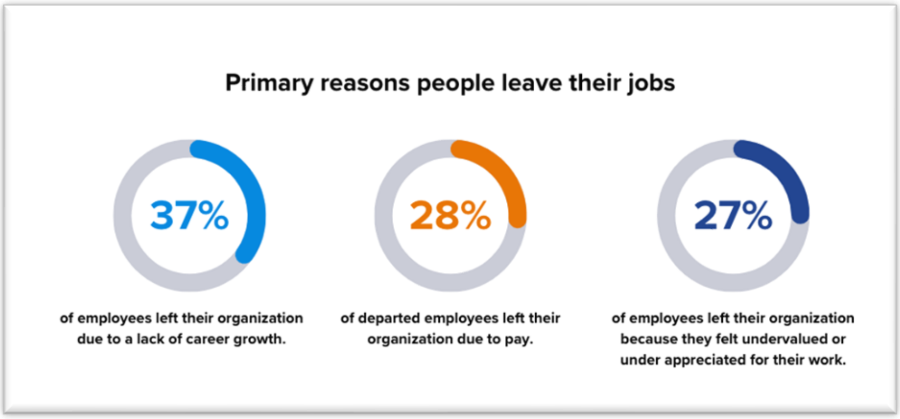
Training and Development Education and Training staff turnover rates are generally lower for companies that invest in staff development. Employees feel appreciated and envision a future with the company when they have access to career development opportunities, skill-building programs, and clear growth pathways. On the other hand, a common cause for quitting is a lack of prospects for advancement.

Performance Management Management of Performance Retention is aided by equitable and productive performance management systems. Employees can better appreciate their worth to the company via regular feedback, goal-setting, and recognition initiatives. Employee turnover is frequently caused by poor performance management, such as inconsistent appraisals or a lack of feedback.

Work-Life Balance Initiatives Retention decisions are greatly impacted by family-friendly benefits, paid time off policies, and flexible work schedules. Organizations that promote work-life balance typically have more stable employee bases as workforce priorities change.

Leadership and Management Quality Quality of Leadership and Management The most reliable indicator of employee turnover is frequently the connection between workers and their immediate bosses. While ineffective management is often the cause of departures, supportive, communicative leadership approaches promote retention.

Minnesota Journal of Business Law and Entrepreneurship
Volume 2026, No. 2
ISSN: 1540-3270



Research Methodology

This study examined the connection between HRM practices and employee turnover rates in the manufacturing industry using a quantitative research approach in combination with a descriptive and correlation strategy. The goal is to gather measurable information that can be statistically examined in order to evaluate the suggested concepts. From theory to hypothesis testing, a methodical technique is used. To assess the effect of particular HRM tactics (such hiring, training, and compensation) on turnover rates, hypotheses were developed based on the body of recent research.

This study adopted a quantitative research approach to examine the impact of Human Resource Management (HRM) practices on employee turnover in the manufacturing industry. Primary data were collected through a structured questionnaire administered to employees working in selected manufacturing enterprises. A convenience sampling technique was used to select the respondents.

The questionnaire contained of statements measured on a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The study focused on key HRM practices, including recruitment and selection, training and development, compensation and benefits, and performance appraisal. Data analysis was conducted using both descriptive and inferential statistical techniques. Descriptive statistics, such as frequencies, percentages, means, and standard deviations, were used to summarize the respondents' demographic characteristics and their perceptions of HRM practices. The reliability of the measurement scales was assessed using Cronbach's Alpha. Correlation analysis was performed to examine the relationships among the study variables, while regression analysis was used to test the proposed hypotheses and determine the effect of HRM practices on employee turnover.

Hypotheses:

H1a: Recruitment and selection practices are negatively related to employee turnover.
H1b: Training and development opportunities are negatively related to employee turnover.
H1c: Competitive compensation and benefits significantly reduce employee turnover.
H1d: Performance appraisal systems have a significant effect on employee retention.
H1e: Positive employee perceptions of HRM policies reduce their intention to leave the organization.

Hypothesis	**HRM Practice**	**Expected Relationship with Turnover**	**Statement**
H1a	Recruitment and Selection	Negative Relationship (↓ Turnover)	Recruitment and selection practices are negatively related to employee turnover.

HIb	Training and Development	Negative Relationship (↓ Turnover)	Training and development opportunities are negatively related to employee turnover.
HIc	Compensation and Benefits	Significant Reduction (↓ Turnover	Competitive compensation and benefits significantly reduce employee turnover.
HId	Performance Appraisal Systems	Significant Effect (↑ Retention / ↓ Turnover)	Performance appraisal systems have a significant effect on employee retention.
HIe	Perceptions of HRM	Negative Relationship (↓ Intention to Leave)	Positive employee perceptions of HRM policies reduce their intention to leave the organization.

This study assumes that Human Resource Management practices significantly influence employee turnover intentions. The independent variables include recruitment and selection, training and development, compensation and benefits, and performance appraisal systems, while employee turnover serves as the dependent variable. Employee perception acts as a mediating factor influencing the strength of this relationship.

Significance of the study

Many participants will find great value in this study, especially in light of the manufacturing industry's ongoing struggles to retain skilled and semi-skilled workers. Gaining insight into how Human Resource Management (HRM) policies affect employee turnover rates can help with workforce planning, competitive advantage, and organizational sustainability. This study can help manufacturing companies better understand how internal HRM practices impact labor stability. High turnover rates raise operating expenses and interfere with production. This study provides practical suggestions for creating a more devoted and reliable workforce, which will eventually increase output and profitability.

This research is significant because it connects theory with real-world application, offering both academic insight and practical strategies to help manufacturing firms address one of their most persistent challenges: employee turnover. The study's recommendations can lead to improved employee satisfaction, reduced costs, and a more resilient industrial workforce.

Limitation of the study

Numerous procedural and applied difficulties with this study could affect the results' generalizability and interpretation. Clear causal relationships between HRM practices and turnover rates cannot be established due to the cross-sectional nature of the primary data collection, which examines both variables simultaneously rather than following changes over time. Connections can be made because of this time constraint, but it is still challenging to ascertain whether companies with lower turnover are more likely to implement better HRM practices or whether successful HRM techniques actually lower turnover. The complexity of evaluating organizational phenomena creates concerns regarding construct validity because various employee groups within the same company may view and experience HRM procedures differently. Departmental differences in HRM implementation may not be adequately represented in organization-level studies, and what senior employees consider to be successful performance management may be seen insufficient by less experienced staff. Additionally, the study's ability to control for all relevant confounding variables is limited, as factors such as industry economic cycles, technological changes, competitor actions, or broader labor market conditions may influence turnover rates independently of internal HRM practices but are difficult to measure and account for comprehensively.

Conclusion

The research results in this paper verify that good human resource management practices are important in minimizing employee turnover in the manufacturing industry. Out of the range of factors considered, compensation and benefits, training and development turned out to be the most powerful factors in employee retention. The paper throws light on the fact that the organizations that embrace strategic HRM tend to retain talented workers, and this aspect enhances productivity and organizational performance. Furthermore, the perception of employees was also found to play a significant role in turnover intentions, and the importance of transparent and employee-focused HR policies is evident. Practically, the manufacturing companies are advised to focus on fair compensation systems, ongoing skill development programs, and efficient performance appraisal systems to increase the stability of the workforce. The role of other variables like organizational culture, style of leadership and job satisfaction can be examined in future studies to help gain a better insight into employee retention dynamics.

References

1. Kiran, Y., Mubashir, A., Shaikh, O. A., Naseem, M., & Shaikh, A. (2024). *Impact of HRM Practices on Employee Retention: Moderating Role of Job Satisfaction*. *Journal of Social & Organizational Matters, 3*(1), 72–92. https://doi.org/10.56976/jsom.v3i1.52 jsom.org.pk
2. Bhalla, J., & Giri, P. K. (2014). *The Impact of Human Resource Management Practices on Turnover and Productivity*. *Journal of Organization and Human Behaviour, 3*(1), 11-21. iScholar
3. (2020). *The Influence of Human Resource Management Practices on Employees' Turnover Intention: A Conceptual Model*. *International Journal of Academic Research in Business and Social Sciences, 14*(2). https://doi.org/10.6007/IJARBSS/v14-i2/20512 hrmars.com
4. Imna, M., & Hassan, Z. (2015). *Influence of Human Resource Management Practices on Employee Retention in Maldives Retail Industry*. *International Journal of Academic Business and Management, 1*(1), April 2015. ftms.edu.my
5. *Sustaining Organizational Outcomes in Manufacturing Firms: The Role of HRM and Occupational Health and Safety*. (2022). *Sustainability, 16*(3), 1035
6. Oladapo, V. (2014). The impact of talent management on retention. Journal of Business Studies Quarterly, 5(3
7. Bolt, E. E., Winterton, J., & Cafferkey, K. (2022). A Century of Labour Turnover Research: A Systematic Literature Review. *International Journal of Management Reviews*, 24(2), 164-189. A century of labour turnover research: A systematic literature review - Bolt - 2022 - International Journal of Management Reviews - Wiley Online Library
8. Khan, M. A., Ismail, F. B., Hussain, A., & Alghazali, B. (2021). Impact of HRM Practices on Employee Turnover Intentions Through Organizational Climate: A Social Identity Perspective. *Research Gate Publication*. (PDF) Impact of HRM Practices on Employee Turnover Intentions Through Organizational Climate: A Social Identity Perspective
9. Pratomo, S. W., & Saputra, N. (2022). Antecedents of Turnover Intention on the Manufacturing Industry in Banten Province. *Archives of Business Research*, 10(3), 195-210. Antecedents of Turnover Intention on the Manufacturing Industry in Banten Province | Archives of Business Research
10. Kumar, R., & Sharma, P. (2024). Human Resource Management Practices and Employee Engagement: The Moderating Effect of Supervisory Role. *Cogent Business & Management*, 11(1), 2318802. Full article: Human resource management practices and employee engagement: the moderating effect of supervisory role