

DISCUSSION PAPER #2006-01

Title: The Effects of Human Resource Management and Union Member Status on Employees' Intentions to Quit

Author: Lisa Hughes, BComm, MIR
Faculty of Economics and
Commerce
University of Melbourne
hughesl@unimelb.edu.au

Published: January 2006

THE EFFECTS OF HUMAN RESOURCE MANAGEMENT AND UNION MEMBER STATUS ON EMPLOYEES' INTENTIONS TO QUIT

INTRODUCTION

This research examined whether the relationship between employee intention to quit and human resource management (HRM) changed based on union membership.

The investigation first considered whether HRM reduced or increased an employee's intention to quit. Previous research has revealed that the impact of HRM on employee outcomes is mixed (Batt et al. 2002; Ramsay et al. 2000).

Next, the moderating effect of union membership on the relationship between HRM and quit intent was considered. Did an employee's union member/non-member status in any way change the effects of HRM on employee quit intent - and if so, how?

The analysis undertaken here used a large and representative sample, and found that HRM was negatively associated with employee intention to quit. Further, union membership was found to interact with HRM to influence employee quit intent.

QUESTIONS AND HYPOTHESES

1 a): *Does HRM reduce employee quit intentions?*

Traditional HRM theory posits that one of the outcomes resulting from HRM policy is "congruence" or "integration" (Beer, Spector, Lawrence, Mills and Walton 1985; Guest 1987). Congruence/integration describes a situation in which employer and employee interests are aligned through such HRM policy as selective hiring and targeted recruitment, training, reward systems, and communication programs.

Such policy is underpinned by shared responsibility and influence across organization members, including employees (McGregor 1960; Miles 1965; Walton 1985). In this way policy choices foster environmental conditions so that: "Members of the organization can achieve their own goals best by directing their efforts toward the success of the enterprise" (McGregor 1960, 49). One of the results stemming from such congruency in interests and shared influence is a decrease in employee quit intent (Batt, Colvin and Keefe 2002; Shaw, Delery, Jenkins-JR. and Gupta 1998):

Hypothesis 1A: Human resource management will be associated with less intention to quit.

1 b): *Does HRM increase employee quit intentions?*

In contrast, neo-Fordist labour process theory posits that the result of HRM policy is *intensification* (Godard 2004), or a maximization of employee contributions (Ramsay, Scholarios and Harley 2000). Intensification describes a situation in which workplace performance is enhanced through such HRM policy as reward systems featuring variable pay and incentive/bonus programs, and performance appraisal processes including teamwork and electronic performance monitoring. Such policy is underpinned by flexibility/adaptability, and a focus on cost effectiveness and the bottom line (Godard 2004).

In this way policy choices foster environmental conditions so that "... [employee] benefits ... take the form of minor gains in discretion, granted as a means to gain compliance with managerial aims, which are far outweighed by work intensification, insecurity and stress" (Ramsay et al. 2000, 505). This imbalance in employee contributions heightens the desirability and perceived ease of quitting, the result of which is an increase in quit intent (Batt et al. 2002; Ramsay et al. 2000):

Hypothesis 1 b): Human resource management will be associated with greater intention to quit.

2: *Does union membership have a moderating effect on the relationship between HRM and employee quit intentions?*

The *involvement* and *intensification* views of HRM described above result in two different outcomes, both of which have important implications for employees. If HRM policy decreases quit intentions, employees can benefit from influence or participation in workplace relations. If, on the other hand, HRM policy increases quit intentions, employees suffer negative consequences in extending beyond the contributions required of the traditional labour-effort bargain. Does the effect of HRM policy, therefore, depend on such employee representation as union membership?

A large body of research has emphasized the importance of the union voice in formalizing employee rights in the workplace, championing improvements in workplace conditions, and acting as a recuperative mechanism in situations of dispute (Freeman and Medoff 1984; Verma 2005). One important determinant of the impact of

HRM policy on employee outcomes such as quit intentions is a collective or a union voice that is capable of balancing HRM policy design to ensure the rights of employees (Cooke 1994; Eaton and Voos 1994). Union member status may, therefore, influence employee quit intent in response to HRM policy:

Hypothesis 2: Union membership will have a moderating effect on the relationship between HRM and quit intentions such that union members experiencing high levels of HRM will report less intention to quit as compared with non-union employees.

METHODOLOGY

The data was drawn from the *Australian Workplace Industrial Relations Survey* conducted between August 1995 and January 1996 (AWIRS 1995) (Morehead, Steele, Alexander, Stephen and Duffin 1997).

The AWIRS 1995 involved structured questionnaires including the Employee Survey Questionnaire (ESQ), which sampled 19,155 employees randomly selected from the main survey workplaces. Data from the ESQ was linked to items from the General Management Questionnaire (DWRSB 1997).

Merging these questionnaires and eliminating respondents for whom data was missing resulted in a total sample size of 12,897 participants. Large sample sizes can impact an inferential test by producing too much power and making it overly sensitive (Hair, Anderson, Tatham and Black 1998), so a random sample approximating 10 per cent of all cases was drawn from the total sample, reducing the final sample used in the investigation to $n=1,326$.

The dependent variable was measured using employee responses to the question, *I often think about leaving this job*. HRM was measured using a summated scale of average employee responses to six items from the ESQ related to employee influence and input at work (Cronbach's alpha (α)=0.85). Union membership was measured using a dichotomous member/non-member variable. The control variables included, gender, age, number of dependents, weekly hours, weekly pay, firm size, education, tenure, training and job satisfaction.

In the final sample, 612 (46%) respondents identified as non-union employees and 714 (54%) identified as union members.¹ The average number of employees working for a whole organization throughout Australia was roughly 8,880, and workers reported earning a mean income of approximately AUD\$660.

The hypotheses were tested using moderated multiple regression (MMR) (Aguinis 2004). MMR is an inferential procedure that consists of comparing two different least squares regression equations (Aguinis 2004; Aiken and West 1991).

¹ These figures represent the proportion of employees at workplaces with 20 or more employees who were members of a union. Unpublished data from the Australian Bureau of Statistics (ABS) *Weekly Earnings of Employees (Distribution)* (August 1995, Cat. no. 6310.0.40.001), estimated the same proportion to be 45 per cent. Assuming the ABS figure is correct, union members were slightly over-represented in the employee survey population of the AWIRS 1995. To the extent that union members responded differently to non-union members then, it is acknowledged that results from the employee survey questionnaire will be slightly biased toward the responses of union members (Morehead et al. 1997, 57). per week. A little more than half of the respondents were male (58%). Employees were an average age of 37 years and reported feeling somewhere between “neutral” and “satisfied” with their job overall.

DISCUSSION

Did HRM reduce or increase employee quit intentions? The analysis undertaken here found that HRM was significantly associated with lower employee quit intentions.

Further, the analysis found that union membership interacted with HRM to influence quit intentions. However, at high levels of HRM, union members had *greater* quit intentions as compared to non-union employees. The moderating effects associated with union membership suggest, therefore, that the *involvement* view of HRM has a greater impact on non-union employees.

This may be because the union voice, while championing improvements in workplace conditions, at the same time draws attention to workplace deficiencies and imbalances. This has been referred to as the “politicization” of a workforce that results from the use of the union voice (Borjas 1979). This means that in order for workers’ voice to be heard effectively, the union has to make employees aware of what is wrong with the job. One of the by-products of unionization, therefore, is politicization.

Moreover, recent research has cautioned that the assumption underpinning the *involvement* view of HRM in much of the literature – that it is in the employer’s economic interests to create good jobs – underestimates the inherently adversarial nature in the “institutional design” of the employment relationship: “... the

employment relation [is] a relation of subordination under which employees and employers often have conflicting interests” (Godard 2001, 28).

It may be that the protection and governance union representation affords the union’s members highlights this inherent pluralism (Freeman and Medoff 1984; Verma 2005).

On a theoretical level, this study assessed controversy in the HRM literature concerning the effects of HRM on employee quit intentions (Batt et al. 2002; Ramsay et al. 2000). The findings suggest that specification of HRM policy effects on employee outcomes may be more complex than has been suggested (Arthur 1994; Huselid 1995), and may vary across different employee characteristics. Future research should carefully consider potential heterogeneity among employee respondents.

The finding that union members benefit less from HRM as compared with non-union employees suggests that firm expectations “signalled” by HRM may need to be clarified, and uniformly applied (Bowen and Ostroff 2004). A recent investigation confirmed no statistically significant differences in the incidence of HRM practices in union and non-union sectors over time, and in some cases, differentially faster HRM incidence in union workplaces (Machin and Wood 2005). It would appear then that union members are experiencing HRM at the same rate or pace as non-union employees but the outcomes for either employee type differs. Future research should carefully consider the nature of the “collective use” of HRM practices and their impacts on union members (Machin and Wood 2005, 216).

On a practical level this research suggests that employees, employers, unions and government alike, need to be aware of the impact of HRM policy on employee quit intentions and the wider implications for movements in labour market activity. In Australia, the combination of rising skills shortages in particular industries, an ageing population, and the “brain drain” or the recruitment of skilled professionals to other countries (ABS 2003), all amounts to broader economic and social implications for future generations.

CONCLUSION

This study investigated the interacting effect between HRM and union member status on employee quit intentions. The investigation considered the separate effects of two competing views of HRM. It was hypothesized that union members experiencing high levels of HRM would report less intention to quit as compared with non-union employees.

Contrary to expectations, however, union membership interacted with HRM to effect *greater* quit intention for union members experiencing high levels of HRM. A number of explanations for this result were put forward, including the politicization effect of the union voice, and the adversarialism/pluralism inherent in the employment relationship that union recognition necessarily highlights.

BIBLIOGRAPHY

ABS [Australian Bureau of Statistics] (2003) *Population Projections: Australia 2002 to 2101*, cat. No 3222.0, Canberra: ABS.

Aguinis, H. (2004) *Regression Analysis for Categorical Moderators*, New York: Guilford Press.

Aiken, L. S. and West, S. G. (1991) *Multiple Regression: Testing and Interpreting Interactions*, Newbury Park, CA: Sage.

Arthur, J. B. (1994) Effects of Human Resource Systems on Manufacturing Performance and Turnover.

Academy of Management Journal, 37, (3), pp. 670-87.

Batt, R., Colvin, A. J. S. and Keefe, J. (2002) Employee Voice, Human Resource Practices, and Quit Rates: Evidence from the Telecommunications Industry. *Industrial and Labor Relations Review*, 55, (4), pp. 573-594.

Beer, M., Spector, B., Lawrence, P., Mills, D. Q. and Walton, R. (1985) *Human Resource Management: A General Manager's Perspective*, Glencoe Illinois: Free Press.

Borjas, G. J. (1979). Job Satisfaction, Wages and Unions, *The Journal of Human Resources*, XIV (1), 21-40.

Bowen, D. E. and Ostroff, C. (2004) Understanding HRM-Firm Performance Linkages: The Role of the "Strength" of the HRM System. *Academy of Management Review*, 29, (2), pp. 203-221.

Cooke, W. N. (1994) Employee Participation Programs, Group-Based Incentives, and Company Performance: A Union-Nonunion Comparison. *Industrial and Labor Relations Review*, 47, (4), pp. 594-609.

DWRBSB [Department of Workplace Relations and Small Business] (1997) The 1995 Australian Workplace Industrial Relations Survey. *The 1995 Australian Workplace Industrial Relations Survey, (AWIRS 95): Employee Survey Questionnaire* [computer file]. Data collected by Reark Research. Social Data Archives, The Australian National University [distributor], Canberra. One data file (2001 logical records) and accompanying user's guide.

Eaton, A. E. and Voos, P. B. (1994) Productivity-Enhancing Innovations in Work Organization, Compensation, and Employee Participation in the Union Versus the Nonunion Sectors. *Advances in Industrial and Labor Relations*, 6, pp. 63-109.

Freeman, R. and Medoff, J. (1984) *What Do Unions Do?*, New York: Basic Books.

Godard, J. (2001) High Performance and the Transformation of Work? The Implications of Alternative Work Practices for the Experience and Outcomes of Work. *Industrial and Labor Relations Review*, 54, (4), pp. 776.

Godard, J. (2004) A Critical Assessment of the High-Performance Paradigm. *British Journal of Industrial Relations*, 42, (2), pp. 349-378.

Guest, D. E. (1987) Human Resource Management and Industrial Relations. *Journal of Management Studies*, 24, (5), pp. 503-521.

Hair, J. F., Anderson, R. E., Tatham, R. L. and Black, W. C. (1998) *Multivariate Data Analysis*, (Fifth) Upper Saddle River, New Jersey: Prentice-Hall Inc.

Huselid, M. A. (1995) The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38, (3), pp. 635-672.

Machin, S. and Wood, S. (2005) Human Resource Management As A Substitute for Trade Unions In British Workplaces. *Industrial and Labor Relations Review*, 58, (2), pp. 201-218.

McGregor, D. (1960) *The Human Side of Enterprise*, New York: McGraw-Hill Book Company, Inc.

Miles, R. E. (1965) Human Relations or Human Resources? *Harvard Business Review*, 43, (July-August), pp. 148-163.

Morehead, A., Steele, M., Alexander, M., Stephen, K. and Duffin, L. (1997) *Changes at Work: The 1995 Australian Workplace Industrial Relations Survey*, Melbourne: Addison Wesley Longman.

Ramsay, H., Scholarios, D. and Harley, B. (2000) Employees and High-Performance Work Systems: Testing Inside the Black Box. *British Journal of Industrial Relations*, 38, (4), pp. 501-531.

Shaw, J. D., Delery, J. E., Jenkins-JR., G. D. and Gupta, N. (1998) An Organization-Level Analysis of Voluntary and Involuntary Turnover. *Academy of Management Journal*, 41, (5), pp. 511-525.

Verma, A. (2005) What Do Union Do to the Workplace? Union Effects on Management and HRM Policies. *Journal of Labor Research*, 26, (3), pp. 415-435.

Walton, R. (1985) From Control to Commitment in the Workplace. *Harvard Business Review*, 63, pp. 77-84.