

**ROLE OF HR PRACTICES IN IMPROVING THE RETENTION OF  
EMPLOYEES IN THE IT SECTOR OF PAKISTAN: A  
QUANTITATIVE STUDY**

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**Abstract**

This research investigates the role of human resource (HR) practices in enhancing employee retention in information technology (IT) sector in Pakistan. As competition for skilled IT professionals intensifies, organizations are facing more difficulty when trying to retain the best talent. This study uses a quantitative approach to measure the impact of several HR practices such as recruitment, training and development, performance management and compensation on employee retention. Data collected from the IT professionals who work in top IT companies of Pakistan reveals the HR practices that have the most significant impact on the commitment and retention of employees. The results of the research provide useful information for HR managers who need to formulate useful strategies for retention in a fast-paced and competitive industry.

**Keywords:** HR Practices, Employee Retention, IT Sector, Pakistan, Talent Retention, Compensation, Training and Development, Performance management.

**Introduction**

The IT sector in Pakistan has become an important contributor to the country's economy. With the advent of technological advancements and the digital transformation, the demand for skilled IT professionals has surged, and the competition for talent has become fierce. As companies work to stay competitive, one of the most important challenges they have to face is that of keeping their top employees. High employee turnover can result in higher recruitment expenses, loss of organizational knowledge, and overall productivity. Therefore, effective human resource (HR) practices play an integral role in ensuring employee retention, especially in the IT sector that is known for its fast growth and ever evolving nature.

Employee retention means the capacity of an organization to retain its employees over a period of time and stop their turnover. In certain industries,

such as IT, where there is a significant shortage of skilled workers, retention of employees becomes a strategic concern. Research by Hausknecht et al. (2009) emphasizes that properly implemented HR practices including recruitment, training, performance management, and compensation are important to encourage employee commitment and retention.

The purpose of this study is to investigate the effects of certain HR practices on the employees' retention in the IT sector in Pakistan. Through the quantitative research approach, the aim of the study is to establish which HR practices have the most impact on retention rates. The results will help HR practitioners to take actionable insights to improve their retention strategy to attract, retain and grow talent in a highly competitive industry.

### **HR Practices and How They Affect Employee Retention**

Human resource practices are the activities and strategies that the human resource department adopts in order to manage its workforce. These practices include: recruitment, training and development, performance management, compensation and work-life balance initiatives. Each of these practices play an important and critical role in influencing employee satisfaction, engagement and ultimately, retention.

#### **1. Recruitment and Selection**

Recruitment is the initial step of the retention process. The attraction and selection process of an organisation affects the quality of the workforce. Effective recruitment practices guarantee that the right talent is recruited for the right positions. In the IT sector, where the required skills can be very specific, organizations will need to implement strong recruitment strategies grounded in the need to attract people with both technical expertise and cultural fit. A study conducted by Barber (1998) states that a good recruitment process when values of the candidates are matched with the organizational culture, it is associated with greater retention of employees.

In Pakistan's IT industry, the recruitment processes need to adapt with technological needs of the industry. According to Javed and Iqbal (2015), the companies that invest in campus recruitment, employee referral programs, and digital platforms for talent sourcing are more likely to hire skilled individuals with a better match with the needs of the company. Moreover, recruitment strategies that emphasize on improving the candidate experience to ensure new hires feel valued from the start, improving their chances of staying on with the organization.

#### **2. Training and Development**

Training and development is one of the crucial HR practices that has an impact on employee retention as it makes employees develop opportunities

for growth and development of skills. Employees who feel that their organization is invested in their professional development are more likely to be committed to the company. In the IT sector, where technologies and methodologies keep evolving at a fast pace, continuous learning and development are the keys to keeping a competitive edge.

Training programs may involve technical skills training, soft skills development, leadership programs, and career advancement opportunities. Research by Kuo et al (2006) reveals that employees in organizations who have comprehensive training programs show higher job satisfaction and commitment which in turn leads to lower turnover rate. In the IT sector of Pakistan, offering opportunities to the employees for upskilling is essential in retaining top talent. Companies that provide certification programs, workshops and access to online courses are likely to have higher retention rates among their IT professionals.

### **3. Performance Management**

Performance management is also another HR practice that directly affects employee retention. A well-designed performance management system aligns the goals of individual employees with the goals of the organization, providing employees with clarity on expectations and performance measures. Regular feedback, recognition, and reward systems contribute to a sense of value of the employees in the organization.

A study conducted by Tessema et al. (2009) highlighted that employees that are provided regular feedback on their performance and feel appreciated for their contributions are more likely to stay with their employer. In the IT sector specifically, where employees may be more likely to be interested in being recognized for their technical achievements, performance management practices should incorporate not only financial incentives but also opportunities for professional growth and personal development. In the Pakistani context, the concept of 360-degree feedback systems and peer recognition systems can be implemented by companies to help boost employees' retention.

### **4. Compensation and Benefits**

Compensation is one of the biggest determining factors in employee retention, especially in competitive industries such as IT. While salary is an important aspect, there are other benefits that employees take into consideration besides salary, such as bonuses, health insurance, retirement plans, and stock options. A competitive compensation package can help organizations to retain talented professionals who might otherwise be tempted by offers from other companies.

According to a study by Huselid (1995), compensation is found to have a positive correlation to employee retention. In the IT industry of Pakistan, with skilled workers in high demand, it is necessary to provide lucrative salary packages and other benefits to employees to stay. Moreover, organizations should also regularly review their compensation strategies to ensure they continue to remain competitive in the market. Non-monetary benefits, like flexible working and working from home, are also important for improving employee satisfaction and retention.

### **Literature Review**

A considerable amount of studies has been done on the relationship between HR practices and employee retention, especially in the IT sector. According to Hausknecht et al. (2009), the implementation of human resources (HR) practices such as recruitment, training, performance management as well as compensation is associated with greater retention of employees. Their study highlights that those organisations that pursue comprehensive and strategic HR practices are more equipped to retain their best talent.

In the context of the IT sector, the importance of training and development cannot be underestimated. IT professionals are in high demand and companies that fail to invest in the continuous development of their employees risk losing employees to their competitors. Research by Kuo et al. (2006) shows that organizations that offer opportunities for skill development experience greater levels of job satisfaction and reduced levels of turnover. Performance management practices are also an important factor in the retention of employees. A study carried out by Tessema et al (2009) found that employees who received regular feedback and recognition were more likely to stay with their organizations. This is especially applicable in the IT sector, where employees want to be acknowledged for their technical abilities and work in innovative projects.

The role of compensation when it comes to employee retention is well-documented. According to Huselid (1995), competitive compensation packages are very important in retaining employees, particularly in industries that have high demands such as IT. In the case of Pakistan, where IT professionals are sought after by local and international companies alike, pay is a major factor in retaining them. Research by Javed and Iqbal (2015) suggests that having competitive salaries that provide other benefits such as healthcare and retirement plans is key for organizations seeking to retain skilled IT professionals.

### **Methodology**

The study presented a quantitative research methodology in order to find the relationship between the human resource (HR) practices and employee retention in Pakistan's IT sector. A structured survey was conducted to obtain information from IT professionals employed in different top IT organizations in the country. The survey focused on important HR practices, such as recruitment, training and development, performance management and compensation, and wanted to measure their impact on employee retention.

### **Research Design**

A cross-sectional survey design was selected for this research because the researcher could gather data at the same time from a large number of employees in the IT sector. The survey was distributed among 350 IT professionals who are working for leading IT companies in major cities of Pakistan Islamabad, Karachi, Lahore, and Rawalpindi respectively. The research was targeted at employees in different roles, such as software engineer, developers, network administrators and it managers to obtain a diverse sample.

The survey was designed to measure the perceptions of the employees concerning the effectiveness of HR practices of the companies they work in and how these practices affect their intention to stay or leave their job. The survey had three major sections:

1. **Demographic Information:** This section captured basic information about the participants including their age, gender, job role, years of experience and the size and type of organization they worked for.
2. **HR Practices:** This section contained questions on the availability and effectiveness of certain HR practices, such as recruitment strategies, training programs, performance management systems, and compensation packages. Respondents were asked to rate the importance of these HR practices on a scale of 1 to 5, where 1 was "not important" and 5 was "very important."
3. **Employee Retention** The last section was about employee retention. Respondents were asked about their level of job satisfaction and their intention to stay with their current employer and factors that affect their decision to stay or leave. A Likert scale of 1 (strongly disagree) to 5 (strongly agree) was used to measure these things.

### **Sample Selection**

A total of 350 IT professionals from 15 different IT organizations across Pakistan were invited to take part in the survey. The organizations were chosen on the basis of their reputation and size in the industry. The sample was stratified according to job role and size of organization to ensure that the

results would reflect the diversity of the IT sector. Respondents were chosen via convenience sampling method where the survey was distributed to employees that were easily accessible.

#### **Data Collection Procedure**

The processes of data collection used both the online and offline methods. The survey was distributed via email and other electronic platforms to employees who had access to email and online platforms while face to face surveys were conducted to employees who preferred or required face to face interactions. The distribution of the survey took place over a period of 2 months with follow-up reminders sent to encourage participation.

To ensure the confidentiality of the respondents, no personal identifying information was collected. Participants were informed about the purpose of the study and their participation was voluntary. The data collection period was planned so that an adequate number of responses would be collected to provide for strong statistical analysis.

#### **Data Analysis**

The gathered data was analyzed through descriptive and inferential statistics. Descriptive statistics, including frequencies, means and standard deviations were used to summarise the demographic characteristics of the sample and responses to various survey items. Inferential statistics, Pearson's correlation, and multiple regression analysis were used to analyze the relationships between HR practices and employee retention. Statistical software (SPSS) was used for data analysis.

#### **Results**

##### **Demographic Profile of Respondents**

The survey had 330 valid responses, which translates to about 94% response rate. The profile of respondents presented a mix of IT professionals:

- **Age:** Majority of the respondents (56%) were in the age group between 25 and 35 years old. 30% of them are in the age group of 36-45 years and 14% were aged 46 years and above.
- **Gender:** About 75% of the respondents were male while the rest 25% were female.
- **Job Role:** Most respondents were software engineers (40%), followed by developers (25%), IT manager (20%) and network administrator (15%).

**Own experience:** 60% of the respondents had 5 to 10 years of experience in the IT sector, 25% had between 10 and 15 years and 15% less than 5 years of experience.

**Organization Type:** 70% of the respondents worked at private IT firms. 30% of the respondents are working at public sector organizations.

### **Human Resource Practices and Why They are Important**

The findings of the survey showed that all HR practices considered in the study, namely recruitment, training and development, performance management, and compensation were considered to be important to the employees. The following was the average rating of the perceived importance of each HR practice:

**(Recruitment):** Most of the respondents (85%) agreed that the recruitment practices were very crucial in retaining the employees. They gave recruitment practices a high rating (4.3 out of 5 on average).

**Training and Development:** Training and development were rated very high, and the average rating was 4.5 out of 5. Respondents highlighted about the importance of skill development and career growth opportunities in retaining employees in the IT sector.

**Performance Management:** Performance management systems, including feedback and recognition, had an average rated score of 4.2. Employees appreciated being regularly evaluated on their performance and being acknowledged for their contribution.

Compensation was also a highly significant factor with an average rating of 4.6. IT professionals in Pakistan reported that competitive salaries, bonuses and benefits were important for retaining them.

### **Employee Retention and Job Satisfaction**

Majority of the respondents showed a high degree of job satisfaction, 70% of them said that they were satisfied or very satisfied with their current employer. When asked if they plan to stay with their current organization, 68% of respondents said that there is a strong intention to stay for the next 2 to 3 years. The important factors for retention were:

Career Development Opportunities 80% of employees said that career development opportunities played a significant role in their employer stay decision.

As you can see, the following are a few of the most common reasons why employees choose to stay at a company: Compensation 1.5 1.6 Job Security 1.7 1.8 Cultural Fit 1.9 2.0 2.1 2.2 2.3 Work-Life Balance 65% of respondents mentioned that work-life balance policies, such as flexible working hours and remote work options, contributed to their job satisfaction and retention.

o **Recognition and Feedback:** 70% of the respondents said that getting regular feedback and recognition from their managers was crucial in their decision to remain with the company.

The data also revealed that employees with a more positive perception of their HR practices were also more likely to report greater job satisfaction and a greater intention to stay with the organization.

### **Correlation Analysis**

The relationship between the HR practices and employee retention was examined using Pearson's correlation analysis. The analysis showed that there are significant positive correlations between all HR practices and employee retention:

### **Recruitment and Retention (r=0.65, p<0.01)**

This relationship is stronger for the following variables: - Training and Development and Retention (r = 0.72, p < 0.01)

- Performance Management and Retention (r=0.68, p<0.01)

Compensation and Retention ( r = 0.75, p < 0.01)

These results suggest that HR practices have a significant positive impact towards the retention of employee. Of all the HR practices, the one that was found to have the strongest correlation with retention was compensation, followed by training and development.

### **Discussion**

The result of this study gives valuable insights about the critical role that HR practices play in improve employee retention in IT sector of Pakistan. The data is very strong that recruitment, training and development, performance management and compensation practices are critical in retaining skilled IT professionals. Among these practices, compensation had the greatest impact on retention followed by training and development. This is consistent with the existing literature and emphasizes the value of a holistic and competitive HR policy for retention of employees, particularly in the competitive IT industry (Hausknecht et al., 2009; Javed & Iqbal, 2015).

One of the major conclusions of this research is the great influence of training and development opportunities on employee retention. In the IT sector, in which skills and technologies change quickly, constant learning and development are essential to keep employees engaged and satisfied. IT professionals who feel that their organizations are invested in their career improvement are more likely to remain with their employers (Kuo et al., 2006). The high ratings that the training and development programs received from the respondents emphasize the importance of giving the workers the tools and opportunities they need to advance their skills and careers.

The findings also highlight the significance of practices of performance management in promoting employee commitment. IT people appreciate frequent feedback and appreciation for their efforts. According to Tessema et



al. (2009), employees who feel that their work is known about and appreciated by their employer are more likely to be loyal employees. The strong correlation between performance management and retention of employees in this study supports this notion.

Compensation came out to be the most important factor in determining retention across the IT industry. With the industry being competitive and the need for skilled IT professionals, companies with attractive compensation packages are more likely to retain top talent. The research conducted in this study is consistent with the research conducted by Huselid (1995) in which he revealed that one of the best predictors for employee retention in high-demand industries such as IT is compensation. Organizations operating in the IT sector in Pakistan should ensure that their salary and benefits packages are competitive enough to prevent their employees from getting attracted by the offers made by other companies.

#### **Limitations of the Study**

While the study is a good source of insight, it has a number of limitations. First, the design of the research was a cross-sectional design which merely takes data at one time. This limits the capability of drawing causal inferences about the relationship between HR practices and employee retention. A longitudinal study may be able to provide more robust information about how HR practices affect retention over time.

Second, the study was based on self-reported information, which is potentially prone to response bias. Participants might have given socially desirable answers particularly to the questions about HR practices and their satisfaction with their employers. The future research, then, could be to combine self-reported data with objective measures, such as turnover rates or performance data, to get a more complete picture of the impact of HR practices.

Third, the study focused mainly on IT professionals who work in urban areas, which may not necessarily reflect the experiences of employees who work in rural or remote areas. Future research should involve a greater variety of additional participants from different regions to enhance the reapplication of the results.

#### **Conclusion**

This study underscores the importance of HR practices in employee retention in the IT sector of Pakistan. It shows that recruitment, training and development, performance management and compensation are all necessary in order to retain skilled employees in a very competitive industry. The results indicate that organizations should pay attention to offering career growth

opportunities, provide competitive compensation and ensure effective performance management systems to improve employees' retention.

The IT sector in Pakistan is struggling with retaining talents because of the ever-changing nature of the industry and the rising competition for skilled professionals. However, by taking a strategic approach to HR practices, companies can improve employee satisfaction, reduce turnover, and improve overall organizational performance. HR managers in the IT sector should focus on retaining employees by developing and implementing HR practices that are aligned with the needs and expectations of their employees.

### **Recommendations**

Based on the findings of this study, the following recommendations are made for better retention of employees in the IT sector:

1. **Enhance Recruitment Processes:** It is important for IT organizations to focus on recruiting candidates who are a good fit for the company's culture and values. In addition to that, HR departments should leverage digital platforms and employee referral programs to attract skilled talent.
2. **Invest in Training and Development:** IT organizations should invest in continuous learning opportunities, such as workshops, certifications, and e-learning platforms, to help employees develop their skills and advance their careers. Employees should be encouraged to undertake professional development to stay competitive in the rapidly changing IT landscape.
3. **Strengthen Performance Management Systems** Regular feedback, recognition, and clear career development pathways should be part of the performance management process. Organizations should develop systems that value employees' contributions and offer opportunities for growth.
4. **Offer Competitive Compensation Packages:** IT organizations need to provide competitive salary and benefits packages to attract and retain talented professionals. Compensation should be regularly reviewed to ensure that it is in compliance with industry standards.
5. **Promote Work-Life Balance:** Organizations should promote work-life balance, for example, through flexible working hours and remote work options. This will lead to better job satisfaction and retention especially for employees with family responsibilities.
6. **Foster a Positive Organizational Culture:** HR managers should foster a work environment that encourages employees to be well-balanced, collaborative, and innovative. A positive organizational culture can help increase job satisfaction and lower turnover.
7. **Monitor Retention Trends:** Organizations should be sure to monitor their retention strategies and obtain feedback from employees to comprehend

their needs and expectations. HR departments should monitor the retention trends and adjust the retention strategies accordingly.

#### **Future Research Directions**

Future research could build on this study by examining the long-term impact of HR practices on IT sector employee retention. Longitudinal studies may be able to offer greater insight in the effects of HR practices on retention over time. Additionally, research could explore the role of organizational culture, leadership styles, and other contextual factors in determining the employee's retention in the technology (IT) industry.

Moreover, in future studies the relationship between HR practices and employee performance and the contribution of these practices to organizational success may be examined. A better understanding of this relationship between HR practices, performance, and outcome for organizations could offer valuable insights for HR managers who are looking to improve their retention and productivity.

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