

Perceived human resource management and presenteeism

Mediating effect of turnover intentions

Amlan Haque
*School of Business and Law,
Central Queensland University, Sydney Campus, Sydney, Australia*

Mario Fernando
*School of Management, Operations and Marketing,
University of Wollongong, Wollongong, Australia, and*

Peter Caputi
Faculty of Social Sciences, University of Wollongong, Wollongong, Australia

Abstract

Purpose – The purpose of this paper is to investigate the mediating effect of employee turnover intentions (ETI) on the relationship between perceived human resource management (PHRM) and presenteeism. The notion of presenteeism is described as coming to work when unwell and unable to work with full capacity.

Design/methodology/approach – Using social exchange theory and structured equation modelling, hypotheses were tested using responses from 200 full-time Australian employees.

Findings – The results show that employees' PHRM significantly influenced presenteeism and ETI. As predicted, PHRM negatively influenced presenteeism and ETI positively influenced presenteeism. The direct influence of PHRM on presenteeism was fully mediated by ETI.

Practical implications – This paper suggests that organisations expecting to address presenteeism by promoting PHRM may experience an adverse result when employees conceal turnover intentions.

Social implications – Form the perspective of social exchange, this study focuses on ETI as a mediating variable and sheds light on employees' hidden attitudes about their jobs to explain how PHRM can influence presenteeism in Australia. Consequently, the findings should help both organisations and employees to identify ways that PHRM can reduce presenteeism.

Originality/value – This paper examines the unique meditational role of ETI in the relationship between PHRM and presenteeism, which is an area of inquiry that has not been fully examined in the literature of HRM. In addition, it examines presenteeism among Australian employees in relation to PHRM.

Keywords Australia, Mediation, Presenteeism, Employee turnover intentions, Perceived human resource management

Paper type Research paper

Introduction

Employee turnover costs are difficult to quantify, and most organisations fail to recognise its impact on profitability and employee productivity. Organisations strive to reduce employee turnover and enhance productivity by focusing more on employees' performance outcomes (Cohen *et al.*, 2016; Dello *et al.*, 2016). Huselid (1995) finds that high employee turnover is negatively linked to workforce productivity. However, the turnover rate is an after-the-fact indication of employees' intention to leave organisations. Intentions to leave may suggest that employees are withdrawing or disengaging psychologically from the organisations and their work. Researchers have suggested that information about employee intentions to leave might be used as a leading indicator of future turnover (Wei, 2015; Cohen *et al.*, 2016; Haque *et al.*, 2017).

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Effective human resource management (HRM) has the potential to reduce employees' intentions to leave, and may thus reduce actual turnover, and increase productivity. The need to align HRM with business strategy is well recognised, and the influence of perceived human resource management (PHRM) on both employee and organisational performances have been researched extensively (Robin and Peter, 2012; Kuvass *et al.*, 2014). The ability, motivation and opportunity (AMO) model has been used extensively in employee behaviour studies. Despite such application, the AMO model fails to explain how PHRM influence employee behaviour (Christian and Ellis, 2014; Mariappanadar, 2016). Furthermore, much has been written about PHRM, such as its relationship to organisational performance (McDonnell *et al.*, 2016; Dello *et al.*, 2016), but less is known about its relationship to employees' behavioural outcomes and productivity; in particular, employee turnover intentions (ETI) and presenteeism (Kuvass *et al.*, 2014).

In contrast to absenteeism, the notion of presenteeism refers to productivity loss from employees' inability to work at full capacity due to psychological or physical illness, although they are still present in the workplace (Halbesleben *et al.*, 2014). As a concept, presenteeism is relatively new in the field of HRM, but has quickly gained significant importance. Several studies have examined the relationship between organisational or managerial leadership and presenteeism (Nyberg *et al.*, 2008; Zhou *et al.*, 2016). Studies also have examined how leadership approaches influence employees' physical and psychological well-being and their impact on presenteeism (e.g. Gilbreath and Karimi, 2012) but there are no published studies examining links between PHRM and presenteeism.

This study has the following importance from the Australian context. First, from economic perspective, this paper contributes towards identifying immediate influence of perceived HRM for presenteeism to minimise both micro and macro-economic losses in Australia. Second, this paper develops the necessary interventions and approaches to facilitate HRM practices within organisations and generate a deeper understanding of presenteeism from the perspective of Australian employees. Therefore, this paper offers an opportunity to advance the practices of HRM for better management of presenteeism.

Following industry findings support this study. First, the cost of presenteeism for the Australian economy is reported to be \$A34.1bn (2.7 per cent of the gross domestic product) for 2009–2010 (KPMG, 2011). Second, Roche *et al.* (2015) suggested that employee turnover costs varied across the countries in 2014 (the USA \$20,561; Canada \$26,652, New Zealand \$23,711 and Australia \$48,790) and Australian costs were substantially higher due to high turnover and replacement costs. Third, both low turnover intentions and the cost of employee replacement have been estimated to be twice of employees' annual salary in Australia (Brunetto *et al.*, 2013).

The aim of this paper is to examine the relationship between PHRM and presenteeism through the mediating role of ETI. ETI can affect organisations' competitive strengths, as they can negatively impact employee productivity and organisational performance (Juhdi *et al.*, 2013). ETI has been identified as a mediating element for attitudes affecting actual turnover (Cohen *et al.*, 2016). While ETI are not the same construct as actual turnover, they are often used as a surrogate measure; researchers have provided enough empirical evidence to confirm an association between ETI and actual turnover for organisational performance (Wei, 2015; Molraudee, 2016). This paper includes ETI instead of turnover in this study as the mediator because as Locke *et al.* (1970) suggest, employees' intentions could be considered as the most immediate motivational determinant of choice to stay with or leave their organisations. That is, turnover intentions indicate employees' before-the-fact reaction rather than their after-the-fact decision to leave their organisations. Hence, this paper considered ETI as an influential motivational element and antecedent of actual turnover. The justification for using turnover intentions as a mediator in this study is explained under hypothesis development.

The significance of this study is threefold. First, it examines the unique meditational role of ETI in the relationship between PHRM and presenteeism. By examining ETI as a mediator, this study departs from previous studies that use ETI primarily as an outcome variable (Haque *et al.*, 2017). Second, it examines presenteeism among Australian employees in relation to PHRM. Presenteeism has been identified as a significant economic burden on both the micro (organisational) and macro (national) levels (Goetzel *et al.*, 2004; Hemp, 2004). Hence, the findings should help organisations to identify ways that PHRM can reduce presenteeism. Third, the study focuses on ETI as a mediating variable and sheds light on employees' hidden attitudes about their jobs to explain how PHRM can influence presenteeism in Australia.

From an HRM perspective, the discussion of workforce productivity has shifted its focus from absenteeism to presenteeism because of the extent of various illnesses, work conditions and employees who choose to work through the illness (Chapman, 2005; Halbesleben *et al.*, 2014; Haque, 2018b). In addition, lack of health care benefits (Athey, 2009), work environment (Pilette, 2005), managerial support and co-workers (Grinyer and Singleton, 2000), job security and risk to promotion opportunities (McKevitt *et al.*, 1997), higher job demands (Halbesleben *et al.*, 2014) may increase presenteeism. Moreover, presenteeism may result from employees' perceptions of their given workload (Athey, 2009; Haque, 2018b). For example, some employees work with ill health and feel morally obligated to meet deadlines (Athey, 2009; Johns, 2010). As a consequence, presenteeism can result in the exacerbation of existing medical conditions, accidents, fatigue and poor concentration (Aronsson *et al.*, 2000; Hemp, 2004; Johns, 2010; Pilette, 2005).

From an Australian context, Guertler *et al.* (2015) highlighted the importance of presenteeism and suggested managerial interventions for employees' other lifestyle behaviours such as physical activity, working hours, sleep quality and sleep duration. Similarly, Mazzetti *et al.* (2019) suggested that managerial support for workaholic employees prevents the occurrence of presenteeism and helps employees to get a better work life. In a meta-analysis, Miraglia and Johns (2016) showed that HRM interventions with managerial support may reduce the occurrence of presenteeism.

The rest of the paper is structured as follows. The next section includes a review of the relevant literature and justifications for hypothesis development. This is followed by the methodology section. Then study results are presented, followed by a discussion of findings and theoretical and practical implications of the study. At last, limitations and future research avenues are outlined.

Literature review and hypothesis development

Perceived HRM (PHRM)

The concept of PHRM in the HRM literature has been described in several ways. Schuler and Jackson (1987) defined PHRM as a mechanism that invites, develops, stimulates and maintains workforces to ensure effective HRM and organisational performance. Delery and Doty (1996) defined PHRM as a set of internally consistent policies and functions designed and implemented by the HR department to ensure that an organisation's human capital contributes to the achievement of its business goals. In addition to influencing organisational performance, PHRM contribute to developing intellectual capital that fosters organisational value-creation among employees (McDonnell *et al.*, 2016; Dello *et al.*, 2016; Molraudee, 2016).

Wright and Kehoe (2008) identified three benefits from PHRM. First, they improve employees' skills, knowledge and abilities (SKA) in workplaces to achieve a desired competitive edge which will be difficult for competitors to imitate. Second, PHRM create opportunities for employees to participate in organisational decision making. Third, PHRM influence employees' behaviour to increase motivation, loyalty and commitment towards

organisational goals. Therefore, several researchers have concluded that PHRM are important not only to promote organisational performance, but they are useful also to develop intellectual capital to foster organisational value-creation (McDonnell *et al.*, 2016).

Perceived HRM practices play an essential role in employee health and have a significant influence on employee performance (Simon *et al.*, 2010). Several researchers have suggested that presenteeism may be managed better and sensitive to HRM policies and practices (Haque, 2018b; Mazzetti *et al.*, 2019). According to Miraglia and Johns (2016), organisations may reduce presenteeism by revising their HRM policies to improve practices such as higher workload and overtime at work. Demerouti *et al.* (2001) indicated that job demands such as work overload degrade employees' health, resulting in higher level of presenteeism. Similarly, Jourdain and Vézina (2014) recommended managerial support to carry out a higher job demand and to reduce the loss from presenteeism. Hence, perceived HRM has a significant role in recognising presenteeism and implementing employee well-being programmes for higher employee performance (Haque, 2018b).

The HRM literature indicates that PHRM include several functions including recruitment, selection, promotion, training and development, performance reviewing, career counselling, talent management and compensation (Dello *et al.*, 2016). This study considered four PHRM that represent key areas of HRM: performance evaluation, compensation, talent management and training and development. In line with several recent studies (e.g. Presbitero *et al.*, 2016; Latorre *et al.*, 2016), this paper focussed on these principal functions of HRM due to several reasons. First, performance evaluation helps to promote organisational performance by examining individual task achievements (McDonnell *et al.*, 2016). Researchers suggest that employees' perception of their performance appraisal is essential for developing trust in and satisfaction with existing PHRM (Dello *et al.*, 2016; McDonnell *et al.*, 2016). Second, compensation-related PHRM enable organisations to attract and retain qualified candidates (Latorre *et al.*, 2016; Dello *et al.*, 2016). Acquiring and retaining talented employees allow organisations to develop competitive advantage and higher returns on investment (Huselid, 1995). Third, talent management has become an essential part of PHRM that help develop strategies for organisations to be competitive (Juhdi *et al.*, 2013). To reduce the loss of talented and skilled employees, organisations often promote talent-management programmes to develop employees' talent. Fourth, training and development programmes in PHRM increase employees' capability, thereby leading to progress in organisational performance and job satisfaction (Latorre *et al.*, 2016; Dello *et al.*, 2016; Neerpal and Kidong, 2017). This study uses these four PHRM and assumed that employees' perception of these practices may have a substantial influence on turnover intentions and presenteeism.

Presenteeism

The notion of presenteeism has been described as a factor that reduces employee productivity (Johns, 2010). Presenteeism results when employees come to work despite their physical or psychological illness, which make them unable to achieve their expected outcomes (Aronsson *et al.*, 2000). The cost and productivity loss from presenteeism has been found to be greater than that from absenteeism (Goetzel *et al.*, 2004; Hemp, 2004; Evans-Lacko and Knapp, 2016). Stewart *et al.* (2003) noted the cost of presenteeism three higher than absenteeism in the USA.

In recent years, the discussion on workforce productivity has shifted its focus from employee absence to presenteeism (Halbesleben *et al.*, 2014; Zhou *et al.*, 2016; Naoum, 2016). Researchers have argued that coming to work when unwell may be more costly and harmful for employee productivity than being absent (Hemp, 2004; Naoum, 2016). For example, in the USA, presenteeism cost \$311.8m annually, while medical treatments and prescriptions, absenteeism and disability costs totalled just \$176.2m (Hemp, 2004).

According to Evans-Lacko and Knapp (2016), average annual cost of presenteeism from depression per person was highest in the USA (\$5,524) and lowest in China (\$547).

Researchers have identified several key contributing factors of presenteeism, such as personal financial challenges, work stresses and perceived pressure to attend work from seniors and colleagues (Johns, 2010). According to Quazi (2013), employees may feel forced to attend work regardless of their health condition because of economic downturns (and the resulting job insecurity), financial reasons, work environment and time pressure. Hence, presenteeism in relation to employee productivity can decrease employee performance and workforce productivity (Hemp, 2004; Zhou *et al.*, 2016). This study considered the productivity perspective and followed Aronsson *et al.* (2000) to define presenteeism as attending work with health conditions (including those affecting physical and psychological well-being) and unable to work to their full capacity.

Employee turnover intentions (ETI)

The phrase “turnover intentions” refers to employees’ behavioural intention to leave their organisations (Good *et al.*, 1996; Cohen *et al.*, 2016; Mobley, 1977; Price, 1977). Three elements in the withdrawal cognition process have been identified: thoughts of resigning the job, the intention to search for new jobs and, eventually, intention to quit (Tandung, 2016; Dechawatanapaisal, 2017). Several researchers have recognised that turnover intentions are the immediate cause that leads to a final turnover decision (Wei, 2015; Cohen *et al.*, 2016). However, ETI and actual turnover are not the same. Employee turnover is defined as employees’ permanent movement beyond the boundary of their organisations (Cohen *et al.*, 2016). The final decision to quit, or turnover, is considered detrimental to any organisation in terms of both cost and work disruption, and is a much-studied phenomenon (Wei, 2015; Neerpal and Kidong, 2017). ETI are considered the stage of decision making before turnover (Tandung, 2016; Good *et al.*, 1996). Hence, researchers have suggested identifying the notion of turnover intentions to minimise its adverse influence on both employee and organisational performance (Wei, 2015; Cohen *et al.*, 2016; Haque *et al.*, 2018).

Hypothesis development

PHRM and presenteeism. This paper uses social exchange theory (SET) to theoretically justify the link between PHRM and presenteeism. SET has been used extensively as a theoretical framework to explain employment relationships (e.g. Coyle-Shapiro and Conway, 2004; Mark, 2016). SET uses signalling theory (Suazo *et al.*, 2009) to explain how PHRM signal organisational offers to employees. SET stipulates that when an organisation offers what employees value that they will reciprocate in return by offering something that the organisation values (see Gouldner, 1960). This is known as the psychological contract (Rousseau, 1995, p. 9): “an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party”. Earlier studies have shown that PHRM signal the content of the psychological contract (Rousseau and Greller, 1994; Mariappanadar, 2016) and showed how these practices can help communicate the content of the psychological contract (Latorre *et al.*, 2016; Guest and Conway, 2002).

According to SET, when the psychological contract is breached, employees are likely to respond negatively (Chen *et al.*, 2016; Rousseau, 1995; Mark, 2016) through turnover intentions (Robinson and Rousseau, 1994), low job satisfaction (Robinson and Rousseau, 1994). These negative outcome behaviours could lead to presenteeism – employees attending work with health conditions, including those affecting physical and psychological well-being, and unable to work to their full capacity (Aronsson *et al.*, 2000). Accordingly, this paper hypothesises as follows:

H1. There is a negative association between PHRM and presenteeism.

PHRM and ETI. There is strong evidence in the HRM literature to suggest that PHRM have significant influence on ETI (Wei, 2015; Ma *et al.*, 2016). It is suggested that employers can use appropriate PHRM to provide a stimulating workplace, motivate employees and reduce turnover intentions. When organisations keep their promises, there is higher trust and lower intention to quit the organisation (Zhao *et al.*, 2007). Several studies (e.g. King and Bu, 2005; Haque, 2018a) have advocated that the most critical element binding employees and employers is the psychological contract, and that employers are duty bound to use PHRM to fulfil employee needs. The current study further advances these assertions in the extant HRM literature to explore the direct influence of PHRM on ETI.

According to SET, when an organisation offers what employees value through PHRM, they will reciprocate by offering something that the organisation values. On the other hand, when PHRM are perceived negatively and as without value by employees, they feel insecure and begin to entertain thoughts of quitting the job. ETI arise because PHRM can generate outcomes such as low salaries, work overload, relocation, layoffs and job dissatisfaction (Wilcove *et al.*, 2009; Dechawatanapaisal, 2017). Thus, when PHRM are not viewed positively by employees, they may begin to entertain thoughts of leaving the organisation. Accordingly, this paper hypothesises as follows:

H2. There is a negative association between PHRM and ETI.

ETI and presenteeism. The notion of ETI has been described as the pre-stage of employee's actual decision whether to leave or quit the job. ETI are also argued to be a causal effect on the employee turnover decisions (Wei, 2015; Cohen *et al.*, 2016; Stewart *et al.*, 2003). When employees harbour thoughts of quitting, they might opt to keep it a secret. The emotional stress caused by intention to quit and keeping it a secret while still working at the organisation and associating work colleagues is likely to impact on employees' psychological and physical well-being. Employees' intentions to quit emotionally detach them from their organisations and therefore could lead to presenteeism.

Some researchers have noted that ETI may cause under-performance and increase presenteeism (e.g. Taifor *et al.*, 2011). Ruez (2004) identifies workplace stress, employee health and work-life balance as significant drivers of presenteeism. Applying SET, adverse levels of these drivers could demoralise employees to such an extent that they are incapable of reciprocating to organisational offerings by expending enough effort in their jobs. Furthermore, adverse levels of these drivers can increase absenteeism. High absenteeism can suggest a withdrawal process among employees (Cohen and Golan, 2007), impacting the psychological contract and leading to thoughts of quitting. When employees are contemplating quitting, and are forced to come to work, presenteeism may intensify. Accordingly, this paper hypothesises as follows:

H3. There is a positive association between ETI and presenteeism.

The mediational role of ETI in the relationship between PHRM and presenteeism. There is evidence supporting the associations between PHRM and ETI (Wei, 2015; Ma *et al.*, 2016). ETI has received increasing attention in recent organisational studies as an antecedent of employees' behavioural outcomes (Christian and Ellis, 2014). However, there is little evidence of the mediational role ETI can play between PHRM and presenteeism. When examining the relationship between PHRM and presenteeism, this paper uses turnover intentions as the mediating variable because as it considers the productivity perspective of presenteeism (following Aronsson *et al.*, 2000; i.e. attending work with health conditions, including those affecting physical and psychological well-being, and unable to work to full capacity). Employees with turnover intentions gradually become emotionally detached due to harbouring thoughts of quitting, and this could lead to psychological harm and presenteeism. Thus it is useful to examine ETI as a mediator in the PHRM and presenteeism relationship.

The psychological contract refers to “employees’ perceptions of what they owe to their employers and what their employers owe to them” (Robinson, 1996, p. 574). As explained in *H2*, when PHRM are viewed negatively by employees, they may begin to entertain thoughts of leaving the organisation because of the perceived low quality of the employment relationship and psychological contract fulfilment. As explained in *H3*, ETI may cause under-performance and increase presenteeism. Hence, PHRM perceived positively by employees may minimise presenteeism, but ETI may also have an adverse mediational influence over this relationship. Taken together, these associations warrant investigating whether ETI mediates the relationship between PHRM and presenteeism. Accordingly, this paper hypothesises the following:

H4. ETI mediate the association between PHRM and presenteeism.

The above hypotheses, captured in Figure 1, illustrate the relationships between PHRM and presenteeism with the mediation of ETI.

Methodology

Sample

The target population for the current study consisted of employees above 18 years of age working full-time within Australia. The sampling frame included employees who were exclusively working under direct managerial or supervisory positions in financial, health, education and health industries. Similar to earlier relevant studies (Nyberg *et al.*, 2008; Gilbreath and Karimi, 2012), the sample size for this study was 200. A power analysis in this study deemed the sample sufficient with an effect size of 0.15 and an error probability of 0.05. Moreover, a sample size of 200 participants has been shown to be considered sufficient to achieve a desired level of statistical power with a specified model (Kline, 1998). The proposed model consists of 14 observed indicators. The ratio of 14:200 is considered adequate and exceeds the lower level for adequacy of sample size (Hair *et al.*, 2010). In addition, this study applied the bootstrapping approach (bootstrap resample = 5,000) as an effective method to explicitly test the mediation results (Hayes, 2009).

Procedures for data collection

A web-based online survey was used in this study to collect the data from the potential research participants. A pilot test (10 per cent of the sample size $n = 200$) was conducted to identify any probable difficulties responding to the questions, so that validation issues could be rectified in the final data collection. As a communication channel, an online survey uses e-mail via internet to collect responses (Aaker *et al.*, 2005). The USA-based research software company Qualtrics administered the web-based survey, and 3,500 questionnaires were

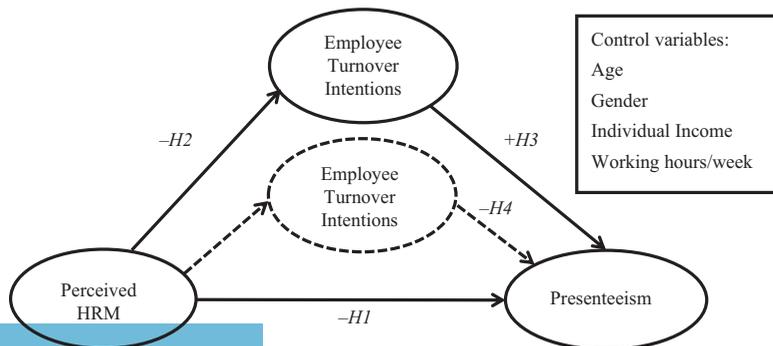


Figure 1. Hypothesised model proposing the direct and mediational relationships

disseminated across the various sectors within Australia. A total of 323 responses were collected. A total of 123 responses were incomplete and were therefore omitted from the findings, resulting in an overall response rate of 9.2 per cent. This response rate was also verified for its low representativeness (Krosnick, 1999). However, a low response rate is not significant unless there is a difference between respondents and non-respondents data sets (Hunt, 1990). This study found no significant variances across any of the variables and therefore, the response rate of this study was deemed satisfactory and non-response biases not an issue. Of the 200 respondents, 95 (47.5 per cent) were male and 105 (52.5 per cent) were female. In total, 68 participants (34 per cent) were between 26 and 35 years old; this was the age group with the most participants. The most common level of education participants had reached was a bachelor's degree, which 57 (28.5 per cent) possessed. The overall demographic profile of the participants is presented in Table I.

Measures

PHRM. PHRM were measured using responses on a five-item scale to items developed by Doh *et al.* (2011). Originally, Doh *et al.* (2011) used this scale for measuring responsible leadership from employees' perspective and of the views of their leaders' actions. This scale consists of five components; stakeholder culture, human resource practices, managerial support, pride in the organisation and satisfaction with the organisation. This study applied only the human resources practices component which represent major HRM functions; performance appraisal, compensation, talent management and training and development. The PHRM component consists of five items representing; "Our performance appraisal programs are effectively used to retain the best talent", "Our compensation programs are effectively used to retain the best talent", "Our organisation believes that all employees deserve to be actively managed as talent", "Our organisation's program for high potentials helps in talent retention" and "The company has a formal 'high potential' program – people know what they need to do to get into it and to advance within it". On a Likert scale (from 1 = strongly disagree to 7 = strongly agree), employees were asked to indicate their perceived PHRM within their organisations. This scale was developed through collaboration between academics and HR experts, and was recommended by the researchers to be applicable to other multicultural studies (Doh *et al.*, 2011). The Cronbach's α for the scale was 0.94 in the current study. Similarly, five-point Likert scales reported α values of PHRM from 0.83 to 0.91 in previous studies (Alfes *et al.*, 2013; Delmotte *et al.*, 2012).

ETI. The response for ETI was measured with the scale developed by Donnelly and Ivancevich (1975). The scale used a five-point Likert scale (from 1 = strongly disagree to 5 = strongly agree) and employees were asked to specify their intention to leave the organisation. The three-item scale included items and a sample, including "It is likely that I will actively look for a new job soon". Hom and Griffeth (1987) have recommended this scale as a credible and effective measure. The Cronbach's α reliability coefficient for this scale was 0.88.

Presenteeism. Presenteeism was measured with the Stanford Scale 6 (SPS-6) from Koopman *et al.* (2002). A sample item from the SPS-6 was "Because of the above mentioned health condition(s) the stresses of my job were much harder to handle". The health conditions were stress, insomnia/poor sleep, neck and/or back pain, cold, headache, depressed mood, allergies/hay fever, digestive problems, arthritis, high blood pressure, influenza, asthma and diabetes. The scale also used five-point Likert scale (from 1 = strongly disagree to 5 = strongly agree). Cicolini *et al.* (2016) have recommended the SPS-6 as a concise and appropriate measure. The Cronbach's α for SPS-6 was 0.78 in this study. Koopman *et al.* (2002) proposed two dimensions of presenteeism to validate the SPS-6, such as "work process" (avoiding distractions) and "work outcome" (completing work). Work process causes distractions from work and increases presenteeism. It includes three items and an example of the items is "Because of the above

Item	Category	Frequency	Percentage	
Gender	Male	95	47.5	
	Female	105	52.5	
Age (years)	18-25	13	6.5	
	26-35	68	34.0	
	36-45	50	25.0	
	46-55	45	22.5	
	56-65	17	8.5	
	66+	7	3.5	
	Personal annual income after tax	Under \$20,000	2	1.0
Between \$20,000 and \$40,000		23	11.5	
Between \$40,001 and \$70,000		92	46.0	
Between \$70,001 and \$100,000		49	24.5	
Between \$100,001 and \$150,000		26	13.0	
Greater than \$150,001		8	4.0	
Highest level of education	High school or equivalent	50	25.0	
	Vocational/technical school	40	20.0	
	Some college/university	18	9.0	
	Bachelor's degree	57	28.5	
	Master's degree	26	13.0	
	Doctoral degree	3	1.5	
	Professional degree	4	2.0	
	Others	2	1.0	
Duration of service in work (years)	Less than 1	16	8.0	
	1-3	40	20.0	
	4-7	64	32.0	
	8-11	21	10.5	
	12-15	23	11.5	
	Over 15	32	16.0	
	Total	196	98.0	
	Missing	4	2.0	
	Working hours/week (hours)	Less than 10	1	0.5
		20-29	2	1.0
30-39		105	52.5	
40-49		69	34.5	
50-59		19	9.5	
60-69		2	1.0	
More than 70		2	1.0	
Industry type	Fewer than 10	1	0.5	
	Financial sector	30	15.0	
	Telecom sector	8	4.0	
	Health sector	22	11.0	
	Do not know	10	5.0	
	Others	130	65.0	

Table I.
Demographic profile
of participants
(*n* = 200)

mentioned health condition(s) the stresses of my job were much harder to handle". Similarly, work outcome decreases employees to complete their work and promotes presenteeism. It also includes three items and an example of the items is "Despite having the above mentioned condition(s), I was able to finish hard tasks in my work". The Cronbach's α values for the specific components "work process" and "work outcome" were 0.82 and 0.75, respectively.

Procedures for data analysis

Before testing the hypothesised model and the related hypotheses, confirmatory factor analyses (CFA) were administered to collect evidence for the construct validity of the variables examined in this study. A two-step analysis approach was adopted, first,

performed a series of CFAs to test the adequacy of our measurement model. Second, this paper examined our proposed model according to Anderson and Gerbing (1988), using the analysis of moment structures (AMOS) feature of IBM SPSS Statistics (Version 21). Similar to Joreskog and Sorbom (1996), this study determined the following indicators of model fit using structural equation modelling (SEM): χ^2 , goodness-of-fit index (GFI), adjusted GFI (AGFI), root mean square error of approximation (RMSEA), incremental fit index and comparative fit index (CFI). The measurement models were verified to assess whether each of the measurement items would load significantly onto their respective scales.

This study used SEM, which involved the bootstrapping function in the AMOS software for testing the mediation effects explicitly (see Hayes, 2009). For this study, SEM was considered for two reasons. First, it uses some goodness-of-fit indices that assist in evaluating whether the hypothesised model fits the observed data to satisfy the two-step approach explained by Anderson and Gerbing (1988). Second, it enables the examination of a mediating hypothesis, rather than using separate regression analyses. The mediation analyses apply the bootstrapping method with bias-corrected confidence estimates (Preacher and Hayes, 2004). A 95% confidence interval for the indirect effects was also obtained with 5,000 bootstrap resamples (Preacher and Hayes, 2004).

Results

Descriptive statistics and correlation test

Table II provides the descriptive statistics, correlation coefficients and Cronbach's α for the variables examined in this study.

Among the variables, a significant negative correlation was found between PHRM and turnover intentions (-0.51 , $p < 0.01$). There was also a significant negative relationship detected among PHRM and presenteeism (-0.26 , $p < 0.01$). At last, a significant moderate positive association was found between presenteeism and turnover intentions (0.41 , $p < 0.01$). Taken together, these findings support the research hypotheses.

Construct validity of the three measurement scales (measurement model)

The fit indices showed that the measurement scale for PHRM fitted the data adequately: $\chi^2 = 11.351$, $\chi^2/df = 2.838$, $p = 0.023$, GFI = 0.98, AGFI = 0.92, CFI = 0.99, TLI = 0.98, NFI = 0.99, RMSEA = 0.096 and SRMR = 0.019. RMSEA has been considered as "one of the most informative fit indices" (Diamantopoulos and Siguaw, 2000, p. 85) due to its sensitivity to the number of estimated parameters in hypothesised model. An RMSEA in the range of 0.05–0.10 has been considered as an indication of good fit and values above 0.10 indicated a poor fit (MacCallum *et al.*, 1999). Results of the CFA revealed that the five-item scale of PHRM was significantly loaded (from 0.82 to 0.95) on the overall construct (Figure 2).

Results of CFA showed that the scale for ETI (TI) was over-fitted, as there were only three items; GFI = 1, CFI = 1, NFI = 1 and RMSEA = 0.819 and SRMR = 0.000. Hence, a composite reliability (Raykov, 1997) was measured from the structural model (Figure 2) with each of their three standardised loadings for ETI. This study found a composite reliability

	<i>M</i>	<i>SD</i>	Skewness	Kurtosis	PHRM	ETI
PHRM ($\alpha = 0.94$)	4.31	7.95	-0.36	-0.70	-	
Employee turnover intentions ($\alpha = 0.88$)	2.64	3.96	0.27	-1.14	-0.51**	
Presenteeism ($\alpha = 0.78$)	2.49	4.87	0.06	-0.33	-0.26**	0.41**

Note: ** $p < 0.01$ level

Table II.
Descriptive statistics
and Pearson
correlation coefficients
for PHRM, ETI and
presenteeism

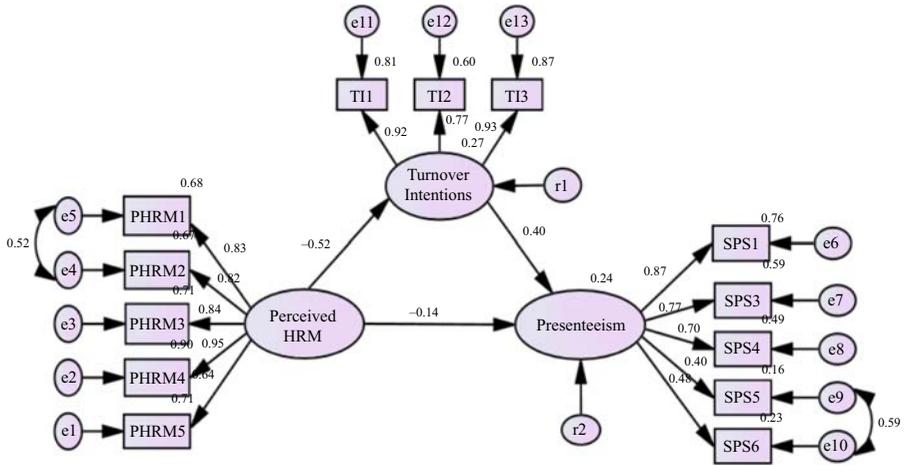


Figure 2.
Relationships between
PHRM, ETI and
presenteeism

Notes: $n=200$. Bootstrap resample=5,000; percentile and bias-corrected confidence intervals are on 99%. e1–e13 are error terms for indicators; r1 and r2 are residuals for latent variables; PHRM1–PHRM5, the five items of PHRM; TI1–TI3, the three items of ETI; SPS1–SPS6, the five items for presenteeism, where SPS2 was excluded for poor loading (0.14)

score of 0.90 for the overall scale. Results showed that the three-item scale for ETI was significantly loaded (from 0.77 to 0.93) on the overall construct (Figure 2).

Primarily, the fit indices for presenteeism (SPS-6) showed an inadequate fit ($\chi^2 = 172.42$, $\chi^2/df = 19.16$, $p < 0.000$; GFI = 0.74, AGFI = 0.38, CFI = 0.65, TLI = 0.42, NFI = 0.97, RMSEA = 0.302 and SRMR = 0.154). Hence, it was observed as misspecification of the model (Byrne, 2010). The standardised residual correlations and modification indices were used to rectify the model. One item (SPS2) from the work-process subscale was removed to obtain adequate model fit. Re-running the model with the resulting five items indicated that all indices met the required cut-off values and provided a better fit to the data ($\chi^2 = 58.52$, $\chi^2/df = 1.83$, $p < 0.003$; GFI = 0.95, AGFI = 0.91, CFI = 0.98, TLI = 0.97, NFI = 0.96, RMSEA = 0.065 and SRMR = 0.049).

Structural model

In this study, analysis of the structural model and path coefficients, which represent standardised regression weights, yielded results that generally supported the hypotheses. Figure 2 shows the fit estimates and path coefficients for the hypothesised model. Finally, results from the CFA provided satisfactory evidence to suggest that the studied model fits the data adequately ($\chi^2 = 108.90$, $\chi^2/df = 1.8$, GFI = 0.93, AGFI = 0.87, CFI = 0.97; TLI = 0.95; NFI = 0.94; RMSEA = 0.064, SRMR = 0.055). A summary of the above results has been provided in Tables III and IV.

Hypotheses testing

The hypotheses were tested using the parameter estimates from the structural model (Figure 2). Multicollinearity and normality assumptions were not violated. The skewness value of the research data indicated a normal distribution with an acceptable range for all constructs (0.06–1.14). The standardised coefficients for the total effect of PHRM on presenteeism were conducted to assess each component of the proposed mediation model (Figure 2). First, it was found that PHRM were negatively associated with presenteeism

	Loading on each construct
<i>Perceived HRM</i>	
PHRM1	0.83
PHRM2	0.82
PHRM3	0.84
PHRM4	0.95
PHRM5	0.84
<i>Turnover intentions</i>	
TI1	0.90
TI2	0.77
TI3	0.93
<i>Presenteeism</i>	
SPS1	0.87
SPS3	0.77
SPS4	0.70
SPS5	0.40
SPS6	0.80

Table III.
Study variables and loading on each construct

χ^2	χ^2/df	GFI	AGFI	CFI	TLI	NFI	RMSEA	SRMR
108.90	1.8	0.93	0.87	0.97	0.95	0.94	0.064	0.055

Table IV.
Estimations of the structural model

($\beta = -0.228; p < 0.001$), and that the relationship was significant. This finding support *H1*. Second, PHRM were significantly and negatively associated to ETI ($\beta = -0.404; p < 0.001$), supporting *H2*. Third, the mediator or ETI was also significant and positively linked to presenteeism ($\beta = 0.345; p < 0.001$), supporting *H3*. The results of the mediation analyses, summarised in Table V, confirm the mediating influence of ETI on the relationship between PHRM and presenteeism ($B = -0.14; CI = -0.23$ to -0.08). Moreover, results from mediation analysis indicate that the direct effect of PHRM on presenteeism became non-significant ($\beta = -0.091; p < 0.112$) when controlling the mediator ETI, thus suggesting a full or complete mediation. Therefore, as predicted, *H4* supported a complete mediation model as the total effect of PHRM on presenteeism became insignificant when controlling ETI. Table V displays the overall mediation results.

The squared multiple correlations (R^2) for each observed variable rating within SEM were also obtained in the study. This study then examined the model with four control variables such as age, gender, personal annual income and working hour per week (Table I). All the control variables (except age on turnover intentions) did not influence the relationships in this study. The finding on age was supported by

	β estimate	SE	CR	p-value	Result
<i>Before the inclusion of the mediator (ETI)</i>					
Presenteeism ← PHRM	-0.228	0.052	-4.405	0.001	Significant
<i>After the inclusion of the mediator (TI)</i>					
Presenteeism ← PHRM	-0.091	0.057	-1.588	0.112	Insignificant
ETI ← PHRM	-0.404	0.057	-7.137	0.001	Significant
Presenteeism ← ETI	0.345	0.075	4.610	0.001	Significant

Table V.
Mediation analysis using bootstrapping

Ferres *et al.* (2002) which is also consistent with research outcomes where older employees react more negatively than young employees to a lack of fit between their needs and new jobs (Krumm *et al.*, 2013).

The results for *H1* showed that PHRM significantly influence presenteeism. That is, when employees perceive more effective PHRM, there is a greater likelihood that they will have less presenteeism at work. For example, performance appraisal within PHRM may include employees' well-being and health check-ups to identify presenteeism in workplaces. As a result, organisations will be able to justify employees' performance outcomes with respect to presenteeism, and may be useful for developing employees' health and well-being. The findings of this study are consistent with previous studies (Nyberg *et al.*, 2008). The findings suggest that PHRM in workplaces directly affect employees' presenteeism and that management should take this into account accordingly.

The outcome of *H2* provides a clear indication that PHRM significantly influence ETI. The current study suggests that when employees perceive more effective PHRM, turnover intentions are lower. For example, when employees perceive superior HRM (e.g. a satisfactory performance appraisal process and a talent-management approach that incorporates training and development programmes) they think less about leaving their organisations. These findings are in line with previous studies (Doh *et al.*, 2011; Juhdi *et al.*, 2013; Presbitero *et al.*, 2016; Haque *et al.*, 2017), which also found that PHRM in workplaces directly affect ETI, and enhance followers' perception of HRM, resulting in higher employee-retention rates within organisations.

The results show that ETI were positively associated with presenteeism among the sample of Australian employees. The results of *H3* suggest that when employees have turnover intentions and are forced to come to work, or feel they must come to work, despite poor health, eventually they display higher levels of presenteeism ($\beta = 0.345$; $p < 0.001$). This result is consistent with previous studies (Hemp, 2004; Ruez, 2004), and suggests that ETI positively influence presenteeism.

This study indicated that ETI completely mediated the direct relationship between PHRM and presenteeism. *H4* specified that employees who scored high on their turnover intentions were more capable of ignoring the direct influences of PHRM on presenteeism. This is because the inclusion of ETI lowers the direct relationship and shows a non-significant relationship between PHRM and presenteeism ($\beta = -0.091$; $p < 0.112$), which constitutes a full or complete mediation in the study. If employees do not perceive PHRM as effective in their organisations, their pride and satisfaction in the work are likely to decline (Doh *et al.*, 2011). As a result, employees' thoughts of leaving their organisations (turnover intentions) become more prevalent, and some employees may leave when opportunities arise elsewhere. Their turnover intentions also influence presenteeism positively (as shown in *H3*). Therefore, this study suggests that organisations willing to exercise superior PHRM to discourage presenteeism may experience an adverse result if employees keep or hide their turnover intentions.

This study applied the Harman's one-factor and found the total variance of all the studied variables below the cut-off point of 50 per cent (41.34). However, researchers have criticised Harman's single-factor to detect small common method bias (Malhotra *et al.*, 2006). Thus, this study also applied marker variable approach (Lindell and Whitney, 2001) to examine a weakly related item as a marker variable in the SEM model (Figure 2). The calculations confirm that the associations among the marker variable, PHRM, presenteeism and ETI are not significant as the average correlation coefficient is -1.621 , with an average significance of 0.112 ($p > 0.05$). Therefore, both the above techniques found no evidence of common method bias for the studied model. In this study, PHRM explained 27 and 24 per cent of the variances in ETI and presenteeism, respectively. These values signify that PHRM are critical, and their effect on organisational performance should not be taken lightly. Our findings highlight that PHRM can influence presenteeism, but, more importantly, draws attention to the impact of ETI on employee performance.

Discussion

The current study is the first to address presenteeism using SET in the HRM context. Furthermore, this paper examines the relationship between PHRM and presenteeism, regarding the mediation effect of turnover intentions on the relationship. Few studies have examined turnover intentions as an antecedent to employee outcomes and behaviour (Christian and Ellis, 2014; Haque *et al.*, 2017). The results show that PHRM significantly influence presenteeism and that PHRM significantly and negatively influenced ETI. ETI positively influenced presenteeism. More importantly, results indicate that ETI completely mediated the direct relationship between PHRM and presenteeism. This paper discusses the theoretical and practical implications bellow, and concludes by noting the limitations of the study and future research.

Theoretical implications

The theoretical contributions of this study extend and qualify the literature on the relationships between PHRM, turnover intention and presenteeism in several ways. As predicted in *H1*, PHRM were negatively related to presenteeism. The negative relationship between PHRM and presenteeism demonstrates that organisations can use PHRM to reduce incidence of presenteeism. This study examined four PHRM: performance evaluation, compensation, talent management and training and development to enhance team-building and leadership skills. Given that benefits of these superior PHRM can improve employees' SKA, create opportunities for employees to participate in organisational decision making and increase employees' motivation, loyalty and commitment towards organisational goals, the *H1* result is in line with Wright and Kehoe's (2008) benefits of superior PHRM. However, this result is unique as the first study to link PHRM with presenteeism using SET. PHRM are signals of the organisations' intentions (Suazo *et al.*, 2009). From an employee perspective, perceptions of PHRM determine the perceived quality of the employment relationship and the extent of perceived psychological contract fulfilment and job security. Guest (2004) identifies these as critically important in developing long-term, high trust employment relationship leading to employee reciprocation.

As predicted in *H2*, PHRM were negatively related to turnover intentions. Applying SET, the result explains the effect superior PHRM can have on reducing withdrawal behaviours of employees. Psychological contracts have two elements; transactional (e.g. pay and benefits) and relational (e.g. career advancement opportunities, training and development) (Christian and Ellis, 2014). Rather than transactional, relational contracts are likely to promote employees to envision a long-term future with employers (Christian and Ellis, 2014; Robinson and Rousseau, 1994; Dechawatanapaisal, 2017). As a result, they are likely to experience feelings of loyalty (Robinson *et al.*, 1994) and lower turnover intentions.

Testing of *H3* found a positive relationship between turnover intention and presenteeism. Presenteeism is when employees due to various reasons perform their tasks at a lower performance level than usual (McGregor *et al.*, 2014). When employees have intentions to quit, the psychologically withdrawn behaviour can increase this tendency to work at a lower level than usual. The results are in line with previous studies showing that withdrawal behaviours often accompany turnover intentions (Christian and Ellis, 2014; Haque *et al.*, 2017). Within an SET context, this positive relationship between turnover intention and presenteeism demonstrates the significance of the relational aspects of the psychological contract (Raja *et al.*, 2004).

The results of testing *H4* show the critical role ETI could play in determining the effectiveness of PHRM in addressing presenteeism. ETI was found to fully mediate the effect of PHRM on presenteeism. In other words, despite superior PHRM, those employees who entertain turnover intentions are likely to have presenteeism. One explanation for this result

could be due to the differences between the types of turnover intentions: organisational driven and personal driven (Raja *et al.*, 2004; Haque *et al.*, 2017). As PHRM in this study was measured using Doh *et al.*'s (2011) scale, more than personal driven turnover intentions (e.g. due to career advancement ambitions), PHRM are more likely to impact organisational driven turnover intentions (e.g. PHRM on compensation). Therefore, the result for *H4* more likely explains the significance of organisational driven turnover intention to fully account for the effects of PHRM on presenteeism. This finding extends the current theoretical understanding of the relationship between PHRM and turnover intentions.

Finally, the theoretical implications of this paper can be summarised with the followings. First, this paper extends the limited understanding of presenteeism in the field of HRM and its relationship with employees' PHRM and turnover intentions. Second, this paper examines the unique mediational role of turnover intentions in the relationship between PHRM and presenteeism. By examining turnover intention as a mediator, this study advances from earlier studies that use turnover intentions mostly as an outcome variable. Finally, this paper contributes to extending the SET with HRM literature by drawing attention to employees' PHRM and how the mediational approach, turnover intention influence presenteeism among Australian employees.

Practical implications

This paper has several recommendations for practitioners based on the study's results. First, the results show that PHRM can influence both ETI and presenteeism. Hence, this paper suggests that organisations should consider PHRM as a way to introduce intervention strategies to address potential challenges posed by presenteeism and ETI. It has been observed that effective PHRM have a significant impact on employees' motivation and performance outcomes, which are eventually shown in their positive attitude and behaviour to enhance organisations' competitive advantage (Hiltrop, 1996; Mariappanadar, 2016; Molraudee, 2016). Hence, organisations may introduce specific training and development programmes to help their HR managers to appreciate the significance of PHRM and to examine ways in which to promote these practices. For example, mentors or HRM consultants could be employed to advise HR managers to adopt and improve managerial practices that can help them identify their ETI and presenteeism, and to develop employees' occupational health and well-being. These efforts may effectively enhance employee productivity and reduce turnover. Second, the study results can help organisations to recognise presenteeism and incorporate PHRM to reduce it, leading to higher productivity and employee well-being. Third, a mediator like ETI is not easy to observe because they are latent, unobserved variables. The model in this study, which was constructed based on earlier insights, is used to explain the necessary intermediate processes in the development of HRM. This helps to clarify what are the most effective areas on which to place priority to maximise organisations' HRM outcomes and, consequently, reduce presenteeism.

This paper recommends that organisations focusing on better employee outcomes should be aware of presenteeism and focus PHRM to redesign job descriptions so that employees can feel and be more engaged and productive. Finally, results of this study suggest that managers could reduce ETI by implementing HRM initiatives. This can be achieved by both formal and informal initiatives. For example, organisations can formally empower employees to participate more in HRM decision making. At the same time, organising informal get-togethers may help employees to identify and share their behavioural intentions about turnover and personal health conditions. For example, organisations may encourage employees to share their job expectations, recognise organisational values and assess the work environment in which their expectations from managers' PHRM can be aligned to reduce turnover intentions and manage presenteeism.

Both formal and informal initiatives need to be considered in developing, creating and redesigning PHRM.

Overall, the first conclusion that this paper draws is that PHRM indeed have a significant influence on both ETI and presenteeism. PHRM explained 27 per cent of the variance in ETI and 24 per cent of the variance in presenteeism. This finding presents some important insights about the dynamics underlying PHRM. These insights can enable organisations to take advantage of their employee-retention policies and reduce presenteeism. The second conclusion is that because ETI fully mediated the relationship between PHRM and presenteeism in workplaces, the direct influence of PHRM on presenteeism becomes insignificant if employees have turnover intentions. Moreover, there is a positive and significant association between ETI and presenteeism. PHRM are therefore crucial to influence employee retention and prevent presenteeism.

Limitations and future research

Several limitations should be noted when interpreting the results of this study. First, our study was based on employees' self-reported responses. This may raise concerns about method bias of the scales and may artificially inflate the size of relevant relationships (Podsakoff *et al.*, 2003). However, this study applied several steps to reduce the risk of common method bias including the Harman's one-factor and the marker variable approach (Lindell and Whitney, 2001) to avoid the common method bias threat. This paper suggests that future researchers consider alternative sources for the variables. For example, both HR managers and employees could report on the formal PHRM in organisations to examine the influence of PHRM on employee outcomes. Second, this study was based on ETI rather than actual turnover. However, employees' behavioural intentions can be considered as reliable predictors of future turnover intentions, and have been shown to be one of the strongest predictors of actual turnover (Wei, 2015; Cohen *et al.*, 2016). Hence, this paper encourages longitudinal research designs that could reveal the effect of PHRM on actual turnover in organisations. Third, the cross-sectional design in this study aimed to collect data about the study variables based on observations made at a single point in time. This limits the ability to draw conclusions about causality with a high degree of confidence, in comparison to results collected using a longitudinal design. Fourth, this study specifically considered PHRM associated with the four major functions of HRM – performance appraisal, compensation, talent management and training and development – instead of other functions or strategic HRM. Hence, researchers may extend the model used in the study to other HRM functions and to strategic HRM. At last, the linear relationship assumed in the proposed model (Figure 1) between PHRM, ETI and presenteeism should be investigated further to determine any causal relationships. For example, a correlative relationship among the variables may be examined to determine causality. Nevertheless, the model and the results from this study will help managers, employees and organisations to understand how effective PHRM can help enhance employee retention and reduce presenteeism, which, in turn, can improve in employee and organisational performance.

Conclusion

Applying SET, this paper considers turnover intentions as a mediator to examine the relationship between PHRM and presenteeism among Australian employees. The results expose that that PHRM negatively influenced presenteeism and ETI. Moreover, ETI positively influenced presenteeism and the direct influence of PHRM on presenteeism was completely mediated by ETI. Thus, study results should help both organisations and HR managers to identify ways that PHRM can reduce ETI and also reduce the harmful effects of presenteeism.

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Corresponding author

Amlan Haque can be contacted at: ajhaque@gmail.com

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