A Critical Analysis of Pakistan International Airline’s Human Resource Management Practices

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Abstract: Many human resource (HR) practices are ineffective in many state-owned firms because they are not implemented as they should be. Pakistan International Airlines (PIA) is a semi-government organization. The dilemma lies in the fact that PIA’s human resources management practices are responsible for its downfall. This research aims to examine PIA’s human resources management practices, mainly recruitment and selection, compensation and benefits, and training and development. Primary data was collected through questionnaires from 96 employees of the head office in Karachi (Pakistan). F-test was used to check the overall relationship of PIA performance (financial and non-financial) with recruitment and selection, compensation and benefits, and training and development practices at PIA. The findings revealed that from PIA employees’ perception, there is a positive relationship between PIA training and development practices with the performance of PIA (financial and non-financial). In contrast, there is a negative relationship between recruitment and selection and compensation and benefits practices of PIA with PIA’s performance (financial and non-financial). Moreover, this study recommends that PIA decrease its recruitment and selection practices and compensation and benefits practices to increase its performance (financial and non-financial). PIA should focus more on its training and development practices of existing employees to enhance its performance (financial and non-financial aspects).

Keywords: financial performance, F-test, human resources, Pakistan International Airlines

JEL Codes: M10, M12, M14, M19

1. Introduction

Johnason (2009) believes human resource management (HRM) is a systematic approach to the successful management of individuals in organizations that allows their enterprise to achieve a competitive edge. It optimizes the employees’ efficiency. HRM is the process of employees’ recruiting, hiring, and managing (Rouse, 2020). According to Your Dictionary (2020), this process is related to personnel management and involves employees’ recruitment, training, and motivation.

According to Edwin Flippo, HRM involves organizing, integrating, planning, controlling, maintaining, compensating, and developing. According to Decenzo and Robbins, it is concerned with humans and their organizational and management needs. According to the National Institute of Personnel Management-India, it is a management
part that concerns humans in organizations and their relationship with an organization. It ensures the organization’s effectiveness and employees’ overall well-being (Human Resource Management, n.d.).

Human resource management is the structured process of managing employees from a macro perspective. It stresses the relationship between employees and management (Prachi Juneja, n.d.).

The most robust human capital acts as the core resource for a nation to succeed. If worthy and productive employees are not appointed, they cannot survive and develop as a stable country. Notable shifts are taking place in globalization and technology, and therefore organizations need the right human capital. An effective selection process could reduce downsizing. Time, expense, and efforts of organizations will be saved if they successfully filter out incompetent candidates. If the HRM system is ineffective in a country, its public administration will be less successful, responsive, and competent (Boohene & Asuinura, 2011).

The recruitment and selection process of all public sector organizations in the Pakistani context is insufficient and productive. As one can see, Pakistan’s current state is the outcome of the wrong selection and recruitment policy. Selections on essential posts in the government sector are often carried out on non-transparency. Influential posts are almost compromised rather than allocating them to highly educated and eligible candidates. Pakistan’s government does not critically analyze how personnel is required for which sector and where the previously hired individuals are appointed. If an individual gets a job in any government sector, they leave it after their retirement. Only in a few cases, people resign from government jobs.

PIA is the most significant operating airline and flag carrier of Pakistan, but now more of its shares are expected to be privatized. Moreover, PIA’s new management has installed biometric attendance machines to record its employees’ time-in and time-out. On 2nd December 2020, PIA took action against 43 employees, including the termination of 24 workers (Zulfikar, 2020). According to another news channel, PIA terminated 26 employees over fake degree scam and bribery on 2nd December 2020 (Altaf, 2020). According to Ch-Aviation (2020), former PIA managers are facing corruption and embezzlement cases in Pakistan. Because of heavy losses, the aircraft engineers’ superior salaries and allowances will be reduced by 50% from January 2021 (Altaf, 2020).

PIA was the first airline in Asia which operated Boeing 737 and Jet Aircraft. PIA played a vital role in establishing Emirates (the largest airline in the Middle East) by providing administrative and technical assistance and training them. PIA gave two of its airplanes to Emirates (Boeing 737 and Airbus 300) on lease in Emirate’s initial phase. Even Emirates still admits that PIA is its mentor. Moreover, PIA was the 1st airline to be contacted by Saudi Arabian Airlines as they were highly impressed by the reputation and efficiency of PIA. This study will help public sector organizations worldwide (generally) and Pakistan (specifically) to explore multiple facets behind public sector organizations’ deteriorating conditions in a broader context. Respective research aims to assist practitioners, legislators, corporate executives, academicians, officials, and other professionals.

2. Objectives and methodology

This research will provide a new vision for emphasizing the ground realities and the reasons behind aspects encompassing the declining standard of the aviation industry in Pakistan. This information can help lay down the foundation for primary and secondary prevention strategies to improve the respective airline.

1. To examine the relationship between recruitment and selection practices and their impact on the performance of PIA.
2. To examine the relationship between training and development practices and their impact on the performance of PIA.
3. To examine the relationship between compensation and benefits practices and their impact on the performance of PIA.

Multiple regression analysis was carried out to calculate the respective responses, and in that regard, EViews was used. Primary data was collected from the staff of PIA through questionnaires, and the sample size is 96. Secondary data was collected through past researches and books.

3. Literature review

A supervisor perpetually has to reinterpret policies and practices encompassing human resource management to
exercise and enhance his moralistic authority, as human resource management is an ever-changing phenomenon (Bartram et al., 2018). According to Bartram et al. (2007), in big firms strategic HRM paradigm is often ‘lost in translation’, and therefore, it often leads to less efficacy in new organizations.

This research by Boxall (2003) asserts that HRM opportunities are much broader, but just seeing them will not help achieve the desired goals. Organizations that even identify these possibilities often counter imitation and managing the ‘politics of appropriation’. Only the largest firms tend to have formal or explicit goal statements for their overall human resource strategy (Boxall, 2007). At the same time, Boxall (2014) stresses that HRM is an overt skill and has various implicit traits that an individual may possess. He also identified three core aspects of contemporary HRM: individual, organization, and society.

Connell and Stanton (2014) believe that an influential coalition between the industry and stakeholders is in dire need concerning enhancement in skill development at the macro-level. Human resource strategies should focus on talent acquisition and management to enhance human capital at the organizational level. According to Deming (2017), the labor market progressively rewards social skills, and the labor market return to social skills was much more significant in the 2000s compared to the mid-1980s and 1990s.

The returns to complex problem-solving skills are ample even after controlling for fluid intelligence (the ability to reason and solve issues by unusual techniques, while crystallized intelligence is the use of experience to solve issues), suggesting that complex problem-solving skills are essential for the modern era organizations (Ederer, 2015). Flabbi and Gatti’s (2018) research elaborates the critical contributions in microeconomics and macroeconomics and has also linked income growth to human capital. They stress that by investing in human capital, stable and positive growth can be ensured.

Hanushek et al. (2017), returns to skills are faster in growing economies, i.e., skills are peculiarly essential for adaptation to economic change. Kang’s (2010) study revealed that the government sector increased the possibility of youth employment in a permanent position. Nevertheless, candidates hired by a human resource management team or HR manager had higher job satisfaction than hired individuals without human intervention (only online testing).

According to Lepak and Snell (1999), employees’ skills and knowledge differ regarding their strategic significance. They used the transaction cost economics, human capital theory, and resource-based perspective to develop an HR model encompassing; acquisition, alliance, internal development, and contracting.

The research by Meacham et al. (2017) revealed that the social climate of an organization enhances social cohesion through a manager’s or supervisor’s altruistic motives. Formal and informal human resource practices, like training and development, mentoring, inclusive recruitment and selection, and individualized support by colleagues and supervisors promote the workers’ (with an intellectual disability) well-being and participation.

Psacharopoulos and Patrinos (2018) believe that investment returns are comparatively higher in low-income nations. Private sector employees have higher returns to investment than public sector employees.

Wright and McMahan (1992) argued that some critics believe that human resource management as a field lacks an orderly theoretical framework. They have discussed six theoretical models in that regard, i.e., institutional theory, resource dependence models, the resource-based view of the firm, transaction cost theory, cybernetic models, and behavioral perspective. These respective models can help to understand the strategic as well as non-strategic aspects encompassing human resource practices.

Zacharatos et al. (2005) proved the significant role of organizational factors in the assurance of workers’ safety in their research. In that regard, the relationship between occupational safety and high-performance work systems was explored. The data revealed that occupational safety was positively linked to high-performance work systems in organizations. Perceived safety climate and trust in management were observed to mediate the relation between high-performance work systems and safety performance (videlicet, safety initiative, safety compliance, safety motivation, and safety knowledge) and safety incidents (like injuries that require first aid).

Zacharatos et al. (2007) study revealed the relationship between human resource policies and work systems about organization-focused (perceptions of organizational justice, as well as organizational commitment) and person-focused (health, social support, self-esteem, as well as job satisfaction) and outcomes. The leadership cluster had a strong affiliation with the person-focused outcomes. This research supports the relationship between employee performance and effective human resource management practices.
3.1 Recruitment and selection practices


The selection process involves choosing a potential candidate for the organization based on candidates’ weaknesses and strengths (Lowisz, 2019; Murrell, 2020; Pawar, 2019; Sessa & Bowling, 2020). It is a process through which an organization chooses from a group of applicants (Kennedy, 2019; Shuck, 2020; Storey, 2013), i.e., an individual best suited for an organization and the position (Dessler, 2017; Kreitner & Kinicki, 2016).

3.2 Training and development practices

Training and development are about improving individuals and groups’ performance in an organization (Dessler, 2017; Livy, 2020; Motsett, 2018). Training is the methodical improvement of the skills, knowledge, and attitudes required by an individual to effectively perform the given task (Armstrong, 2014; Hom et al., 2019; Lucie & Schechner, 2020). Training and development build employees’ competence (Boohene & Asuinura, 2011; Immergluck, 2018; Mawhinney, 2019).

It is about using sufficient formal programs to improve employees’ knowledge to get the skills essential for the employees to perform their jobs correctly and satisfactorily (Rudman, 2020; Sale & Thomas, 2020). In the contemporary era, training is on practical skills, and training is now concerned with implementing effective processes. This activity is about improving an individual or group’s position to make them an essential part of the future (Mone & London, 2018; Ulrich et al., 2012).

Training and development are not only related to the current job of an employee. It facilitates employees for future positions in the firm and enhances their ability regarding new tasks, responsibilities, and requirements (Boohene & Asuinura, 2011).

3.3 Compensation and benefits

Employee compensation refers to all forms (direct and indirect financial compensations) of pay going to employees and arising from their employment (Guillen, 2020; Rothwell et al., 2018; Ulrich et al., 2012). The additional benefits (excluding salary) offered to employees to enhance their lifestyle and work are called benefits (Dessler, 2017; Isidorsson & Kubisa, 2019). Benefits can also be defined as the combination of monitory and non-monitory incentives that an employee receives against the work (Beunza, 2019). Compensation and benefits aim to reward employees fairly according to their contribution to the firm. Thus, it supports a firm to achieve its long-term strategic goals (Boudreau et al., 2019; Liu et al., 2019).

Compensation management aims to meet both the stakeholders and the firm (Beunza, 2019; Ford, 2020; Kopelman, 2020). The philosophy of benefits and compensation management identifies that if HRM is about investing in humans’ capital from which a fair and reasonable return is required, it is proper to give employees rewards differently according to their work contribution (Bloom, 2020; West, 2019). Further, compensation management philosophy also identifies that it must be strategic to address long-term problems about how employees should be valued for what they perform and what they get (Champoux, 2020; Kennedy, 2019).

4. Research model

4.1 Theoretical explanation of the model

Where AP = Average Performance of PIA (financial and non-financial)
ATD = Average Training and Development practices of PIA
ACB = Average Compensation and Benefits practices of PIA
ARS = Average Recruitment and Selection practices of PIA
Multiple regression technique: Regarding Table 1 the estimated multiple regression model is

\[ AP = 39.64 + 0.0118 \text{ATD} - 0.0059 \text{ACB} - 6.60 \text{ARS} \]

It is a developed model that can predict PIA’s performance (financial and non-financial) based on PIA recruitment and selection practices, training and development practices of PIA, and compensation and benefits practices of PIA.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>F-test</th>
<th>Prob.</th>
</tr>
</thead>
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<tr>
<td>C</td>
<td>39.64244</td>
<td>4.08355</td>
<td>9.707838</td>
<td>0</td>
</tr>
<tr>
<td>ATD</td>
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<td>0.000691</td>
<td>17.20465</td>
<td>0</td>
</tr>
<tr>
<td>ACB</td>
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<td>0.000424</td>
<td>-14.1000</td>
<td>0</td>
</tr>
<tr>
<td>ARS</td>
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<td>6.17E-05</td>
<td>-0.10697</td>
<td>0.915</td>
</tr>
</tbody>
</table>

**Table 1. Statistical Tests**

- \( R^2 \) close to 1 is desirable and a firm prediction.

### 4.1.1 Interpretation

i. If PIA’s recruitment and selection practices increase by 1 unit, the PIA performance (financial and non-financial) will decrease by 6.60 units (by keeping other variables constant), and there is a negative relationship between them.

ii. If PIA training and development practices increased by 1 unit, PIA’s performance (financial and non-financial) would increase by 0.0118 units (by keeping other variables constant), and there is a positive relationship between them.

iii. If PIA’s compensation and benefits practices increase by 1 unit, PIA’s performance (financial and non-financial) will decrease by 0.0059 units (by keeping other variables constant), and there is a negative relationship between them.

### 4.2 Measurement of fitness/goodness of this model by using a coefficient of determination

Regarding Table 1, the value of \( R^2 \) is 0.775, which is the coefficient of determination. The equation explains about 77.5% of PIA performance variability (financial and non-financial) based on PIA’s recruitment and selection practices, training and development practices of PIA, and compensation and benefits practices of PIA.

A low significance level means the model is useful in predicting PIA’s performance (financial and non-financial). \( R^2 \) close to 1 is desirable and a firm prediction.

### 4.3 Checking the model for overall significance

H\(^0\): \( \beta_0 = 0 \), All the slope coefficients are equal to zero, and there is no relationship between the performance of PIA (financial and non-financial) with recruitment and selection practices of PIA, training and development practices of PIA, and compensation and benefits practices of PIA.

H\(^1\): \( \beta_0 \neq 0 \), All the slope coefficients are not equal to zero, and there is a relationship between the performance of PIA (financial and non-financial) with recruitment and selection practices of PIA, training and development practices of PIA, and compensation and benefits practices of PIA.
Regarding Table 1, the F-test value is 105.95, so $H_0$ is rejected, and $H_1$ is accepted, as results are significant.

4.3.1 Decision

$H_1$ is accepted, and $H_0$ is rejected because F-test is more than 3.75. There is a linear relationship between PIA’s performance (financial and non-financial) with recruitment and selection practices of PIA, training and development practices of PIA, and compensation and benefits practices of PIA. There is a statistically significant relationship between PIA’s performance (financial and non-financial) with recruitment and selection practices of PIA, training and development practices of PIA, and compensation and benefits practices of PIA. Therefore, the respective model is significant.

5. Discussion

Recruitment and selection practices are carried out inefficiency in PIA as no proper recruitment and selection planning is followed before recruiting. Selections on essential posts in PIA are often usually carried out based on non-transparency. Influential posts are almost compromised rather than allocating them to highly educated and eligible candidates. PIA pays less attention to its employees’ training and development, which is why their downfall and results suggest that PIA should pay more attention to this sphere. Moreover, many trainees who received minor training in Aeronautical engineering after their complete training in other departments are hired in the maintenance department, which is a misuse of training expense at PIA.

As far as PIA’s compensation and benefits practices are concerned, they vary for permanent and contract employees. Contract employees do not get other benefits except for salary. While, permanent employees receive all benefits and a good salary, like yearly tickets, medical, housing allowance, and son quota (i.e., after completing their retirement period, their son will get employment at PIA). Moreover, there is a misuse of benefits as well as medical facilities. Most PIA employees apply for fake and forged medical bills (as medical is paid in reimbursement). The doctors and pharmacies provide these fake prescriptions and bills, as they have a share whenever such medical bill is cleared, and the amount is released. When firms secure higher profits only, they provide such facilities to their employees, but PIA cannot provide these benefits because of their hefty expenses.

6. Conclusion and policy implications

Recruitment and selection practices of PIA harm its performance (financial and non-financial). Because PIA makes excessive recruitment, which directly results in more expenses, PIA cannot make further recruitment in any of its departments. Training and development practices of PIA have a positive effect on its performance. PIA should consider training and developing their existing employees to motivate them instead of hiring new employees. As far as PIA’s compensation and benefits practices are concerned, it harms PIA’s performance (financial and non-financial). Because PIA already provides very high salaries as well as benefits to its employees. Further, PIA is not in the financial position to increase compensations and benefits as it could lead to a financial disaster at this very moment. No one is striving to change PIA’s current state because everyone is only interested in getting their very own benefits from the frail system.

PIA should reduce (to a possible extent) its recruitment and selection practices as it already has excessive hiring in most of its departments. Downsizing is also a suggestion at this critical juncture through which PIA is passing. It should focus more on training and developments of its existing employees to increase overall performance. PIA should either decrease or freeze increments concerning its compensation and benefits practices. The government and higher authorities of PIA should initiate collective concrete measures to improve recruitment and selection, training and development, and the compensation and benefits system as it is the biggest airline and flag carrier of Pakistan.
References


