EMPLOYEE TURNOVER IN THE HOSPITALITY INDUSTRY

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Abstract:
The rate at which an employer gains and losses its staff is called employee turnover. If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in that same industry. A certain amount of turnover is necessary and healthy for an institution; too much staff turnover can lead to excessive costs. Turnover is a major problem for many organizations because it is extremely costly for the employer, particularly in jobs which offer higher education and extensive on the job training. Worldwide researches have suggested that employee turnover is among the highest in the hospitality industry.

Keywords: *hospitality industry, working environment, employee turnover, manager-employee relationship, leadership style.*

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INTRODUCTION

The rate at which an employer gains and losses its staff is called ***employee turnover***. If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in that same industry. When employees leave, valuable knowledge is lost and even guests may follow the departing employee. Hireling a new employee ramped up to performance levels similar to the one you've lost takes time and money. Hoteliers who actively find ways to retain employees gain a sustainable competitive advantage. A certain amount of turnover is necessary and healthy for an institution; *too much staff turnover can lead to excessive costs*. Turnover is a major problem for many organizations because it is extremely costly for the employer, particularly in jobs which offer higher education and extensive on the job training.

The turnover is frequently calculated as the ratio of the number of employee's separation during a month to the number of employees on the payroll at the middle of the month. High turnover is part of broader set of problems including lowered production and quality higher costs, low satisfaction with superiors, work anxiety, absenteeism and accidents. *The major factors that cause the employee turnover are the demographic factors* (such as age, gender, education, income level, job category etc.), perceived alternative employment opportunity (PAEO), job hopping, pay, nature of work, supervision, organizational commitment etc.

Managing employee's behavior, work schedules, performance reports, employee's training, motivational activities, "the *right person at the right place*," hiring and firing are common practices by the department of human resources management of any developed organizations. Worldwide organizations have realized that skilled labor and technocrat people exploit the organization for better pay incentives at least amount

of workload because they know human resources is a big competitive advantage for the organizations.

How employee's turnover intention can be reduced is a big challenge for the directors of human resource management. The objective of this project is to analyze the impact of job satisfaction, job involvement, job stress and organizational commitment on employee's turnover intention. This project is an endeavor to formulate strategies for behavioral intention of the employees towards job turnover to cope with the current pace of the world.

Experience shows the following to be ***major causes*** of high staff turnover:

1. *Below average rates of pay*. Every industry has organizations that pay well and some others that pay badly.
2. *Poor training*. Asking someone to do a job but not giving them adequate training is demotivating.
3. *Weak leadership*. In the majority of organizations people do teamwork alongside colleagues performing complementary roles.
4. *Unreasonable expectations*. Some managers expect too much from their staff, often because they don't know how to do the job themselves and because they don't understand why it takes longer than they think it should.
5. *A history of high turnover*. It can be difficult to break the cycle of high turnover. When new employees join an organization they soon become aware of the culture and they quickly pick up on expectations about length of service.

Employee turnover can often be attributed to *poor managerial performance, low emotional intelligence and ineffective leadership*. Poorly selected or improperly trained managers can be expensive.

The key for a long-term and productive *relationship between employer and employee* is providing a stimulating workplace environment, which fosters happy, motivated and empowered individuals.

A top reason for the high turnover rate of hospitality staff is the fact that *many hospitality jobs do not pay well*. Employees usually begin at a minimum wage rate or below which does not attract top quality long-term employees because these employees are always looking for a better paying position. Adding this to the fact that *many hospitality positions are seasonal* and it is not hard to see why hospitality staff turnover can reach high rates quickly.

Other reasons for high rates of hospitality staff turnover include *lack of substantial benefits* such as company provided health insurance, retirement benefits, vacation pay, sick leave, additional schooling or training programs and other fringe benefits which are so often perks of other industries. *Lack of employer's interest in providing substantial benefits drives career oriented individuals elsewhere*.

Many people who enter the hospitality industry are simply not suited to the work. *The stress of dealing with the public on a daily basis* is among the list of top reasons reported from exiting employees even from the higher paying end of hospitality sector positions. People pleasing are an art form that can be very demanding on a person's integrity. The physical and mental stress associated with hospitality positions can overwhelm even the hardest working, career minded employee.

High turnover can lead to more ***issues*** in the workplace, such as *understaffing*, *low morale*, and *poor customer service*. *Without strong retention strategies, companies will spend more on hiring and training costs*.

LITERATURE REVIEW – EMPLOYEE TURNOVER STUDIES

"***Employee turnover*** *is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees.*

A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest. Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover. Companies take a deep interest in their employee turnover rate because it is a costly part of doing business." (Beam, 2009)

Companies incur direct and indirect expenses, which include the cost of advertising, headhunting fees, human resource costs, loss of productivity, new hire training, and customer retention, every time they have to replace an employee. These expenses can add up to anywhere from 30 to 200 percent of a single employee's annual wages or salary, depending on the industry and the job role being filled. (Beam, 2009)

Potential negative consequences of employee turnover include *operational disruption, demoralization, negative public relations, personnel costs, strategic opportunity costs, and decreased social integration*. (Colema, 1987)

The most common reason for employee turnover rate being so high is the salary scale because employees are usually in the search of well-paid jobs. Those who are desperate for a job may take the first one that comes along to carry them through while searching for better paying employment. Also, employees tend to leave a company because of the unsatisfactory performance appraisals. Low pay represents a good reason for which an employee may be lacking in performance. (Rampur, 2009)

Unequal or substandard wage structures fall under this category as well. "*When two or more employees perform similar work and have similar responsibilities, differences in pay rate can drive lower paid employees to quit. In a like vein, if you pay less than other employers for similar work, employees are likely to jump ship for higher pay, if other factors are relatively equal*." (Handelsman, 2009)

Turnover research

Worldwide researches have suggested that employee turnover is among the highest in the hospitality industry. Studies have shown that the average turnover level among non-management hotel employees in the US is about 50%, and about 25% for management staff. Estimates of average annual employee turnover range from around 60 to 300 percent, according to the research conducted by the American Hotel and Motel Association.

Staff turnover is high in the hospitality industry, and anyone considering a management position within this segment should understand the reasons people leave their jobs.

Five ***reasons for high turnover***:

1. *Seasonality.* Many hospitality positions are seasonal in nature which has a negative impact on employee morale.
2. 2. *Organizational Culture & Leadership*. Lack of positive culture, are making the work environment to be unpleasant.
3. *Labor Pool*. The labor pool for the hospitality industry is often untrained, unskilled workers. Many employees are young, students, or using hospitality jobs as a fallback or stepping stone to other careers. This increases the chances of turnover.
4. *Customer Service Issues*. Employees and managers walk a fine line between keeping their customers happy and supporting their employees. A good leader will be able to judge between customer service and abusive customers.
5. *Pay rates and hours*. Pay rates are often around the minimum wage, making it difficult for employees to support themselves with one job.

High turnover in the hospitality industry occurs for *many reasons*. Large contributors are seasonality, pay and hours, lack of leadership, customer service issues, labor pool, and training. Some factors cannot be helped, but awareness of the issues can lead to better solutions.

While many leading companies place more effort in employee retention, most are clueless. They accept employee turnover as a normal part of doing business. *High turnover organizations spend disproportionate amounts of resources on recruiting and replacing their workforce, while smart organizations invest in employee retention.*

Employees quit for many reasons but, in general, there are five ***important areas that motivate people to leave their jobs***.

1. Poor *match* between the person and the job
2. Poor fit with the organizational *climate* and *culture*
3. Poor alignment between *pay* and *performance*
4. Poor *connections* between the individual, their coworkers, and the supervisor
5. Poor *opportunities* for growth and advancement

When looking at the most common causes for high employee turnover, hoteliers won't need magic to lower it. Every hotelier has the opportunity to increase their employees' satisfaction to create and maintain sound teams that inspire creative ideas and work willingly towards a common goal of delivering the best customer service possible.

Hospitality workers often work long, labor some hours in poor working environments and they feel *that they are unappreciated* by either the company they work for or the patrons they serve leading them to exit the industry to look for more personally fulfilling work.

Another emotional aspect which influences an employee's willingness to leave or stay is *the company's prestige and philosophy*. Too many discrepancies in regard to these factors cause dissatisfaction and consequently high employee turnover.

There are studies that support the fact that employees leave an organization for many reasons, but two common causes are the *quality of the selection system* and the *quality of leadership*.

Employee turnover analysis

In order to apply the most appropriate turnover reduction strategies, management must first determine the cause of turnover behavior. To facilitate this, the management needs to establish appropriate turnover categories. For example, turnover can be classified as *involuntary* or *voluntary*. Involuntary turnover occurs when an employee is discharged or terminated, often for just cause. Voluntary turnover occurs when an employee leaves by the employee's own choice, and can be caused by a number of factors. These may include poor job feedback, job dissatisfaction, unmet job expectations, performance problems, situational constraints, socialization difficulties, greater degrees of job stress, and a lack of career advancement opportunities.

After computing appropriate turnover rates, an organization frequently can determine the reasons for employee separations by compiling and comparing the results of exit interviews by employee group, department, division, etc.

Attitude surveys may also be used to study turnover by including sections on current employees' intention to quit and on employees' future plans with the organization. To obtain data on employees' intentions, the organization may ask: "*How often have you seriously considered quitting your present job*?"

a. Never	b. Seldom	c. Occasionally
d. Often	e. All the time	

To obtain data pertaining to employees' future plans, the organization may ask: "*What are your future plans regarding staying with our organization?*"

1. Definitely do not intend to stay
2. Plan to stay until I find a better job
3. Plan to stay unless personal situation changes
4. Plan to stay indefinitely

These employee responses can be further examined to determine if they are correlated with performance, pay, tenure with the organization, and/or job satisfaction. The *Job Description Index* (work and supervisory satisfaction scales) and the *General Satisfaction Scale* (from the Job Diagnostic Survey) are commonly used instruments designed to measure a job-related satisfaction.

Turnover on a specific job may be explored via employee task-related self-esteem to determine whether employees leave because they perceive themselves as being incompetent. To do this, an organization can use organizational position or job description to identify activities considered critical to a given job.

If a company follows these steps and shows a genuine concern for the well-being of its employees, it may not have to pay the highest wages in town to have the lowest employee turnover rate.

*Solicit feedback***.** Evaluating each position in your practice can help spot problem areas you need to work on. But to get the full picture of how staff members see your practice and their position in it, you'll need to hear directly from them. It's important to regularly solicit feedback from your entire staff in one-on-one meetings and staff meetings.

*Exit interview***.** A staff member will almost always offer *some* reason for leaving up front, such as he or she was looking for a new challenge, wanted a job closer to home or wanted higher pay. These things may be true, but there are probably some other underlying reasons for his or her departure as well.

Measuring labor turnover

The simplest measure involves calculating the number of leavers in a period of time (usually a year) as a percentage of the number employed during the same period. This is known as the "*separation rate*" or "*crude wastage rate*" and is calculated as follows:

Number of leavers / average no employed x 100

For example, if a business has 150 leavers during the year and, on average, it employed 2,000 people during the year, the labor turnover figure would be 7.5%

An alternative calculation of labor turnover is known as the **"Stability Index".** This illustrates the extent to which the experienced workforce is being retained and is calculated as follows:

Number of employees with one or more years' service now / Number employed one year ago x 100

Labor turnover will vary between different groups of employees and measurement is more useful if broken down by department or section or according to such factors as length of service, age or occupation.

Nine variables employee's turnover intension, managerial attitude, job satisfaction, job involvement, communication levels, flexible work environment, training consistency, employee priorities and organizational outcomes are considered to measure employee's turnover intension and its impact on organizational outcomes.

HOSPITALITY EMPLOYEE TURNOVER RESEARCH IN TIMISOARA

The West University of Timisoara started to do a research by analyzing the hotel market from Timisoara city. This pilot study was developed in May-July 2011 in hotel industry from Timisoara city, Romania. There were approached 29 three and four star hotels, which represent 60% of the existing hotels on Timisoara's hotel market. They were asked to fill up a questionnaire and the response rate was 51,72%, because only 15 hotels accepted to respond. 168 employees answered, 35 of which working in four star hotels and 133 in three star hotels.

The majority of employees that participated to the study have 18-35 years (66,07%), and the rest have between 36-60 years (33,93%). 57% of employees interviewed are males and 43% are females. They have been working in the hotels from under a year to more than 10 and many of them finished a high school or a faculty.

The main goal of the research was to analyze the climate for innovation as an indicator of the hotels ability to become innovative and also to analyze the ***manager-employee relationship and how it is perceived by the employees***. The most important topic was the following question: *What is the most used leadership style perceived by the employees?*

According to this study, regarding to the ***climate offered by the manager*** employees consider that the activities they do at work are *routine activities* (51,79%) but they also agree that they have been offered the possibility of *being creative and taking initiative* (48,21%). Employees admit that teamwork is pleasant (69%) and motivates them to be part of this industry. However, only 30% admit that *their tasks are well individualized*.

In order to see ***if managers consult their employees in problems identification*** there were monitored the following aspects: *organizing regular meetings to identify the problems in order to improve the tourist product and the frequency with which employees are consulted in the decision-making process*. Employees from Timisoara consider important that the manager gives them the opportunity to make suggestions regarding service innovation and tourist product development. Even if the manager appreciates their ideas, employees observe that these are not always implemented.

The attributes taken into account regarding ***the relationship with the manager*** were the following: *interaction and communication*, *performances reward*, *trainings*, *mistake tolerance* and *personal implication*.

Based on employees answer there was estimated a separate score for each attribute. The score was calculated based on the weighted average by according each appreciation a certain value such as: 5 if the appreciation was considered very important, 4 if it was important, 3 if indifferent, 2 if less important and 1 if it was considered being without importance.

The most important attribute in the relationship with manager was *interaction and communication* that obtained 4,39 points. It is followed by *performances reward* and personal implication, attributes that are important enough for many employees and that obtained 4,32 and 4,14. Employees don't give too much importance for *mistakes tolerance and trainings*, almost 11% of them considering these aspects to be indifferent.

Based on these scores, it was estimated the average or the final score, 4,214 points. From this analysis it can be observed that the most important attribute in ***manager-employee relationship is interaction and communication.***

Most of employees would want this from their managers. They also would want their performance to be rewarded, but this is a financial aspect and it won't be given too much attention in this study.

The frequently practiced leadership styles were another important aspect the study aim at. In order to answer this question employees could choose between the

following leadership styles: *autocratic*, *participative*, *consultative* and *permissive*. 37,5% think their boss is consultative and 50% that it was either autocratic (25%) or participative (25%). The rest of the employees, 12,5% said that their boss was permissive. *Adopting only one of these styles it is not recommended. A good leader knows that these elements should be combined in order to be efficient.*

The attributes taken into account regarding ***employees' motivation*** were the following: *salary, possibility of professional development, tourist unit prestige and possibility of acquiring new skills.*

After analyzing the obtained scores, it can be observed that ***the most important motivator*** is *the salary* with 4.55 points. 67.86% of the employees considered it as being very important. This factor is followed by *tourist units' prestige* with a score of 4.30. 51.79% considered it as being very important and 33.93% as important. Therefore, this factor is considered to be more than important for most of the interviewed employees. Tourist units' prestige is closely followed by *the possibility of professional development* that obtained 4.29 points, which means that this motivator is important for employees. The lowest score, 4.25 points was given to *the possibility of acquiring new skills*.

The study on employee's motivation came out with not such an unexpected result: *the most important motivator is the salary*. This fact is not that surprising according to the actual economic instability the country confronts with.

CONCLUSIONS

- ✓ The relationship between *job satisfaction* and *job turnover* has been considered, if we try to increasing job satisfaction, then we will reduce job turnover somehow partly.
- ✓ Managers should *lead the employees to improve service quality*, to be client oriented and not to give too much importance to financial rewards and orient them to appreciate other rewards, such as diplomas coupons, free holidays or free trainings. They could also organize team-buildings in order to *consolidate the employee-employee* and *manager-employee relationships*.
- ✓ To be competitive in today's labor market, most of the hotels find it necessary to offer a *standard benefit package*, including health and life insurance, vacation and leave policies, and investment and retirement plans.
- ✓ Other factors, such as *competitive compensation* and creating an *employee-friendly work environment* also play a role in decreasing staff turnover.
- ✓ Providing *career advancement opportunities* is critical for retention employees.
- ✓ A *mentoring program* can help decrease the employee turnover of the small- and-medium –sized hotels.
- ✓ *Pay* and *welfare* also indicate significant position in Human Resource Management in the hospitality industry.
- ✓ The results of the research show that a*dopting only one of the leadership styles studied* (autocratic, consultative, participative and permissive) *it is not recommended*. Managers should adapt their leadership style to the situations they confront with and they must be always aware of their predominant leadership style.
- ✓ *A manager has to recognize and acknowledge the skills and abilities* that the employee has gained since joining the organization which may make them eligible for the next advancement.
- ✓ *A mentoring program* can help decrease the employee turnover.
- ✓ *Managers need to promote from within if possible*. They have to avoid bringing new people on board at a higher rate than current employees.
- ✓ Ambitious hoteliers can thus have only one goal: *improve employee satisfaction* by creating *exemplary working conditions*, *an atmosphere of growth* as well as

ensuring fair compensation. A continuous improvement of satisfaction will affect employee commitment and loyalty and will have a positive impact on organizational performance.

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