

Assessment of Causes of Labour Turnover in Three and Five Star-Rated Hotels in Kenya

Samson Kuria

Karatina University College
Kenya

Dr. Ondigi Alice

Prof. Peter Mwangi Wanderi

Kenyatta University
Kenya

Abstract

Studies done regarding labour turnover in the service industry across the world indicate that, the hospitality sector leads with many employees' changing jobs from time to time. Subsequently, some causes of labour turnover are believed to be industry-specific. Both the internal and external causes of labour turnover affect the growth, profitability and customer satisfaction whenever it occurs in the workplace. Employers see the process of staff leaving and being replaced as a natural and inevitable feature of the industry. In Kenya, very little has been documented on the causes of labour turnover. This paper is based on a study completed in April 2011. The main purpose of this study was therefore to establish the internal and external causes of labour turnover in three and five star-rated hotels in Nairobi city. Nairobi city has seven hotels which are classified as five star and nine hotels which are classified as three star hotels. The study adopted descriptive survey research design. This study involved a total of 133 permanently employed staff working in these star-rated hotels. Simple random sampling method was used to pick hotels as well as the respondents for this study. The Employee Attitude Survey revealed that, lack of balance between work and personal life was a major cause of job resignation (32%) while lack of staff involvement in decision making and creativity was (56%) respectively in both set of hotels. Consequently, employees were familiar with job requirements and departmental mission statements. The need to create conducive work environment probably prompted them to ask for flexi- hours. Poor remunerations were cited with over 60% of the respondents dissatisfied. More so, was the undefined rewarding system where 46% of the respondents strongly disagreed. The study therefore recommended that, the management should improve the working condition for the employees as well as establishing training policies that equip employees with job requirements and expectations. Finally, the need to establish a rewarding system that would motivate workers other than monetary remunerations is also recommended.

Keywords: Star-rated hotels, Employee Attitude Survey, Flexi-hours.

Background Information

Labour turnover is significant to organization, individuals and management. From the organizational perspective, labour turnover represents a significant direct cost in terms of recruiting, poor production practices and reduced standards as well as high replacement and training costs (Hiemstra, 1990). Subsequently, Fair (1992) suggests that, there are other costs associated with labour turnover which include separation costs (exit interviews and severance pay), recruitment costs (advertising and search fees), selection costs (interview and reference checking), hiring costs (induction and initial training), relocation expenses, uniforms and lost productivity costs associated with both the unfilled vacancy and the learning curve associated with the new employee. Indirect costs however are associated with decreased levels of employee motivation, absenteeism, tardiness leading to customer dissatisfaction and ultimately customer defection (Fair, 1992).

In his research on labour turnover, Price (1977) noted that, low turnover rates present special challenges. The first is to resist over investing in prevention programs.

While this may seem like unnecessary advice, some organizations spend large amount of money developing new programs and projects as well as solving problems that do not necessarily exist. Another challenge is to consider using leading indicators to spot turnover problems before they become serious issues. As mentioned earlier by Fair (1992), intention to quit is an important leading indicator along with organizational commitment and job satisfaction data. These leading indicators can be crucial for early analysis and action before turnover develops into a serious problem. With such information, management may then be in a position to consider changes and improvements to their personnel practices in order to reduce labour turnover causes. The provision of a high quality working environment with a range of employee-valued benefits may also increase satisfaction levels and hence discourage turnover behaviors (Mobley, 1977).

A final challenge is the notion of complacency. While it is important to move to other critical issues in the organization, turnover should always be monitored. It is a leading indicator to ensure that retention is not becoming an issue. Complacency can cause serious problems in eroding the good progress that has been developed previously. Lastly, measuring and monitoring turnover is essential to bringing the appropriate attention to the issue and taking constructive action. Understanding the employment climate is fundamental to developing and understanding of retention. Having acceptable targets; based on precise definitions of turnover that are meaning to the organization, help to bring the process clearly into focus. These are aimed at bringing the proper resources and attention to this critical issue so that action is taken. The senior management team should moreover accept the responsibility for managing retention.

Causes of labour turnover in hospitality industry

Companies today generally recognize the important contribution that their employees play in delivering the services. However, they also make every effort to drive down internal costs as part of the price commitment. Labour turnover is seen as one area of cost which can be measured and benchmarked. It is seen as a significant factor when measuring organizational performance, which management can influence (White, 1995). Low labour turnover is seen as an asset in the competitive war. High labour turnover is seen as a problem to be managed (Bannister and Griffeth, 1986; Glebbeek and Bax, 2004). According to Hinkin and Tracey (2000) high employees' turnover rates in the hotel industry are not country specific; this is a worldwide epidemic. Fortino and Ninemeier, (1996), indicate that the United States of America has a national annual turnover rates that range from 154 percent to 240 percent. This compared unfavorably with the 12 percent annual turnover rates for all businesses in USA by 2000 as reported by Bureau of Labor Statistics (USA). Subsequently, General Managers in USA were found to have been with their current employers for approximately eight years (Cornell HRA Quarterly, 1992).

Labour turnover is a gradual process. According to Mobley (1977), an employee starts by an evaluation of an existing job and the environment in the work is being done. It is believed that work environment plays a pivotal role on an employee's decision to continue working in an organization or to quit. Job dissatisfaction follows in deciding to quit. The employee may however evaluate the utility of searching for the new job. The search for an alternative job takes place and employee evaluates all the jobs that are available for him or her. Comparison is further done with the present and the best alternative jobs that are found. A final decision is reached by either remaining in the current job or quitting as the last stage. However, there exist the independent variables upon which jobs are being evaluated. These include the pay package, company policies, rules and regulations, the Hertzberg hygiene factors, work monotony and burnouts. This study was based on the employee decision process model adapted from Mobley (1977) modified as shown on Figure 1.1. The model (Mobley1977) represents a theoretical process of 10- stages that an employee goes through when either quitting or changing jobs.

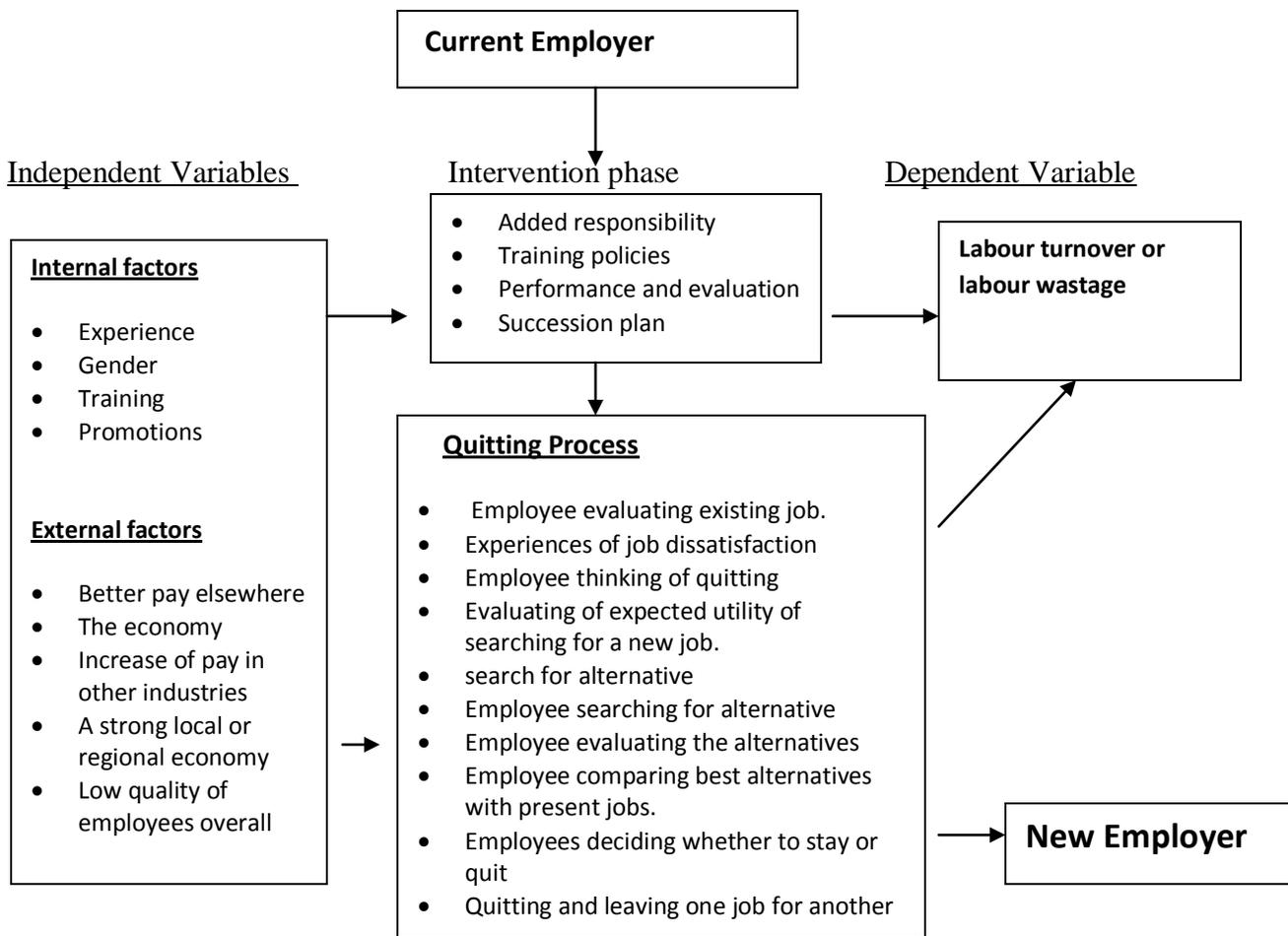


Figure 1.1 Employee decision making process model (Adapted for modification from Mobley (1977))

It is therefore argued that employees’ age, gender, level of training/experience, duration in employment and hotel star-rate determines either to stay or move to another hotel or seek other forms of employments. According to Mobley (1977), where employees have added responsibilities, training policies, performance and evaluation and succession plans, employees tend to work for many years. This creates the intervention phase through which employers can use in order to retain current employees. The model concludes that, for a resignation to occur, the individual employee is basically concerned with better opportunities elsewhere thus seeking to secure a new employment.

Internal causes of labour turnover

Internal labour turnover involves employees leaving their current position and taking new ones within the same organization (Kenya Bureau of Labour Statistics, 2009). This is also referred to as the *Peter’s Principle* and can be positive, such as to increase morale by the change of task and supervisors or negative, such as project or relational disruption of the work being done. The effects of internal turnover can be as important to monitor as its external counterpart. The survey concludes by noting that, internal turnover can be moderated and controlled by typical human resource mechanisms, such as an internal recruitment policy or formal succession planning. According to Wood and Macaulay (1998), employees’ turnover is prevalent in the lodging industry. The following are the internal causes of turnover.

The performance of the organization: An organization perceived to be in economic difficulty will raise the specter of impending layoffs. Under such circumstances, workers will seek other employment.

The organizational culture: The reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of employees, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.

The characteristics of the job: Hospitality employees are confronted with continuous crises and a great deal of daily uncertainties (Brownell and Judi, 1998). Uncertainty creates high levels of job stress. They also experience jobs that are tightly controlled, routine and monotonous (Lashley, 2000). Their role as service providers however demands that they present an appropriate emotional response regardless of the circumstance. Wood and Macaulay (1991) define emotional labour as the display of expected emotions by service agents during service encounters. The two Authors further argue that, conforming to such expectations has significant psychological effects whose end result is employees leaving one job for another. According to Taylor (2002), some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment. A job's status is also important, as are many other factors.

Unrealistic expectations: Another factor is the unrealistic expectations and general lack of knowledge that many job applicants has about the job at the time that they receive an offer. When these unrealistic expectations are not realized, the worker becomes disillusioned and decides to quit.

Demographics: In their study on causes of labour turnover, Mitra et al. (1992) demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers. This study had an important role in explaining the functioning of labour markets, shedding light on the process of matching workers to firms and on the nature of the employment relationship. Labour turnover patterns have important implications for wage determination, work organization, career prospects and the accumulation of firm-specific human capital according to the ILO (2001). The study also indicates the use lifestyle factors such as smoking or past employment history such as many job changes; as an explicit basis for screening applicants in order to verify such bio-data empirically.

The person: In addition to the factors listed above, there are also factors specific to individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover as cited by Mobley (1977).

These traits are some of the same characteristics that predict job performance and counterproductive behaviours such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production. These traits can be measured and used in employee screening to identify individuals showing lower probability of turnover.

External causes of labour turnover

According to Nankervis et al (1996), external factors exist outside the organization environment and are beyond its control. The external political, social and commercial environment can have a significant impact on the policies, practices, strategies and plans of human resource management. By analyzing the outside community and society, the proactive HR planner can assess likely current and future changes and determine possible impact on its workforce and organizational plans. Wood and Macaulay (1991) cite the following as the external causes of employee turnover.

The economy: One of the most common reasons given by employees leaving their current employment is the availability of higher paying jobs. In a vibrant economy, the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.

Better pay elsewhere: Most employees feel that they are worth more than they are actually paid. There is a natural disparity between what people think they should be paid and what organizations spend in compensation. They further argue that when the difference becomes too great and another opportunity occurs, turnover can result. Pay is defined as the wages, salary, or compensation given to an employee in exchange for services the employee performs for the organization.

Gupta and Shaw (2001), argue pay as the most critical outcome of organizational membership for employees. The first and obvious solution to the need for pay is to compensate employees with the highest possible wages.

Increases of pay in other industries: According to Kusluvan (2003), one of the major causes of friction between the employers and their employees is a real or perceived lack of fairness in the distribution of wages. Kusluvan (2003) further indicates that, there are two extreme approaches to the determination of wages. At one extreme, there is a total transparency in which every employee can know what everyone else earns while on the other end, are employers who not only keep secret what they pay each employee but also make a condition of employment that salaries are not to be discussed between staff.

Arriving at a fair system of awarding wages and salaries is not easy and too often is a matter of expenditure, Kusluvan (2003). Subsequently, the pay systems have been used to address specific managerial problems or goals. Thus, it is important to recognize the relative importance of each job, and remove any potential causes of dissatisfaction. Kusluvan (2003) concludes by stating that, it is vital to adopt a methodical system of evaluating jobs so that wages and salaries are fairly distributed to all.

It is evident that, voluntary termination of employment is on the increase within the hospitality industry (Phillips and Connell, 2003). This arises when an employee has the opportunity to take other employment that offers more attractive conditions. These researchers further revealed that because employees leaving voluntarily have not been dismissed by the employer, they are probably the employees that an employer would most like to retain. It is for the same reason that these employees should be interviewed to determine their reasons for leaving. The exit interview may reveal specific information regarding conditions of employment, competitors' conditions and the quality or otherwise of supervision, training and selection procedures.

A strong local or regional economy: Further in their study, Phillips and Connell (2003) propose that almost all industrialized nations and many emerging countries have experienced long economic expansions. As economies grow, job growth will continue with the economic expansions translating directly into new jobs which in turn create new opportunities for employees to leave current employment.

Low quality of employees overall: Low unemployment rates lead to increased turnover because more jobs are available (Bolch, 2001). He further argues that, whenever the actual unemployment rate falls to 5 percent level or lower, it creates serious problems for employers seeking to fill job vacancies. Compounding the situation is the short supply of workers with special skills such as health care hotels and other service based industries.

Research Methodology

The study used descriptive survey research design. It determines and reports the way things are in describing the possible behavior, attitude, values and characteristics of the respondents while using questionnaires as the appropriate tool. In this case, close ended and open ended questionnaires were used to provide a representative sample from the large population of non-management hotel employees in this study. Mugenda and Mugenda (2003) however define survey research design as an attempt to collect data from an identified population in order to establish the current status of the population in respect to one or more variables.

Research variables

The independent variables for this study were gender, age, level of education, training, duration in employment and hotel star-rate. As explained by Babbie and Mouton (2001), Mugenda and Mugenda (2003), these variables are totally free to vary by themselves and do not co-vary with other variables. The dependent variable used in this study was job change measured in percentage over the rate at which the respondents moved from one job to another. Job change as the dependent variable is presumed to be influenced by variations of conditions of the independent variables that present themselves in the work environment.

Findings on internal causes of labour turnover

The aim of this study was to establish internal causes of labour turnover in three and five star-rated hotels in Nairobi, Kenya. The following were the findings. Several causes of labour turnover such as, job dissatisfaction, unfavorable working conditions, long working hours with minimal pays and poor employees training programs, were identified from the hotels under the study.

The study also showed that fifty six percent of the respondents were never notified with the working conditions of their departments. They also described the work environment as unfavorable due to the fact that they worked for long hours. The pay perks were noted to be below the industry's average and therefore could not match the work they did.

Another reason given for poor working condition was the fact that employees had no choice of the shift they wanted to work and the supervisors were cruel to them. These made the work of the employee stressful. Over sixty percent of the respondents described their remuneration as being not to meet their basic needs and therefore lived on debts. However, only a small fraction of twenty six percent, who were in the management, indicated that their salaries were enough. There had been no salary increment for a long time and even where it was received, it was very little.

Findings on external causes of labour turnover

This objective was aimed at establishing the external causes of labour turnover in three and five star-rated hotels in Nairobi, Kenya. The external factors that cause labour turnover exist outside the organization environment and are beyond its control. These factors have a significant impact on the policies, practices, strategies and plans of human resource management. By analyzing the outside community and society, the proactive Human Resource Planner can assess likely current and future changes and determine possible impact on its workforce and organizational plans. From this study, several external factors were established as the major causes of labour turnover. These included the country's economy, better pay elsewhere, increases of pay in other industries, strong local and regional economy as well as low unemployment rates in regional economies.

Conclusions of the Study Findings

These findings concurred with Gupta and Shaw (2001) that pay is the most critical outcome of organizational membership for employees to stay on. Respondents described their salaries as poor, a pointer to their dissatisfaction with the employers therefore constantly looking for greener pastures. The unconducive work conditions resulted to the employees developing work related stress and reduced employees' organizational commitment. This was evident where few hotels, had employees who worked upto their retirement. Reigel (1995) asserts that, labour turnover can be desirable in some instances, especially when pay is linked to length of tenure. As a result, this study observed the employee resignation as the major form of labour wastage in both the three and five star-rated hotels in Nairobi.

The study established that, about thirty two percent of the respondents readily accessed information they needed for work done. According to the study, most of the respondents were familiar with the vision and mission statements of the organizations they were working with. This perhaps enabled them to achieve more satisfaction derived from the work they do and therefore staying longer in the current employments.

The study further established that employees were not involved in decision making process, even those decisions which affected their jobs. Perhaps this resulted to the main causes of resignation in the hotels under the study. According to the study, thirty five percent of the respondents did not receive training which enabled them to do their jobs well. Hence, were dissatisfied with their jobs and low morale among them. This perhaps also resulted to the employees looking for jobs elsewhere.

It was equally evident from the findings of the study that, the management did not treat their employees well as cited by the respondents. Employers were described as inflexible and they did not provide a balance between work and employees' personal life. This resulted to sixty percent of the respondents to indicate that, they would not recommend others to work for the organization. According to the study, majority of the respondents did not know whether they utilized their abilities and skills.

Recommendations on causes of labour turnover in three and five star-rated hotels in Nairobi, Kenya

The first and obvious solution for pay is to compensate employees with the highest possible wages. The study also established that the major causes of employee turnover in the hotels were the poor working conditions and lack of shared decision making between the employees and the management. The study therefore recommended that, the management should improve the working condition for the employees such as flexibility in selection of shifts and balancing of work and personal life for the employees.

Employees should not be overworked with very little compensation as this will lead to de-motivation and hence demoralization. The study recommended that, the management should improve the internal working environment so as to retain more workers. Subsequently, training policies as well as creation of flexible working hours would encourage more workers to view hotels jobs as long term careers like in other industries.

References

- Babbie, E and Mouton ,J. (2001) *The practice of Social Research*. Cape Town: Oxford University Press, Southern Africa.
- Bannister, B.D and Grieffeth, R.W.(1986), Applying a casual analytical framework to the Mobley, Horner and Hollingsworth (1978) turnover model: a useful re-examination, '*Journal of hospitality management Vol.12 No.3*, pp 433-443.
- Bolch, M. (2001) The coming Crunch; *Human Resource Training Magazine*, April 196(2628), 42-46.
- Brownell and Judi (1998) Striking a balance; *the future of work and family issues in the Hospitality industry*: The Haworth Press inc. Vol.28 (No 1 and 2),p 21-26.
- Cornell Hospitality Quarterly (1992, June.). *International Journal of Hospitality Management*, Vol.14, (Issue 2). pp 139-150.
- Fair, R. (1992) *Australian Human Resource Management: Framework and practice*, (2nd edition), McGraw-Hill, Sidney.
- Fortino, P., Ninemeier, J. (1996) "Industry in the dark about turnover rate", *Lodging*, Vol. 22 (No.4), pp.25.
- Guerrier, Y. (1999). *Organizational behavior in hotels and restaurants: An international perspective*, Chichester: John Wiley.
- Gupta, N. and Shaw,J.(2001) Pay fairness and Employee outcomes. Exacerbation and attenuation effects of financial needs. *Journal of Occupational and Organizational Psychology Vol 74 (3)*, pp 22.
- Glebbeek, A.C., Bax, E.H. (2004) Is high employee turnover really harmful; An empirical test using company records, *Academy of Management Journal*, Vol. 47 (No.2), pp.86-277.
- Hiemstra, S.J. (1990) Employment policies and practices in the lodging industry, *International Journal of Hospitality Management* Volume 9 (No.3) page 207-221.
- Hinkin,T.R and Tracey,J.B. (2000) The cost of turnover, *The Cornell HRA Quarterly* .page 14-21.
- Hinkin,T.R and Tracey,J.B. (2000). Impact of your employees resigning from work. (1998), *International journal of Industrial Organization* Vol 16, (Issue 3) Pages 353-376.
- International Labor Organisation. (2001) Human resource development, employment and globalization in the hotel, catering and tourism sector: Report for discussion at the tripartite meeting on the human resource development, employment and globalisation in the hotel, catering and tourism sector. Geneva: *International Labor Organisation*.Retrieved from <http://www.ilo.org>.
- Phillips, J.A and Connel, G.T (2003) *Accountability in Human Resource Management*. Boston: Butterworth-Heinemann.
- Price, J.L. (1977) *The Study of Turnover*, Iowa State University Press, Ames, IA.
- Reigel,C.D.(1995) *Turnover: Conceptual model*. In D.G. Rutherford (Ed),*Hotel management and operations* (2nd Ed, .page (433-438). New York: Van Nostrand Reinhold.
- Kenya Bureau of statistics (2009) *Job opening and labour turnover survey*. Retrieved from URL.
- Kusluvan, S. (2003) *Multinational enterprises in tourism; A case study of Turkey*. Unpublished doctoral dissertation, Strathclyde University, the Scottish Hotel School, Glasgow.
- Mitra, A., Jenkins, G.D and Gupta, .N (1992) A meta-analysis review of the relationship between absence and turnover. *Journal of Applied Psychology; Vol.1 (Issue 3)*. page 879-889.
- Mobley, W.H. (1977). *Employee turnover, Causes, Consequences, and Control*. Reading MA: Addison- Wesley.
- Mugenda, O.M and Mugenda, A.G (2003) *Research Methods: Quantitative and Qualitative Approaches*. ACTS Press, Nairobi, Kenya.
- Nankervis, A.L., Compton, R. L., and McCarthy, E. T., (1996) Strategic human resource management, *National Library of Australia*. Thomas Nelson, Australia.
- Taylor, S. 2002 *People and Organization Employee Resourcing*. Prentice-Hall, Sidney; Australia.
- White, G.L (1995). Employee turnover; The hidden drain on profits; *HR Focus*, Vol.72 (No.1) pp.15-17.
- Wood, R.H. and Macaulay, G .H (1991) Predicting is difficult, especially about the future: Human resources in the new millennium. *International Journal Hospitality Management* 18, (4), 443-456.
- Wood, R.H., Macaulay, J.F. (1991). Rx for turnover: retention programs that work", *The Cornell Hotel, Restaurant Administration Quarterly*, Vol. 30 (No.1), pp.79-90.