FACTORS INFLUENCING LABOUR TURNOVER IN THREE AND FIVE STAR-RATED HOTELS IN NAIROBI, KENYA

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Abstract

Labour turnover continues to be a contentious issue in the hospitality industry. Employers see the process of staff leaving and being replaced as a natural and inevitable feature of the industry. Labour turnover represents direct cost to organizations. It affects organizational growth, profitability and customer satisfaction. Previous studies done on other parts of the world reveal this phenomenon as costly and subsequently create operational difficulties in the workplace. In Kenya, very little has been documented on labour turnover index rate and mobility rate within the hospitality and tourism industry. This paper is based on a study to be completed in April 2011. The main purpose of this study was therefore to determine labour turnover levels 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. Simple random sampling method was used to pick respondents for this study. The results indicated that, labour turnover higher (68%) in the three star-rated hotels compared to 13% in the five star-rated hotels. The results further indicated that, training, experience; age, promotions and the star-rating of the hotels were key factors in determining labour turnover. Major recommendations of the study are that, hotels should initiate employee retention programmes as human capital is the most valuable asset in all organizations. Subsequently, the hotel management to review the employees' welfare conditions such as introducing flexible work hours to the employees in order to balance individual work and personal life among other incentives.

Keywords: labour turnover, hospitality industry, star-rated hotel

BACKGROUND INFORMATION

According to Kusluvan (2003), one of the major benefits of the development of the hospitality industry in any economy is the provision of employment. The industry consists of a number of diverse sectors including travel agencies, tour operators, transportation, accommodation, food and beverage, and attractions which require a variety of occupational skills and competencies. The World Travel and Tourism Council (2006) indicates that, employment in tourism and hospitality was estimated to be over 230 million jobs and over ten percent of the gross domestic product worldwide by 2007. This represents a ratio of 1 in every 11.2 jobs. This figure was estimated to reach 260, 417, 000 jobs or nine percent of total employment in the world by 2011. In Kenya, the hospitality sector alone catered for over 509,000 jobs in 2007, a ten percent of total employment, or 1 in every 10.7 jobs. By 2017, it is estimated that, there will be 628 000 jobs (WTTC, 2006). In Kenya, little research has been conducted regarding labour turnover in the hospitality industry. A research on labour turnover in hospitality industry in Kenya (ILO, 2001) indicated similar trends of labour turnover with lodges on the lead with 60% in 2000. It was found that, employees were more willing to move to town hotels where social amenities are in plenty than in lodges where employees are secluded to their camps. This impacted negatively in business sustainability due to high costs of training new employees, replacement and separation for the departing employees. In addition, are the detrimental effects of customer dissatisfactions.

THE CONCEPT OF LABOUR TURNOVER

The term "turnover" is defined by Price (1977), as the ratio of the number of employees who have left organization, divided by the average number of people in that organization during the period under consideration. Each time a position is vacated in the organization, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover (Wood, 1995). The term is also often utilized to measure relationships of employees in an organization as they leave, regardless of the reason (Taylor, 2002).

Labour turnover also relates to the movement of human resources within organizations where employees move from job to job, through transfer, promotion or relocation.

This parameter can therefore indicate the effectiveness of the human resource management programs and activities, as well as the overall health of an organization, in satisfaction, morale and productivity terms (Nankervis et al, 1996). Bolch (2001) defines labour turnover, as the movement of employees in and out of a business, measures the extent of change in the work force due to accession (total number of workers added to employment) and separation (severance of employment at the instance of workers or employers) during a particular period of time. According to Bolch (2001), labour turnover is an important parameter which indicates the overall health of an industry or an establishment in terms of wages, industrial relations, working conditions and other welfare facilities provided to the workers. According to Mitra, Jenkins and Gupta (1992) employee turnover is one of the aspects most studied in organizational research but very little is known regarding possible causes of turnover among professionals. Organizational stability is known to have a high degree of correlation with low turnover. Indications are that employees are more likely to stay when there is a predictable and stable work environment (Zuber, 2001). The inverse of this relationship has also been found to be true. In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Mitra *et al.*, 1992)

According to Lucas (1995), labour turnover was observed to be highest amongst the newly employed people. He observed that, the newly employed people seemed to have higher perception and expectations from new jobs, impatience and other personal ambitions which are rarely achieved with time. This leads to the employees changing of jobs. The International Labour Organization's report (2001), gave the high labour turnover rate amongst those on their first employment in the hospitality industry to be at 51.7 percent in the United States of America, 30 percent in Asia and 42 percent in the United Kingdom. High labour turnover rates among employees and General Managers have a significant negative impact on a hotel's performance and profitability (Hiemstra, 1990). In a study by Hiemstra, (1990) in Turkey, he observed that an average of fifty three Hotel General Managers change properties every three years. Similar trends were observed by Bull (1995), with Hotel Managers in Hong Kong.

According to Hospitality and Catering Training Company report (1994), labour turnover in the United States of America was reported to cost the industry £430 million annually. Subsequently, to Lucas (1995) cites labour turnover in Britain's hotel industry being highest amongst the personnel of the lower grades. A report by International Labor Organization (2001) on labour turnover in the tourism and hospitality industry across the world by the year 2000, stood at 51.7 percent in the USA, 30 percent in Asia, and 42 percent in the United Kingdom among the lower level employees. According to the Confederation of British Industry (2005) survey, the average labour turnover in the UK was over fifteen percent. Most firms see labour turnover in terms of a cost to the business that could be reduced by better human resource management, training or rewards.

In Kenya, the hotel industry falls short of the industries turnover average (Republic of Kenya, Economic Survey, 2004) and still leads in employees' turnover. Another research by the ILO (2001) on labour mobility in the Kenya's hotel industry also indicated a similar trend of high labour turnover with lodges on the lead.

According to Bull (1995), tourism and hospitality industry is also known to be labour intensive. Labor intensity however varies according to the type and stage of tourism and hospitality development, infrastructural development, level and type of establishment (Erbes, 1973; Kusluvan 2003). These authors also note that, the service delivery (service encounter) and the late adoption of technology resulted to frequent labour turnover in the hospitality and tourism across the world. A large proportion of jobs in tourism and hospitality are semi skilled or unskilled with about two thirds or 64 percent of jobs in the hotel, restaurant and catering sector being unskilled or semiskilled; 6 percent in managerial, 8 percent supervisory, and 22 percent craft or skilled (Riley, 1996). Hence, the quality of tourism and hospitality jobs has been questioned due to the low skills profile of the jobs. According to Guerrier (1999) the assumptions of tourism and hospitality jobs being unskilled or semi-skilled may be attributable to the circular logic used rather than empirical measurement of the skills content required of tourism and hospitality jobs. Guerrier (1999) concludes that, if a job has low status in society and it is done by low status people, it is assumed that it must require little skill.

According to Baum (1996) and Wood (1997), tourism and hospitality employment have resulted to hotel jobs being regarded as low status jobs with low payments and poor working conditions. This is further attributed to the traditional importance and irreplaceable role of personal service. Taylor (1998) suggests that customers yearn for that personal touch and humane encounters with the employees during service. These have resulted to the industry having higher amount of human capital invested than it is in other industries.

Managers in the hospitality industry value practical and operational skills as well as on-job training, which may be acquired easily within the workplace (ILO, 2001). Therefore formal qualifications from new entrants is not highly regarded within the hospitality industry. Contrary to the above observation, a large proportion of tourism and hospitality employees are workers with formal educational backgrounds while others are part time students and those regarded as contingent workers (Hjalager and Anderson, 2001).

DETERMING LABOUR TURNOVER

The turnover levels of a section, a department or the entire organization can act as an indicator of employee morale and job satisfaction. The following formula adapted from Mercer (1988) is used in calculating turnover costs in organizational set-ups.

$$\text{Turnover} = \frac{\text{Number of (internal) job leavers in period}}{\text{Average number of employees}} \times 100$$

These turnovers may be assessed monthly, quarterly, half yearly or annually. Thus, if there were 25 separations during a month and the average number of employees was 500, the wastage rate would be:

$$25 / 500 \times 100 = 5\ \%$$

Another method of calculating controllable turnover levels is to separate avoidable from unavoidable employees departures. Unavoidable separations are those occurring for reasons over which the organization has no control such as pregnancy, illness and death.

Controllable turnover rate is then calculated as:

$$\frac{\text{Number of separations - Unavoidable separations}}{\text{Average number of employees}} \times 100$$

This method yields what is probably the most significant measure of the effectiveness of the human resource program. This is mainly because, the proportion of employee departure which management has the most opportunity to control by means of better selection, training, supervision, improved working conditions, better wages and opportunities for advancement.

RESEARCH METHODOLOGY

The study used descriptive survey research design. Research variables for this study were gender, age, level of education, training, duration in employment and hotel star-rate. Job change as the variable is presumed to be influenced by variations of conditions of the independent variables that present themselves in the work environment. An in-depth analysis of the findings was done using questionnaires. A total of five star-rated hotels were visited with 493 respondents participating in the study. Descriptive statistics such as mean, standard deviation ratio, percentile and correlation were used to present the study findings.

FINDINGS AND CONCLUSIONS OF THE STUDY

The study provides ideas and perspectives to the hotels owners to initiate employee retention programmes as human capital is the most valuable asset of all organizations. Additionally, the study also provides a guideline to the management on how to review the employees' welfare by giving better salaries, introducing flexible working hours, balancing individual work and personal life; among other incentives. The study further recommends improvement of the working conditions in the hotel sector in order to boost employees' morale as these are the ingredients to employees' commitment to the organization.

The results indicated that labour turnover was higher (68%) in three star-rated hotels compared to 13% in the five star-rated hotels. The results also indicated that training, experience, age and promotion were key factors in determining the labour turnover. Subsequently, unfavorable working conditions, long working hours with minimal pays and poor employees training policies were the main causes of labour turnover in both hotel categories under the study. The results also indicated strong positive Pearson product moment correlations among the employment duration, number years work experience and job change which ranged from -.652 to .867 where $p<.01$.

The study established that gender was a key factor in employees working in the hotels. The nature of hotels employments with working odd hours, working in shifts and the social stigma of working in the hotels curtailed many females in joining the industry (Taylor, 1998 and 2002). As a result, hotels jobs favoured male employees than their female counterparts. This cut across among the managers in both hotels with twice the number of male managers to that of female managers and a similar trend with non-managements employees.

The study also sought to establish age demographic of respondents working in both the three star-rated and five star-rated hotels.
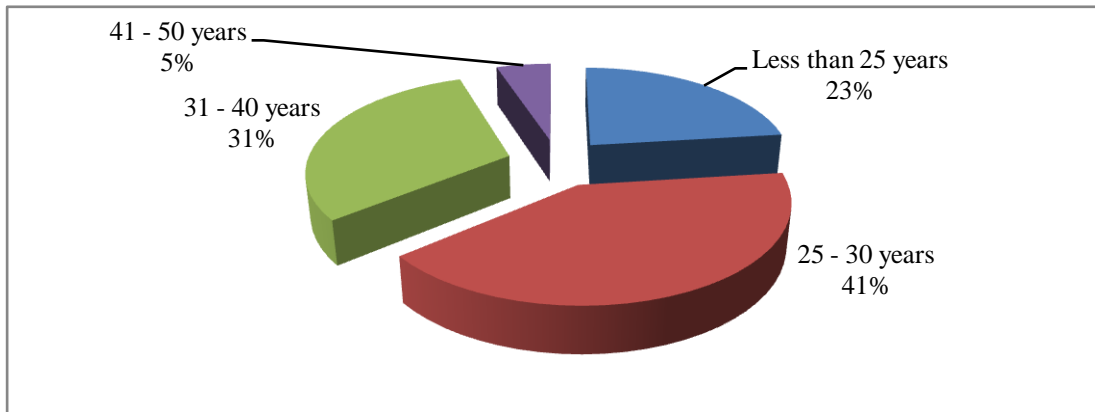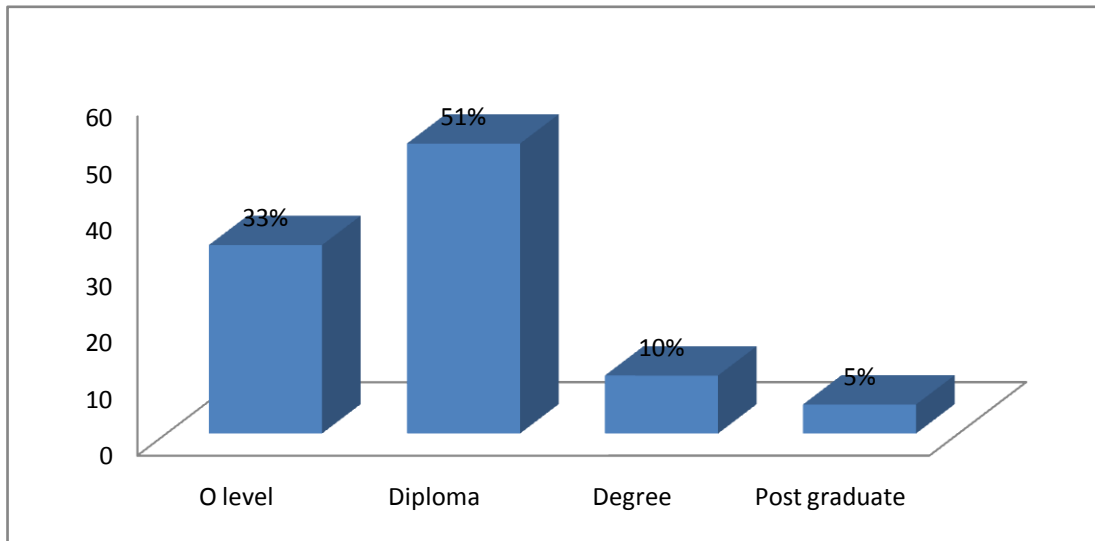

Figure 1.1 Demographic characteristics of the employees by age

Results in the above figure 1.1 indicated that majority (41 percent) of the respondents; both male and female were in the age bracket of 25 to 30 years followed by 31 percent in the age bracket of between 31 – 40 years. The figure also shows that 23 percent of the respondents were less than 25 years old and only five percent were over 40 years old. According to Lucas (1995) and the ILO report (2001), young people in their first employments have greater expectations from the current jobs and whenever such expectations are not realized within a period of less than six months, they resign to look for better opportunities.

**Demographic characteristics of the employees by level of education**

Respondents were asked to indicate their levels of education. The findings of the study are presented in Figure 1.2 below.

Figure 1.2 Demographic characteristics of the employees by level of education

The results in figure 1.2 show that, 51 percent of the respondents had diploma certificates while 33 percent studied up to secondary level (Kenya Certificate of Secondary Education) without any post secondary qualifications. The study further established that, only 10 percent were degrees holders and only 5 percent had post graduate qualifications. This is in congruence with the study by Riley (1996), that about two thirds or 64 percent of jobs in the hotels, restaurants and catering sector are either unskilled or semiskilled. According to Baum (1996) and Wood (1997), jobs in the hospitality industry are regarded as low status jobs with low payments and poor working conditions. Wood (1997) further attributes to the traditional importance and irreplaceable role of personal service found in the hospitality and tourism industry rather than the formal training the person have.

Respondents were asked to indicate the length of time they have been working in the three star-rated hotels. The results are as in the figure 1.3 below.
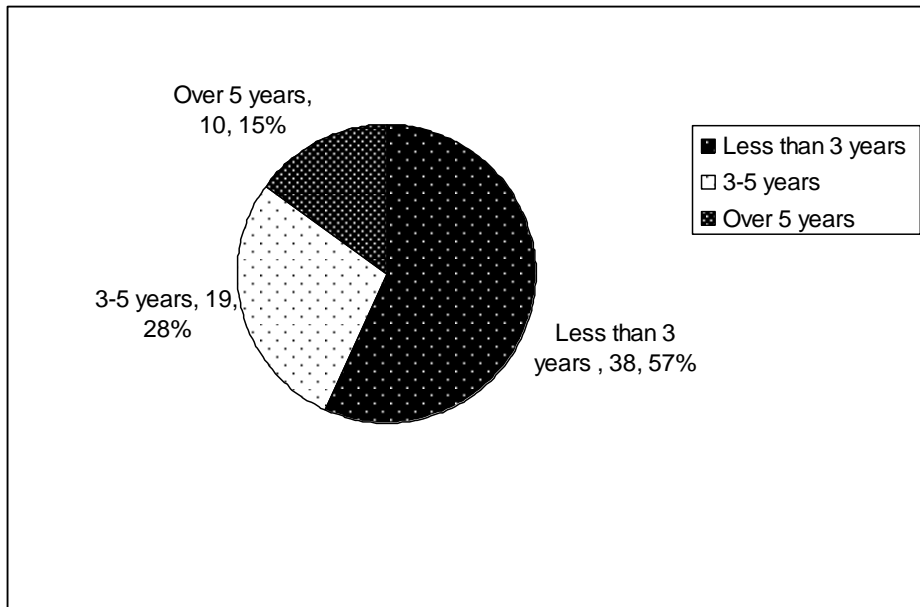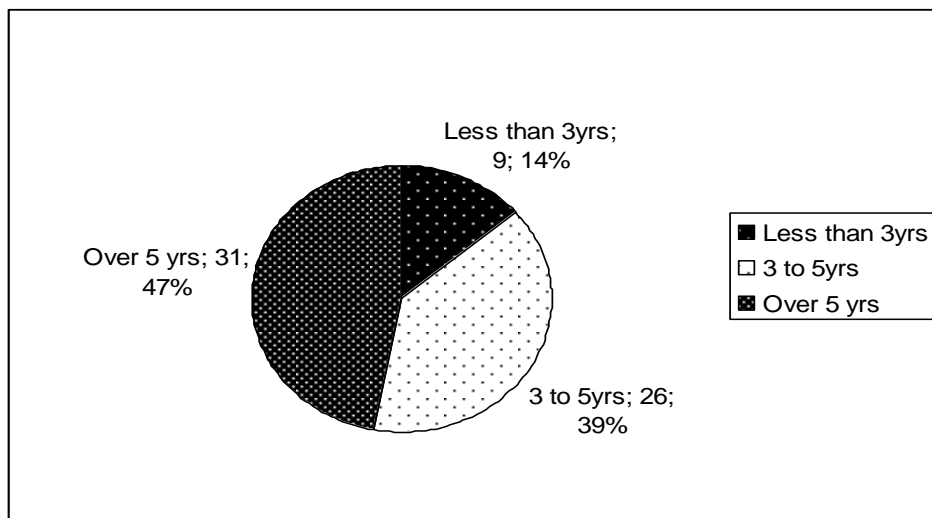

Figure 1.3 Duration of employment and turnover levels in the three star-rated hotels.

The study results indicate that 38 of the respondents (57%) had been in the current employment for a period less than three years. The results also show that 19 respondents (28%) had been working in the same hotels for a period between three and five years and 10 respondents (15%) have been in the three star-rated hotels for a period over five years. According to these results, majority of the employees do not stay long in the same employment up to the retirement age. This confirms the findings by Woods (1991) that, there is no career structure for most of hotels employees and that their jobs are perceived as dead end, making them less likely to attract long stay recruits. Meier (1991) also notes that, if a hotels employee stays in the job and moves into management levels, he/she can expect to experience more difficulties within the workplace. In the same context, Woods (1991) notes that, hospitality industry has been perceived as a 'pass through industry' where many of its workers have been passing through on their way to other careers.

Duration of employment and turnover levels in the five star-rated hotels

In this set of hotel under this study, respondents were also asked to indicate the length of time they have been working in the three star-rated hotels. The results are as in the figure 1.4 below.

Figure 1.4 Duration of employment and turnover levels in the five star-rated hotels

According to these results, 47 percent of the respondents had worked for period above five years while 39 percent of the respondents had worked for 3-5 years. Only nine of the respondents (14%) had worked for a period of less than three years. It can be observed from the results that, the five star-rated hotels compared to the three star-rated had more employees who have worked for longer periods of time. According to Mobley (1977), factors such as added responsibilities, staff training, performance and evaluation as well as the company's succession plans are suggested to reduce labour in the hospitality industry.

Variables prediction and their association

In order to determine the strength of relationships between the various variables and labour turnover levels in the two sets of hotels, the Pearson correlation coefficient was calculated.

Correlations

		Work experience	changed job	Age	Gender
Work experience	Pearson Correlation	1	-.652**	.867**	-.084
	Sig. (2-tailed)		.000	.000	.337
	N	134	134	134	134
Changed job	Pearson Correlation	-.652**	1	-.693**	-.065
	Sig. (2-tailed)	.000		.000	.457
	N	134	134	134	134
Age	Pearson Correlation	.867**	-.693**	1	-.107
	Sig. (2-tailed)	.000	.000		.219
	N	134	134	134	134
Gender	Pearson Correlation	-.084	-.065	-.107	1
	Sig. (2-tailed)	.337	.457	.219	
	N	134	134	134	134

**. Correlation is significant at the 0.01 level (2-tailed).

The study findings indicates a strong positive correlation; r (133) = -.652, .867, *p<.01*. A significant linear relation exists between age and changing of jobs. Younger people tend to change jobs within the first few years of their employment while gender was not a factor in deciding to change a job. The younger people from both genders were observed to change jobs compared to the older people with many years in one job. In this context, Wood (1991) noted that, young people are intrinsically transient and therefore keen on looking new for jobs that would satisfy their ambitions.

RECOMENDATIONS

In conclusion, this research revealed that, labour turnover was evident to be high in three star-rated hotels (68 %) than in five star-rated hotels (13%). Majority of the respondents were more willing to re-locate to the major towns where they believe better employment terms were presented. Subsequently, changing of employment terms from casual to contracts is regarded as most effective preferred. Frequent movements of employees from one hotels group to another in such of promotions and training opportunities were also noted. The study also revealed that 24 respondents (sixty eight percent) had been in the organizations for less than years while 9 respondents (twenty six percent) had been in the same organization for periods between three and five years. Subsequently, only 2 respondents (six percent) had been in the organizations for over 5 years. This indicates that majority of the respondents had not been in their current organizations for a long time.

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