

I. overview of employee turnover

Business, Management



I. OVERVIEW OF EMPLOYEE TURNOVER 1. Introduction Employee turnover is one of the recurring problems that all the human resource departments have to deal with. It seems at times that no matter what the efforts the human resource department puts in in retaining the employees, attrition never ceases. Hospitality industry is probably one among the industries where employee turnover is the highest (Paskin, 2008). The reasons for very high turnover among employees in the hospitality industry can be many. Some of them are low wages, casual employment, part-time employment, no job security et cetera. The papers discusses high turnover issues in the hospitality industry, the reasons behind the high turnover, the efforts of the human resource departments in the hospitality industry to cut attrition and the possible new moves and plans to have sustained rate of employees' retention. The paper also discusses the high turnover in the hospitality industry in the context of the lifestyle and attitudes of younger employees who constitute the major portions of the human resource and hospitality industry. The paper finally makes recommendations as to how the attrition can be reduced to a minimum and to increase the rate of attention of the employees in the hospitality industry. 2. Definition and classification *

Definition Employee turnover referred to any departure from establishment or basically, an employee leaving his/her organization for whatever reason. *

Classification * Voluntary turnover or " Avoidable" This term of turnover used when a staff starts seeking for a new job. This means he/she is ready to leave the organization. Voluntary turnover can be the result of such reasons as low salary, job dissatisfaction or other personal reasons. * Involuntary turnover or " Unavoidable" In this case, establishment removes employees

for reasons as poor performance, economic conditions, etc but not included death, illness, retirement. 3. Reasons for employee turnover * Ineffective recruitment The management that wants to recruit employees for different sections of the business needs to first identify the required skill sets in order to fulfill the job needs. More often than not, employees in the hospitality industry, especially in hotels and resorts are recruited without proper training in the required skills. While bigger hotels may opt for hospitality school graduates, the medium and small scale hotel businesses might just settle for employees with the basic skills such as endearing demeanor. The ineffective recruitment without full assessing the skills of the job applicant may lead to lack of efficiency in delivering the duties (D'Annuzio-Green et al., 2002, p49). Also, the employee may feel uncomfortable with the methods of delivering service which are hitherto alien to them. Unless the management takes initiative in training the recruits to suit the needs of the job they are given. * Low wages and long working hour Since the job market in hospitality industry is quite competitive and since the influx of part time workers can be high during college vacations, regular and dedicated hospitality industry graduates and workers may find it difficult to get a steady job with decent pay. Most of the business in hospitality industry being seasonal and if it coincides with college vacations, the managements of the industry might opt for part time workers for lower wages to meet the additional demands of the season (D'Annuzio-Green et al., 2002, p47). This may be more so in budget hotels, restaurants and bars, which want to contain the expenses to increase the profits. But this will put the dedicated professionals in inconvenience as they are made to accept the low wages of the part time workers or their

continuity of employment is threatened to say the least. While part time workers are normally paid in terms of the hours they work, fulltime dedicated workers who are on fixed salaries have to work longer hours and much more than in any other industry. A room attendant's duty may not necessarily be eight hours but can be much more than that. The long working hours put undue stress and health risks to the employees and they tend to either change their employers or try to take up another vocation. * Lack of job security The seasonal nature of tourism business tends to provide a different perspective to the management as for the human resource management is concerned. While bigger businesses employ the needed manpower and retain them throughout the year irrespective of seasons, the medium and small businesses in the hotel industry try to capitalize on the customer inflow during the season most while reducing the costs of overheads such as manpower during off seasons. Unless there is employment contract of the staff with the company, the employees of medium and small scale businesses in the hospitality industry find themselves in vulnerable situation when the customer influx is less. Seasonal nature of the hospitality industry and the resulting nature of short term employments may not be much of an issue to the younger population. But the more committed and experienced staff may find it constantly stressful when the business moves through seasons. The committed employees may often feel lack of job security and hence contemplate changing the vocation altogether rather than changing just the employer. * Customer service issues Hospitality industry mainly comprises of restaurants, hotels, guest houses, resorts etc. Being a service oriented industry the hospitality industry mainly emphasis on the way the

services are delivered. The human factor is crucial in delivering the service be it serving breakfast in a hotel room, welcoming guests in a resort or serving a beverage in a bar (D'Annuzio-Green et al., 2002, p50). Although, quality of the product served does matter to a great extent the human factor in it i. e. disposition, attitude, commitment of the bartender, waiter or room attendant do matter in making the service satisfactory to the customer. While the objective of any management in hospitality industry is to provide a caring, committed and appealing service to the customers, there can be several instances where the customers can be rude and unreasonably demanding. The management's role in such scenarios is to identify the origin of the fault i. e. to find whether the employee was indifferent to the customer needs or whether the guests were unreasonably demanding and rude (D'Annuzio-Green et al., 2002, p51).. While majority of the managements do back their employees while at the same time ensuring that they put in their optimum efforts to serve the guests, some management can be unreasonably tough with their employees in a bid to please the customers. This puts undue stress on the employees. They tend to think and feel that despite endearing disposition and unmistakable care towards guests, the employees are unreasonably targeted by both guests as well as their own bosses. Such recurrent instances can create an undercurrent of dissatisfaction and the employees may go on hopping from one job to another till they find their ideal employer. * Lack of motivation and training The employees of the hospitality industry business need to feel and act as a committed team in serving the customers. The efficient managements understand the need of worker motivation and normally introduce incentive

schemes, skill refresher programs and training across different departments (D'Annuzio-Green et al., 2002, p52). All the concerned staffs can then be expected to work in cohesion and have a sense of motivation and self-worth. However, if the managements do not realize the need of employees' motivation, rut, boredom and lack of motivation may set in amongst the employees and they may eventually opt for better employment and working atmosphere (D'Annuzio-Green et al., 2002, p54).. Lack of leadership in the top management may result in lack of motivation among employees.

Leadership with vision and set objectives for the business as well as for the employees can ensure employee retention by providing the employees a roadmap on how they can grow with the organization over a period of time.

Thus lack of motivation and training can trigger attrition. II. TURNOVER'S

INFLUENCES 1. Advantages * In general, employee turnover give the negative effect to organization, but in the other hand in some cases it really is positive effect and referred as "desirable turnover". These are some example for "desirable turnover" : * Employees who have bottom performance in work decide to quit their jobs without termination from manager. * If the bottom performers cannot decide to quit their jobs on their own then the performance management system terminates them. This action is a necessity to maintain quality of products and services. *

Replacement: an employee with an normal or lower performance can be replaced by more qualified and skillful staff. It can also refer to promotion. * Staff who has high salary but not performs better than staff who much lower paid. * The exiting staff who is a trouble or conflict maker and dissatisfied employee that requires a lot of management time. 2. Disadvantages of

turnover for establishment * Increase employment costs. * The increase of troubles of work accidents is the result of high turnover rate. In general, rate of work accidents are higher during the orientation period of new staff. * It is a waste of time, money and efforts. In case an organization has high turnover rates for long time, it is necessary to hire an expert to selecting and recruiting new employee. * Other employees have to suffer negative effect of morale, job satisfaction and motivation. Positive image is something the establishment need, and high turnover rate will destroy that image. Then make bad impression to the customers (external customers) as well as employees (internal customers). * Hiring a new qualified employee is a difficulty. * Turnover decreases the level of social relations between individuals. Somehow, this interrupts formal and informal relations of organization members. * Reducing organizations' learning levels. This related to retained knowledge and experience. Separation means loses of them and makes difficulties for new staff as well as managers or trainers. * If establishment losing employees in high season out of purposes, it will not be enough time to select, hire and train the new staffs and then have to deal with problem and complaints.

3. From employees' side * For voluntary leaver, separation payment is not accepted as well as severance. While in case the establishment terminates a person, it has to pay those fees. This varies from countries to countries. * Looking for a new job and adapting to it takes approximately 1 year or so. By the time looking for new recruitment opportunities, he/she may have economic and social problems. * Voluntary leaver losing promotion chances. * Terminated employees might have difficulties and feel uncomfortable when finding a new job. Also, after finding

their new jobs the feeling of comparison between new establishment and previous one probably cause problem. * Turnover problem occur with both employees who leaves as well as stay. Those who leave organization might suffer stressful and those who stay working can decrease their job satisfaction.

III. TURNOVER RATES AND TURNOVER COSTS

1. Hiring process * Hiring process Source : [http://www. projzilla. com/blog/? p= 27](http://www.projzilla.com/blog/?p=27)

2. Turnover rates * Turnover rates * Calculation of average number of employees:

$$\text{Average number of employees} = \frac{\text{Number of employees in the first day of the year} + \text{number of employees in the last day of the year}}{2}$$

* Common formula for turnover rate : Employee turnover rate = $\frac{\text{Number of separated employees}}{\text{Average number of employees}} \times 100$

Separations include quits, layoffs, etc. * Another common calculation : Employee turnover rate = $\frac{\text{Number of recruited employees}}{\text{Average number of employees}} \times 100$

It is necessary to making calculation of employee turnover rates on monthly or yearly basis in order to control it as well as compare with other organization or sector averages. Each organization or sector has its own tolerable employee turnover rate. Generally speaking, hospitality industry suffers highest staff turnover rates with average annual rate of 74. 6% * Stability index Employee turnover rate maybe not provide meaningful information for establishment then stability index is the additional tool for HR manager.

$$\text{Stability index} = \frac{\text{The number of employees working for last year}}{\text{The number employees recruited one year ago}} \times 100$$

3. Turnover costs Turnover costs can be approached by three factors as below: * Separation costs * Replacement costs * Training costs These factors are including in both types of employee turnover. In case of voluntary turnover, it is not necessary to pay separation

costs. This also varies from countries to countries by their policies.

- * Costs of Separation
- * Exit interview Cost of interviewer's time= Time required of interviewer prior to interview+Time required for interview x interviewer's pay rate
- Cost of time for terminated employee= Time required for terminated employee's interview x Pay rate of employee
- * Administrative functions related to termination Cost of administrative functions= Time required for administrative functions x Pay rate of responsible person
- * Separation pay All legal payments by establishments to terminated employee
- * Increased unemployment tax
- * Replacement cost
- * Communicating job availability, advertisement fee (job posting)
- * Pre-employment Screening Pre-employment screening= Time required for pre-employment administrative functions x Pay rate of responsible person
- * Entrance interview Entrance interview= Time required of interviewer prior to interview+Time required for interviewx Interviewer's pay rate
- * Testing and/or other types of assessment procedures Testing costs= Time required for testing x Pay rate of responsible person
- * Employee meetings Cost of employee meetings= Time required for responsible employee for meeting x Pay rate of responsible employee

Normally, HR manager and related department manager come together in order to accept applicant to the job

- * Medical examinations Medical examinations= Time required for medical examinations x Pay rate of responsible
- * Costs of training
- * Information document
- * Formal training program
- * Employee assignment (on-the-job-training)

These all related to orientation program with the aim of making good impression to new employees and reduce the dissatisfaction of lacking development, improvement. Obviously, investment in human and monetary resource are

required to do orientation program properly. * Optimal employee turnover rate IV. SOLUTIONS 1. Employee retention strategy * The most and foremost is put the right staff at the right place This definitely leads to employees' success as well as job satisfaction. On the other hand, this brings comfortable to exiting staffs who work with new suitable colleague. As a result, establishment can expect a high quality of food and service as well as benefit in future. * Communication Communication between superior and staff, between peers are both important. This has some advantages as follows: * Reducing stress of work. For example, from the start of each shift, the manager/supervisor make a briefing in comfortable atmosphere then all can have a good shift working together. * Release problems : conflicts and contradicts are unavoidable factors in every organization. But it can reduce by communication in the right way to make it clear then solve it. * Communication help everyone knows exactly what they have to do and no one feels that they are being left out of the loop. * Promoting a work environment which can help your employees to improve their own skills and the loyalty, passion for the job they are doing and the company as well. * Never stop training your employees, it not only help your employees become more skilled but also make them feel they are needed and important for the company so they will work harder and study harder. Individual improvement is very important for the whole organization's operation. * When the HR person interview and hire an employee, they are supposed to explain the policy about the organization to the candidate in order to make sure they know the basic information about the company. It is important for the candidates so that they can choose the right position and stay for a longer

time.. * Build a good relationship between not only co-workers but also employees and employers. In order to build the relationship there are many useful ways in the information times. Like facebook, twitter, company internal network, or social events. Making employees feel comfortable with their co-workers and bosses is a very important factor which can make them stay.. * Motivation. Motivation is a key factor for reducing the turnover. Many employees leave because they did not get what they expected which makes them feel unfair or bored in working. Bonus, encouraging words can be good motivations for employees. * Employers should pay attention to their employees. Keep informing them about their future plans, let them know the job they are doing is not a dead-end job. * Balance work and personal life-family This is incredibly important to employees. When work begins to put a significant pressure on one's family no amount of money will keep an employee around. Stress the importance of balancing work and one's personal life.

2. Conclusion Hospitality industry in general experiences very high turnover of employees. The possible reasons can be lack of job security, employment of more number of part time workers, low wages, long working hours, reduced motivation and lack of adequate screening methods while recruiting. In order to curb attrition among employees in hospitality industry, this paper recommends the managements to do proper screening of candidates while hiring in order to determine their suitability to the job and to determine their long term commitment to the organization. The paper also recommends the managements to provide a proper mix of wage and work life balance to elicit long term commitment of employees to the organization. The paper also recommends that the management recognize the need of

employees of motivation, sense of belonging. This can be achieved by conducting training courses, refresher skills and team building abilities so that the employees work as a motivated cohesive team with a sense of purpose and which in turn results in long term commitment of employees to the organization. 3. Reference sources BHA (2010), Hospitality industry is UK's fifth largest employer, viewed 29 October 2012, <http://www.bha.org.uk/2010/10/12/hospitality-industry-is-uks-fifth-largest-employer/> Dana & Tesone Abraham P (2010) Handbook of Hospitality Human Resources Management, Chapter 10, pages 197-217 Bonn, M & Forbringer, L (1992), Reducing turnover in the hospitality industry: an overview of recruitment, selection and retention, International Journal of Hospitality Management, Volume 11, Issue 1, February 1992, Pages 47—63 D' Annunzio-Green, N, Maxwell, G & Watson, S (2002), Human Resource Management International Perspectives in Hospitality and Tourism, Thomson Learning, London Dipietro, R & Condly, S (2008), Employee Turnover in the Hospitality Industry An Analysis Based on the CANE Model of Motivation, Journal of Human Resources in Hospitality & Tourism, Volume 6, Issue 1, 2007 Hoque, K (2000), Human Resource Management in the Hotel Industry — Strategy Innovation & Performance, Routledge, New York Johnson, R (2012), How to Reduce Employee Turnover by Effective Recruitment in the Hotel Industry, viewed 29 October 2012, <http://smallbusiness.chron.com/reduce-employee-turnover-effective-recruitment-hotel-industry-33538.html> Oxford Economics (2010), Economic Contribution of UK Hospitality Industry, viewed 27 October 2012, <http://www.bha.org.uk/wp-content/uploads/2010/10/BHA-Economic-Contribution-of-UK-Hospitality-Industry-Final-.pdf> Paskin, B (2008), Reduce

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