

The hong kong tourism industry



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Part B

Abstract

It is revealed that high labor turnover is a major global problem in hotel industry. The human resource management in the hotel industry is facing challenge about retaining employees and minimizes the turnover. Therefore, it is worth to investigate about the human resource management in the hotel industry.

The purpose of this study is to explore the labor turnover in hotel industry, and its associated the factors affecting the labor turnover and how to manage the labor turnover. The labor turnover in hotel industry is influenced by the work related factors, external factors and external factors. According to some statistics, the cost of labor turnover in hotel industry is very high. Moreover, some retention strategy are propose to overcome the labor turnover are discussed including training, employee motivation and employee recognition.

Section 1 : Introduction

1. 1 Reason for choice of topic

The tourism industry is the leading industry in many countries. Hong Kong tourism industry contributing \$162. 8 billion or 10. 8% of gross domestic product in 2009(<http://www.gov.hk/en/residents/>, http://www.tourism.gov.hk/textonly/english/statistics/statistics_perform.html) and Thailand tourism industry generate 6. 5% of gross domestic product in 2008 (<http://www.thaiwebsites.com/tourism.asp>). Accommodation is an essential element of tourism service and it is vital to the quality of the tourist experience, as it constitutes a major part of consumption.

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This study is to investigate the labor turnover in the hotel organization. It is general known that the hospitality industry has a major challenge about the labor turnover and staff stability rates. These problems are usually occur in the front-line staff as it is related to a lot of unfavorable working conditions in hotel, such as the long working hours, unstable working schedule and lack of promotion opportunities. Therefore, many people are not willing to enter to the hotel industry or some people have work for many years in hotel industry but shift to another industry because of those unfavorable working conditions. Besides, the human resource management in the hotel industry are facing some serious problems about retaining the employees and recruits the right people to fill in the right job. Therefore, it is worthwhile to investigate the factors that cause the front-line employees to quit the job. In addition, to discuss what the human resource management can do to retain the staff and manage the labor turnover in the hotel organization.

Another reason for choosing this topic to study is the author's want to become the human resource manager in a hotel. Therefore, it is vital that the author have a clear understanding of what challenges that the human resource management are facing and to use the specific approach to overcome those problems.

1. 2Academic objectives of dissertation

This paper aims to achieve the followings objectives:

1. To find out what is the meaning of labor turnover and have an overview of the turnover culture in the hotel industry
2. To discuss the factors that influence labor turnover in hotel industry.

3. To explain the cost of labor turnover in hotel industry.
4. To find out what the human resource management can do to managing the labor turnover.

1.3 Outline of sections

In section 1, the author talked about her reason for choice this topic and the major objectives through this project. In section 2, the authors explained the concepts of labor turnover briefly and provide an overview of the turnover culture in the hotel industry. In section 3, the author would explain the factors influence the turnover in the hotel industry and have an understanding of the cost of labor turnover. It could help to show the labor turnover is a serious problem within the industry. Moreover, in section 4, the author wants to make others understand how to manage the labor turnover in the hotel industry. Finally in section 5, would be the summary and conclusion about this project.

Section 2: Literature review

2.1 What is labor turnover?

According to Price (1977, p. 15) the term 'turnover' is defined as the ratio of the number of organization members who have left during the period being considered divided by the average number of people in that organization during the period and also each time a position is vacated, a new employee must be hired and trained. This replacement cycle is known as turnover (Woods, 1995, p. 345). Labor turnover refers to the movement of employees in and out of a business. Labor turnover affects both workers and firms: workers may need to learn new job-specific skills, whilst firms incur the costs of hiring and training new workers (Brown et. al., 2009). The new workers

may be more highly motivated and more highly skilled. Hence, turnover may enhance firm performance. However, high labor turnover causes problems for the firm as it is costly, lowers productivity and morale.

Labor turnover can be divided into two main types: voluntary, where the employees leave of their own free will, and involuntary, where the employer decides that employment should terminate. Retirement can fall into either category (Boella, 2000). Most often the voluntary turnover arises where some employees leave to escape negative work environment factors and other are pulled away from the organization by more attractive opportunities and Cheng and Brown (1998) stated that people quit their job for many reasons, but most reasons are not related to management. In recent study, the involuntary turnover can applied to those employees have a poor performance or have did some serious mistakes then the organization would encourage them to quit than fire them.

2. 2 The turnover culture in the hotel industry

Everyone knows that the hotel industry is a highly labor-intensive industry but the high labor turnover is a serious problem within the industry all around the world. Some theorists such as Mobley (1977), Price (1977), Price and Mueller (1986) identified a range of other variables such as pay, communication, social integration, reutilization, role overload, promotional opportunity, training, supervisor and co-worker support, and distributive justice as having a significant impact upon turnover.

According to the research Griffith University, the primary reason for managerial and operational turnover was voluntary resignation, followed by

an internal transfer. Performance related terminations were very low. The main motivating factors for executives, managerial and supervisory staff to change jobs, within the hotel industry, were better career opportunities and better working hours. Changing jobs outside the industry was primarily motivated by higher salaries, working hours and better career opportunities. The data suggests that higher wages and better working hours are the major drivers for managerial employees to leave. Similarly, operational staff seek better wages, better working hours and improved career opportunities.

In the pervious years, a small among of staff in hotel industry will stay for longer than five years but the voluntary turnover is gradually increase compared with the last decades. According to Kennedy and Berger (1994, p. 58) they stated that, in the hospitality industry, ' the highest turnover occurred during the first 4 weeks (in employment)'. The cause of turnover is often poor human resource decisions and the unmet expectations of newcomers.

2. 3 Factors affecting employee intent to leave in the hotel industry

There are many factors affecting employee turnover. According to a widely accepted though, employees usually quit their jobs because of lack of wages. However, many studies show that there are also many complex factors affecting employee turnover other than wage, such as the management of the company, economics, and psychology. In the following section, some factors affecting employee turnover are discussed.

2. 3. 1 Work Related Factors

The work related factors are other factors that will influence the labor turnover in the hotel industry. The following section will mainly focus on the <https://assignbuster.com/the-hong-kong-tourism-industry/>

job satisfaction, pay, working environment, work performance, promotion opportunities and the organization commitment how to influence the labor turnover.

2. 3. 1. 1 Job Satisfaction

Job satisfaction is containing the satisfaction with pay, satisfaction with the work itself, satisfaction with the supervision, satisfaction with the promotion opportunities (Khatri et. al., 2003). According to Davis (1981), job satisfaction can be defined as pleasantness or unpleasantness of employees while working. In addition, Oshagbemi (2000) has defined job satisfaction as “ individual’s positive emotional reaction to particular job”. The term job satisfaction is considered an attribute that exists as the equity of a variety of desired and non-desired job-related experiences. It is also defines as the degree of fit between the features of a job and employee’s expectations. In addition, there are researchers who view that job satisfaction is a result of both employees’ expectations and aspirations and their existing status (Clark & Oswald, 1996). When the employees with a lack of job satisfaction they will be quitting the job, and the basic reason is that they expect to have a more satisfying job. On the other hand, if the employees have a high job satisfaction, the organization will be fewer labor turnovers. Price and Mueller (1981) stated that job satisfaction has an indirect influence on turnover through its direct influence on formation of intent to leave. Another study stated that employees with higher degree of trust would have higher levels of job satisfaction in the hospitality industry (Gill, 2008).

2.3.1.1.1 Pay

According to the past study, the average annual wages of hotel are very low compare with the other industries such as the IT technology and education industry. A low starting salary is found in the frontline department in the hotel industry such as the housekeeping, Food and Beverage and front office. It was shown that dissatisfaction with pay is among the significant factors responsible for turnover (Pavesic and Brymer, 1990; Pizam and Ellis, 1999).

Pay is received by the staff and money is equivalent to staff's effort to provide service. The salary, compensation and fringe benefit received by the staff are also the pay. Therefore, if the pay is increase, it can reduce the labor turnover. The relationship between pay and job satisfaction has received considerable attention (Churchill, Ford&Walker, 1974; Lawler, 1995). The pay was the most important job attribute contributing to job satisfaction in the Hong Kong hotel industry. Therefore, higher pay is significantly related to greater job satisfaction. The staff will be more satisfied with their job when the actual pay is more than the expected pay.

The other situation that causes the staff to be more likely to leave their organization is that when they perceive that they are receiving lower salary but they know the other people elsewhere are offered better pay. Therefore, offering higher wages than competing organization will enable the organization to retain some talented worker.

2.3.1.1.2 The work itself

The work itself is a critical dimension in employee job satisfaction (Luthans, 1992; Lawler, 1995; Qu, Ryan & Chu, 2001; Groot & Van Den Brink, 1999)

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and Glisson and Durick (1988) considered the worker and the nature of the work itself as two important factors affecting job satisfaction. The internal satisfactory factors are related to the work itself, such as: feeling of achievement, feeling of independence, self-esteem, feeling of control and other similar feelings obtained from work. And the external satisfactory factors such as: receiving praise from the boss, good relationships with colleagues, good working environment, high salary, good welfare and utilities.

There is a relationship between job satisfaction and stress. Barsky, Thoresen, Warren and Kaplan (2004) argued that high level of work stress will be decrease the job satisfaction and finally leaving the organization because workers feel their job duties are difficult to fulfill. Price (1977) divided job stress into four types: lack of resources to perform, the amount of workload, the clarity of the role obligations and the role conflict. Those job stresses will also make the employees intent to quit the organization.

2.3.1.1.3 The supervision

Supervision, being one of the dimensions of job satisfaction (Rust et al., 1996), is defined from the employee-centeredness perspective, it is manifested in ways such as checking to see how well the subordinate is doing, providing advice and assistance to the individual, and communicating with the worker on a personal as well as an official level (Luthans, 1992, pp. 121-122). Some information show that, satisfaction with supervisor will influence job satisfaction positively and finally decrease the labor turnover. If the supervisor provide more concern and social support to the employees, they will be more satisfy and the turnover will be decrease.

2. 3. 1. 1. 4 The promotion opportunities

Price (2001) stated that promotion opportunities are the potential degree of movement to a higher level status within an organization. The promotion opportunities are also the important category to define the employees are satisfy or dissatisfy, because promotion opportunities are usually associated with increase the salary.

However, the result show that hotel sector are lack of promotion opportunities rather than not having enough fair promotion policy (Iverson and Derry. 1997). Due to the hotel industry are lack of promotion opportunities, it will reduce the chance to retain the talented employees in the organization. When employees suffering from unfair treatment, they will change their job attitude immediately and may quit in long run (Vigoda, 2000).

2. 3. 1. 2 The Organization Commitment

According to Pennstate (2006), organizational commitment is the relative strength of an employee's attachment or involvement with the organization where he or she is employed. Organizational commitment is important because committed employees are less likely to leave for another job and are more likely to perform at higher levels. There are three dimensions of organizational commitment, which are affective commitment, continuance commitment and normative commitment.

Turnover literature has consistently found a strong relationship between turnover and organizational commitment, indicating that employees with low commitment are likely to withdraw from the organization. Alternatively, a positive relationship has been found between organizational commitment
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and career progress or internal promotions indicating that promoted employees are more likely to exhibit higher organizational commitment.

2. 3. 1. 3 Work Performance

Employees work performance is another factor affecting labor turnover. According to a study conducted by Jewell and Siegal (2003), it was found that the employees having high performance were not willing to leave their jobs. At this point of view, if the employees having low performance leave their jobs for any reasons, labor turnover is not an important matter for the company. On the other hand, if the employees have a high job performance. Low wages, exclusion from prizes, unsuitable jobs are also among the reasons causing low performance and high employee turnover.

2. 3. 1. 4 Personal Reason

Some employees also leave their jobs because of personal reasons. A principal reason that employees leave their jobs is lack of incentives (Pizam and Ellis, 1999). Employees may simply want recognition or an opportunity in advance. For example, The Ritz Carlton Company has reduced employee turnover by focusing on quality recruitment, providing better training and orientation, establishing realistic career opportunities and creating long-term incentive and reward systems.

2. 3. 2 Demographic Factor

Most voluntary turnover models include demographic variables such as age, gender, race, tenure, marital status, number of dependents, and educational experience. However, this paper only focuses on the level of education, gender, marital status and age.

2. 3. 2. 1 Level of Education

One of the major challenges of the hospitality industry is the retention of highly educated employees. We define highly educated staff as employees who have followed a higher education program at a bachelor's or master's level successfully (Deery and Shaw, 1999). Carbery et al. (2003) noted that those more highly educated managers or non-managers are more likely to intent to make a turnover decision. One research study by (Blomme et. al., 2010), it shows that among alumni of the Hotel School The Hague who are working worldwide has shown that within 6 years after graduation about 70% of all graduates from the hotel school The Hague leave the organization in which they are working. The more highly educated staff will be less easily satisfied with their jobs than those staff with lower education level because the highly educated staff have higher expectations in job status and salary and they may not be willing to join or stay in the hotel industry. In addition, the external labor markets will provide many opportunities for those highly educated people to satisfy their high expectation on financial benefit. (Wong, Siu & Tseng, 1999)

2. 3. 2. 2 Gender

Some study noted that, the female and male have their particular behavior that would influence the labor turnover. According to a study conducted by(Doherty and Manfredi, 2001: 62), it was found that women workers leave their jobs more than men workers, because the roles of women have to taking care of children, having baby in a society and doing house work. In addition, Hersch and Stratton (1997) stated that women, especially married women, spend more time engaged in household activities and are substantially more prepared to quit their job for a family-related reason than

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men . Some women workers also do not want to return to their jobs after having baby.

On the other hand, the study conducted by Tang and Talpade (1999), it stated that males tended to have higher satisfaction with pay than females, whereas females tended to have higher satisfaction with co-workers than males. Its means that women tend to rate social needs as more important than men such as working with people and being helpful to other. Men tend to consider pay more important than do women.

Women often begin their careers with much lower expectations than men do and they are willing to take career risks and change employers to do so.

Finally, women workers usually work at the entry level jobs in hotel and accordingly get less pay than their men co-workers. According to a study conducted by Iverson (2000) in the USA, it was found that women managers in hotel got very less wages than men managers whether in the beginning or top of their careers. In a similar study, it was found that men workers got more wages than women workers got (Burgess, 2000). It was also found that in order to balance the wage differences among men and women workers, basic and routine job were given to women workers than men workers.

2. 3. 2. 3 Marital Status

According to Pizam and Ellis (1999), it stated that marital status could influence labor turnover. Those married employees are most concerned with the balance between their work and family life. Hom and Griffeth (1995), stated that married employees will not want to have a voluntary turnover. Because they have many concerns about the financial needs for their family.

If they cannot afford the long and unstable working hours, they will tend to give up the job. However, this issue mostly occurs on women. Therefore, they will have more time for family life and take care of their child.

On the other side, the unmarried employees will consider factors related to their jobs such as promotion opportunities and organization commitment more than those married employees (Wong, Siu & Tsang, 1999). Therefore, they are less satisfied with their job than married employees.

2. 3. 2. 4 Age

In recent study, Hartman and Yrle (1996) points out that the Generation Y employee mostly creates the labor turnover in hospitality industry. In addition, the study conducted by Iverson and Deery (1997), it stated that younger employees have a higher propensity to leave than older employees. The problem was arisen in this decade; as the employees born in the baby boomer are retire gradually. The baby boomer is anyone born between 1946 and 1964. They have been through periods of war; therefore have less opportunity in education institutions. They tend to demand more stability in their workplace, and they are very loyalty to their employees. On the other hand, the Generation Y employee who was born between the years 1979 and 1994, they can adapt the changes easily and seek a higher standard of life therefore, they consider more about their interest in the work. Furthermore, they usually change their job, as they want to gain more experience and make their life more diversity.

2. 3. 3 External Factors

The external factors are the factors that we cannot control and very difficult to predict. Some of these factors include political shifts, legislation, new or <https://assignbuster.com/the-hong-kong-tourism-industry/>

modified regulations, global economic conditions, technology changes and major mining disasters.

In some study, the hotel industry is quite easily influenced by the global economic conditions. The economic situation could predict most of the labor turnover within the industry. Therefore, the unemployment rate affects the employee's perception on job satisfaction. If the economic is down turn, the employees who perceive a high level of job dissatisfaction, they may still stay in organization because they don't want to lose their current job and also the job market is a lack of opportunities for them to get a better job. On the other hand, if the economic condition have improve, the employees will leave the organization immediately to find a better job. Therefore, it may create the high level of labor turnover when the economic have improved. In the later part of the literature will focus on how to manage the labor turnover in order to minimize the labor turnover within the hotel industry.

2. 4 The cost of labor turnover

In the previous section, some of the critical factors that affect the labor turnover are discussed. The following section will focus on the cost of labor turnover and its impact. Labor turnover is a significant cost to hotel and it may be the most significant factor affecting hotel profitability, service quality and skills training. (Davidson et. al., 2009). The cause of labor turnover is multidimensional, such as low morale, low productivity, low standard of performance and absenteeism.

According to the statistics from TTF Australia(2006), the annual cost of replacing managerial employees was \$109, 909 per hotel and the annual

cost of replacing operational employees was \$9, 591 per employee. The total annual cost of turnover (\$49M) equates to 19. 5% of 64 surveyed hotels total payroll costs (\$250M). Another study stated that the Marriott Corporation alone estimated that each 1% increase in its employee turnover rate, costs the company between \$5 and \$15 million in lost revenues (Schlesinger and Heskett, 1991). Therefore, the cost of labor turnover is very high.

Labour turnover is not only a significant tangible dollar cost but also an intangible or ' hidden' cost associated with loss of skills, inefficiency and replacement costs (Lashley & Chaplain, 1999). The direct impact of labor turnover will cause financial suffering such as administrative cost and Lashley (1999) refers to lost investment in training and lost staff expertise as particular examples of turnover costs and opportunity costs. For the indirect impacts caused by high labor turnover are lack of manpower, poor quality of service and low morale of employees and also if turnover increases, service quality may decline as it takes time and resources to ' back fill' departing employees, especially at busy hotels (Lynn, 2002).

Labour is a significant cost and the leakage of human capital through unnecessary turnover is an element of critical importance to bottom line performance. A number of HRM practices have been suggested as potential solutions for turnover, such as investment in training, offering organisational support, adopting innovative recruitment and selection processes, offering better career opportunities (Cheng & Brown, 1998; Forrier & Sels, 2003; Hinkin & Tracey, 2000; Walsh & Taylor, 2007; Walters & Raybould, 2007) and adopting measures to increase job satisfaction and commitment.

2. 5 How to manage the labor turnover in the hotel industry?

High staff turnover is the common problem in hotel industry, it is also a major factor affecting workplace efficiency, productivity, and hotel cost structure. Labor turnover represents a challenge for contemporary HRM strategies and practices. Therefore, in this section, it will turn to focus on how to manage the labor turnover from the human resources perspective.

In the previous section, the cost of labor turnover in the hotel is discussed. The total annual cost of turnover (\$49M) equates to 19. 5% of 64 surveyed hotels total payroll costs (\$250M). The turnover cost are very high, thus the awareness of the importance of employees staying with an organization is evident. Hinkin and Tracey (2000) advocate that hospitality executives who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention will outperform the competition. Effectively designed and well implemented employee retention programs that increase employee tenure more than pay for themselves through reduced turnover costs and increased productivity (Hinkin and Tracey, 2000).

According to 2500 supervisors, managers and executives within this sector, the top five most important aspects a company can provide to retain their people are as follows: communication, Leadership, Career path, development and understanding aspirations and helping the individual towards achieving them.(Baum , 2006) This shows that, the employee are highly concern for this five elements to determine their job satisfaction. Therefore, when HRM design for a retention scheme, they can consider those five elements before their decision.

2. 5. 1 Training

In organizations where employees receive the proper training needed to assume greater responsibilities, turnover rates are generally lower. Several studies show that training activities are correlated with productivity and retention (Delery and Doty, 1996; Huselid, 1995; Kallenberg and Moody, 1994; MacDuffie, 1995; Shaw et al., 1998; Terpstra and Rozell, 1993; US Department of Labor, 1993, Walsh and Taylor, 2007; Youndt et al., 1996).

Staff is a unique asset in the company. Therefore, many hotel have invest a huge number of money per year for staff development. Because they realize that provide training to their employees would enhance the organization produtivity and improve their job performance. For the long-term purpose, training can solve the problem of high labor turnover in a hotel.

Moreover, the hotel industry are now have a general shortage of the middle management staff. Therefore, the training should be around to develop and train new management personnel. For example, in 2004 Shangri-La Hotel & Resorts' Shangri-La Academy was born, this is a full-time facility that handles internal training for progression up the ranks. In addition, the Intercontinental Hotel Group also launched an in-house training center in order to groom their high potential employees to take on managerial positions within their company. Those measures of the Shangri-La Hotel and the Intercontinental Hotel Group is to do the retention of their employees and confront the trend of shortage of experienced staff and try to minimize the labor turnover.

2. 5. 2 Motivate the employee

Staff motivation is as vital to success as any skill or personal attribute and its also plays a key role in staff retention. Motivation is the process by which a person's efforts are energized, directed, and sustained toward attaining a goal.(Stephen & Coulter, 2006: 482) . Staff motivation is a key element in retaining staff and help them increase the job satisfaction thus the labor turnover rate may be decrease.

It is essential for the management of hotels to develop efficient HRM polices and practices that enable them to motivate competent employees who can contribute to the achievement of