

Determinants of Labor Turnover of Lower Level Employees in Sri Lankan Hotels: A study of Club Palm Bay and Rosen Renaissance Hotels

R.S.S.W.Arachchi¹ and H.M.C.G.Bandara²

¹ Department of Tourism Management, Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, P.O Box 2, Belihuloya. rangana@sab.ac.lk

² Department of Business Management, Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, P.O Box 2, Belihuloya. bandarac@sab.ac.lk

Abstract

Tourism and hospitality is an experience, a human activity and interests in multiple products of experiences, accommodations, attractions and amenities, i.e. Tourism has many suppliers or many components, which need harmonization. Since it is a labor intensive industry, the labor work force plays a significant role in the accomplishment of the industry.

This research aims to explore the factors affecting higher labor turn over of lower level employees who are working in the operational areas under the supervision of first line managers in the hospitality industry. The study was conducted as a case study, selecting 55-sample size covering the employees in the Rosen Renaissance Hotel and Club Palm Bay Hotel in Sri Lanka. The survey results have highlighted inadequate salaries, promotional barriers, natural disasters, recognition of the job and decrease of job security, employment avenues in Middle East and Europe and other personal problems as the major causes for the labor turn over in lower level hospitality industry employees.

Finally, the research reveals that the Industry success depends on performances of both employees and employers. If both parties expectations are met this will lead to reduced labour turn over in the industry.

Key Words: Tourism and Hospitality, Labor Turn over, Lower Level Employees

Introduction

The Tourist hotel industry is the major income earning source in Sri Lanka. A large number of employees are engaged in this tourist hotel industry in Sri Lanka. The responsibility of these establishments is to cater tourists. A fulfillment of the above requirement depends on the human resource, facilities and the service quality of the hotel. However, because of the high labor turn over, the industry is unable to provide a satisfied and quality service to the customers to meet their expectations.

In the tourism and hospitality industry, most of the hotels are suffering from high labor turnover, especially in the ground level operations. Therefore, this study problem is frequent but the causes can be varied from country to country or from hotel to hotel. For example, causes of labor turnover in a beach resort would entirely be different from the causes of labor turnover in a health resort.

Due to infantry nature of the tourism industry and the deficit of experts in the field, Sri Lanka is lacking of doing researches on tourism industry, especially in human resource management field. Therefore, this study is significant, commencing a research in least popular area. Moreover, the other thing is the complaints of personal managers and general managers of tourists' hotels in Sri Lanka, because they are suffering heavily on the problem of labor turnover. In addition, these people believe that it creates high cost to the hotel and impacts to the service quality. Therefore, the study results would merely helpful to maintain a desirable working environment within the hotel.

The purpose of the study is to learn more about the high labor turnover in the tourism industry with special reference to tourists' hotel industry and to find out the impacts of it on operations of the hotel. Further, it is expected to apply the results of the study to maintain a desirable environment within hotels in the tourism industry. The study expects to evaluate the causes of labor turnover of ground level employees. It leads to a recommendation for building up a good relationship between employees and employers. Managers can adjust their plans and regulations to achieve their targets successfully.

Problem Definition

Based on the above situation the researcher has defined the problem statement for the study as follows.

“What are the factors that have influenced for increasing higher labor turn over among ground level employees in the hotel sector?”

Objectives of the Study

The researcher has derived the following research objectives based on the above research problem in order to simplify the research study.

- To identify the causes of high labor turnover of ground level employees in the tourist hotels.
- To calculate the cost of labor turnover.

- To examine the way and present an independent report to make recommendations on a desirable human resource management strategies to mitigate the high turn over in the tourist hotels.

Literature Review

Labor turnover is an important parameter indicating the overall health of an industry or an establishment in terms of wages, industrial relations, working conditions and other welfare facilities provided to workers. Labor turnover 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.

The highest rate of labor turnover tends to be among those who have recently joined a business. Longer serving employees are more likely to stay and have an established relationship with those around them. Since turnover is the movement of employees in and out of a business, it shows the number of leavers in a particular period as a percentage of the number of employed in the period (Graham and Bennet, 1995).

Labor turnover reflects the speed of reallocation of labor in the economy, this may result from the dynamics of job creation and job destruction as well as from moves of employed persons among existing jobs and moves from unemployment and inactivity to employment in a given set of jobs and vice versa (International Labor Organization, 2001/2003).

“Turnover is highest among workers in the wholesale and retail trades, hotels, restaurants and leisure sectors. This is hardly surprising given the low average wage rate on offer to employees in these jobs. High labor turnover causes problems for business. It is costly, lowers productivity and morale and tends to get worse if not dealt with” (Wilkinson, 1999).

The tourism labor market is different from other industrial sectors. The elementary occupations within the industry are significantly higher than the average for other industries; however, It must not be confused elementary occupations with low skill occupations. The myriad of skills one needs to work successfully in a bar or restaurant is testimony enough. Whilst this report and others show that, the overall level of training within tourism is comparable to other sectors. Labor turnover within the sector continuous to be substantially higher than the industry average. Tourism employers need to calculate the real cost of this turnover as recruitment, training, low productivity and reduced capacity to deliver all have direct impacts on profitability (Halifax, 2003).

In the tourism industry both leaver and labor turnover rates are nearly double those in other industries meaning that over a period of 12 months, there have been a greater proportion of people leaving and joining workplaces, than in other industries (UNSD/TSB, 2007).

“The historical analysis of labor turnover is relied upon two types of data. The first type consists of firm level data on turnover within a particular work place or government collections (through firms) of data on the level of turnover within particular industries or geographic locales. If these turnover data are broken down into their components quits, lay offs and discharges a quite rate model developed by parsons in 1973 can be employed to analyze the worker initiated component of turnover as it relates to job search behavior (Oxford university, 1992).

The second turnover data is generated using employment records or governmental surveys as the source for information specific to individual workers. Job histories can be created with these data and used to analyze the impact or individual characteristics such as age, education and occupation on labor turnover, firm turnover and occupational experience. Analysis of this type of data typically employs a “hazard” model that estimates the probability of a worker is leaving a job as a function of individual worker characteristics” (Carter and Savoca, 1992).

The former source of information has become less comprehensive and reliable; first, it covers only enterprises exceeding a certain size of employment. This differs by country but may also differ by sector within one country. This is a considerable limitation as the share of small and micro firms and self employed in hotel employment has escalated during economic transition second the quality of data delivered is often poor.

Privatization and enterprise restructuring, as well as enterprise mergers and actuations, may also cause considerable data bias, as both newly established or privatized entities and the old ones may formally recruit or lay off workers who infect do not change their jobs(Ludwig, 2001).

Methodology

The researcher has carried out the study using the mixed methodology of quantitative and qualitative. Therefore, survey and unstructured interviews have been used as the data collection tools for this research study.

A twenty five employee sample from The Club Palm Bay Hotel, Marawila and a thirty employee sample from The Rosen Renaissance Hotel, Kataragama have been selected for this research.

The Sample and Sampling Procedure

A sample of 55 lower level employees is selected from the population of tourist hotel sector employees in Sri Lanka. It includes the positions stewards, kitchen helpers, housekeeping and front office assistants, porters, banquet staff, restaurant helpers, and laundry staff.

In line with the objectives of the study and in order to ensure an equitable representation of the targeted population, purposive and non probability, sampling methods were employed to select the 55 respondents to capture views of ground level employees from The Rosen Renaissance Hotel and The Club Palm Bay Hotel. In addition, 20 former employees have been selected representing both hotels to get their views on their jobs. This brings the total sample to 75 persons.

Data Collection

Both primary and secondary data have been adopted as the major source of information. Primary data is collected by using two methods such as personal interviews with the employees and by using questionnaires. The questionnaire with both closed and openended questions obtained both quantifiable and qualitative data. Secondary data collected from the respective research articles, unpublished researches, publications, annual reports and journal articles

Data Presentation

Data presentation is based on the details collected from the survey. The age limits, civil status, educational level, salary scale and the reasons for change the job are identified using different scales and graphs.

Data Presentations of the Club Palm Bay

Normally, the hotel has a considerable age variation but more employees are in between 20-39 age limit (Table 1).

Table 1: Age Level of the Lower Level Employees (The Club Palm Bay)

Age level of employees		
Age level	No. of employees	%
Below 20	-	-
20 - 39	15	60%
30 -39	7	28%
40 - 49	-	-
50 - 59	3	12%
Above 60	-	-

(Source: Sample Survey)

Hotel management considers the strength and performances of the employees rather than age. According to the area which research carried out, it shows that there is not much variance in civil status (Figure 1).

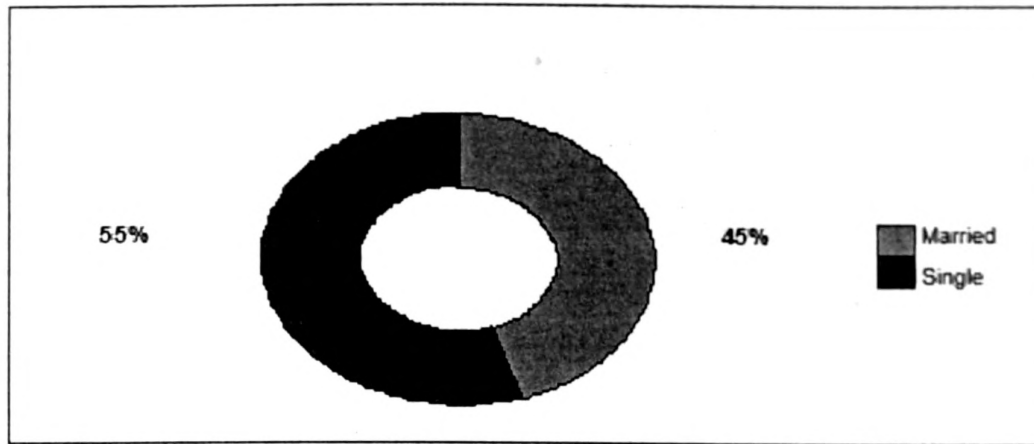


Figure 1: Civil Status (The Club Palm Bay)
(Source: sample survey)

Table 2 shows the Education Level of the lower level employees. Education levels are launching to middle scale. It means it flows in between O/L, A/L and Diploma. 56% Of employees have been passed O/L and 62% having A/L qualifications. 8% of employees have hotel school or other professional qualifications. According to the survey results, it caught that there is a problem of English speaking among ground level employees. That is due to the lack of exposure to the English speaking environment and negligence to study English as a secondary language.

Table 2: Education Level of the Lower Level Employees (The Club Palm Bay)

Education Level of Employees		
Education Level	No of Employees	%
Below O/L	-	-
Ordinary Level	14	56%
Advanced Level	9	36%
Diploma	2	8%
Degree	-	-
Masters/PhD	-	-

(Source: sample survey)

The Figure 2 shows the distribution of salaries of the hotel employees surveyed. According to this figure, no one has below 2500 Rs salary but 60% of are having 2500-5000 salary with basic and service charges. Normally, the tourism industry has a very low basic salary compared to other sectors. After the tsunami disaster in Sri Lanka, the hotel has reduced the service charge too.

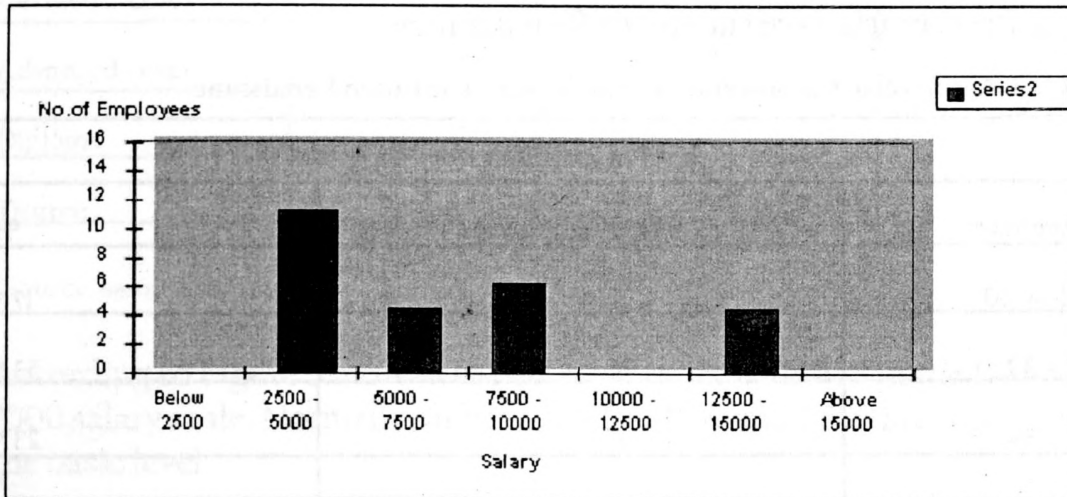


Figure 2: Salary Scales (The Club Palm Bay)
(Source: sample survey)

Around 55% of the lower level employees in the hotel are willing to leave the hotel. However, the major reason is the insufficient salary. 32% of them are not satisfied with their salaries. 16% of employees are having doubts about their job permanence and 24% of employees like to migrate to other countries like Dubai and Italy. 16% of employees have suffered from lack of job recognition and job security and other 12% of employees have problems in their department like shifting systems (Figure 3).

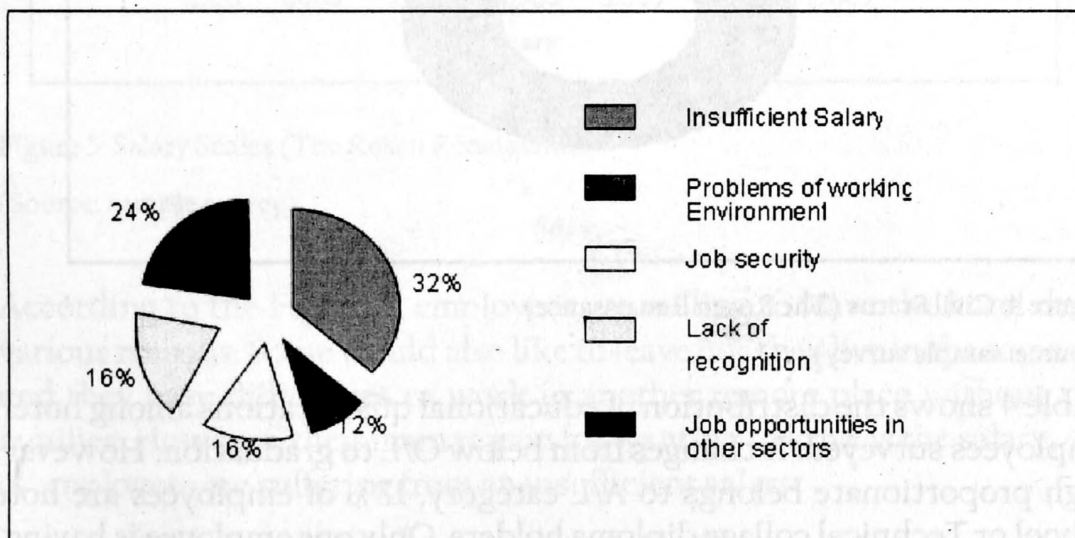


Figure 3: Reasons for potential Labor Turnover (The Club Palm Bay)

According to the Table 3 the hotel has both young and mature people. However, young crowd represents around 70% of these employees. There is not a big variation in the civil status of the hotel employees. However, around 60% of the employees are still single and around 40% have been married (Figure 4) When conducting the study, it was found in between 20 - 39 people are not still married. This also affects the labor turnover.

Data Presentations of the Rosen Renaissance

Table 3: Age Level of the Lower Level Employees (The Rosen Renaissance)

Age level of employees		
Age level	No. of employees	%
Below 20	5	17 %
20 - 39	16	53 %
30 - 39	7	23 %
40 - 49	2	7 %
50 - 59	0	0 %
Above 60	0	0 %

(Source: Sample Survey)

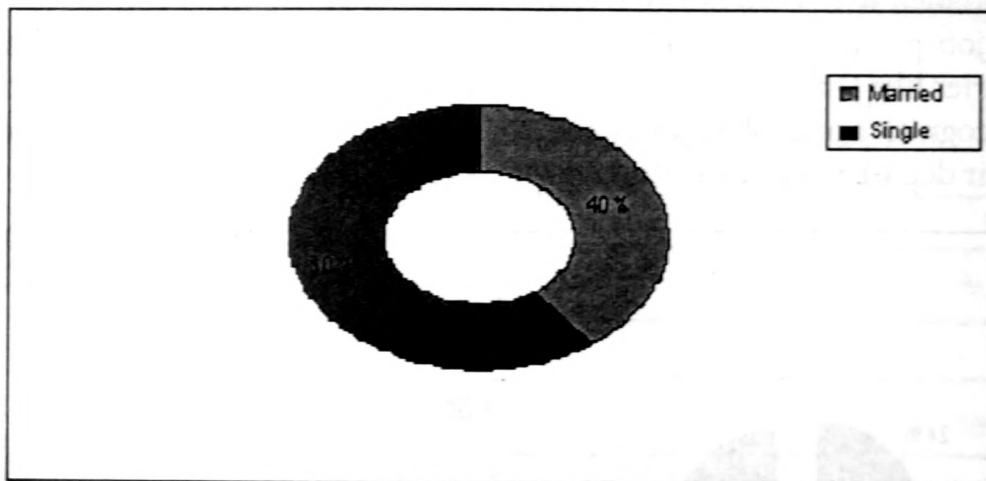


Figure 4: Civil Status (The Rosen Renaissance)

(Source: sample survey)

Table 4 shows the distribution of educational qualifications among hotel's employees surveyed. It changes from below O/L to graduation. However a high proportionate belongs to A/L category, 17% of employees are hotel school or Technical collage diploma holders. Only one employee is having a basic degree.

Table 4: Education Level of the Lower Level Employees (The Rosen Renaissance)

Education Level of Employees		
Education Level	No. of Employees	%
Below O/L	1	3
Ordinary Level	14	47
Advanced Level	9	30
Diploma	5	17
Degree	1	3

(Source: sample survey)

According to Figure 5 most of the employees are included in the Rs 5000 – 7500 salary scale. Normally, in between Rs. 2100 and 2500 is considered as the basic level.

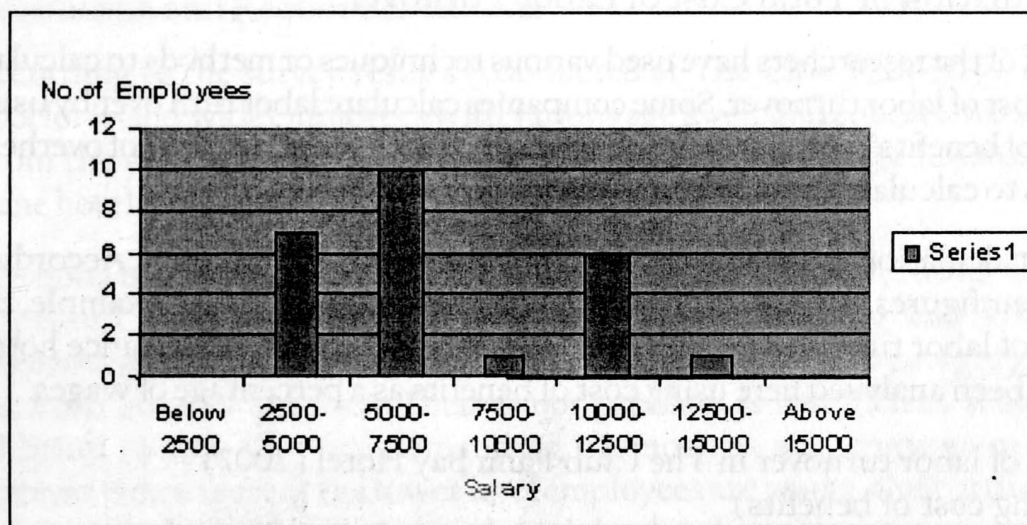


Figure 5: Salary Scales (The Rosen Renaissance)

(Source: sample survey)

According to the Figure 6, employees are willing to leave the hotel due to various reasons. Some would also like to leave but they live in the same area and they have difficulties to work in another remote place without their families. However, their main reason for wanting to leave is the salary, 49% of employees are suffering from an insufficient salary.

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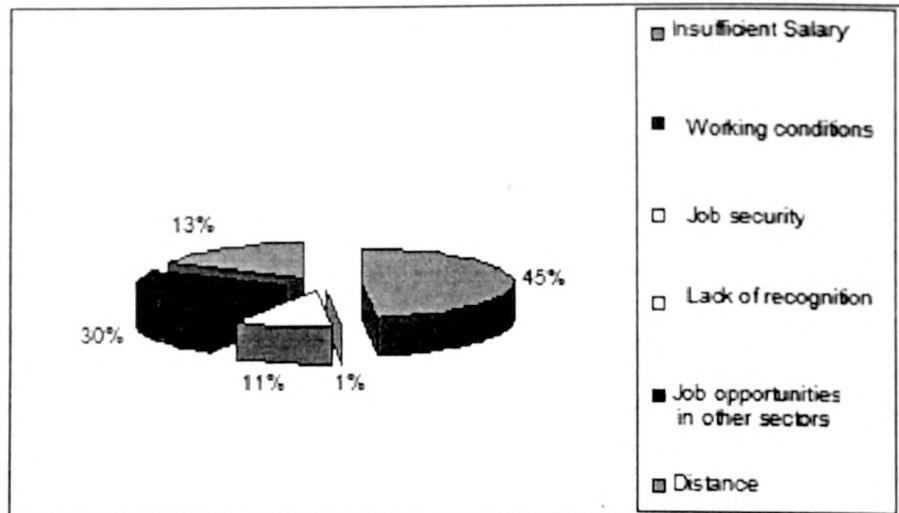


Figure 6: Reasons for potential Labor Turnover (The Rosen Renaissance)
(Source: sample survey)

Data Analysis

Calculation of Total Cost of Labor Turnover

Most of the researchers have used various techniques or methods to calculate the cost of labor turnover. Some companies calculate labor turn over by using cost of benefits as a percentage of wages and some use percentage of overhead costs to calculate the labor turn over:

This calculation uses the secondary data provided by two hotels. According to their figures, validity of the calculations is remained. As an example, the cost of labor turnover in The Club Palm Bay and Rosen renaissance hotels have been analyzed here using cost of benefits as a percentage of wages.

Cost of labor turnover in The Club Palm Bay Hotel (2007)
(Using cost of benefits)

Annual wage for a lower level Employee (approx :)	= Rs. 80755
Cost of benefits as % of wages	= 23.6%
The total cost per a lower level Employee	= Rs. 60937.50 × 23.6%
	= Rs. 19058.18

Total no. of lower level employees left = 93 (Based on the statistical report of The Club Palm Bay Hotel 2007)

Total cost of turnover	= Rs. 19058.18 × 93
	= Rs. 1,772,410

Cost of labor turnover in The Rosen renaissance Hotel (2007)
(Using cost of benefits)

Annual wage for a lower level employee	=	Rs. 60937.50
Cost of benefits as % of wages	=	25.7%
The total cost per an employee	=	Rs. 60937.50 × 25.7%
	=	Rs. 15660.93
Total no. of employees left	=	84
Total cost of turnover	=	Rs. 15660.93 × 84
	=	Rs. 1,315,518

According to the results, Rosen renaissance implies low cost of labour turnover rather than the Palm Bay hotel. This happens as a result of giving some benefits to retain employees with the hotel.

Ex: Staff allowances, Staff meals, Casual wages, Staff uniforms, EPF (Employees Provident fund), ETF (Exchange Trade Fund), Medicine.

Conclusion and Recommendations

According to the survey results (conducted at The Club Palm Bay), it is a pool for island wide employees with various age levels and educational levels. From the staff around 52% of employees started their career life from the same hotel.

The hotel had 50% labour turnover during 2006. This labour turnover mostly appeared from restaurant, front office, house keeping and kitchen departments. And the majority of the employees in this category is in between 20 – 39 age area. Their major problem is insufficient salary. In addition to this they are demanding promotions and convenient shift systems. Since most of the lower level employees are young, their attitude is not ready to bear the pressure and work load and also they are expecting a salary that reflects their hard work. However, there are some people who are wishing for the success of the hotel and they do not like to leave from there but they expect dignity to their positions and salary increments.

The hotel is spending a lot on their trainee staff; money, effort and time. But after the six months period they tend to leave from the hotel.

According to the survey results, the following possible reasons could be identified to raise the labour turnover in the Club Palm Bay.

- Insufficient Salaries
- Promotional Barriers
- Indiscipline and Dishonesty

- Governmental Employment Movements.
- Employment Avenues in Middle East and Italy
- Other personal Problems

In compare to the survey results conducted at The Rosen Renaissance 60% of employees are from Southern province.

As in Club Palm Bay, the major force of the hotel is employees between 20 – 39 age levels, around 60% of employees are not yet married. That is another reason to leave the hotel industry. Since they want to have a good family life, employees are seeking other job opportunities. They believe that the environment of the hotel, job security, salary, distance and freedom of the job are as barriers to have a good family life.

However, the labour turnover at The Rosen Renaissance has been rapidly increased after the tsunami devastation. According to the hotels' calculations, currently they are experiencing 22% labour turnover. This is mainly occurred in a few Departments like kitchen, security, house keeping and restaurant.

Around 48% have the same problem of insufficient salary as to the case in Club Palm Bay. Also some people like to change their job to another sector like Telecommunication and Garment. 17% of employees have transportation problems too. However, at this moment 96.7% of employees are willing to leave from the hotel.

At the end of the survey the researcher identified a number of reasons affecting the high labour turn over among low level employees in hospitality sector that can be generalized to the whole tourism industry. This will be helpful for the tourism entrepreneurs to recognize major determinants that influence the lower level employee turn over when they are starting new ventures in the field of hospitality.

Recommendations

-Both hotels should increase the quality of their training programs. In addition, it is important to commence an induction program during the training period with full cooperation of personal department, and it should be noted to provide a day program with full facilities, which you provided to your guests. The agenda will be directed to cope with the morale of employees, it should be capable of cultivating good quality thoughts about the hotel and its' management. It should invite trainees to cope with hotel's culture.

-It is important to practice good Personnel Planning procedure for both hotels. They can plan their human resource activities in line with following procedure.

1. Forecasting future employee demand
2. Estimate the supply of employees
3. Comparison of both of the above
4. Develop strategies to be taken
5. Assessing man power planning effort a human resource planning

- At the beginning of the accounting year, the establishment can forecast their employee demand using seasonality, past experiences, changes of the internal labor force.

- When recruiting employees to the hotel it is beneficial to select people who are living around the hotel. This is more practical with the case of The Rosen Renaissance because the researcher met some employees who have more experiences even in foreign countries but they are staying here due to their families living around area.

- The Club Palm Bay also experiences the labor turnover mostly in few departments. Therefore, they should forecast unit demand and supply of the hotel. An increment of service charges will be helpful to keep employees with the hotel and the hotel should have a policy for promotions according to the experience or performance.

- Finally, it is important to notice that selecting the most appropriate people for the positions is the only way for both hotels to survive from this high labor turnover. Sri Lanka has a large labor market. Therefore, hotels should try to promote and select people who are interested in the field. It is better to recruit them than recruiting job seekers.

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