Factors that influence labour turnover intentions in the hospitality industry in Ghana

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Abstract

Employee turnover is a problem for organizations and is one of the challenges facing human resource managers. This study seeks to determine the factors that influence labour turnover in the hospitality industry. A descriptive, cross-sectional survey was conducted among 80 purposely selected employees in the hospitality industry in Ho, Ghana. Logistic regression analysis was used to identify the factors that influence employee labour turnover in the hospitality industry. Results show that six (6) factors: V3 (Job Insecurity), V4 (Job Dissatisfaction), V5 (Lack of Organizational Commitment), V6 (Poor Working Condition), V7 (Better Job Option), and V14 (Job Stress and Unfair Treatments) were statistically significant in the prediction of employee turnover in the Hospitality Industry with a predicted turnover rate of 70.31%. It is suggested that management should be committed to establishing sound and effective retention strategies through the provision of effective remuneration policies, better working conditions, establishing good communication lines between management and employees and providing opportunities for training and development. Also, they should establish feedback system for finding out what employees think about their jobs, their attitudes towards their jobs, what motivates in giving of their best and what kinds of organizational practices demoralize and eventually push them out of the industry.

Keywords: Employee, labour, turnover intentions, logistic regression, Ghana

Introduction

The hospitality industry is a service-based industry that is continuously growing on a national and global scale. As a service-based industry, there is a high dependency on the work force and with labour turnover rates being the highest in the hospitality industry compared to other industries, there is an understandable cause for concern, (Iverson & Deery, 1997).

Labour turnover refers to the movement of employees in and out of a business. However, the term is mainly used to refer only to “wastage” or the number of employees leaving. Labour turnover is said to be the ratio of leavers to the average numbers employed in the cause of the year or a given period (Iverson & Deery, 1997). High turnover is however, said to be occurring when the number of employees leaving the work place and vacant positions replaced become too rampant. High labour turnover may cause problems for business. Labour turnover might be costly, lower productivity and moral, and may tend to get worse if not dealt with. Furthermore, available evidence indicates that service sector workers quit their jobs, usually as a result of unsatisfactory situations such as low motivation, low pay and poor conditions of service (Ologunde, Asaolu & Elumilade, 2006). The hotel business, an aspect of tourism, is a labour-intensive and quality driven service industry, and the most important ingredient is the employee
who provides the service. The quality of personnel determines the quality of the product served to the customer and therefore the success of the industry. The competitiveness and productivity of the industry also depends primarily on the availability, skill levels and professionalism of its employees. Consequently, the constituents within the Hotels, Restaurant and Catering sector recognize that education, vocational training, and human resource development are necessary to ensure their future. In support of this, the World Economic Forum in its T&T Competitiveness Report (2006) sees good management of human resources as one of the key drivers for competitiveness across the industry. However, it has been recognized that the Hotel, Catering and Tourism sector of the industry suffers from high levels of labour turnover. This provides a constant challenge for employers, limits the ability to maintain a skilled workforce and results in enhanced costs.

Companies now recognize people as the only true source of long-term sustainable competitive advantage and as the primary force, which if properly motivated and directed, enhance quality, pioneer innovation, drive the proper utilization of resources and increase customer satisfaction. In brief, human capital plays an important and critical role in the outcomes of a firm’s financial performance. When employees leave the organization, they take with them their knowledge, skills and abilities that helped contribute to goals, profit and performance of the organization. Thomas Watson -founder of IBM (as quoted by Bohlander, Snell & Sherman, 2001) says, one can get capital and erect buildings but it takes people to build a business. Consequently, every organization has to ensure that sufficient numbers of the appropriate caliber of human resource (people) are readily available to the organization in its effort to achieve its desired goals.

According to Schuler (1992) managing human resources effectively has become vital to organizations of the twenty-first century. This, he states, is as a result of heightened levels of global competitiveness that have alerted all firms to the fact that all their resources must be utilized better than before. Human resource management has received much attention because of the recognition that much more could be gained from a better handling of the field. As a result, academics and human resource professionals together, have identified several human resource activities that are critical for organizational survival. Survival, to them, can only be enhanced by the ability of effective human resource management to attract, retain, motivate and retrain employees. These goals have become particularly important because of the rapidly changing environmental forces such as global competition.

Most organizations are also designed to enhance individual efforts for high performance. However, in a working environment where employees leave an organization either voluntarily or involuntarily for other jobs, there is bound to be a negative impact on its performance, profitability as well as its survival. Employee turnover has the effect of increasing operational costs. It has also contributed to inefficiencies and poor performance of organizations over the years. In the early 1980s, most American companies lost billions of dollars due to employee turnover (Wagner & Hollenbeck, 1992). This negatively affected employee development, investment, performance of workers and the organizations. If people who leave organizations voluntarily are better performers than those who stay, turnover lowers the productivity of the remaining work force (Wagner & Hollenbeck, 1992).

Employee turnover in organizations has thus, received substantial attention from both academics and managers. Much of this attention has been focused on understanding its causes. Implicit in this approach is the assumption that turnover is driven by certain identifiable characteristics of workers, tasks, firms, and markets, and that, by developing policies to address these characteristics, managers might reduce the occurrence of turnover in their respective organizations. Employee turnover has been a major concern for organizations especially in the
service sector due to the sleepless nights it gives to service sector employers. The tourism industry which finds itself in this sector and being the world’s fastest growing industry (Baum, 2002) has not been spared of this phenomenon. It is as exposed as any other to the forces of turnover. The growth of tourism in developing countries has created an immediate demand for personnel who are committed to the activities of the industry. However, it is noted that developing countries have initially concentrated on providing the ‘hardware’ of the industry, such as tourists’ attractions, hotels, transportation and communication (Cullen, 1998).

Thus, in the rush to develop tourism facilities, the training of personnel as well as the implementation of effective human resource practices to improve the welfare of employees has been given lower priority. The result is a shortage of skilled and dissatisfied local personnel in the industry in developing countries (Echtener, 1995). The aim of the study was, therefore to identify the causes of employee turnover in the hospitality industry, and also to determine the factors that influence employees’ decision to stay with their employer.

Theoretical Framework

Concept of Employee Turnover

According to Mobley (1982), turnover refers to cessation of membership but it should be acknowledged that from a more institutional or organisational perspective, turnover may also include accession or entry. Similarly, McShane and Glinow (2000) define turnover as the process in which employees leave the organization and have to be replaced. Mathis and Jackson (2004) classified turnover into two general types: involuntary and voluntary. Voluntary turnover means voluntary movement of an employee out of an organisation. It reflects an employee’s decision to terminate the employment relationship (that is, voluntary leavers leave on their own volition to further their career or to seek greener job satisfaction elsewhere) while the involuntary type of turnover reflects an employer’s decision to terminate the employee’s employment.

McShane and Glinow (2000) state that since employees leaving voluntarily are those not dismissed by the employer, they are probably the ones that an employer would like to retain most. Involuntary turnover may occur for reasons which are independent of the affected employee(s) – that is, involuntary leavers are literally forced out by the organisations by one means or another - such as the real or perceived need to cut costs, restructure or downsize. Furthermore, voluntary turnover is often categorised into two namely; functional and dysfunctional (Mathis & Jackson, 2004). Functional turnover is where the employees’ departure becomes beneficial to the organisation, while the dysfunctional type is where the organisation would like to retain the departing employee. Dysfunctional turnovers usually involve high performers who are difficult to replace in the organisation.

Carsten and Spector (1987) say that typically, only workers who have alternative employment opportunities consider leaving and it is the best employees who have the most opportunities. That is, the best employees moving on, with the worst staying on and engaging in other forms of withdrawal behaviour. Noe, Hollenbeck, Gerhardt and Wright (1996) paint a grimmer picture that, “…in the worst scenario, the better employees go to work for the company’s competitors and the disgruntled employees may take sensitive information with them to the new jobs”. Typically, involuntary turnover includes dismissals, layoffs, and forced retirement. Because labour market conditions largely affect involuntary turnover rates, they are difficult to manage directly. Price (1977) stated that the scope that a voluntary or involuntary dichotomy offers for classifying the phenomenon enables directed and systematic research. Particularly where turnover is thought to be associated with a factor such as organizational commitment, or to be preceded by a
psychological state such as intent to quit, drawing the distinction between voluntary and involuntary turnover is important, otherwise assessment of such a relationship in terms of all organisation leavers will be flawed. Vandenberg and Nelson (1999) have argued that in reality, the apparently straightforward dichotomy between voluntary and involuntary turnover has limitations. For example, record of instances of turnover may misrepresent the extent to which a turnover decision was voluntary. Where exit interviews are conducted, interviewers may not wish to press too hard when questioning an employee. It is also possible that they will not wish to record details that would cast the organisation or the employee in a bad light (Campion, 1991).

Employees may have similar motives for being reticent about their reasons for leaving, and added to this they may have concerns about the extent to which full and frank disclosure could harm their prospects of receiving a favourable reference. All of these factors may muddy the putatively categorical voluntary / involuntary distinction. However, Dess and Shaw (2001) contend that voluntary turnover is of interest because in most cases, it represents the bulk of turnover within an organisation. Such instances of turnover also represent a significant cost, both in terms of direct costs like replacement, recruitment and selection, temporary staff, management time, and perhaps more significantly, in terms of indirect costs such as morale, pressure on remaining staff, costs of learning, product/service quality, organizational memory and the loss of social capital.

Causes of Employee Turnover

There are many potential causes for employee turnover. Mobley (1986) states that a high level of employee turnover may be related to factors such as low wages or unattractive working conditions; or to a high concentration of casual or seasonal workers. Conversely high turnover may be related to a high level of demand for skills where workers are induced to change employers in a wages ‘merry go round’. Lawler (1986) suggests poor job feedback, job dissatisfaction, unmet job expectations, performance problems, situational constraints, socialization difficulties, greater degrees of job stress, and a lack of career advancement opportunities among others as causes of employee turnover. Though many of such factors can be identified, the study has classified them into work attitudes and environmental factors.

Work attitudes: Work attitudes are used here to mean those emotional characteristics of employees that are brought to bear on their daily activities at the workplace (Verquer, Beehr, & Wagner, 2003). They include motivation, job satisfaction, and organizational commitment. Lawler (1986) states that a very important tangible cost of employee turnover is the effect of high employee turnover on the morale, motivation and job satisfaction of staff, and the level of organizational performance.

Environmental factors: According to Harbinson (1973), an employee’s decision to continue with his or her present firm or to seek opportunities elsewhere depends on factors such as working conditions, personal fulfillment, and travel requirements. Cole (2002) further states that the reasons for leaving are multifold, but in general, the environment in which these organizations perform forces them into these employee patterns. Mathis and Jackson (2004) see environmental factors as uncontrollable factors which include job-hopping and alternative employment opportunities. These factors are related to labour market school of thought (Morrel et al., 2004).

Methodology

This study used descriptive, cross-sectional study design. The setting was the Ho Township in Volta Region, Ghana. The study was conducted on individual employees in the hospitality industry. The target population was thus individual employees in the hospitality industry.
A total sample of 80 respondents was taken from the target population. The study employed a non-probabilistic sampling technique, precisely purposive sampling. This sampling technique was being used because there is no sampling frame for the population of interest.

Data for the study was obtained using a questionnaire. The questionnaire had two sections. The first section consisted of demographic information such as gender, age, and marital status of respondents. The second section dealt with factors that influence employee labour turnover intentions.

Data analysis was done using binary logistic regression to determine the factors that were related to employee labour turnover intentions. The logistic regression model has also been used to identify variables that have been influential in the employee labour turnover. Specifically, the study seeks to find out if some factors ($X_i$) tend to influence the likelihood of employee labour turnover ($Y$).

This type of regression model has been chosen because the outcome variable ($Y$) involved in this study is a dichotomous variable. Whereas linear regression model attempts to estimate the mean (or expected) value of the outcome variable ($Y$) given the values of the explanatory variables ($X_i$’s), the objective in models with qualitative outcome variable, as in this study, is to estimate the probability of observing the outcome variable (i.e. a labour turnover intentions) given these factors. The employee labour turnover intention can be characterised by the relation

$$P(z) = f(z) = \frac{1}{1 + e^{-z}} = \frac{1}{1 + e^{-(a+\sum \beta_iX_i)}} \quad (1)$$

for $i$ ranging from 1 to $k$.

$P(z)$ is the probability of labour turnover intention; $\alpha$ is a constant, $\beta$ is the estimated coefficients, $X_i$’s are the independent variables. From the expression the probability of labour turnover increases with a unit increase in the independent variable when a coefficient of independent variable is positive. In this research work the logistic regression technique is used to construct a model to predict and classify employee labour turnover intentions.

Results and Discussion

This section looks at the summary statistics of the respondents. A total of 80 employees which was the entire sample, completed the questionnaire. Table 1 summarizes the socio-demographic information of the respondents. Out of the 80 respondents, 42.5% were male whiles the rest 57.5% were female. Also, majority of the respondents which represent 52.5% were between the age group of 30-39 years and finally, 16.2% of them were never married whiles 71.2% of them were married.

<table>
<thead>
<tr>
<th>Table 1: Demographic information of the participants (n=80)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
</tbody>
</table>
The respondents’ distribution by level of education indicated that 10%, 24% and 66% of the respondents are in the basic, senior secondary and tertiary categories. What this means is that about 66% of the times, findings in this research can be attributed to people having tertiary education.

**Definition Of Variables**

\[ V1 = \text{Poor management-employee relationship} \]
\[ V2 = \text{Unmet Expectations} \]
\[ V3 = \text{Job Insecurity} \]
\[ V4 = \text{Job Dissatisfaction} \]
\[ V5 = \text{Lack of Organizational Commitment} \]
\[ V6 = \text{Poor Working Conditions} \]
\[ V7 = \text{Better Job Options} \]
\[ V8 = \text{Lack of Flexibility in the Job} \]
\[ V9 = \text{Weak Career Opportunities} \]
\[ V10 = \text{Political Interferences} \]
Table 2: Logistic Regression Estimates of Factors Influencing Labour Turnover Intentions

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% C.I. for EXP(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>-0.131</td>
<td>0.249</td>
<td>0.274</td>
<td>1</td>
<td>0.601</td>
<td>0.878</td>
<td>0.538 - 1.431</td>
</tr>
<tr>
<td>V2</td>
<td>-0.159</td>
<td>0.185</td>
<td>0.735</td>
<td>1</td>
<td>0.391</td>
<td>0.853</td>
<td>0.593 - 1.227</td>
</tr>
<tr>
<td>V3</td>
<td>-0.627</td>
<td>0.228</td>
<td>7.542</td>
<td>1</td>
<td>0.006</td>
<td>0.534</td>
<td>0.342 - 0.836</td>
</tr>
<tr>
<td>V4</td>
<td>0.812</td>
<td>0.262</td>
<td>9.585</td>
<td>1</td>
<td>0.002</td>
<td>2.252</td>
<td>1.347 - 3.765</td>
</tr>
<tr>
<td>V5</td>
<td>-0.809</td>
<td>0.198</td>
<td>16.610</td>
<td>1</td>
<td>0.000</td>
<td>0.445</td>
<td>0.302 - 0.657</td>
</tr>
<tr>
<td>V6</td>
<td>0.928</td>
<td>0.269</td>
<td>11.902</td>
<td>1</td>
<td>0.001</td>
<td>2.529</td>
<td>1.493 - 4.284</td>
</tr>
<tr>
<td>V7</td>
<td>0.737</td>
<td>0.314</td>
<td>5.508</td>
<td>1</td>
<td>0.019</td>
<td>2.089</td>
<td>1.129 - 3.864</td>
</tr>
<tr>
<td>V8</td>
<td>0.314</td>
<td>0.366</td>
<td>0.738</td>
<td>1</td>
<td>0.390</td>
<td>1.369</td>
<td>0.669 - 2.802</td>
</tr>
<tr>
<td>V9</td>
<td>0.029</td>
<td>0.262</td>
<td>0.012</td>
<td>1</td>
<td>0.913</td>
<td>1.029</td>
<td>0.615 - 1.720</td>
</tr>
<tr>
<td>V10</td>
<td>-0.143</td>
<td>0.213</td>
<td>0.454</td>
<td>1</td>
<td>0.500</td>
<td>0.867</td>
<td>0.571 - 1.314</td>
</tr>
<tr>
<td>V11</td>
<td>-0.325</td>
<td>0.334</td>
<td>0.944</td>
<td>1</td>
<td>0.331</td>
<td>0.723</td>
<td>0.375 - 1.392</td>
</tr>
<tr>
<td>V12</td>
<td>-0.143</td>
<td>0.252</td>
<td>0.320</td>
<td>1</td>
<td>0.572</td>
<td>0.867</td>
<td>0.529 - 1.422</td>
</tr>
<tr>
<td>V13</td>
<td>0.091</td>
<td>0.254</td>
<td>0.128</td>
<td>1</td>
<td>0.720</td>
<td>1.095</td>
<td>0.666 - 1.802</td>
</tr>
<tr>
<td>V14</td>
<td>-0.494</td>
<td>0.209</td>
<td>5.581</td>
<td>1</td>
<td>0.018</td>
<td>0.610</td>
<td>0.405 - 0.919</td>
</tr>
<tr>
<td>V15</td>
<td>-0.128</td>
<td>0.244</td>
<td>0.276</td>
<td>1</td>
<td>0.600</td>
<td>0.880</td>
<td>0.546 - 1.419</td>
</tr>
<tr>
<td>Constant</td>
<td>0.315</td>
<td>2.470</td>
<td>2.161</td>
<td>1</td>
<td>0.142</td>
<td>0.026</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 shows the result of logistic regression estimates of the various factors influencing loan default payment. The significance value of the Wald statistics for each independent variable indicates the contribution or importance of each of predictor variables (P<0.05).

From the table, column six (6) determines the variables that contribute significantly to the predictive ability of the model at 0.05 level of significant. These variables are, V3 (Job Insecurity), V4 (Job Dissatisfaction), V5 (Lack of Organizational Commitment), V6 (Poor Working Condition), V7 (Better Job Option), and V14 (Job Stress and Unfair Treatments). This findings support the research results of Wright and Bonett, (2007) which indicated that when employee cannot get happiness from their work then the dissatisfaction of job is high, they will look for other opportunities which can give them happiness or satisfaction. It is also consistent with the observations of Janet and Christopher (2008) indicated that organizational commitment would have a negative linear relationship with employee turnover intention, soon afterwards, they suggest that the employee who has a higher level of organizational commitment is more likely to remain at work when compare to the employee who has a lower level of organizational commitment.

Thus, the logistic function is given by the equation (2) below:

\[ P(\text{Turnover Intentions}) = \frac{1}{1 + e^{-(0.315 - 0.627V3 + 0.812V4 + 0.809V5 + 0.929V6 + 0.737V7 - 0.494V14)}} \]
Furthermore, the odd ratio ($\text{Exp}(\beta)$) for the significant factors, shows the increase (or decrease if the ratio is less than one) in odds of being in one outcome category (turnover or no turnover) when the value of the predictor increases by one unit. From table 2, the odds or risk of an employee leaving their current employer, is 0.534 for $V3$ (Job Insecurity). This indicates that, the risk of an employee leaving their current employer is 0.534 times higher for an employee who perceived insecurity in their job, all other factors being equal. For $V4$ (Job Dissatisfaction), the odd ratio of 2.252 indicates that risk of an employee having dissatisfaction in job, is 2.252 times more likely to leave their current employer as compared with those having satisfaction in job, all other factors being equal. For $V5$ (Lack of Organizational Commitment), the odd ratio of 0.445 indicates that the risk of an employee leaving their current employer is 0.445 times higher for an employee who perceived lack of organizational commitment than for an employee who did not perceived lack of organizational commitment, all other factors being equal.

Also for $V6$ (Poor Working Condition) the odd ratio is 2.529 which means that for any employee who is given poor working conditions, the risk of leaving their employer increases by 2.529, all other factors being equal. Furthermore, for $V7$ (Better Job Option), the odd ratio of 2.089 indicated that the risk of an employee leaving his employer is 2.089 times higher for an who has better job options, all other factors being equal. Finally, the odd ratio of 0.610 for $V14$ (Job Stress and Unfair Treatments) indicates that, for any extra job stress and unfair treatments, the risk of leaving decreases by a factor of 0.610, all other factors being equal.

Table 3: Respondents Views on Factors Influencing Employees’ Decision to Stay with their Employer

<table>
<thead>
<tr>
<th></th>
<th>Responses</th>
<th>Percent</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory Remuneration</td>
<td>78</td>
<td>24.9%</td>
<td>97.5%</td>
</tr>
<tr>
<td>Flexible work arrangements</td>
<td>36</td>
<td>11.5%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>75</td>
<td>24.0%</td>
<td>93.8%</td>
</tr>
<tr>
<td>Lack of alternatives</td>
<td>51</td>
<td>16.3%</td>
<td>63.8%</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>73</td>
<td>23.3%</td>
<td>91.2%</td>
</tr>
<tr>
<td>Total</td>
<td>313</td>
<td>100.0%</td>
<td>391.2%</td>
</tr>
</tbody>
</table>

Table 3 above indicates that there were 313 responses to these series of questions on factors influencing employees’ decision to stay with their employer. Seventy-eight (78) out of the total 80 respondents which represent 24.9% and 97.5% of all and response and respondents respectively indicated that “satisfactory remuneration” will influence employees’ to stay with their employer. Thirty-six (36) respondents which represent 11.5% and 45% of all responses and respondents respectively also indicated that “flexible work arrangements” will influence employees’ to stay with their employer.

The table further reveals that 75 respondents which represent 24% and 93.8% of all responses and respondents respectively indicated that “job satisfaction” will influence employees’ to stay with their employer.. Also 51 respondents which represent 16.3% and 63.8% of all response and respondents respectively indicated that “lack of alternatives”; and finally, 73 respondents which represent 23.3% and 91.2% of all responses and respondents respectively also indicated that “work-life balance” will influence employees’ to stay with their employer..

Conclusion

The study revealed that six (6) factors; $V3$ (Job Insecurity), $V4$ (Job Dissatisfaction), $V5$ (Lack of Organizational Commitment), $V6$ (Poor Working Condition), $V7$ (Better Job Option), and $V14$ (Job
Stress and Unfair Treatments) were statistically significant in the prediction of employee turnover in the hospitality industry with a predicted turnover rate of 70.31%. This indicates that there is probability that 70.31% of an employee in the hospitality industry, with the given characteristics is likely to leave their current employer. Therefore, management should be committed to establishing sound and effective retention strategies through provision of effective remuneration policies, better working conditions, by establishing good communication lines between management and employees and providing adequate opportunities for training and development. They should also seek to establish a feedback system for finding out about what employees think about their jobs, their attitudes towards their jobs, what motivates them in giving off their best and what kinds of organizational practices demoralize and eventually push them out of the industry.

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