



**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**ASSESSMENT ON THE CAUSES OF LABOR TURNOVER:  
THE CASE OF FOUR AND FIVE STAR CATEGORY INDEPENDENT  
HOTELS OF ADDIS ABABA**

A Thesis Submitted to the Graduate School in Partial Fulfillment of the  
Requirement for the Award of Master of Art in  
Human Resource Management

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ADVISOR

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INTERNAL EXAMINER

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EXTERNAL EXAMINER

## DECLARATION

This work is original and has not been submitted previously for any academic purpose. All secondary sources are acknowledged.

Signed: .....

Date: .....

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## **ABBREVIATIONS**

- MOCT - Ministry of Culture and Tourism
- GTP - Growth and Transformation Plan
- SPSS - Statistical Package for Social Sciences
- JIH - Jupiter International hotel
- HR – Human Resource

## ABSTRACT

*Studies done regarding labor turnover in the service industry across the world indicate that, the hospitality sector leads with many employees' changing jobs from time to time. Subsequently, some causes of labor turnover are believed to be industry-specific. Both the internal and external causes of labor turnover affect the growth, profitability and customer satisfaction whenever it occurs in the workplace. Employers see the process of staff leaving and being replaced as a natural and inevitable feature of the industry. In Addis Ababa, very little has been documented on the causes of labor turnover in the hotel industry. The main purpose of this study was therefore to establish the internal and external causes of labor turnover in four and five star rated independent hotels of Addis Ababa. Addis Ababa city has ten hotels which are classified as four star and one hotel which is classified as five star (which are independently owned hotels) according to the data obtained from Ministry of Culture and Tourism (2014). The study adopted descriptive survey research design. This study involved a total of 315 permanently employed staff working in these star-rated hotels. The entire four and five star independent hotels have been taken for the study. Simple random sampling method was used to pick the respondents for this study. The Employee Attitude Survey revealed that; Non-competitive compensation package, Non-conducive Working Environment and competing organizations provide better working conditions are the three main reasons why employees of four and five star independent hotels of Addis Ababa hotels leave their job. The study therefore recommended that, the management should improve the pay scale, working condition for the employees as well as should minimize Intervention of owners in their job in professional operations*

**Keywords:** *Star-Rated Hotels, Independent Hotels, Employee Turnover, Working Environment*

# CHAPTER ONE

## INTRODUCTION

### 1. Background of the Study

"Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest. Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover. Companies take a deep interest in their employee turnover rate because it is a costly part of doing business." (Beam, 2009)

According to Riley, 2012, Labor turnover refers to the movement of employees in and out of a business. However, the term is commonly used to refer only to "wastage" or the number of employees leaving. It refers to the number of persons leaving and the ones retained within the organization.

Companies incur direct and indirect expenses, which include the cost of advertising, headhunting fees, human resource costs, loss of productivity, new hire training, and customer retention, every time they have to replace an employee. (Beam, 2009)

There are two major types of turnover: voluntary - when the employee decides to stop working, and involuntary - when the employee is forced for some reason by management to stop working. There are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classed as involuntary turnover in the past such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis Simon et al. (2007).

Employee turnover has been and continues to be a particularly prolific area of research, with many publications on the topic. Evidence suggests that turnover is triggered by dissatisfaction with such factors as relationships with supervisors, job content, working conditions, and pay (Griffeth, Horn, and Gaertner 2000). While other factors may influence an individual's decision

to leave, such as the competitive conditions of the local market, it is clear that management has direct control over many of the most important drivers of employee turnover.

As a service based industry, Hospitality and hotels are highly dependent on the working labor, and with labor turnover rates being some of the highest in comparison to other industries (Lindsey M. Goff, 2013). According to Druce, 2007, the two permanent things in the hospitality industry are: high turnover, and the fact that people are unable to consider the industry as profession. And because of this hotels spend thousands of dollars each year in an effort to recruit and train new employees.

While several studies have addressed the problem of turnover in other industries, very little has been done to address turnover among the hotel employee. And few researches have been done particularly regarding about causes of labor turnover in the case of Addis Ababa higher level star category hotels.

The stock of hotels in Ethiopia has increased sharply over the last few years. The increment on tourist accommodations demand is one of the pushing factors for the augment in the number of Hotel in Ethiopia. Based on Ministry of Culture and Tourism (MOCT) in 2012 data, the Inbound Tourist Arrivals in Ethiopia continued to grow from 76,844 in 1989 to 115,000 in 1999; 184,078 in 2004; 427,286 in 2009 and reaching 523,438 in 2011. According to Growth and Transformation Plan (GTP) the target for the number of tourist arrivals by the end of 2014/15 will be expected to 1 million in-bound tourist arrivals. The total number of hotel rooms and beds of all hotel establishments in Ethiopia was 19,025 and 24,083, respectively in 2011. A total of 37 investors have taken investment permit in Addis Ababa alone to construct star designated hotels in 2012/13 (Ebisa et al, 2013). The supply of hotel beds in Addis has tripled in the last three years (2010-2012) which reached to 6,000 hotel beds. Higher demand in the market could potentially push the number over 10,000 hotel beds in the next few years. The hotel industry is the essential industry to Ethiopia not only to improve people's life but also for overall national economy.

Nowadays in any economy level globalization have an impact on doing business. This leads the enterprises to sustain a successful business operating in a competitive environment. The process of economic globalization will be further accelerated. The world economy has entered a period of major development, greater opening ups, tough competition, and higher adjustment. With this regard, talent competition gradually replaced the tradition of competitive technologies and

products. Thus, succeed from competitive environment has become one of the focus of bigger hotels. Besides this, improve the knowledge of personnel, retaining talented people, enhance their work performance, further to develop company performance, has become intimidating task that hotels has to face.

According to the report obtained from the Ministry Of Culture and Tourism, Addis Ababa had 88 star rated hotels. And even though they are not certified by the Ministry Of Culture and Tourism, 37 more star hotels have joined the hotel business in the last seven years. Currently there are a total of 125 star category hotels in Addis Ababa. This shows Addis Ababa's hotel business is rapidly growing. Therefore, the total star category hotels which are officially certified at different levels are those 88. The rest 37 hotels are simply rated as a star hotel but not yet classed as one star, two star .... Five star levels. Among the officially categorized (88) hotels, the four and five star category hotels make up 14% of the total star category hotels.

On the other hand, the increased globalization of hotel development has created a great challenge for the hotel corporations to recruit technically competent and culturally sensitive employees plus managers for managing their outstanding operations. A failure to cope up with this environment will not only spoil customer's attention, but also put the hotel into greater loss and may extend to shut down.

However, for the purpose of feasibility of the study and by taking into consideration that the significance of the four and five star category in providing high class customer service for international tourists, and since this category make up the biggest share in terms of the number of employees, the study will be focusing only on four and five star rated independent hotels of Addis Ababa.

### **1.1. Statement of the Problem**

Hospitality and hotels are service-based industries that are continuously growing on a national and global scale. As a service based industry, there is a high dependency on the working labor, and with labor turnover rates being some of the highest in hospitality and hotels in comparison to other industries.

High labor turnover is continuously considered a problem in some industries which includes the hospitality and hotel which has struggled with the high rates for years as it has been characterized as having historically high labor turnover rates (Iverson & Deery, 1997) cited by

Lindsey M. Goff, 2013. Iverson and Deery are just two researchers who have explored high labor turnover trends, and with vast and numerous amounts of study previously conducted, many have expressed the high rates to be problematic for the hospitality industry.

Studies, literature, and industry experts have different and varying answers, as well as many aspects in which they agree on the causes of turnover, for example internal culture (Iverson & Deery, 1997) and lack of satisfaction in the job (Khatri et al, 2010).

A number of researches show that labor turnover in the hotel business is high. Hence below are some of the findings of the researches on labor turnover in the hotel business conducted at different countries:

(Lindsey M. Goff, 2013) was the one who conducted research on turnover, accordingly the case study proved three main areas in which influence intent to leave; the rewards of the job, the internal job environment of the organization, and the opportunities available to employees internally and externally.

In Romania at the University Of Timișoara finding of research conducted by Daniel Kysilka et al, 2011 implies that high turnover in the hospitality industry occurs due to; seasonality, pay and hours, lack of leadership, customer service issues, labor pool, and training.

The other research conducted at Nairobi (Samson Kuria et al, 2012) on the causes of labor turnover in a three and five star rated hotels' finding shows that management mistreatment of staffs is the leading for the causes of staff turnover. Poor salary, non-conducive work conditions, less involvement in decision making process, even those decisions which affect their jobs are also other causes of resignation in the hotels under the study.

And a new research conducted on labor turnover in the hospitality industry at Addis Ababa in 2014 by Medihanit Kebede. Thus, the research has concluded that the size of employee turnover in hospitality industry is high. As the main cause, the research finding implied that, it is due to un-conducive working environment. However, the researcher had taken a sample of six hotels from different star categories (1/4 hotel from 5 star categories, 4/10 from 4 star categories, and 1/27 from 3 star categories. Thus, the critics here is the sample size taken is not sufficient, second the research has tried to assess turnover causes on different hotel categories, that is from medium size to high level hotels. This leads to wrong generalization because mostly causes vary between medium and large categories of hotels. Finally, the sample has included even

international chain brand hotels which are implementing universal human resource policies and practices all over the world. An employee’s intention to leave is diverse and plentiful, but it should be remembered that there is diversity in international businesses and global organizations (Lindsey M. Goff, 2013). Hence, assessing international chain and local hotels together can lead to mistaken generalization.

By taking into account the above gaps on the previously conducted researches, and keeping in mind that Labor turnover is historically observed as high in the hospitality industry, and during the preliminary interview, 72.7% of the selected hotel’s Human Resource Managers responded labor turnover in the hotel business is high priority. Thus, causes of employee turnover in the four and five star independent hotel businesses in Addis Ababa are therefore an issue centered in this study.

Table 1.1. Selected hotels’ Human Resource Manager Response during the preliminary interview

	Value	Count	Percent	
Valid Values	1	High priority	8	72.7%
	2	Medium priority	2	18.2%
	3	Low priority	1	9.1%
	4	Not a problem	0	0.0%

*Source:* Own Survey (2015)

## 1.2. Research Questions

Therefore the study has been attempted to cover the following research questions:

1. What is the root cause of employee’s turnover in the four and five star independent hotels of Addis Ababa?
2. What are the most and least influencing causes of employee turnover in the four and five star category independent hotels located in Addis Ababa?
3. Which demographic variables are related to the high turnover?
4. What is the assessment of job satisfaction and employee turnover in the hotels?

### **1.3. Objectives of the study**

#### *General objective*

- To assess causes of employee turnover in the four and five star category independent hotels of Addis Ababa.

#### *Specific objectives*

- To assess the root cause of employee turnover in the four and five star category independent hotels of Addis Ababa.
- To describe demographic characteristics of employee turnover in the four and five star category independent hotels of Addis Ababa.
- To rank the various significant variables in order of importance from the most to the least critical in determining causes of turnover in the selected hotels.
- To review job satisfaction and employee turnover in the four and five star category independent hotels of Addis Ababa.

### **1.4. Definition of Terms**

***Chain Hotel:*** A hotel which has an affiliation through either of (franchising, management contract, and referral group) with other hotels.

***Hospitality Industry:*** An Industry which includes the companies or organizations which provide food and/or drink and/or accommodation to people who are away from home. (*Source: [http://www.edb.gov.hk/FileManager/EN/Content\\_6371/Introduction\\_to\\_Hospitality\\_Eng.pdf](http://www.edb.gov.hk/FileManager/EN/Content_6371/Introduction_to_Hospitality_Eng.pdf)*)

***Independent Hotel:*** An independent hotel is a hotel which does not have any type of affiliation via (franchising, management contract, and referral group) with other hotels.

***Turnover:*** “The termination of an individual’s employment with a given company” (Tett & Meyer, 1993, p. 262).

### **1.5. Significance of the Study**

- The research has helped for increasing the experience or knowledge of the researcher in the field of the research. Because while conducting the research there was a need to refer different books and articles.
- The study will also contribute to other researchers as a reference who wants to conduct other similar researches.
- Finally, the research will be helpful to the hotels; because the findings, conclusions, and recommendations suggested by the researcher will help to reduce turnover by avoiding the cause before it happens.

### **1.6. Limitation and Delimitation of the study**

#### **1.6.1. Limitation**

Because of time and financial limitations the research has been limited on the assessment of the causes of labor turnover in the case of four and five star category independent hotels of Addis Ababa. Causes that are affecting the labor turnover outside of the organization such as personal factors (employee's health or family needs) have not been included in the study.

#### **1.6.2. Delimitation**

The study is delimited geographically, conceptually, methodologically and timely. Geographically, the study focuses on the causes of labor turnover in hotel industry specifically in four and five star independent hotels of Addis Ababa and it does not intend to see other hotel categories. Conceptually the study is limited to the causes of labor turnover in a hotel industry. The study delimited methodologically to Salary scale, Demographic, Working environment, Organizational culture, Unrealistic expectation, Job Satisfaction and Alternative Employment Opportunity as independent variables and turnover as a dependent variable. And finally the study is delimited to data of star category of hotels on 2014.

Labor turnover is a common phenomenon that produces a serious problem for any businesses. It is a subject that should be studied in the industry level in Ethiopia. But because of the following constraints the research was limited to four and five star rated independent hotels located in Addis Ababa.

Turnover has its highs and its lows, as statistics shows there is a wide range of rates and trends, along with positives and negatives of turnover. In a study based in a Western culture, Carbery et al (2003) expressed the severe ranges in turnover rates from 1%-300%; 25%-300% in all employees, with 1%-129% range for managers. With statistics and trends ranging severely, there

is little that generalization for the industry can help; each organization needs a case by case scenario. There is a dependency on size, type, and location of the hotel, how long has it been in operation, the management's involvement, and numerous other possible factors that should be considered to take turnover and change it, whether it is increasing or decreasing.

Thus the research has been focusing on four and five star rated independent hotels located almost in all sub-cities of Addis Ababa. The reason why the researcher has been focused on these categories is due to the fact that these categories provide high class (outstanding) hotel services to international visitors and they make up the biggest share in terms of the number of employees.

On the other hand the hotels' service year has been also considered. According to the evidence obtained from Ministry of Culture and Tourism, hotel star rating was took place for the last time in 2006. Since 2009 onwards no hotel has been graded by the Ministry. Instead, the investors (hotelier) grant a star by themselves without the authorization of the Minister. Therefore those hotels which are not certified by the Ministry are not included in the research.

An employee's intention to leave is diverse and plentiful, but it should be remembered that there is diversity in international businesses and global organizations (Lindsey M. Goff, 2013). The research has excluded chain hotels too. Because these groups of hotels are global businesses and all the human resource practices are international standard. Thus the human resource policies and practices are quite different than the independent hotels because the chain hotels are obliged to comply similar policies and procedures from the central management (Mother Company) and applied by all chain groups all over the world.

Therefore, taking into account the above constraints, the research was limited to the following listed four and five star category independent hotels of Addis Ababa.

**Table 1.2.** List of selected hotels, star category and their location

<b>S.No</b>	<b>Hotels</b>	<b>Star Rating</b>	<b>Location</b>
1	Beshale Hotel	Four star	Yeka Sub-City
2	Crown Hotel	Four star	Akaki Kaliti Sub-City
3	De Leopole Hotel	Four star	Kirkos Sub-City
4	Global Hotel	Four star	Kirkos Sub-City
5	Ghion Hotel	Four star	Kirkos Sub-City
6	Harmony Hotel	Four star	Bole Sub-City
7	Jupiter Hotel (Kazanchis)	Four star	Kirkos Sub-City
8	King's Hotel	Four star	Lideta Sub-City
9	Panorama Hotel	Four star	Bole Sub-City
10	Yoly Hotel	Four star	Bole Sub-City
11	Intercontinental Addis	Five star	Kirkos Sub-City

*Source:* Ministry of Culture and Tourism (2014)

### **1.7. Organization of the Study**

The study has five chapters the first chapter deals with the back ground of the study, statement of the problem, significance of the study, delimitation, limitation of the study. The second chapter presents a review of related literature. The third chapter deals with research design and methodology part. The fourth chapter presents analysis of the data and presentation of the finding. Finally the fifth chapter deals with the brief summaries of the major findings, conclusion and recommendation of the study. At the end the paper, relevant information of annexes in the appendices has been included.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURES

#### 2.1. Overview of Turnover

Employees' turnover is a much studied phenomenon. The hospitality industry is noted for high turnover compare to other organizations Catherine (2002). According to Meaghan et al., (2002), there is the need to find out causes of turnover, what determines employee turnover, effects and strategies that managers can put in place to minimize turnover. With globalization heightening competition, organizations should continue to develop tangible products and provide services which are based on strategies Tor et al., (2007). Employees are extremely crucial to the organization since their value is essentially intangible and not easily replicated Trevor (2002) and the negative impact of turnover leads to customer dissatisfaction Shah et al., (2003).

However Firth et al., (2007) argued that, turnover is not only destructive to organizations but very costly because anytime employee quits the job; there is the need to replace by recruiting, selecting and training. The knowledge, skills and contacts that a departing employee takes out of the organization constitutes a huge loss Meaghan et al., (2002)

In the article "The Cost of Employee Turnover", Mathew O'Connell and Mei-Chuan Kung (2007) makes the point that organizations tend to underestimate the cost of turnover. Perhaps it is because there is not a line item in most profit and loss statements, nor is it typically adequately defined in the budget, and no one submits an invoice at the end of the month for turnover. Yet, collectively, turnover costs organizations billions of dollars a year.

The purpose of this research is therefore to identify the root causes of employee turnover in the hotel businesses. Past research concluded that employee turnover has negative impact on organizations. *"A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest* Beam, (2009). Potential negative consequences of employee turnover include *operational disruption, demoralization, negative public relations, personnel costs, strategic opportunity costs, and decreased social integration.* Colema, (1987)

On the other hand, many researchers found that organization gets benefit due to fresh blood joining the company. Some staff turnover is inevitable and beneficial, but too much is costly, especially in terms of recruitment and training resources. Walker points out that, staff turnover is

not always a bad thing. He argues that some mild turnover can be beneficial because it allows staff to move up the ladder to more senior positions, giving them more opportunities. Moreover, it allows the business to bring in new blood, in other words, new people, new ideas, enthusiasm and motivation which is beneficial for a company to increase productivity (2006).

## **2.2. Definition of Employee Turnover**

According to Mobley (1982), turnover refers to cessation of membership but it should be acknowledged that from a more institutional or organizational perspective, turnover may also include accession or entry. Similarly, McShane and Glinow (2000) defines turnover as the process in which employees leave the organization and have to be replaced.

Turnover is the rotation of workers around the labor market; between firms, jobs and occupations Abassi et al.,(2000) and the ratio of the number of organizational members who have left during the period divided by the average number of people in the organization Beam (2011)

On the other hand, Labor turnover refers to the movement of employees in and out of a business. However, the term is commonly used to refer only to “wastage” or the number of employees leaving Riley, (2012). It refers to the number of persons leaving and the ones retained within the organization. In most formal organizations, labor turnover is inevitable. Analysis of associates leaving the organization provides the data for staff supply forecasting, so as to calculate the number of workers lost who need to be replaced. More significantly however, the analysis of the number of associates who left the organization and the reasons why provides a guide to job retention policy/decision Armstrong, (2004).

Then again, "Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest. Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover. Companies take a deep interest in their employee turnover rate because it is a costly part of doing business." Beam, (2009)

### 2.3. 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. 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 the following:

1. **Salary Scale:** The most common reason for employee turnover rate being so high is the salary scale. Because employees are usually in search of jobs that pay well. Those who are desperate for a job may take the first one that comes along to carry them through while searching for better paying employment. Low pay is good reason as to why an employee may be lacking in performance. Rampur, (2009) in a like vein, if you pay less than other employers for similar work, employees is likely to jump ship for higher pay, if other factors are relatively equal." Handelsman, (2009)
2. **Working Environment:** Some employees jump from company to company because they prefer a working environment that is suitable for them. "If working conditions are substandard or the workplace lacks important facilities, such as proper lighting, furniture, clean restrooms, and other health and safety provisions, employees won't be willing to put up with the inconvenience for long." If an employee finds an appropriate work environment which is suitable for them in a specific company, they may work in that same organization for several years. Handelsman, (2009)
3. **The Organizational Culture:** The reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of employees, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.
4. **Unrealistic Expectations:** Another factor is the unrealistic expectations and general lack of knowledge that many job applicants has about the job at the time that they receive an offer. When these unrealistic expectations are not realized, the worker becomes disillusioned and decides to quit.

5. **Demographics:** In their study on causes of labor turnover, Mitra et al. (1992) demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.
6. **The Person:** there are factors specific to individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover as cited by Mobley (1977). These traits are some of the same characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production.
7. **Job Satisfaction:** High job satisfaction level has enormous impact not only on the sense of loyalty, absenteeism, efficiency, productivity, termination of work, but also on mental and physical health Scott & Taylor, (1985). According to Robbins (1986), satisfaction is strongly and consistently negatively related to an employee's decision to stay or leave the organization. But Lawler (1986) argues that although satisfaction and absence are also negatively related, people should be careful in drawing conclusions regarding the relationship.
8. **Alternative Employment Opportunity:** Employees would generally like to work in prosperous and flourishing economies and as a result, employees usually move out of poor and deprived economies to seek greener pastures in more developed ones. According to Price (2001), the larger alternative employment opportunities exist in the environment, the more chances of awareness among the employees, which lead them to evaluate cost and benefit analysis and have intentions to switch jobs. Literature suggests that there is a positive relationship between alternative employment opportunities and employee turnover intention Heller, Clay & Perkins, 1992; Khatri et al., (2001).

#### **2.4. Types of Employee Turnover**

Mathis and Jackson (2004) classified turnover into two general types: involuntary and voluntary. Voluntary turnover means voluntary movement of an employee out of an organization. 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 organizations by one means or another - such as the real or perceived need to cut costs, restructure or downsize. Furthermore, voluntary turnover is often categorized into two namely; functional and dysfunctional Mathis & Jackson, (2004). Functional turnover is where the employees' departure becomes beneficial to the organization, while the dysfunctional type is where the organization would like to retain the departing employee. Dysfunctional turnovers usually involve high performers who are difficult to replace in the organization.

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 behavior”. 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 dissatisfied employees may take sensitive information with them to the new jobs’.

Typically, involuntary turnover includes dismissals, layoffs, and forced retirement. Because labor market conditions largely affect involuntary turnover rates, they are difficult to directly manage. Price (1977) states 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 organization leavers will be flawed.

Alternatively, turnover can also, be classed as internal or external. Internal turnover involves employees leaving their current position in order to take a new position within the same organization. There are negative and positive aspects of internal turnover, such as, increased morale, from the change of task and supervisor, as well as project /relational disruption, and thus this form of turnover is important to monitor as it is external counterpart.

## **2.5. Costs of Employee Turnover**

Research has identified the following five major cost categories that contribute to the total cost of replacing an employee: pre-departure, recruitment, selection, orientation and training, and lost productivity Hinkin and Tracey (2006).

### **Pre-Departure**

These are the costs that are incurred once an employee has given notice. One of the easiest pre-departure costs to track and that which provides important information regarding the causes of turnover is the amount of time that is spent preparing for and conducting exit interviews. This category also includes the time spent on other administrative activities, such as procedures associated with filing unemployment insurance (when applicable), change-of-status processing, and similar requirements. Finally, any costs associated with severance packages are part of pre-departure expenses.

### **Recruitment**

When management decides to replace a departing employee, the next step is to account for the costs of recruitment. The direct costs associated with promotional materials, advertising, and recruiting sources are typically expressed as an annual total. Thus, it is necessary to know how much is spent on an individual basis (e.g., annual expenditures divided by the total number of applicants). In addition, it is necessary to account for the administrative processing requirements involved with writing position announcements, reviewing resumes, and similar activities. Recruiting costs vary considerably by position. Almost certainly it takes more effort and expense to create a pool of applicants for a general manager position than it does for a line cook.

### **Selection**

Since this process involves several steps, selection can be one of the most expensive components of the replacement process. Interviewing, background and reference checks, and travel expenses involve substantial hard and soft costs. Once again, a weak applicant pool can drive up selection costs.

### **Orientation and Training**

Many firms conduct extensive programs to orient new employees to the company, their department, and their job. Similar to the previous activities, the primary costs associated with orientation and training comprise the time of those who are involved.

## **Productivity Loss**

Productivity loss, the final cost category, has been shown to account for the largest percentage of the total costs, up to 70 percent in some cases Hinkin and Tracey (2006). Productivity can be lost in four ways, beginning with the diminished productivity of an employee who will be departing. First, regardless of their commitment, short-timers are not likely to be as productive as employees who are continuing with the firm. Second, there is a learning curve for all jobs, and that time period is often longer than many practitioners acknowledge. Productivity is lost as new employees develop proficiency during this period. Third, productivity is hurt by the disruption that occurs when new employees need assistance from peers and supervisors, whose own productivity is diminished. Finally, there may be opportunity costs associated with the vacancy, typically in the form of lost revenues or sales.

As noted above, recent research on the costs of turnover has focused on identifying the factors that account for the total costs of turnover Hinkin and Tracey (2000), along with the implications of those costs for property performance Simons and Hinkin (2001). However, it is unclear how much the costs of turnover vary as a function of job and property factors. It may be, for example, that the total cost of turnover and the cost categories (e.g., recruitment, selection, orientation) are higher for jobs that require higher levels of skills and abilities, compared to those which have fewer or less rigorous qualifications. In addition, the costs of turnover and associated different cost profiles may vary substantially and may arguably be higher for upscale and luxury properties compared to those in the midmarket, economy, or budget tier. Consequently, an examination of these and other factors may provide insights for understanding the implications of turnover for various types of hotels. Beyond that, it is important to identify which specific HR policies and practices may be associated with various employee turnover levels. Exit interviews can provide important information regarding the causes of employee turnover.

## **2.6. Employee Turnover Rate**

Turnover rate can be briefly described as how fast the employers recruit and lose employees Chikwe, (2009). It is used to measure the effectiveness of recruitment Mondy, (2010) and is sometimes considered as one of the indicators of organizational performance (Cho, Woods, Jang, & Erdem, 2006). Mondy (2010) clearly defined turnover rate as how many new recruitments were hired to replace resigned employees.

According to Nel et al (2003), the most commonly used measure for staff turnover is the staff turnover rate. It gives an indication of the percentage of employees that leave the organization

over a period of time. The Labor Turnover Rate is calculated by the means of the following formula:

$$\frac{\text{Number of leavers during a period}}{\text{Average of number in employment during period}} \times 100$$

It should be noted that the monthly Labor Turnover Rate may fluctuate considerably and therefore the calculation of quarterly or yearly rates are recommended as being more reliable. For comparative purpose, rates should always be expressed on a per annum basis, irrespective of the period over which they are calculated. In other words, if a monthly Labor Turnover Rate is calculated, it should be multiplied by 12 (months), if a quarterly Labor Turnover Rate is calculated, it should be multiplied by four (terms).

Staff turnover of 25 percent per year is considered respectable in a moderately large organization. A turnover rate of between 30 to 35 per cent indicates that the company is most likely incurring huge costs in the hiring and recruitment of employees who will probably leave the organization after some time Beardwell & Holden, (1994). Some industries experience more staff turnover than others due to the nature of the business. For example, a high staff turnover is experienced among part-time employees in the retail industry. Furthermore, the economic situation and availability of alternative jobs also impact on staff turnover. It therefore makes sense to compare the staff turnover rate with those of similar organizations.

Brandmeir and Baloglu (2004) conducted a correlation analysis in their research. They found that the high turnover rate in front of house operations had a great impact on: the service quality; and the perceived value of the company. Although service quality and perceived value of the company can hardly be transformed into solid figures for comparison or analysis, their importance should not be underestimated. They are the vital factors for the long-run of the hospitality business. From the perspective of remaining employees, high turnover rates increase their average workload. Hendrie (2004) found that such additional burdens increased the stress level of the rest of the team members. In research studying the turnover impact on health care organizations, Waldman, Kelly, Arora, and Smith (2004) found that a constantly high turnover rate de-motivated the remaining employees by imposing repetitive training obligation to them.

Woods and Macaulay (1989) were two of the pioneers studying the correlation between turnover rate, performance and profitability. In their study they highlighted the linkage and alerted

hospitality employers to the harm associated with high employee turnover rates on the business profitability.

Hinkin and Tracey (2000) found that turnover rates varied among similar hotels in the same location. This finding indicates that turnover is a function of management, to some extent, and therefore some companies can do better. Thus the best way to start is to understand the causes of turnover.

## **2.7. Factors Affecting Employee Turnover Rate**

The following factors contribute to staff turnover rate if they are not addressed properly by the management of the organization:

- **Reconciling Family and Work**

The employer must try to reconcile employee's family needs with work needs. This may lead to the development of child care centre at the organization or institution, or the use of flexi time schedules. The establishment of an onsite sick child cry could also enhance work attendance. According to Jones (2006), there is evidence that the introduction of flexible staffing schedules (combination of 8 hour, 12 hour and 4 hours schedules) will reduce staff turnover, because employees can more easily arrange time off for personal and family commitment.

- **Management of Transport**

Arranging transport for employees by coordinating work hours with public transport, or investing in organizational transport for employee, should reduce staff turnover (Neves, 2009).

- **Provision of Free Health Care**

Parish, Cadwallader and Bush (2008) state that it is also important to control stress and implement physical fitness programs. The workplace is the prime location from which to promote health care and disease prevention. Free health care for employee may be another method to improving staff retention strategy because employees are sometimes unable to pay for a doctor's visit, or have to wait several days for a doctor's appointment.

- **Establishment of a Reward System**

Parish, et al. (2008), believes that organizations should reward employee for long term service. These rewards may be in the form of posting names on bulletin boards, announcing the names of employees in notices, or giving monetary reward, but such a system can be very expensive.

- **Personal Interest and Background**

According to Ivancevich and Matteson (2004), the employee's spouse is becoming an important determinant to the likelihood of them being retained in their positions since the contentment of these spouses in a rural setting is a huge factor that can make them stay in service.

- **Lack of Employee Life Balance**

Whenever possible, create several different flextime options and allow employees to choose the one that works the best for them George and Jones, (2002). Bhengu (2007) distinguishes two main dimensions of a retention strategy, namely, extrinsic and intrinsic factors. It is important to match work life benefits to the needs of employees and failure may lead to staff turnover in the organization.

## **2.8. Effects of Employee Turnover**

Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly Hogan, (1992); Wasmuth and Davis, (1993); Barrows,(1990). Turnover has many hidden or invisible costs Philips (1990) and these are due to incoming employees, co-workers, departing employees and position being filled while vacant. And all these affect the profitability of the organization.

On the other hand turnover affects on customer service and satisfaction Kemal et al. (2002). Catherine (2002) argue that turnover include other costs, such as lost productivity, lost sales, and management's time. This clearly demonstrates that turnover affects the profitability of the organization and if it's not managed properly it would have the negative effect on the profit. Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary Johnson et al., (2000), but the costs do not stop there. Each time an employee leaves the firm, we presume that productivity drops due to the learning curve involved in understanding the job and the organization. Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets Meaghan et al. (2002). Therefore, if employee turnover is not managed properly, it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position.

## **2.9. How to reduce employee turnover?**

The following are some of the effective methods of reducing staff turnover rate:

### **o Training**

Training employees reinforces their sense of value. Through training, employers help employees achieve goals and ensure they have a solid understanding of their job requirements (Van Tiem, Moseley and Dessinger, 2003).

### **o Mentoring Program**

A mentoring program integrated with a goal-oriented feedback system provides a structured mechanism for developing strong relationships within an organization and is a solid foundation for employee retention and growth. With a mentoring program, an organization pairs someone more experienced in a discipline with someone less experienced in a similar area, with the goal to develop specific competencies, provide performance feedback and design an individualized career development plan (Zeil and Antoinette, 2003).

### **o Feedback to Employees**

It is important for companies to give feedback and coaching to employees so that their efforts stay aligned with the goals of the company and meet expectations. During an employee's first few weeks on the job, an employer should provide intensive feedback. Employers should also provide formal and informal feedback to employees throughout the year (Nel, *et al.*, 2004). According to Johns and Saks (2007), today's workplace requires that criticism must come with support and a sense that the company is there to assist the employee in achieving and attaining success. Proved time and again, even the most average employees are likely to raise their quality standards if they are encouraged through constructive, open reviews. Management should always recognize successes and never speak angrily to an employee who works hard but whose work lacks company standards. In fact, these individuals are often the most open to suggestions of improvement and are ready to be molded into the most ideal of employees (Johns and Saks, 2007).

### **o Instill a Positive Culture**

A company should establish a series of values as the basis for culture such as honesty, excellence, attitude, respect, and teamwork. A company that creates the right culture will have an advantage when it comes to attracting and keeping good employees (Martin, 2003).

### **o Encourage Referrals and Recruit from within the Organization**

Having current employees offer referrals could help minimize confusion of job expectations. Current employees can realistically describe a position and the environment to the individual

he/she is referring. Another way an employer can reduce the impact of staff turnover is to hire from within, since current employees have already discovered that they are a good fit in the organization (Del Val and Fuentes, 2003).

- **Make Employees feel Valued**

According to Carrel, et al. (2000), employees will go the extra mile if they feel responsible for the results of their work, have a sense of worth in their jobs, believe their jobs make good use of their skills and receive recognition for their contributions. Employees should be rewarded at a high level to motivate even higher performance. The use of cash payouts could be used for on-the-spot recognition. These rewards have terrific motivational power, especially when given as soon as possible after the achievement. It is important for employers to say thank you to employees for their efforts and find different ways to recognize them. Even something as simple as a free lunch can go a long way towards making employees feel valued. Listen to employees and ask for their input as to what rewards might work best to the organization. Conduct meetings and surveys to enable employees to share their input. Most team members will work harder to carry out a decision that they have helped to influence (Hopkins, 2005).

- **Foster Trust and Confidence in Senior Leaders**

Develop strong relationships with employees from the start to build trust. Employees have to believe that upper management is competent and that the organization will be successful (Allen, et al., 2007). An employer has to be able to inspire this confidence and make decisions that reinforce it. An employer cannot say one thing and do another. In addition, employers need to engage and inspire employees by enacting policies that show they trust them, such as getting rid of authoritarian style of management (Brief, 2008).

## **2.10. Managing Resignations**

In today's computer age, most organizations, large or small, are facing the hard truth of retaining their personnel. After engaging the most suitable persons for various jobs in the organization, the next function is how to retain them. According to Mobley (1982), while understanding that the determinants of employee turnover are critical to the creation of effective retention strategies, it is also important to understand and assess the potential costs and organizational consequences of turnover. Hotel industry staff retention remains as a big issue as ever and oddly, redundancy programs are proving a reason for companies to pay attention to this area (Olsen, 1995). Not all employees possess knowledge, skills or connections that are of equal strategic importance to organizational objectives (Lepak & Snell, 1999). Similarly, not all employees demonstrate

equally high performance levels. Consequently, retention strategies are more effective if they are targeted at employees who have the greatest impact on core activities within the organization.

A successful company cannot survive without an effective retention program. Therefore, there is a need for a plan that takes into account the vulnerability of key losses, reducing employee turnover, lowering expensive replacement costs and increasing motivation to achieve company growth objectives and maximizing profit potential (Flowers & Hughes, 1973).

### **2.11. Theoretical Foundation**

The impact of turnover has received considerable attention by Senior Management, Human Resource Professionals, and industrial psychologists. It has been proven to be one of the most seemingly intractable human resource challenges confronting organizations (SIGMA, 2007). Staff turnover is a readily measurable, objective behavior that can have critical consequences for the worker and the organization.

Past theoretical models have synthesized turnover research and specified relationships among determinants of turnover Hayes et al, (2006). Tang, Kim and Tang (2000) confirmed the link between commitment and actual turnover and the analysis of Griffeth et al (2000) showed that organizational commitment was a better predictor of turnover than overall job satisfaction.

Four theoretical approaches try to explain the phenomenon of staff turnover. These include unmet expectations of employees, the fit between the employee and the job satisfaction, and the fit between the employee and the organization Nel et al, (2008, p.583). In addition, an alternative approach is not to look at staff turnover as such, but the reasons for retention. Thus, among the given four theories; the relation between employee and job satisfaction fits well to this research title.

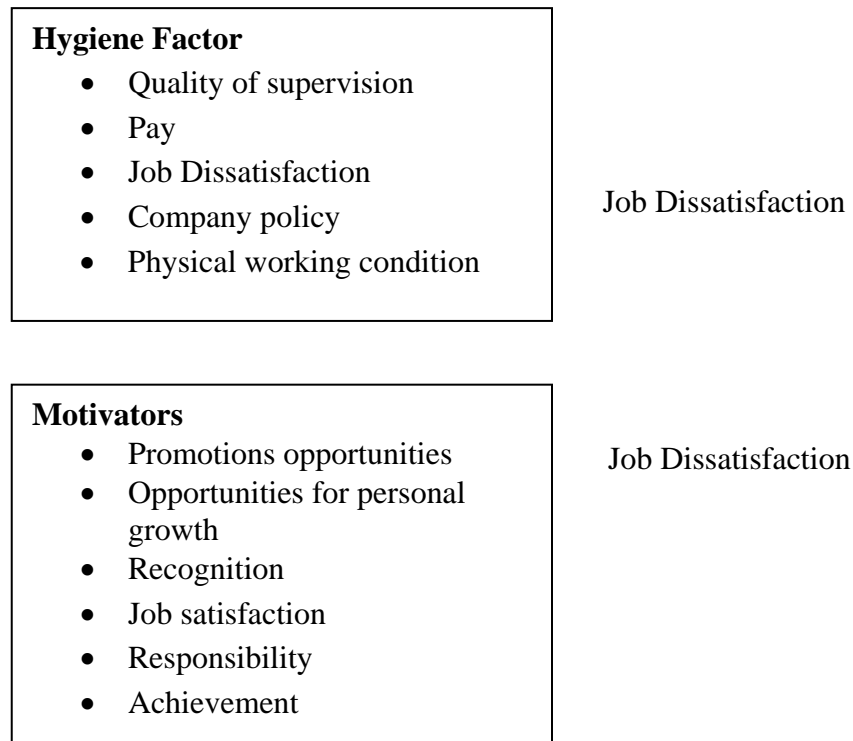
Job satisfaction refers to a predominantly positive attitude towards one's job Bergh & Theron, (2006, p.176). Factors that contribute to job satisfaction include a meaningful job, remuneration, working conditions and relationships with superiors and colleagues.

The job satisfaction motivation theory, developed by Fredrick Herzberg, casts further light on the sources of job satisfaction in the workplace (Werner, 2001, p. 331). The theory distinguishes between Dissatisfiers and Motivators. Job content or hygiene factors, also called dissatisfiers, refer to aspects such as company policy and administration, equipment, supervision, working conditions, relationship with supervisor, salary, relationship with subordinates and co-workers,

personal life, status, job security and fringe benefits. Job content factors, also called motivators, refer to aspects such as achievement, recognition, the work itself, responsibility, feedback, challenge, self-actualization, freedom, advancement and potential for growth.

According to Greenberg and Baron (1995, p.174) the distinction made by Herzberg between hygiene factors and motivators led to it being called the two factor theory of job satisfaction.

**Figure 2.1:** Herzberg's Two Factor Theory



Source: Greenberg & Baron, (1995, p.174)

One criticism leveled against this theory is its basic assumption that individuals are motivated by a high level of job satisfaction Nel et al, (2003, pp.59-60). According to Greenberg and Baron (1995, p.1974), research based on the theory has resulted in mixed results, with some supporting the theory, whilst others found that factors labeled as hygiene and motivators have an impact on both satisfaction and dissatisfaction. Despite the criticism, it is a widely read theory. Robbins (1993, p.211) points out that few managers are unfamiliar with the theory's recommendations.

Robbins (2001, p.78) indicates that the relationship between job satisfaction and staff turnover is negative, but stronger than for the relationship between job satisfaction and absenteeism. According to him, factors such as the availability of labor, expectations about alternative job

opportunities and length of service are important constraints on the actual decision to leave. It is therefore clear that, in this study, factors other than job satisfaction should also be considered.

According to Holland's personality-environment theory, personality and occupational choice are interrelated. A person's career choice (environment) stems in part from his or her personality and motivation. People might have one or more dominant personality type and might tend to be attracted to a work environment that is similar.

## **2.12. Empirical Evidences**

Dr. Ondigi Alice and Prof. Peter Mwangi Wanderi Kenyatta University in their study entitled "Assessment of Causes of Labor Turnover in Three and Five Star-Rated Hotels" in Kenya founded a corresponded finding with Gupta and Shaw (2001) that pay is the most critical outcome of organizational membership for employees to stay on. The unfavorable work conditions resulted to the employees developing work related stress and reduced employees' organizational commitment. This was evident where few hotels, had employees who worked up to their retirement.

The study further established that employees were not involved in decision making process, even those decisions which affected their jobs. Perhaps this resulted to the main causes of resignation in the hotels under the study. It was equally evident from the findings of the study that, the management did not treat their employees well as cited by the respondents. Employers were described as inflexible and they did not provide a balance between work and employees' personal life.

Similar results have been found from the study of (Hemdi et al., 2012; Lam et al., 2003; Pathak, 2012) which revealed that bad working conditions, low salaries, work stress, and injustice between the employees will help them consider the idea of leaving their work to cause an actual turnover.

(Lindsey M. Goff, 2013) was the one who conducted research on turnover, accordingly the case study proved three main areas in which influence intent to leave; the rewards of the job, the internal job environment of the organization, and the opportunities available to employees internally and externally.

In Romania at the University of Timișoara finding of research conducted by Daniel Kysilka et al, (2011) implies that high turnover in the hospitality industry occurs due to; seasonality, pay and hours, lack of leadership, customer service issues, labor pool, and training.

And a new research conducted on labor turnover in the hospitality industry at Addis Ababa in 2014 by Medihanit Kebede. Thus, the research has concluded that the size of employee turnover in hospitality industry is high. As the main cause, the research finding implied that, it is due to un-conducive working environment.

### **2.13. Conceptual Framework**

Simplified schematic presentation of this model is presented in figure 1, and the following are the characteristics of the model:

- It is a model of individual level turnover behavior. Individual differences in perceptions, expectations, and values are openly recognized. Further, individual differences in personal and occupational variables are included.
- Perception and evaluation of alternative jobs is given explicit treatment.
- The probable roles of centrality of work values and interests relative to other values and interests, beliefs regarding non-work consequences of quitting or staying, and contractual constraints are specifically recognized.
- The possible combined contribution to turnover of job satisfaction (present effect), job attraction (expected future effect), and attraction of attainable alternatives is proposed.
- Intention to quite be considered to be the immediate predecessor of turnover, with impetuous behavior. There are at least two intentions of interest, intension to search and intension to quite. Mobley (1977) suggested that intention to search and search behavior should generally precede intention to quit and turnover. Lack of perceived attractive alternatives or unsuccessful search may lead to forms of withdrawal other than turnover intentions and behaviors. The primary determinants of intentions are thought to be a) satisfaction, b) attraction expected utility of present job, and c) attraction expected utility of alternative jobs or roles. The rationale for the model is described starting with turnover behavior and working back through its ancestors.

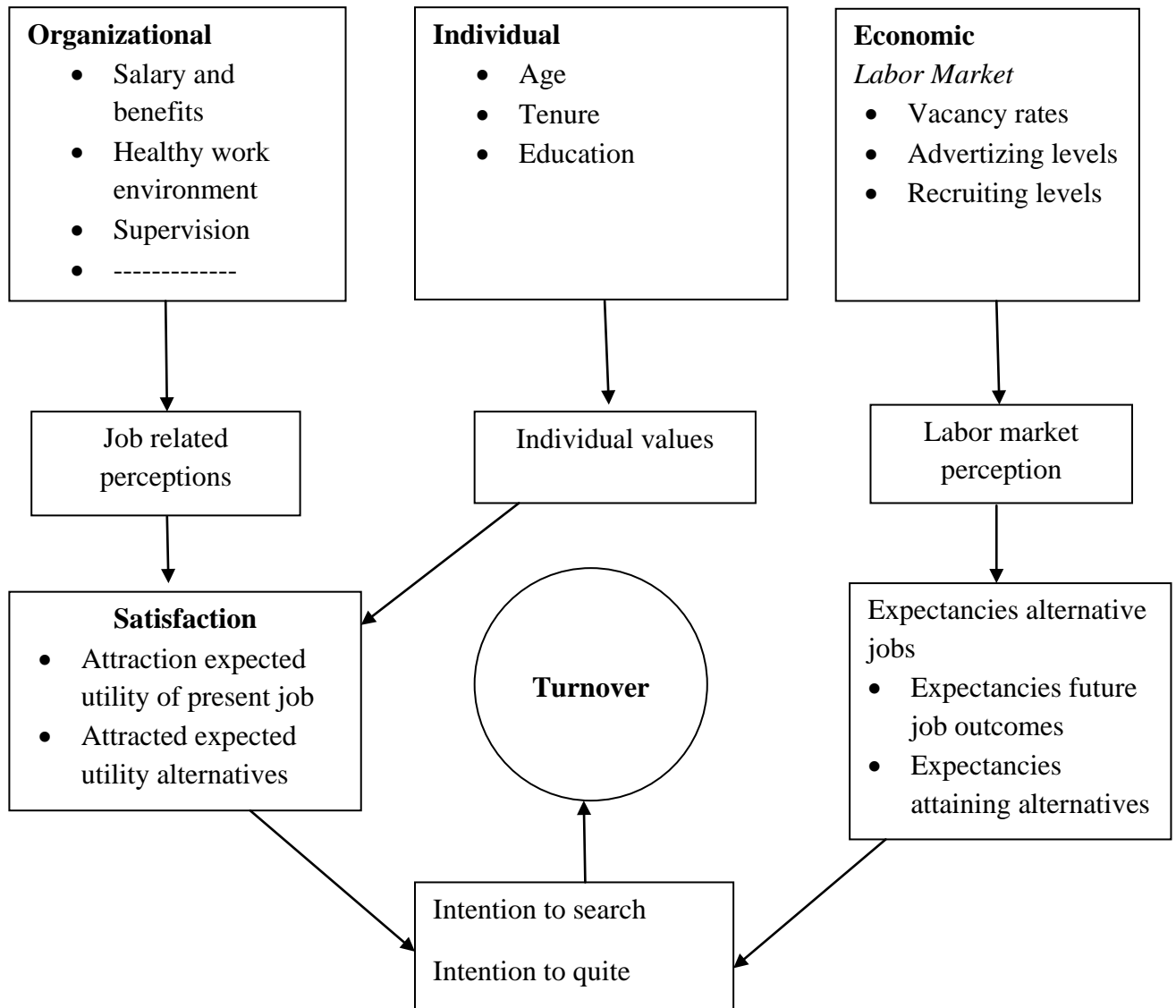


Figure 2.2. Primary variables of employee turnover (adopted from Mobley (1978)).

Below is brief explanation on how the above variables are related:

Age, tenure and education are individual values would lead to either attraction to present job, that is job satisfaction or attraction to external alternative opportunities and this leads to thinking about searching new job, which would lead to intention of quitting, which would lead to turnover.

There is little doubt that labor market conditions affect turnover. If a person intends to quit a job, he or she most likely would quit when another job became available. A person might well intend to quit as soon as another job has been offered, rather than when he or she believed one could be found. Obviously when the job market is good, opportunities to find alternative employment are

plentiful and turnover is more likely. Thus, Labor market conditions certainly have a large influence through their impact on opportunities to acquire alternative employment. It may be that intention leads to search behavior, which leads to turnover when alternatives are available.

Organizational factors such as; salary and benefits packages, healthy work environment and supervision are job related perceptions would lead to either job satisfaction with the current job or looking for perceived alternative employment opportunities, would lead to intention of quitting, which would lead to turnover.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### Introduction

This chapter describes the type of research methodology, methods of data gathering and the justifications for choosing one against the other in accordance with the objectives of the study.

#### 3.1. Research Design

The study used descriptive survey research design. It determines and reports the way things are in describing the possible behavior, attitude, values and characteristics of the respondents while using questionnaires as the appropriate tool.

Both quantitative and qualitative methods have been used in this research so that relevant and accurate information could be obtained. Quantitative method was used for the questioners developed to the employees of the hotels. According to Sekaran (2003:87), qualitative research is conducted in a natural setting and involves a process of building a complex and holistic picture of the phenomenon of interest. Thus, Qualitative method has been applied for the open ended interview questions to the Human Resource Managers of the hotels.

#### 3.2. Population and Sampling Design

According to Zikmund (2010), a population is any complete group that shares some set of characteristic. A sample is a subset or some part from a larger population. By using sample, researchers save lot of time and money, get more detailed information, and they are able to get information which may not be available otherwise (Bluman, 2009).

In order to apply the recent data, the researcher considered hotels that came into existence before year 2009 that is all the eleven selected star designated hotels were in operation before 2009. To make the study manageable with time and cost constraint the random sampling methods were employed to select the sample size. Because, the random sampling method gives equal chance for all respondents being chosen in the sample.

Therefore an appropriate sampling strategy is adopted to obtain a representative, and statistically valid sample of the whole.

From the different sample size determination methods available, the one, which was developed by J Carvalho (1984), Archival Application of mathematical sampling techniques records management quarterly, has been used in this study. Because the research was being conducted at

different hotels and the number of staffs vary from hotel to hotel. So for the sake of its easiness and since it is well-suited to the nature of the population, the selected sampling determination well-matched.

**Table 3.1.** Sample Size Determination

Population Size	Sample Size		
	Low	Medium	High
51-91	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

*Source: Operational Selection Policy (OSPO) the selection of case files: sampling techniques, 2005)*

According to J Carvalho(1984) sample determination table above, the sample selected from the hotels total target population of the study is presented below. Questionnaire has been distributed to all of the selected staffs in the sector offices and the expectation of response from the sample was 95%.

**Table 3.2.** Sampling Proportion and Response Rate

S. No	Hotels	Total Population	Distributed Questioner	Returned Questioner	Response Rate
1	Beshale Hotel	142	30	27	96.6%
2	Crown Hotel	125	22	22	100%
3	De Leopole Hotel	156	30	28	96.6%
4	Global Hotel	147	30	30	100%
5	Ghion Hotel	372	50	48	98%
6	Harmony Hotel	350	50	48	98%
7	Jupiter Hotel	187	32	27	90.6%
8	King's Hotel	103	20	19	95%
9	Panorama Hotel	112	21	18	95.2%
10	Yoly Hotel	47	13	11	92.3%
11	Intercontinental Addis	280	50	47	96%
<b>Total</b>		<b>2021</b>	<b>348</b>	<b>315</b>	<b>96.2%</b>

**Source:** Own Survey, 2015

The participants have been selected by using the simple random sampling method. Using this method, individuals are randomly selected from a list of the population and every single individual has an equal chance of selection. The degree of accuracy as reflected by the amount of error that can be tolerated in the fluctuation of a sample proportion about the population proportion in this research was 95% and the probability to occurrence of error is only 5 %.

As it has been listed on table 1.2, the selected total population composed of ten four star group hotels and one five star rated hotel located at Addis Ababa. Hotels selected are all independently owned. **348** respondents from different departments and positions have been selected randomly. Selection of the population has been aided by communicating with the Hotel Managers. A letter has been sent to all the Hotel Managers introducing the study to be conducted and its purpose.

### **3.3. Source and Tools/Instruments of Data Collection**

The researcher used both primary and secondary data sources. The primary data includes both open ended and close ended questioners to support the findings of quantitative data distributed to

the employees of the hotels and direct observation by the researcher has been applied. In addition, interview has been used so as to get more information from the Human Resource experts of the hotels. In order to reduce the cost as well as to get additional information from various literatures, the researcher used secondary data sources both from internal organizational sources like magazines and from external sources like different books, websites, and other researches with similar or related topics conducted before.

In order to assess which demographic variable was influenced on high turnover, questioner type of instrument has been used. Thus components like: gender, age, level of education, duration in employment has been seen. By observation, employee attitude, job satisfaction and the situation of working condition observed. On the other hand, during the preliminary pilot testing, questioner has been distributed to the Human Resource experts in order to know their attitudes on employee turnover.

#### **3.4. Variables In The Study**

1. Salary scale
2. Demographic
3. Working environment
4. Organizational culture
5. Unrealistic expectation
6. Job Satisfaction
7. Alternative Employment Opportunity

#### **3.5. Procedures of Data Collection**

The researcher has obtained an introduction letter from Addis Ababa University, School of Commerce to get a research permit to collect the data from the selected hotels. The researcher then has booked an appointment with managers of the sampled hotels to visit and administer the questionnaires. The researcher then has visited each of the sampled hotels and personally administered the questionnaires. The respondents has been guided on how to respond and assured of confidentiality after which they have given the questionnaires to fill within seven days. The researcher also has booked an appointment with the hotels' Human Resource Managers to carry out the interview. Observation was took place while the researcher visits the hotels both for the interview and questioner appointment. The data collection process has taken two months.

### **3.6. Methods of Data Analysis**

Data collected from the hotels has been coded and cleaned to remove outliers or missing values and categorized manually according to the questionnaire items using frequency distribution tables and percentages. Simple descriptive statistics such as percentages have an advantage over more complex statistics since they can easily be understood especially when making results known by a variety of readers. The coded data has been then transferred to a computer sheet and processed using Statistical Package for Social Sciences (SPSS) version 20. Martin and Acuna (2002) observe that SPSS is able to handle large amounts of data; it is time saving and also quite efficient. The responses to open ended items (qualitative data) in form of phrases and words were organized followed by creating categories, themes and patterns related to research questions. This has been analyzed and reported by descriptive narrative (Mugenda & Mugenda, 1999). The results of the data have given the researcher a basis to make conclusions about the study.

### **3.7. Validity and Reliability of Data Collection Instruments**

Most research studies, either qualitative or quantitative, strive to attain validity and reliability. 'Validity concerns the soundness, legitimacy and relevance of a research theory and its investigation. Whereas, reliability refers to the consistency of a finding (Mikkelsen, 2005). According to Heikkilä (1998), Validity refers to how much it has measured what it was supposed to measure. Research should measure exactly what it is supposed to measure. To avoid searching for the wrong things, the researcher should set specific goals for the research. Validity is difficult to research afterwards, so it has to be checked in advance by carefully planned and well considered data collection (Ibid).

Reliability has to do with the extent to which measures obtained by using a particular instrument are repeatable. There are a number of coefficients of reliability that can provide the researcher with a check on the quality of an instrument (Hair et.al, 2002)

Even if the reliability of the questioner was tasted by the developer of the model and in the pilot study of this research, for accuracy analysis and interpretation, its reliability is tasted for the second time. Thus, initially the model incorporates 19 variables that supposed to be factors for fast rate of employee turnover in the hospitality industry.

**Table 3.3.** Reliability Statistics

Cronbach's Alpha	N of Items
.726	19

**Source:** Own Survey, 2015

### 3.8. Ethical Issues

Participants in the study were fully informed of the nature and the purpose of the research and were assured of their rights to withdraw from answering any questions they were not comfortable with, without repercussions. The researcher also appealed for their co-operation. Informed consent was obtained from respondents and they were also assured confidentiality of any information they provided.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### Introduction

This chapter deals with presentation, analysis and interpretation of data gathered from employees of the selected hotels, by using all questioner, interview and direct observation by the researcher. Data was collected and analyzed in order to assess the root causes of employee turnover. As stated under the methodology part, to collect the data from employees, questionnaire was prepared and distributed to operational level employees and some to department heads of the eleven selected star rated hotel to extract findings. In this study, 348 questionnaires were distributed to the respondents and only 315 questionnaires were returned. That means the response rate was 96.2%. The remaining 33 of the respondents failed to return the questionnaires.

The questionnaire was structured in a 5 point Likert scale format. A highly structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. Blumberg, Cooper and Schindler (2005:61) state that a Likert scale format on the other hand, involves the use of special rating scale that asks respondents to indicate the extent to which they agree or disagree with a series of mental belief of the statements about a given subject (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree =2 and Strongly Disagree = 1). The 5 point Likert scale was chosen because it facilitates robust statistical analysis.

When presenting the results, strongly agreed and agreed responses were combined, as with strongly disagreed and disagreed responses were also combined for the percentages. The first section in this chapter deals with demographic factors and the second section deals with the analyses of the response related to the causes of labor turnover. The results are presented in the form of tables. This study was both quantitative and qualitative method.

#### 4.1. Demographic Characteristics

Under this section the researcher collected information about the general background of the respondents. The researcher collected demographic characteristics of respondents like age, gender, marital status and educational background. In addition to the above data's like

respondents year of service in the industry and in their last hotel, salary scale is presented in this section.

**Table 4.1** Demographic Characteristics of the Respondents

<i>Gender of the Respondents</i>				
<b>Respondents</b>	<b>Frequency</b>		<b>Percentage</b>	
Male	150		47.6%	
Female	165		52.4%	
<b>Total</b>	<b>315</b>		<b>100%</b>	
<i>Age distribution of the Respondents</i>				
18 – 25	36		11.4%	
26 – 30	136		43.2%	
31 – 40	118		37.5%	
41 and above	25		7.9%	
<b>Total</b>	<b>315</b>		<b>100%</b>	
<i>Marital Status of the Respondents</i>				
Single	165		52.4%	
Divorced	7		2.2%	
Married	143		45.4%	
<b>Total</b>	<b>315</b>		<b>100%</b>	
<i>Educational level of the Respondents</i>				
Valid Values	1	Primary school	3	1.0%
	2	High School Complete	13	4.1%
	3	Professional Certificate	26	8.3%
	4	Diploma graduate	119	37.8%
	5	Under graduate degree	141	44.8%
	6	Post-graduate degree	11	3.5%
	7	Missing Value	2	0.6%
<i>Salary Scale of the Respondents</i>				
Valid Values	1	<600 Birr	3	1.0%
	2	600 - 1,200 Birr	56	17.8%
	3	1,200 - 2,500 Birr	96	35.5%
	4	2,500 - 4,500 Birr	112	30.6%
	5	>4,500 Birr	48	15.2%
<i>Tenure of the Respondents in the Hotel they are working for</i>				
Valid Values	1	Less than 1 year	41	13.0%
	2	1 - 3 years	113	35.9%
	3	3 - 5 years	76	24.1%
	4	5 - 10 years	42	13.3%
	5	Above 10 years	43	13.7%

**Source:** Own Survey, 2015

Table 4.1 Shows the distribution of the respondents by gender, and it is clear from the table that 52.4% of the respondents are female while the remaining 47.6% are male. This implied female's employment in the four and five star independent hotels of Addis Ababa hotels is relatively high.

It also shows the distribution of the respondents by age, accordingly, most of the respondents are less than 30 years old with the frequency of 54.6%. Among the age bracket more than 41 years has the lowest frequency consisting 7.9%. As to the press release of National Youth Policy, young age range is 14-35. Thus it can be said that majority of the respondent engaged in the industry as employees are young aged, this implies that the respondents are of young age and are willing to work energetically and face challenges that's their jobs may brought them.

The table also shows the distribution of Marital Status of the Respondents and indicated that many of the respondents comprising 52.4% are single. 45.4% are married and the remaining 2.2% are divorced. As stated earlier in age distribution most employees are young and some of them are not ready for taking this kind of responsibility.

Regarding about Educational level of the respondents, and it is clear from the table that more than 86% of the respondents have diploma and above. This shows that the four and five star independent hotels of Addis Ababa have employed higher level staffs in academic, as a result of that they have an educated employees who can accept more responsibility and accountable for what they are doing.

As it is depicted under Table 4.1, 17.8% of respondents earn less than 1,200ETB, 35.5% between 1,200 - 2,500ETB, 30.6% earns between 2,500 - 4,500ETB and 15.2% of respondents get above 4,500 ETB. This result indicates 54.3% of the employees get below 2,500 ETB Gross Salary. This gross salary is not including service charge and other benefits. Therefore, most of respondent in the sector does not earn attractive salary.

Finally the table Shows Tenure of the Respondents in their last Hotel they are working for. Accordingly, 13% of the respondents stayed for less than 1 year. 35.9% of respondents stayed between 1 and 3 years, 24.1% of respondents spent 3 - 5 years in their last Hotel they are working for, and only 27% of the respondents have stayed for five years and above. This show there is less tenure in the selected hotels and indicates high turnover in the industry.

**Table 4.2** How many hotels including this one have you worked for?

	Value	Count	Percent	
	1	1 Hotel	55	17.5%
	2	2 Hotels	19	6.0%
Valid Values	3	3 Hotels	44	14.0%
	4	4 Hotels	104	33.0%
	5	5 and more Hotels	93	29.5%

**Source:** Own Survey, 2015

Table 4.2 Indicates the number of hotels that the respondents have been working for, In view of that, 17.5% of the respondents replied they have worked for only one hotel, and 62.5% of the respondents worked for more than 4 hotels during different times. And this shows majority of the selected star category hotel staffs are changing their jobs now and then. And again which implies high rate of turnover.

## 4.2. Issues related to Perceptions of Demographics

**Table 4.3** Issues related to perception of Demographics

Dimensions	SA		A		N		D		SD	
	F	%	F	%	F	%	F	%	F	%
1 Female employees do not quite their jobs than men freely rather they are loyal to their organization	70	22.2	189	60	2	0.6	41	13	13	4.1
2 Older employees who have long stay in the organization depart uncommonly than younger and short tenure employees in the organization.	78	24.8	176	55.9	19	6	25	7.9	17	5.4
3 Turnover intentions of highly qualified employees are higher than less qualified employees in the organization.	106	33.7	165	52.4	17	5.4	11	3.5	16	5.1
4 Job satisfaction level of younger employees is lower than older employees in the hotel.	80	25.4	182	57.8	1	0.3	40	12.7	12	3.8
5 Turnover intentions of high level income employees are higher than low level income of employees in the organization.	17	5.4	71	22.5	14	4.4	4117	37.1	96	30.5

**Remarks:** SA = Strongly Agree A= Agree N= Neutral D = Disagree SD=Strongly Disagree

**Source:** Own Survey, 2015

According to the data presented on Table 4.3, 77.8% of the respondents agreed and strongly agreed on the issues “Female employees do not quit their jobs than men freely rather they are loyal to their organization.” The reader can understand that majority of the respondents agreed that female employees do not quit from the organization. Hom and Griffeth (1995) also found that women do not quit their jobs more freely than do men; rather they are more loyal employees.

75.2% of the respondents agree and strongly agree on “Older employees who have long stay in the organization depart uncommonly than younger and short tenure employees in the

organization. This implies that most of the time older employees who have long stay in the organization do not have an intention to leave compared to new and younger employees rather they are loyal to it and feel a sense of belongingness about the organization. This could be because younger ones just entered employment and may still be deciding what they want to do for a career while older ones started work much earlier and so may be cementing their relationship with their employers (Banerjee, 2008). Also, people may use the first few years on the job as stepping stones. After a few years, people either leave or remain.

86.1% of the respondents agree and strongly agree on the issue that “Turnover intentions of highly qualified employees are higher than less qualified employees in the organization.” This implies that those employees who have great qualification in education, experience, and knowledge about work have a great chance of getting a better job opportunity, so they will leave the organization for other better job with better salary rather they stay.

82.2% of the respondents agree and strongly agree that “Job satisfaction level of younger employees is lower than older employees in the hotel.” This implied that younger employee’s specifically fresh graduates and employees are not happy with the salary.

67.6% of the respondents disagree and strongly disagree on issues about “Turnover intentions of high level income employees are higher than low level income of employees in the organization.” This implies that employees, who have high income, do not depart from the organization, because they become satisfied with their income they get from different sources.

### 4.3. Perceived Alternative Employment Opportunities

**Table 4.4.** Perceived Alternative Employment Opportunities

	Alternative Employment Opportunities Dimensions	SA		A		N		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	If I quit my current job, there is no doubt in my mind that I can find a job that is at least as good as the one I now have	149	47.3	131	41.6	3	1	20	6.3	12	3.8
2	If I have to leave this job, I would have another job as good as this one within a month.	106	33.7	121	38.4	23	7.3	52	16.5	13	4.1
3	Given my age, education, and the general economic condition, the chance of getting a suitable position in other hotel is high.	79	25.1	131	41.6	24	7.6	58	18.4	23	7.3

**Remarks:** SA = Strongly Agree A= Agree N= Neutral D = Disagree SD=Strongly Disagree

**Source:** Own Survey, 2015

Table 4.4 shows the extent to which respondents perceive alternative employment opportunity. In view of that, the majority 88.9% of respondents believed that if they left their current jobs, there will be high possibilities of finding similar or better alternatives.

The time duration for finding another employment was explored. In this direction too, 72.1% respondents indicated that they were sure of finding another job in a month after quitting.

66.7% of respondents also felt that their chances of securing jobs were bright regardless of their ages, education and economic conditions. This implies that because of the rapid growth of the hotel industry in the city, there is a high employment opportunity.

#### 4.4. Job Satisfaction and Organizational Culture

**Table 4.5** Job satisfaction and Organizational Culture dimensions

	Job Satisfaction Dimensions	SA		A		N		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	Job satisfaction level of younger employees is lower than older employees in the hotel.	80	25.4	182	57.8	1	0.3	40	12.7	12	3.8
2	Job satisfaction level of employees has its own effect to employee turnover in the hotel.	166	52.7	105	33.3	17	5.4	26	8.3	1	0.3
3	The management (where you are working for) give time to employee in employer/employee disputes	22	7s	103	32.7	33	10.5	125	39.7	32	10.2
4	In the hotel where you are working, employees participate in decision making.	35	11.1	44	14	53	16.8	133	42.2	50	15.9
5	I feel comfortable going to my supervisor with any issues or concerns	16	5.1	98	31.1	41	13	98	31.1	62	19.7

**Remarks:** SA = Strongly Agree A= Agree N= Neutral D = Disagree SD=Strongly Disagree

**Source:** Own Survey, 2015

From the above table (Table 4.5), 83.2% of the participants respond agree and strongly agree on issues regarding “Job satisfaction level of younger employees is lower than older employees in the hotel.” This implies that, as stated earlier, the selected hotels are high class hotels providing standardized customer service in the city, as a result younger employees may expect more before they become employees of the hotels. And when their expectation does not match, they may frustrate and dissatisfied with the current job this directly leads to depart from the hotels.

86% of the respondents agree and strongly agree on issues regarding “Job satisfaction level of employees has its own effect to employee turnover in the hotel.” This indicated that employees who are satisfied with their job do not leave the hotel. Job satisfaction was related to resignations (Mobley 1977; Porter and Steers 1973; Price and Mueller 1986; Steers and Mowday 1981). Thus, employee having job dissatisfaction leave their current employer more easily.

Regarding the management concern to the employer/employee disputes, 50% of the respondents disagreed and strongly disagreed that managements give time when there is employee/employer disputes arise. However, 39.7% agree and strongly agree and the rest 10.3% are neutral.

Regarding about employees participation in decision making, a total of 58.1% of the respondents disagree and strongly disagree that staff members are involved in decision making, while 16.8% of the respondents were neutral. Gaylor (2001) states that if employees do not know what is going on with the company, they are more likely to call up their own scenarios. Erasmus, *et al.* (2003) state that, lack of staff involvement may be one of the causes of staff turnover.

In regards to employee-supervisor relation, 50.8% of the respondents disagree and strongly disagree that on the issue of “I feel comfortable going to my supervisor with any issues or concerns.” 36.2% agree and strongly agree on the issue, the remaining 13% were neutral. As it is shown in the above respondents’ response in the management – employee relationship, most of the respondents shows their disagreement, thus employees have a strong need to have good working relationship with their immediate supervisor.

The Human Resource Managers of the hotels have been asked for an open ended question regarding about their opinion on “the view of their current employees to the hotel”. Accordingly, their response is presented as: “Though question, but in my opinion, most of them likes to work in the hotel because they get good salary, benefits and due to the good will of the hotel.”(Crown’s hotel) “Due to owners intervention on normal operations becomes aggressive, high informal communication, and a rumor, currently the view of employees towards the hotel is deteriorating.”(Deleopole’s hotel) “Comparing to the last two years the current employees seems somehow settled and associated their life with the hotel.” (King’s hotel) “Concerning JIH (Jupiter International hotel),I think most of the employees like the hotel however I know they will go to other hotels if they have better chances for their life.” (Jupiter’s hotel)

#### 4.5. Compensation, Benefits and Working Environments

**Table 4.6** Issues related to Compensation, Benefits and Working Environments

	Compensation, Benefits and Working Environment Dimensions	SA		A		N		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	I am fairly compensated for the work I do	30	9.5	49	15.6	45	14.3	150	47.6	41	13
2	The hotel's total benefits program meets my need	2	0.6	29	9.2	41	13	155	49.2	88	27.9
3	The hotel's benefit program is competitive with others in the industry	37	11.7	34	10.8	54	17.1	137	43.5	53	16.8
4	The hotel provides adequate recognition and rewards for achievements	19	6	60	19	55	17.5	120	38.1	61	19.4
5	In the hotel where I m working, adequate health and care benefits are provided	30	9.5	95	30.2	26	83	103	32.7	61	19.4
6	The hotel where I m working for is safe work environment, comfortable and appropriately equipped.	29	9.2	103	32.7	24	7.6	97	30.8	62	19.7

**Remarks:** SA = Strongly Agree A= Agree N= Neutral D = Disagree SD=Strongly Disagree

**Source:** Own Survey, 2015

Table 4.6 Illustrates that a total of 60.6% of the respondents disagree and strongly disagree regarding about “I am fairly compensated for the work I do,” while 25.1% of the respondents were agree and strongly agree and 14.3% of them were neutral. According to Grobler, et al. (2002:203), employee compensation and retention is directly related to employee satisfaction.

77.1% of the respondents disagree and strongly disagree on the subject that “The hotel's total benefits program meets my need.” Whereas, only 9.8% of the participants responded agree and strongly agree for the same subject. This implies the selected hotel employees' benefit package is less than the employees' expectation.

60.3% of the participants disagree and strongly disagree on the concern of “The hotel’s benefit program is competitive with others in the industry.” Thus, the implication is, these categories of hotels are not competitive with international chain hotels since the later groups are providing more benefit packages and relatively good offer.

25% of the respondents agree and strongly agree on the issue that “The hotel provides adequate recognition and rewards for achievements”. And 57.5% of them strongly disagree and disagree and the remaining 17.5% neither agree nor disagree on the issue. In good and bad times, employees have a basic need to work where they feel their efforts, expertise and input are appreciated. According to Nel, et al. (2004), remuneration is one of the causes of absenteeism and staff turnover, if employees are not satisfied by what they are paid then they normally leave to seek greener pastures Nel, et al. (2004).

Regarding about health and care benefits, 52.1% of the participants disagree and strongly disagree on the issue that “In the hotel where I m working, adequate health and care benefits are provided.” Grobler, et al. (2002) state that steps should be taken to identify and eliminate workplace hazards and to train and educate workers in job safety and health. Crow and Hartman (2007) state that when the work environment is not conducive to the employee’s wellbeing and expectations it can contribute to job dissatisfaction and employee turnover. Thus, in the selected category of hotels, there is an implication that adequate health and care benefits are not provided.

Almost half (50.5%) of the participants responded disagree and strongly disagree and 7.6% of the respondents were neutral regarding about “The hotel where I m working for is safe work environment, comfortable and appropriately equipped.” According to (Nel, et al.,2004), Working conditions include: working hours, work schedules, work shifts, overtime, daily and weekly rest periods, emergency work, weekend work and holidays to mention just a few. According to Crow and Hartman (2007:34), job satisfaction and conditions of work has revealed the need for balance in work schedules to ensure that employees have adequate time for both work and private life in a concept known as work life balance. If the shifts are not well organized and coordinated, they can result in overworking some employees leading to low morale and dissatisfaction.

#### 4.6. Contributory Factors to Employee Turnover

**Table 4.7** Contributory Factors to Employee Turnover

S. No	Contributory factors to Employee turnover	Frequency	%	Rank
1	Poor management-employee relationship	160	50.8	4 <sup>th</sup>
2	Weak Opportunity for Advancement	108	34.3	5 <sup>th</sup>
3	Competing organizations provide better working conditions	161	51.3	3 <sup>rd</sup>
4	Non-conducive Working Environment	165	52.4	2 <sup>nd</sup>
5	Employees' unrealistic Expectations	16	5.1	8 <sup>th</sup>
6	Non-competitive compensation package (e.g. poor salary, Bonuses, pay for overtime etc)	219	69.5	1 <sup>st</sup>
7	Poor performance of the hotel	32	10.1	7 <sup>th</sup>
8	The Person (personal traits)	10	3.2	9 <sup>th</sup>
9	Job Dissatisfaction	73	23.2	6 <sup>th</sup>

**Source:** Own Survey, 2015

Table 4.7 Shows list of reasons why employees quit their jobs in the hotel industry? Thus, the table summarizes and ranks according to frequency of response for the item 'Contributory factors to Employee turnover'. There were nine proposed Reasons of which respondents were to select the three most important factors that could leads to employee turnover. This addresses the fifth research question 'List the three most important reasons why employees quit their jobs in the hotel industry?'

Majority (69.5%) of respondents indicated "Non-competitive compensation package (e.g. poor salary, Bonuses, pay for overtime etc)" as the most important factor that causes employee turnover followed by "Non-conducive Working Environment" (52.4%) and "Competing organizations provide better working conditions" (51.3%).

Thus according to the respondents, "Non-competitive compensation package, "Non-conducive Working Environment" and "Competing organizations provide better working conditions" are the three main reasons why employees of four and five star independent hotels of Addis Ababa hotels leave their job.

An open ended question has been asked to the human resource manager of the hotels concerning about their opinion on the reasons for employee turnover in hospitality industry. Thus, majority

of them responded that Employee retirement, illness or disability, unfair treatment, location inconveniences, poor management, lack of team work, the benefit packages given, and shortage of quality staffs where points mentioned by the interviewed representatives.

## CHAPTER FIVE

### FINDING, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary of Findings

As it was stated in this study, the intentions of the study was to assess the main causes of employees turnover in the higher level hotels, factors behind turnover in the four and five star independent category hotels of Addis Ababa. Consequently, the researcher reached at the following summaries which are extracted from the interviews made and distributed questioners.

Regarding the demographic, the researcher found that most of the time female employees do not quit from the hotels compared to males rather they are loyal to the hotels. Older employees who have long stay in the hotel do not leave the hotel when compared to the new and younger employees. Turnover intensions of highly qualified employees are higher than older employees, and turnover intensions of high level income employees are lower than low level income employees.

The study also found that job satisfaction level of younger employees is lower than older employees. Job satisfaction level of employees affect employees turnover in the hotel business.

Majority of the employees of the selected group hotels are young, unmarried and academically a minimum of diploma holders. More than half of the employees earn less than 2,500 ETB gross salary per month. And almost 50% of the respondents have less than three years of tenure, which is too short employment year. Regarding about the number of hotels they have been working for, 62.5% worked for four hotels more, with less work life stability.

The respondents' perception on the subject of alternative employment opportunity, the chance of getting a new job as good as the current one regardless of their qualification within a month is high. This is because of a number of hotels are joining the industry in a very fast pace.

Regarding about the culture of the organization, more than half of the respondents agree that employees are not involved in decision making process. And employees are not feeling good to visit their supervisors with any issues.

The majority of the respondents in the selected hotels are not satisfied with the compensation, benefits and working environments of the hotels they are working for.

Regarding different compensation packages (poor salary, Bonuses, pay for overtime etc), the researcher found that the hotels do not have enough otherwise attractive compensation packages to satisfy their employees and this is the root cause of employee turnover and followed by Non-conducive working environment and competing hotels provide better working conditions.

Derived from interview, mostly less payment and too much intervention of the owners in professional duties, the minimal work life balance, the constant pressure of work and long working, unfair and unequal treatment of employees by senior managers, bad working environment, lack of transparency, bonus or appreciation from upper level managements are the specific reasons that can be included in the previous major three reasons that employees think of leaving there current hotel.

## **5.2. Conclusion**

There are a number of findings concluded from this study. The review of literature shows different types of employees' turnover, and its costs. It shows several causes of employee turnover and methods to reduce this turnover. In the hotels, most of the time female employees did not leave the hotel; younger employees are higher turnover intension. An employee who has high income does not have an intension to quit. Older employees who have long stay in the hotels did not leave; turnover intentions of highly qualified are higher. Majority of the hotel staffs believed that if they left their current jobs, there will be high possibilities of finding similar or better alternatives in a month after quitting regardless of their ages, education and economic conditions. Job satisfaction level of younger employees is lower than older employees in the hotel and Job satisfaction level of employees has its own effect to employee turnover. Most employees feel that they are not fairly compensated for the work they do, the hotel's total benefits program doesn't meet also their needs. The study has also found that the root causes of employee turnover in the hotels is Non-competitive salary scale, Non-conducive working environment and other competitors like the international chain hotels provide better working conditions.

### **5.3. Recommendations**

On the basis of the findings and conclusions drawn with regard to the employee turnover, the following recommendations are made with the hope that implementation would help to contribute the infant stage hotel industry to alleviate the problem identified. As per the findings the points are forwarded as a recommendation.

The hotels should conduct a formal research on employee turnover, and present its finding to the Board of Directors of the Hotel /Owners/Owners Representative, in order to adjust the salary scale of employees. Beside, making sure that there is fair distribution of service charge

Intervention of owners in their job in professional operations has to be automatically corrected; everything has to be cascaded down in the organizational hierarchy. This can be done through the top level managers of the hotels by creating awareness on the consequence of labor turnover in the hotel industry to the owners.

Building Positive relationship between management and employees, this can be achieved by regular staff meetings, especially where all staff has the opportunity to feedback their issues and concerns, arranging flexible working schedule that can be rounded to all on a weekly basis, in order to help them share both the benefit and hassle of the job.

### **5.4. Limitation of the Study**

- Difficulty in collecting questioners on time,
- While the researcher was conducting the research, it was also a time when star rating of hotels were taking place in the entire of Addis Ababa. Thus, the Hotel Managements' were so busy and unable to cooperate the researcher as expected.
- Negligence of some respondents, to respond to the questioner openly and timely, lack of sufficient time and finance to conduct the study were among the various problems encountered by the researcher during the study.

### **5.5. Future Research Directions**

The research findings reported in this study make a valuable contribution to the awareness of the effect underlying variables; Salary scale, Demographic, Working environment, Organizational culture, Job Satisfaction, Alternative Employment Opportunity have on turnover. However, additional research is needed to further investigate the potential relationship and effect of other internal and extraneous variable.

In addition, this research was fully targeted to assess the causes of labor turnover in the four and five star independent hotels of Addis Ababa. And it was not including the International Chain Hotels located in Addis Ababa. Thus the international chain hotels' turnover related issue can be also future research area.

Finally, future research of this nature may assist Human Resource Managers and Operational Managers on all levels of the hotel businesses to be aware of the causes of labor turnover and allow them to proactively put mechanisms in place to reduce turnover and ultimately, improve service delivery and enhance productivity.

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**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**Human Resource Head Questionnaire**

Dear Respondent,

I am Abebe Urgessa, Masters of Art in Human Resource Management Student of Addis Ababa University School of Commerce. I am conducting a research project on the topic “Assessment on the Causes of Staff Turnover, The Case of Addis Ababa Four and Five Star Independent Hotels” as part of the requirement for the MA program. To this effect, I humbly solicit your help in completing this questionnaire. This questionnaire will take about five minutes to complete. Your participation in this survey is completely voluntary and you may skip any question if you wish. The study is basically for academic purposes thus, I guarantee that your responses will be kept strictly anonymous and confidential. If you have any enquiry or something not clear, please feel free to contact me.

Thank you very much for your anticipated consideration.

Abebe Urgessa

E-mail: [abebeurgessa97@yahoo.com](mailto:abebeurgessa97@yahoo.com)

Cell-phone: 0913 089 533

1. Considering the industry (hotel) as a whole, do you believe that labor turnover is a problem which needs attention? (Please circle).
 

<input type="radio"/> High priority	<input type="radio"/> Low priority
<input type="radio"/> Medium priority	<input type="radio"/> Not a problem
2. Does your hotel collect information on labor turnover?
 

<input type="radio"/> YES	<input type="radio"/> NO
---------------------------	--------------------------
3. Do you collect the following information (for managerial purposes)?
  - (a) Reasons for staff leaving.
 

<input type="radio"/> YES	<input type="radio"/> NO
---------------------------	--------------------------
  - (b) Percentage rate of labor turnover.
 

<input type="radio"/> YES	<input type="radio"/> NO
---------------------------	--------------------------
  - (c) Percentage rate of labor turnover by staff occupation
 

<input type="radio"/> YES	<input type="radio"/> NO
---------------------------	--------------------------
4. How many new employees (full and part-time) were engaged by your establishment between 1<sup>st</sup> January 2014 and 31<sup>st</sup> December 2014?
 

<input type="radio"/> Fulltime _____	<input type="radio"/> Part-time _____
--------------------------------------	---------------------------------------
5. How many employees (full and part-time) left your hotel between 1st January 2014 and 31st December 2014 for the following reasons?
  - a. Resignation: \_\_\_\_\_
  - b. End of fixed term of contract: \_\_\_\_\_
  - c. Dismissal: \_\_\_\_\_
  - d. Other, (e.g., retirement, Redundancy and death): \_\_\_\_\_

Thank you

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**Employee Questionnaire**

Dear Respondent,

I am Abebe Urgessa, Masters of Art in Human Resource Management Student of Addis Ababa University School of Commerce. I am conducting a research project on the topic “*Assessment on the Causes of Staff Turnover, the Case of Addis Ababa Four and Five Star Independent Hotels*” as part of the requirement for the MA program. To this effect, I humbly solicit your help in completing this questionnaire. This questionnaire will take about ten minutes to complete. Your participation in this survey is completely voluntary and you may skip any question if you wish. The study is basically for academic purposes thus, I guarantee that your responses will be kept strictly anonymous and confidential. If you have any enquiry or something not clear, please feel free to contact me.

Thank you very much for your anticipated consideration.

Abebe Urgessa

E-mail: [abebeurgessa97@yahoo.com](mailto:abebeurgessa97@yahoo.com)

Cell-phone: 0913 089 533

**SECTION A: Personal Information**

1. I am

- Male.  Female.

2. My age is between,

- 18 - 25.  26 - 30.  31-40.  41 and above.

3. Marital status

- Single.  Divorced.  Married.

4. The highest level of education I have achieved is,

- Primary school  Diploma graduate  Other (Please specify)  
 High School Complete  Under graduate degree \_\_\_\_\_  
 Professional Certificate  Post-graduate degree

**SECTION B: Employment Information**

5. Please specify the department you are working for:

- Food & beverage service  Front office  Maintenance  
 Food preparation  Housekeeping & Laundry  Other \_\_\_\_\_

6. Salary :

- <600 Birr  1,200 - 2,500 Birr  >4,500 Birr  
 600 - 1,200 Birr  2,500 - 4,500 Birr

7. Tenure (duration in this hotel):

- Less than 1 year  3 - 5 years  Above 10 years  
 1 - 3 years  5 - 10 years

8. How many hotels including this one have you worked for?

- 1 Hotel  3 Hotels  5 and more  
 2 Hotels  4 Hotels Hotels

**SECTION C: Issues related to Demographics**

1. Please indicate the extent to which you agree or disagree with the statements in Table Q1 given below regarding about **Issues related to demographics**. Where 5 = Strongly Agree; 4 = Agree; 3= Neutral; 2 = Disagree; 1= Strongly Disagree.

**Table Q1: Issues related to demographics**

S. No	Issues related to demographic	SA 5	A 4	N 3	D 2	SD 1
1	Female employees do not quite their jobs than men freely rather they are loyal to their organization					
2	Older employees who have long stay in the organization depart uncommonly than younger and short tenure employees in the organization					
3	Turnover intentions of highly qualified employees are higher than less qualified employees in the organization.					
4	Turnover intentions of younger employees are higher than older age employees in the organization.					
5	Turnover intentions of high level income employees are higher than low level income of employees in the organization.					

**Perceived Alternative Employment Opportunities**

2. Please indicate the extent to which you agree or disagree with the statements in Table Q2 given below regarding your perception of **Alternative Employment Opportunities**. Where 5 = Strongly Agree; 4 = Agree; 3= Neutral; 2 = Disagree; 1= Strongly Disagree.

**Table Q 2: Perceived Alternative Employment Opportunities**

S. No	Issues related to Perceived Alternative Employment Opportunities	SA 5	A 4	N 3	D 2	SD 1
1	If I quit my current job, there is no doubt in my mind that I can find a job that is at least as good as the one I now have					
2	If I have to leave this job, I would have another job as good as this one within a month.					
3	Given my age, education, and the general economic condition, the chance of getting a suitable position in other hotel is high.					

**Issues related to Job Satisfaction and Organizational Culture**

3. Please indicate the extent to which you agree or disagree with the statements in Table Q3 given below regarding about **Issues related to Job Satisfaction & Organizational Culture**.

Where 5 = Strongly Agree; 4 = Agree; 3= Neutral; 2 = Disagree; 1= Strongly Disagree.

**Table Q 3: Issues related to Job Satisfaction and Organizational Culture**

S. No	Issues related to Job Satisfaction and Organizational Culture	SA 5	A 4	N 3	D 2	SD 1
1	Job satisfaction level of younger employees is lower than older employees in the hotel.					
2	Job satisfaction level of employees has its own effect to employee turnover in the hotel.					
3	The management (where you are working for) give time to employee in employer/employee disputes					
4	In the hotel where you are working, employees participate in decision making.					
5	I feel comfortable going to my supervisor with any issues or concerns					

**Compensation, Benefits and Working Environments**

4. Please indicate the extent to which you agree or disagree with the statements in Table Q4 given below regarding about **Issues related to Compensation, Benefits & Working Env'ts**.

Where 5 = Strongly Agree; 4 = Agree; 3= Neutral; 2 = Disagree; 1= Strongly Disagree.

**Table Q 4: Issues related to Compensation, Benefits and Working Environments**

S. No	Issues related to Compensation, Benefits and Working Environments	SA 5	A 4	N 3	D 2	SD 1
1	I am fairly compensated for the work I do					
2	The hotel's total benefits program meets my need					
3	The hotel's benefit program is competitive with others in the industry					
4	The hotel provides adequate recognition and rewards for achievements					
5	In the hotel where I m working, adequate health and care benefits are provided					
6	The hotel where I m working for is safe work environment, comfortable and appropriately equipped.					

**SECTION D: Contributory factors to Employee turnover**

5. Table Q5 shows list of **Contributory factors to Employee turnover**. Please tick the three most important **reasons why employees quit their jobs in the hotel industry?**

*Table 5: Contributory factors to Employee Turnover*

<b>S. No</b>	<b>Contributory factors to Employee turnover</b>	(x)
1	Poor management-employee relationship	
2	Weak Opportunity for Advancement	
3	Competing organizations provide better working conditions	
4	Non-conducive Working Environment	
5	Employees' unrealistic Expectations	
6	Non-competitive compensation package (e.g. poor salary, Bonuses, pay for overtime etc)	
7	Poor performance of the hotel	
8	The Person (personal traits)	
9	Job Dissatisfaction	
10	Other (Please specify).....	

*Thank You*

**Open Ended Question to the Human Resource Managers**

1. What do you think are the reasons for employee turnover in hospitality industry?
2. What do you think is the view of your current employees to the hotel?