



Management

## **IMPACT OF EMPLOYEE TURNOVER ON HOTEL INDUSTRY- A STUDY OF SELECTED HOTELS OF NEW DELHI**

**Dr. Dilbag Singh<sup>\*1</sup>, Mr. Amandeep<sup>2</sup>**

<sup>\*1,2</sup> Assistant Professor, Department of Tourism and Hotel Management, Central University of Haryana, India

**DOI:** <https://doi.org/10.5281/zenodo.570181>

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### **Abstract**

Hotel industry is a part of Tourism Industry which is flourishing in India than ever before, according to 2017 report of World Economic Forum India has reached the 40th rank in the world from 52 during 2015. This has been result of immense efforts of the Government and the Industry positive steps in boosting its appeal as a tourist and hospitality destination on the globe. There are various International hotel chains already in India which are expanding their room inventory at a fast pace to meet the future demands of accommodation and leisure services. But with every success there comes some kind of problems or concerns which are needed to tackle as they might slowdown the organization or the industry as a whole. One of the major issues which have been part of every growing industry in past is to row out itself from the problem of employee turnover rate. It is said that employee turnover is one silent part of human resource management which can have a negative impact for the organization if managed inadequately. This paper is an attempt to find out the reasons why hotel industry in India is facing this issue and what are the possible effects of it on the industry which might slow or hold still the growth of industry as forecasted.

**Keywords:** Hotel; Employee Turnover; New Delhi.

**Cite This Article:** Dr. Dilbag Singh, and Mr. Amandeep. (2017). "IMPACT OF EMPLOYEE TURNOVER ON HOTEL INDUSTRY- A STUDY OF SELECTED HOTELS OF NEW DELHI." *International Journal of Research - Granthaalayah*, 5(4), 153-158. <https://doi.org/10.5281/zenodo.570181>.

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### **1. Introduction**

The Indian Tourism and Hospitality industry is one of the fastest growing and most important segments in the earning of revenue and as well as employment. The tourism and hospitality sector's direct contribution to GDP in 2016 is estimated to be US\$47 billion (**World Travel and Tourism council economic impact report 2015**). The Hotel industry in India is flourishing at such a great pace that it has improved 12 positions in the world Travel and Tourism Index to 40<sup>th</sup>

and has seen continued growth in international tourist from past 15 years touching 8 million mark in 2015 (**World Economic forum Travel and Trade index 2017**).

While the industry is doing great according to different reports and statistics but there is urgent need to look into the various drawbacks or problems persisting in hotel industry one such is the high employee turnover rate.

The industry is facing a significant attrition challenge of about 40-50 percent. Most of the Hotel groups generally have regular training programs and learning and development initiatives throughout the year which impart various beneficial skills into the employee. Now these candidates with imparted skills are in demand for service oriented sectors such as banking, retail, facility planning and airlines, among others. It won't be incorrect to say that a talent war is being fought within the industry as they are losing skilled professionals due to the availability of better career opportunities for the employee or candidates. An employee working at lower level is generally seen changing the organization in a span of 6 months which proves as a loss for the organization as in this short time the training and development costs spend on him/her are not covered. (**NSDC report 2017 volume 24**)

The hospitality space in our country is still deprived of enough trained manpower. This sector is facing severe challenges from other industries, motivational aspects like attractive salary compensation, maintaining a good work life balance, better opportunities to grow seems to be the main reason for the abnormal employee turnover. Normally company faces higher attrition rate when there are more employment opportunities in the market by employers.

Labour turnover damages the consistency in the standardised services provided by the hotels. **Denvir & McMahan (1992)**, have written "that after direct and in-direct cost associated, turnover ratio directly affects the profitability of the firm". So this basically we can say that low employee turnover gives organisation a competitive advantage over others. **Lashley (2001)**, also state that in the service sector the quality of the service delivered is used as a competitive tool in many organisations. Hence a satisfied, motivated and stable workforce is a serious success factor for any Hotel, and that can only be achieved with retention of the employee and improving the turnover ratio.

This paper is an attempt to find out the various impacts of such high employee turnover ratio in Indian Hospitality Industry and aims at finding out the best possible ways and suggestion to overcome and strengthen the Industry with stable workforce and increased productivity by studying and analysing various primary and secondary data related to the subject.

## 2. Review of Literature

**Wood, Maculary and others (1989)**, have stated that when there is no motivation among the employees and they are not satisfied the level of service provided suffers and ultimately lead to dissatisfaction of guests. So according to this we can say that if a front office assistant decides not to be friendlier with the guest because he doesn't find it worth it, the guest might decide not to come back to such facility.

**Washmuth and Device (1993)** writes that increase in turnover is generally because of employee dissatisfaction from the present job and leads to attraction for different profile or industry, it is also cited that can be one of the major reasons for the employee turnover.

**Darmon (1990)**, states that as a result of high rate of employee turnover the productivity start decreasing and leads the organization to poor performance.

**Meyer (1993)**, says that employee turnover is more of a non-talked part of human resources and it has a lot of negative consequences to the organization. These further result in unnecessary monetary cost, waste of management efforts and demotivated employees. **Hom and Griffeth (1995)** have been also found mentioning similar findings in many of his researches.

**Himkin and Tracey (2000)** states that cost of employee turnover is more for an organization in comparison to the reduction in service quality due to that. It also leads to decreased morale of the employees working in that organization, which results in demotivated employees giving inferior service and the customers begin to fall.

**Mullins (2000)**, observed that employee turnover leads loss of organizational costs of advertising, interview time, administrative expensive, supervision and training. High employee turnover effects motivation level of the employees working, as a result the organization faces low satisfaction level of employees and low performance.

**Walsh and Taylor (2007)**, in their study focused on advantages of employee turnover. They find that it is a natural process of downsizing the workforce. But at the same time they find that due to employee turnover the production and the profit of the organization is adversely impact.

**Yang and Cherry (2008)**, wrote that when an employee leaves any organization there will be loss of employees and that might affect the level of service provided.

### 3. Objective of the Study

The purpose of the study is to understand an empirical approach of a single objective that is to investigate various factors considered by the hoteliers about the impact of employee turnover on hotel industry.

### 4. Research Methodology

The study is exploratory in nature, in all 450 employees from five star, three star and budget hotels of New Delhi were selected. The research includes employees of housekeeping ranging from Executive Housekeepers to Room Attendants. Further, it also includes Human Resource Managers and the General Managers. The objective of research is to understand an empirical approach of a single objective that is to investigate various factors considered by the hoteliers about the impact of employee turnover on hotel industry. The study was conducted in New Delhi According to global property consultant **Knight Frank's the Wealth Report (2013)**, today it houses the higher billionaire population after Mumbai living in any Indian city. **CII (2012)** report on hospitality highlight that the total number of registered hotels in Delhi is 299 which is

12 % of the total supply of the hotels in the whole country. Therefore, seeing at all these facts and reports and impressive growth of hotels it is an ideal place for research.

Table 1: various reasons related to the impact of employee turnover on hotel industry

Poor Performance	Wastage of Time and Money for Re recruitment
Lower Motivation level	Low Rate of Guest Arrival
Reduce uniformity in Service	Lesser guest satisfaction
Monetary loss	Low rate of Coordination in the Staff
Low rate of Productivity	Downfall in the Market Image

There are 10 variable related to the impact of employee turnover on hotel industry, which are shown in table-1. All the variables were identified after a careful review of literature and after having a discussion with industry peoples.

### Demographic Profile of the Respondent

The table-2 shows the demographic profile of respondents (hotel employees). In all, Four hundred fifty respondents were contacted, in which 33.3% employees were from 5 star hotels, 33.3% were from 3 Star hotels and 33.3% were from budget hotels.

Table 2: Profile of the respondents

		Frequency	Valid Percentage	
Type of Hotel	5 Star	25	33.3	
	3 Star	25	33.3	
	Budget	25	33.3	
State	New Delhi	450	100	
Age	Below 20	43	9.6	
	21-30	180	40.0	
	31-40	173	38.4	
	41-50	45	10.0	
	51 and Above	9	2.0	
Education	10+2	222	49.3	
	Graduation	162	36.0	
	Post-Graduation	66	14.7	
Gender	Male	416	92.4	
	Female	34	7.6	
Your position in Hotel	Housekeeping department	Executive Housekeeper/Deputy Housekeeper	75	16.7
		Housekeeping Supervisor	75	16.7
		Room Attendant	225	50.0
		General Manager	51	11.3
	Human Resource Manager	17	3.7	
	Asstt. Human Resource Manager	7	1.6	

75 hotels were covered from New Delhi. The table also highlights that, 78.4 % of employee were between the age group of 21-40 years. As for as there qualification is concerned, majority of the employees (49.3%) were 10+2, 36 percent were Graduates (with hotel management degree) and the rest 14.7 percent were having Post Graduate degree. As per the gender 92.4% of employees were male and the 7.6% of employees were female. Further from the table it is observed that 83.4% of respondents were from housekeeping department whereas rest 16.6% was general manager, human resource manager and assistant human resource manager.

## 5. Findings

### Impact of Employee Turnover on Hotel Industry

Based on the secondary data 10 variables were identified to know the impact of employee turnover on hotel industry. Through structured questionnaire respondents were asked questions on five point likert scale. Factor analysis method is used to reduce these variables to limited number of factors. The analysis is done with the help of rotated component matrix. Thus reducing 10 variables to underlying 2 factors these are:

Table 3: Rotated Component Matrix for the impacts of employee turnover on hotel industry

Rotated Component Matrix		
	Component	
Impact of Employee Turnover on hotel industry:	1	2
Low rate of the coordination in the staff	.908	
Downfall in the market image	.899	
Lesser guest satisfaction	.895	
Low rate of guest arrival	.828	
Lower motivational level		.808
Poor performance		.786
Reduce uniformity in services		.744
Monitory loss		.725
Low rate of productivity		.693
Wastage of time and money for re recruitment		.523

**Factor 1:** Low level of coordination, low satisfaction of guest and low rate of guest arrival- Four variables have been found in this factor and it reflects Low rate of the coordination in the staff(.908) , Downfall in the market image(.899) , lesser guest satisfaction (895) , and Low rate of guest arrival (828).

**Factor 2:** Organizational performance downfall- Six variables have been found in this factor and it reflects Lower motivational level (.808), Poor performance (786), Reduce uniformity in services (744), Monitory loss (.725), Low rate of productivity (.693) and Wastage of time and money for re recruitment (.523).

## 6. Conclusion

Thus it is a very tricky task to understand the impact of employee turnover on hotel industry. The purpose of the study is to take an empirical approach to investigate the various aspects of employee turnover and what are their impacts on the organization and its performance. Finally it is envisaged that the study leads to increase the awareness about the employees of Indian hotel industry and their opinion about the impact of employee turnover on hotel industry. Two clusters of impacts of employee turnover on hotel industry have emerged these are Low level of coordination, low satisfaction of guest and low rate of guest arrival and organizational performance downfall. Though the present study is just confined to New Delhi region but still it can be helpful for scholars and researchers, who are doing research in related field by applying the same in bigger area. The researcher can inculcate wide range of variables related to impact of employee turnover on hotel industry and do the potential research.

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\*Corresponding author.

E-mail address: dilbagsingh@cuh.ac.in