Abstract - Employee turnover is an endemic issue in hospitality industry, worldwide. Employee turnover intention acts as a proxy for actual employee turnover. One of the challenging issues faced by the hospitality organizations today is to manage the changing employment relationship. Being in customer service business, hospitality industry capitalizes heavily on its human resources in order to achieve its competitive advantage. Choi and Dickson (2009) emphasized that the hospitality industry is a highly guest service-oriented business where encounters between employees and guests determine the success of the business.

GJMBR-A Classification : JEL Code: M00, M19.
I. Introduction

Employee turnover is an endemic issue in hospitality industry, worldwide. Employee turnover intention acts as a proxy for actual employee turnover. Being in customer service business, hospitality industry capitalizes heavily on its human resources to achieve its competitive advantage. Choi and Dickson (2009) emphasized that the hospitality industry is a highly labour-intensive, the effective utilization of human resources can give an organization its competitive edge. This paper attempts to review the determinants of employee turnover intention from the human resource practices perspective.

Despite the unique feature of the hospitality industry being highly labour-intensive (Nolan, 2002), only few studies have so far investigated the impact of the human resource management practices on organizational performance (Namasivayam et al. 2007). These studies have focused only on a single aspect of the human resource management practices, which might inflate the results (Cho et al. 2006). In hospitality and tourism industry, human resource development has been rarely addressed in a proactive and planned sense (Baum et al. 1997). Ghebregiorgis and Karsten (2007) described that there is not much research on the employee’s reaction to human resource practices and turnover intention. Given this, there is scant research pursuit in hospitality sector exploring the relationship between HRM practices and employee turnover intention.

While there is abundant research on human resource practices, studies concerning human resource practices in the hospitality industry is scant. Similarly, much of the work indicated is from the developed countries; there is growing interest from the developing countries too to explore the applicability of modern human resource management models and frameworks which suits their business contexts. This paper is an effort to comprehend the effect of firm’s human resource practices on psychological contract of the employees and in turn its effect on employee turnover intention in hospitality sector.

The paper initially presents an overview of the hospitality industry and specific taxonomy of the Indian hospitality sector. This is followed by an overview of the research trends in firm’s human resource practices, concept of psychological contract and employee turnover intention. This paper further presents a conceptual framework aligning these constructs.

II. Hospitality Industry

Tourism is one of the most rapidly growing industries. According to the Tourism Satellite Accounting (TSA) research, released by the World Travel and Tourism Council (WTTC) in 2009: the demand for travel and tourism in India is expected to grow by 8.2 per cent between 2010-2019 and this will place India in the third position in the world and added that India's travel and tourism sector is expected to be the second largest employer in the world, employing 40,037,000 by 2019. World Tourism Organization (2009) reports that hospitality which is one of the major sectors of the tourism industry as the world’s second largest employer. In India, it supports 48 million jobs directly or indirectly. In other words, it accounts for 8.27 percent of total employment and 5.83 percent of the GDP (Department of Tourism, GOI).

Worland and Wilson (1988) described the hospitality industry as organizations that provide one or more services that contribute to the function of hospitality as generally construed and as including four sectors: hotels, restaurants, licensed clubs and motels. Tourism, of which hospitality is a key sector capitalizes heavily on human resources and also has established itself as the one of the largest generator of employment providing more than 212 million jobs (Singh, 1997). In contrast to increasing employment opportunities in the hospitality industry, Davidson et al. (2010) found that the hotel labour market has two key challenges: on the one hand, it is difficult to attract suitable labour; and on the other, it has relatively high levels of employee turnover representing a significant loss of investment in human capital, training and quality. Hotels are the largest employers in tourism sector and the high mobility or turnover rate experienced within the industry is a common challenge throughout this industry worldwide (Collins, 2007). It is observed that it is relatively easy for...
workers to get similar jobs with other firms (Solnet and Hood, 2008).

Getz (1994) emphasized that jobs in tourism and hospitality industry are largely perceived to be undesirable and common features of hospitality employment are low wages, poor working conditions, lack of job security and promotion opportunities, which result in high staff turnover. In addition, Wood (1997) revealed a list of negative themes that were quite common in the industry including long and antisocial hours, low levels of pay, low status and high staff turnover, from his analysis about employment in hotels and catering. National Sample Survey Organisation’s (2004-2005) employment survey data depicts that hotels and restaurants are the second highest (65.8%) employers of service workers. Deployment of employees across other occupations in hotels and restaurants encompasses: 20% of administrative, executive and managerial workers, 7.6% sales workers, 1.4% clerical workers and 0.1% of technical workers. The following table provides a brief description of common taxonomy to understand the challenges of this sector as adapted from The Service Sector in India’s Development, (Nayyar, 2005).

### Table 1 : Taxonomy of Indian Hospitality Industry

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Hotels and Restaurants in India</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized versus Unorganized</td>
<td>Partly organized, Partly unorganized</td>
<td>Large hotel chains on one hand and small catering and lodging service providers on the other.</td>
</tr>
<tr>
<td>Public versus Private Provision</td>
<td>Largely private</td>
<td>Traditionally, government has little or no investments in these sectors.</td>
</tr>
<tr>
<td>Intermediate versus Final Consumption</td>
<td>Largely final consumption</td>
<td>Due to the nature of activities of the industry, which are oriented towards consumption rather than usage in further production.</td>
</tr>
<tr>
<td>Educational Barriers to Entry for Job Seekers</td>
<td>Low educational barriers to entry for job seekers</td>
<td>Entering the industry as managerial staff would require basic level of education qualification. However, non-professional service employees usually carry lower educational qualification.</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>High to Low capital intensity</td>
<td>Large hotels have high capital intensity and small restaurants and lodging places have low capital requirement.</td>
</tr>
<tr>
<td>Skill Intensity</td>
<td>Medium skill intensity</td>
<td>Employs both professional and non-professional employees.</td>
</tr>
<tr>
<td>Economies of Scale</td>
<td>Low scope for economies of scale</td>
<td>Dominated by large unorganized segment comprising small restaurants and lodging places.</td>
</tr>
<tr>
<td>International Trade</td>
<td>Medium tradeability of outputs</td>
<td>Rapid increase in tourism is likely to have strengthened the tradeability of hotels’ and restaurants’ service in international market.</td>
</tr>
<tr>
<td>Contribution to Technological Progress</td>
<td>Low contribution to technological progress</td>
<td>Firms do not invest in R&amp;D</td>
</tr>
<tr>
<td>Incorporation of Technological Advance</td>
<td>Medium incorporation of technological advance</td>
<td>Large hotels are likely to incorporate technological advancements and small restaurants are unlikely to do so due to capital constraints.</td>
</tr>
</tbody>
</table>

### III. Human Resource Management and Employee Turnover Intention

Traditionally, human resource practices play a crucial role in influencing employee attitudes and behaviour. Turnover intention reveals the subjective probability that an individual will leave the organization and thus reflects one’s attitude towards the organization. Actual employee turnover represents an outflow of skills and may consequently seriously hinder competitiveness, efficiency and quality delivery (Redman and Mathews, 1997), which is dichotomous. Huselid (1995) stated that high performance work practices (such as promotion and labour-management participation teams) that contribute to employee development should enhance employee retention and found these practices had a negative relationship with employee turnover. High-performance human resource practices invest in improving service capacity through selection policies, training practices, integrated performance appraisal, competitive rewards and empowering employees in decision making, which would provide sufficient support to employees so that they can do their best to satisfy customers and to successfully carry out their tasks (Tang and Tang, 2011). Becker and Gerhart (1996) stated that human resource systems are path dependent, can be a unique source of competitive advantage and also added that it is difficult.
to imitate human resource management practices and policies. Few studies indicate that human resource practices as having an additive effect on organizational performance (Gerhart and Milkovich, 1990; Becker and Gerhart, 1996), whereas others examines the joint effects of human resource practices on organizational performance (Delaney and Huselid, 1996; Delery and Doty, 1996). Allen et al. (2003) argued that organizational practices that signal development opportunities and investment on employees should reduce employee turnover. Yang et al. (2012) identified the following concepts as the determinants of employee turnover, such as salary and fringe benefits, working hours, workload, work pressure, training and development, leadership, career plans and family factors. In the following paragraphs we elaborate on how various human resource practices from recruitment and selection, training and development, performance management and compensation and benefits can influence the development of employee turnover intention.

Recruitment acts as a root for psychological contracts fostered by the firms (Rousseau, 1994). Recruiting sources have been subsequently related to employee performance, absenteeism and work attitudes. Individuals recruited through professional conventions and who apply directly to organizations (self-initiated contacts) possess more accurate and complete information about the job and the organization, and consequently employees have longer tenure than do individuals recruited via newspapers, college placement offices and employment agencies (Breaugh, 1981). Bonn and Forbringer (1992) noted that hiring almost any 'warm bodies' that are interested in this industry resulted in higher levels of employee turnover and suggested to recruit through sources like referrals, hiring of minorities, elderly and handicapped employees to reduce employee turnover. They also, added that employees selected through realistic job previews will have lower turnover intention. Sims (1994) stated that realistic job previews can be used in the recruitment to increase the likelihood of satisfactory psychological contract at employee entry stage. Paraskevas (2000) found that in the selection process behavioural interviews and bio-data verification are performed more but, references are not checked as done in other industries. Cho et al. (2006) noted that internal recruitment and poor training of those employees promoted leads to high turnover intention. Ghebregiorgis and Karsten (2004) emphasized that proper staffing can help keep the employee’s morale high, because besides getting the right people recruiting has an important symbolic aspect. Hotels have been identified constantly as an industry with ill-defined recruiting practices, where a failure to match the hotel’s requirements and the hiring specification is found (Collins, 2007). In the present unstable environment, hospitality recruiters have a tendency for the job-fit rather than organization-fit of candidates (Paraskevas, 2000) and employees selected with better person–organization fit will have the intention to remain and perform better for the organization (Dawson and Abbott, 2011).

Davidson et al. (2010) have noted that training and skill development have been in the forefront of the challenges facing the hospitality industry for many years. According to them, both formal and informal training plays a vital role for a host of reasons, including the global expansion in the industry, to reduce employee turnover, the need for knowledge enhancement and career paths, increasing legal requirements and, most importantly, to enhance the quality of service delivered to customers. Getz (1994) attributed one main reason for high employee turnover in hospitality industry that it has not sought highly trained and qualified staff. Solnet and Hood (2008) described hospitality industry as being highly people – intensive, lacks in career growth opportunities and beset by employee turnover. On-the-job training is the primary method used in the hotels (Barrows, 2000; Nolan, 2002), but the employers fail to offer training from trained professionals (Poulston, 2007), which affects the quality of training. Lack of training and career growth opportunities in the hotels make the employees to quit their job (Bagri et al., 2010). Hai-Yan and Baum (2006) found that hotels lack trained employees and, emphasized that training and professional development is essential to develop skills of front office employees to attain competitive advantage. Baum (2008) suggested that hospitality and tourism organizations need to focus on inclusion of all staff in training and increase in the amount of investment in training and development. Psychological contract between employer and employee should specify what each party expects to give and receive from one another through training relationship (Sims, 1994). Davidson et al. (2010) noted that hotels generally regard high turnover as part of the work group norm and employees frequently hold the belief that they are entering jobs with limited career development opportunities; turnover has wide cost ramifications such as loss of investment in human capital, training and service quality.

Performance management programmes appear to be increasing in use, especially in the upper segment of the hotel industry (Nankervis and Debrah, 1995). Performance management approaches, including appraisals must become a continuous process and should be used to address psychological considerations for receiving feedback and rewards (Sims, 1994). Rousseau and Greller (1994) noted that the understanding of a job role, fair and just evaluation of performance, and fair distribution of monetary and non-monetary rewards are the factors that influence contract-making features of performance management. Redman and Mathews (1998) stated that employee
Performance standards should be linked with customer care policies and appraisal should be done against it, which needs to be realistic, achievable, and measurable. Poon (2004) findings exhibit that performance appraisal ratings are often used to make personnel decisions such as pay raises and promotions; therefore, bias in ratings will have adverse effects on job satisfaction and turnover intention. Browning (2006) emphasized that in the performance appraisal process, recognition from managers influences the service behaviour of employees. Aggarwal and Bhargava (2008) stated that performance appraisals must be followed up with appropriate compensation and training strategy; developmental appraisal aligned with long-term and specific/unspecific performance measures, career management and skills-based training will result in stronger employment relations.

Traditionally hotel employees have been perceived as the lowest paid among the workers in other industries, due to low skills and lack of union support (Nankervis and Debrah, 1995). Bonn and Forbringer (1992) found that monetary and educational incentives offered to employees will reduce turnover intentions in hospitality sector. Consequences of frequently underpaid and undertrained employees lead to low levels of motivation, job dissatisfaction, high turnover and ultimately dissatisfied customers. Hai-Yan and Baum (2006) found that high quality human resources are lacking in hospitality sector as employees do not want to stay long in hotel front office because of demanding work, low wages and uncertain opportunities for promotion. Namasisvayam et al. (2007) found that correlation between salary and organizational performance was stronger for managerial employees - base and incentive pay motivates them for better performance; and for non-managerial employees the correlation was stronger between individual benefits and organizational performance; and for non-managerial employees the base and incentive pay motivates them for better performance. Namasivayam et al. (2007) found that correlation between salary and organizational performance was stronger for managerial employees - base and incentive pay motivates them for better performance; and for non-managerial employees they are motivated by combination of benefits and wages to perform better. Tsuar and Lin (2004) found that if employees perceive their efforts to be rewarded, they are more likely to satisfy various customer needs. Baum (2008) stated that employers can actually focus on enhancing the work environment, notably in terms of pay and benefits to attract and retain talented employees at all levels. Chan and Kuok (2011) noted that salary and better benefits offered elsewhere are the major reasons for employee turnover in the hospitality sector. Blomme et al. (2010) highlighted that if organizations offer promotion opportunities and competitive salaries, then employees were less inclined to consider leaving the organization.

IV. Psychological Contract

The concept of psychological contract was coined by Argyris (1960) and it refers to the mutual obligations between the organization and the employee, held by both the parties. This implies that each of the parties might have different perceptions of what these obligations are. Rousseau (1990) defined psychological contract as an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between an employee and the organization. Studies affirm the crucial role of organizational factors such as human resource practices influencing psychological contract of employees and organizational outcomes (Rousseau, 1990; Sims, 1994; Rousseau and Greller 1994; Aggarwal and Bhargava 2008). Rousseau and Greller (1994) stated that an employee’s employment relationship with the organization is shaped by the human resource practices such as recruiting, training, performance appraisal, pay and benefits. In addition, they also stated that recognizing how human resource practices shape individual psychological contract will help the organization to work on more consistent communication and management of the contract. Blomme et al. (2010) stated that psychological contracts develop through an interactive process between employee and employer, which is influenced by number of human resource practices beginning from recruitment, training, compensation and performance reviews.

Rousseau (1990) categorized psychological contract into two types of contracts: first, transactional contracts, which refer to specific monetary exchanges such as rapid advancement, high pay and merit pay; and second, relational contracts, which encompass long-term job security, career development and support with personal problems. Coyle-Shapiro and Kessler (2000) found that much of the recent research focused on the employee’s perspective of the psychological contract and downplayed the aspect of mutuality. Coyle-Shapiro and Kessler (2000) found that the importance an employee attaches to transactional obligations have negative effect, and in contrast the importance an employee attaches to relational obligations have positive effect on their obligation towards the employer and contract behaviour.

Aggarwal and Bhargava (2008) stated that human resource practices have their impact on psychological contract through two ways. First, human resource practices shape employees’ skills, attitudes and behaviours, which in turn influence organizational performance (Huselid, 1995). Second, human resource practices impact organizational performance by creating structural and operational efficiencies. Contract fulfilment by the employer will lead to organizationally desired outcomes such as organizational citizenship behaviour (Robinson and Morrison, 1995; Coyle-Shapiro and Kessler 2000) and organizational commitment (Guest, 2004). In contrast psychological contract breach will result in negative responses, such as absenteeism (Derry et al. 2006), low organizational trust (Rousseau,
Dr. Bimal Aggarwal 2008). Derry et al. 2006), diminishing commitment levels (Rousseau and Greller, 1994) and employee turnover intention (Aggarwal and Bhargava 2008).

V. PROPOSING A CONCEPTUAL FRAMEWORK

Huselid (1995) noted that organizational human resource practices have received increased attention in recent times for their effects on employee turnover rates. In the proposed conceptual framework, four human resource practices are considered: recruitment and selection, training and development, performance appraisal and compensation & benefits. All the human resource practices in the framework are interrelated and inter dependent. Human resource practices play a vital role in signalling the message in terms of shaping the psychological contract. Human resource practices act as a means through which an organization communicates about the transactional and relational exchange relationship and which leads to the formation of psychological contract. Thus, we propose a framework depicting the relationships among human resource practices, psychological contract and employee turnover intention.

VI. CONCLUSIONS

Employee turnover in the hospitality industry is generally viewed as inevitable. The paper highlights the need to focus on the employee’s perspectives on human resource management practices and policies as it is argued as a major antecedent to develop employee turnover intention. Human resource practices influence psychological contract of an employee, which in turn influences employee's intention to quit. Therefore, hospitality industry must devise their human resource management practices keeping in view the above mentioned precursors to reduce employee turnover intention. Human resource practices and psychological contract should be analysed periodically based on the changing needs of the employees. Effective recruitment and selection practices are essential to employ potential candidates. Systematic training and career development opportunities has to be offered to employees in order to develop their knowledge, skills and abilities; which will in turn motivate employees to retain with the firm for longer duration. Performance appraisals has to be periodically conducted and results of appraisals has to be related with monetary and non-monetary benefits, which will enhance employees' future performance. Pay is considered to be one of the major reasons for high employee turnover in this industry; key measures have to be taken to improve the standards of compensation in comparison with other service oriented industries. These are some of the very basic measures but promising steps that will result in retention of employees and develop the employment relationship.

The constructs of the framework provides a way through which human resource researchers might test the framework empirically and human resource practitioners might foster such management practices with the potential to reduce employee turnover cost. Exploring further the construct of psychological contract, both in terms of content and process with various methodologies, domains and contexts, will prove promising to understand the employment relationship of both employees and employers.

This paper contributes in understanding and examining the role of psychological contract in the employee turnover intention process. The relationship between psychological contract and employee turnover intention has also seen to be mediated by organizational commitment, organization citizenship behaviour and
organizational justice (Coyle-Shapiro and Kessler 2000). Thus, psychological contract may be seen as more a latent determinant of employee turnover intentions that affects the actual employee turnover. Therefore, future research can explore the role of various mediating factors influencing psychological contract and employee turnover intention. Frith et al. (2004) stated that reduced turnover intentions and subsequent employee turnover will result in minimizing the financial cost and effort involved in recruitment, training and replacement cost. Human resource management practices of the firm indicate to the employees about the extent to which the organization values for their employees and the employment relationship which in turn influences the employee engagement and retention.

REFERENCES Références Referencias


Human Resource Practices and Employee Turnover Intentions in Hospitality Industry


