Relationship between Human Resource Practices and Employee Turnover Intention in Hospitality Industry

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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.

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1. INTRODUCTION

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. Chand and Katou (2007) stated that the hospitality industry being highly labour-intensive industry, 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 human resource practices perspective.

Despite the unique feature of the hospitality industry being highly labour-intensive (Nolan, 2002), only a few studies have investigated the impact of human resource management practices on organizational performance (Namasivayam et al. 2007) and these studies have focused only on a single aspect of human resource management practices which might inflate the true results (Cho et al. 2006). Additionally, human resource development is frequently addressed as a reactive concern within the tourism and hospitality sector (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 that, there exist very few studies in hospitality sector studying the relationship between HRM practices and its effect on employee turnover intention needs further research to fill this gap.

The abundant literature on research on human resource practices stands testimony to the universal interest in the minds of practitioners and researchers in order to gain insights into the practices that have an effect on the overall organizational performance, directly or indirectly. While the literature concerning human resource practices in the hospitality industry is replete with studies from the developed countries, researchers from the developing countries have been exploring the applicability of the models and frameworks in their particular context. This study is an effort to comprehend the effect of human resource practices on psychological contract and their effect on employee turnover intention in hospitality sector. Hence, the principal aim of this paper is to determine the effects of human resource practices on employee’s intention to quit through psychological contract.

The paper begins with the discussion about the hospitality industry and taxonomy of the Indian hospitality sector. This is followed by an overview of research trends in human resource practices and psychological contract. Literature on various human resource practices, psychological contract and employee turnover intention is subsequently reviewed. This paper conceptually illuminates the link between human resource practices, psychological contract and employee turnover intention and concludes by proposing a conceptual model.

II. HOSPITALITY INDUSTRY – AN OVERVIEW

Tourism is the most important civil industry in the world. 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 and 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) report says that hospitality which is the major sector of the tourism industry is the world’s second largest employer. In India, the industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of the GDP (Source: Department of Tourism estimates).

Warland and Wilson (1988) described the term hospitality industry as organizations that provide one or more services that contribute to the function of...
hospitality as generally construed and it includes four sectors: hotels, restaurants, licensed clubs and motels and there are many sub-sectors within each of these sectors. Tourism, of which hospitality is a key element, capitalize heavily on manpower resources, has also established itself as the largest generator of jobs providing both direct and indirect employment for more than 212 million to one in every nine workers worldwide (Singh, 1997). In contrast to increasing employment opportunity in the hospitality industry, Davidson et al. (2010) found that the hotel labour market has a dual aspect; on the one hand, it is difficult to attract suitable labour; and on the other, it has relatively high levels of turnover representing a significant loss of investment in human capital, training and quality.

Employee turnover in the industry is almost accepted as inevitable. According to Collins (2007), hotels are the largest employer in tourism; on the other hand the high mobility or turnover rate experienced within the industry is a common problem throughout this industry, worldwide. The hospitality industry is characterised by high mobility as it is relatively easy for workers to get a similar job with another establishment (Singh and Hood, 2008). According to National Sample Survey Organisation (2004-2005), employment survey data depicts that hotels and restaurants are the second highest employer of service workers with 65.8%. Distribution of individuals across occupations in hotels and restaurants other than service workers encompasses: 20% of administrative, executive and managerial workers, 7.6% sales workers, 1.4% clerical workers and professional and 0.1% of technical workers.

III. Taxonomy of Indian Hospitality Sector

<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>Part organized, Part 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>Government traditionally has little or no investments in these sectors</td>
</tr>
<tr>
<td>Intermediate versus Final Consumption</td>
<td>Largely</td>
<td>Owing to the nature of activities of the sector, which are oriented towards consumption rather than use in further production</td>
</tr>
<tr>
<td>Educational Barriers to Entry for Job Seekers</td>
<td>Low</td>
<td>Entering the sector as managerial staff would require some basic level of education but non-professional service providers are unlikely to entail any educational qualification, relatively more high.</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>Low</td>
<td>Large hotels have high capital intensity</td>
</tr>
<tr>
<td>Skill Intensity</td>
<td>Medium</td>
<td>Employs both professional and non-professional employees</td>
</tr>
<tr>
<td>Economies of Scale</td>
<td>Small</td>
<td>Dominated by unorganized segment</td>
</tr>
<tr>
<td>International Trade</td>
<td>Medium</td>
<td>Export plus import of service in a sector lie between 5 and 50 percent of GDP. Export of service have been strengthened through development in technology</td>
</tr>
<tr>
<td>Contribution to Technological Progress</td>
<td>Low</td>
<td>Firms does not invest in R&amp;D</td>
</tr>
<tr>
<td>Incorporation of Technological Advance</td>
<td>Medium</td>
<td>Large hotels incorporate technological advance</td>
</tr>
</tbody>
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IV. Research on Human Resource Practices – An Overview

Traditionally, human resource practices play a crucial role in influencing employee attitudes and behaviour. Huselid (1995) stated that high performance work practices (such as promotion, labour-management participation teams) that contribute to employee development should enhance employee retention and found these practices had a negative relationship with employee turnover. Becker and Gerhart, (1996) stated that human resource systems are path dependent, can be a unique source of competitive advantage and added that it is difficult to imitate human resource management practices and policies. Some research suggests that human resource practices as having an additive effect on organizational performance (Gerhart and Milkovich, 1990; Becker and Gerhart, 1996) while other research examines the joint effects of human resource practices on organizational performance (Delery and Doty, 1996; Delaney and Huselid, 1996). Allen et al., (2003) argued that organizational practices that signal development opportunities and investment on employees should reduce employee turnover. Budhwar and Debrah (2004) noted that in the recent past there has been a remarkable development in
human resource management research on developed countries but little has been written about developing nations. Butcher et al. (2009) stated that smaller organizations will have little capacity to specialize in human resource practices and policies when compared to large organization. Tang and Tang (2011) stated that 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. Namasivayam et al. (2007) found that there is little research examining the impact of HRM practices on organizational performance in the hospitality industry.

V. Research on Psychological Contract – an Overview

The concept 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. Rousseau (1990) categorized psychological contract into two types of contract. First, transactional contracts which refers to specific monetary exchanges such as rapid advancement, high pay and merit pay. 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. Studies affirm the crucial role of organizational factors such as human resource practices influencing psychological contract of employees and organizational outcomes (Sims, 1994; Rousseau, 1990; Rousseau and Greller 1994; Aggarwal and Bhargava 2008). Derry et al., (2006) found that psychological contract breach experienced by employees have been associated with a range of negative behaviour. Much of the research about psychological contract breach has focussed on master of business administration alumni and managers. Therefore, in this paper we have looked at the psychological contract from employee’s perspective in hospitality sector. Although there have been a number of studies discussing the impact of human resource practices on psychological contract of employees, however there is scant research in hospitality sector studying the influence of human resource practices on psychological contract and their effect on employee turnover intention.

VI. Recruitment and Selection

According to Breaugh (1981) 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. Bonn and Forbringer (1992) noted that hiring almost any ‘warm bodies’ that are interested in this industry results in higher levels of employee turnover and suggested to recruit through sources like referrals, hiring of minorities, elderly and handicapped employees in order to employee turnover. Also, added that employees selected through realistic job previews will have lower turnover intention. In addition, Paraskevas (2000) found that in the selection process behavioural interviews and bio-data verification are used more and references are not checked than other industries do. Ghebregiorgis and Karsten (2004) emphasised that proper staffing can help to keep the employee’s morale high because besides getting the right people, recruiting has an important symbolic aspect. Tsaur and Lin (2004) stated that organization could select employees based on job-related characteristics, i.e. job knowledge and personality, resulting in improved service quality. Hotels have been identified constantly as an industry with ill-defined recruiting practices, where there is a failure to match hotel’s needs and the hiring specification (Collins, 2007). Paraskevas (2000) found that in the present unstable environment, hospitality recruiters have a tendency for the job-fit rather than organization-fit of candidates. In contrast to the above stated findings, Dawson and Abbott (2011) stated that employees selected with better person – organization fit will have the intention to remain and perform better for the organization. Rousseau (1994) suggested that recruitment act as a root for psychological contracts fostered by the firms. Sims (1994) stated that realistic job previews can be used to in the recruitment to increase the likelihood of satisfactory psychological contract at employee entry stage.

VII. Training

Training means systematic development of people, which aims at increasing the knowledge, skills and ability of individuals and groups to contribute to organizational effectiveness. Getz (1994) attributed one main reason for high employee turnover in hospitality industry as it has not sought highly trained and qualified staff. Solnet and Hood (2008), described hospitality industry as highly people – intensive, lack in career options and beset by employee turnover On-the-job
training is the primary method used in the hotels Barrows (2000) and Nolan (2002), but the employers fail to offer the training with trained trainers, (Poulston 2007), which affects quality of training. Butcher et al. (2009) emphasised that the size of the hospitality firm is not a significant predictor of training whereas, importance placed on training is the strongest predictor of conducting training. Davidson et al. (2010) have noted that training and skill development have been 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 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 importantly, to enhance the quality of service delivered to customers. Lack of training and career growth opportunities in the hotels make the employees to quit their job (Bagri et al. 2010). Bitner et al. (1990) noted that employees are not trained to understand customers and do not have the freedom and discretion need to relate to customers in ways that ensure effective service. Hai-Yan and Baum (2006) found that hotels lack trained employees and therefore stated that training and professional development is essential to develop skills of front office employees in order to attain competitive advantage. Baum (2008) suggested that hospitality and tourism organizations, needs to focus on inclusiveness of all staff in training and increase in the amount of investment in training and development. Sims (1994) stated that the psychological contract between employer and employee should specify what each party expects to give and receive from the other through training relationship.

VIII. Performance Management

Performance management means taking an integrated goal oriented approach to assigning, training, assessing, and rewarding employees’ performance, Dessler and Varkkey (2008). Nankervis and Debrah (1995) found that performance management programmes appear to be increasing in use, especially in the upper segment of hotel industry. Redman and Mathews (1998) stated that employee performance standards should be linked with customer care policies and appraising should be done against it, which needs to be realistic, achievable, and measurable and found that there is no significant relationship between performance appraisal practices and employee behaviour during service encounters. Poon (2004) findings exhibits 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 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 skill-based training will result in stronger employment relations. Sims (1994) suggested that newer performance management approaches, including appraisals must become continuous process and should be used to address psychological considerations for receiving feedback and rewards. Rousseau and Greller (1994) noted that understanding of job role, fair and just evaluation of performance and fair distribution of monetary and non-monetary rewards are the factors which influence contract making features of performance management.

IX. Compensation

Compensation refers to all forms of pay going to employees and arising from their employment relationship with the organization, Dessler and Varkkey (2008). Nankervis and Debrah (1995) in their study stated that traditionally hotel employees have been perceived as the lowest paid among other workers in other industry, due to low skills and lack of union support. Bonn and Forbringer (1992) found that monetary incentives and educational incentives offered to employees will reduce turnover intentions in hospitality sector. Consequences of frequently underpaid and undertrained employees leads to low levels of motivation, job dissatisfaction, high turnover and ultimately dissatisfied customers. Tsuar and Lin (2004) found that if employees perceive their efforts to be rewarded, they are more likely to satisfy various customer needs. Browning (2006) states that pay and rewards will have an impact on service behaviour only if employees perceive that they are well compensated for their efforts. Hai-Yan and Baum (2006) found that high quality human resources are lacking in hospitality sector as employees not want to stay long in hotel front office because of demanding work, low wages and uncertain opportunities for promotion. In the study about compensation practices in hotels, Namastivayam 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; they are motivated by combination of benefits and wages to perform better. Baum (2008) stated that employers can actually focus on enhancing the work environment, notably in terms of pay and benefits in order to attract and retain talented employees at all levels. Chan and Kuok (2011) noted that salary and better benefits offered elsewhere are the major reason 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.

X. Psychological Contract

Sims (1994) defined psychological contract as the set of expectations held by the individual employee that specify what the employee and the employer expect to give and receive from each other in their employment relationship. 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 administration. 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. Rousseau (1994) found that relational obligations are positively related with employee’s commitment to be loyal and maintain long-term relationship with the organization. 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) added that human resource practices have their impact through two primary ways. First, human resource practices shape employees skills, attitudes and behaviours that in turn influence organizational performance (Huselid, 1995). Second, human resource practices impact organizational performance by creating structural and operational efficiencies. 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. Contract fulfilment by the employer will lead to organizationally desired outcomes such as organizational citizenship behaviour (Robinson and Morrison, 1995), organizational commitment (Guest et al. 2004), employee performance (1996) and employee contract behaviour (Coyle-Shapiro and Kessler 2000). In contrast psychological contract breach will result in negatives responses such as absenteeism (Derry et al. 2006), low organizational trust (Derry et al. 2006 and Rousseau, 1990), diminishing commitment levels (Rousseau and Greller, 1994) and employee turnover intention (Aggarwal and Bhargava 2008). 

XI. Employee Turnover Intention

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. 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 results 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. 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. Cho et al. (2006) noted that internal recruitment and poor training of those employees promoted leads to high turnover intention. 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 quality. Frith et al. (2004) stated that decreasing the employee’s turnover intention and subsequent turnover will result in minimizing the financial cost and effort involved in the recruitment, training and replacement cost.

XII. Proposing a Conceptual Model

Huselid (1995) noted that organizational human resource practices have received increased attention of late for their effects on employee turnover rates. In this conceptual framework five human resource practices are considered. They are recruitment and selection, training, performance appraisal and compensation. None of the human resource practices in the framework exist in vacuum (Rousseau and Greller, 1994), they are interrelated. Human resource practices play a vital role in signalling the message in terms of shaping the psychological contact. Human resource practices acts as a mean through which organization communicates about the exchange relationship and which lead to the formation of psychological contract. Thus, we propose a model aimed at studying the relationships among human resource practices, psychological contract and employee turnover intention.
The practical implication of the study suggests that employers need to consider employees' perception of human resource practices in formulating and executing those practices. Human resource practices influence employment relationship of an employee which in turn influences employee's intention to quit, therefore employer's needs to craft their human resource practice, accordingly. Human resource practices and psychological contract should be updated periodically by analyzing the needs of the employees. The constructs of the model provide a vehicle through which human resource researchers might test the model empirically, and human resource practitioners might foster the human resource practices with the potential to reduce employee turnover cost.

One major limitation, subject to current study is, it considers only employee's perspective of psychological contract is reviewed. Neglecting the employer's perspective of psychological contract which might lead to misinterpretation of the psychological contract; that is, the mutual obligations between the two parties (Guest, 2004 and Coyle-Shapiro and Kessler 2000). Second, continued research into the psychological contract content and process using variety of techniques in various sectors with wide range of employees and employers are essential in order to understand the employment relationship of both the parties. This study contributes to understanding the role of psychological contract in the turnover process. The relationship between psychological contract and employee turnover intention will be mediated by commitment, organization citizenship behaviour and organizational justice (Coyle-Shapiro and Kessler 2000). Thus, psychological contract may be a more distal determinant of turnover that affects turnover. Therefore, future research can explore the role of various mediating variables between psychological contract and employee turnover intention. Employers need to be aware that human resource practices may not directly affect employee's turnover intention. Human resource practices signals employees about the extent to which the organization values and cares about them in employment relationship then results to the turnover process (Hom and Griffeth, 1995). To conclude, human resource practices play an inevitable role in creating organizational effectiveness by influencing employment relationship, psychological contract which in turn influences workforce attitude and behaviour.

References Références Referencias


