

**LABOUR TURNOVER RATE AND ITS COSTS IN THE FIVE STARS**

**HOTEL: A CASE OF SERENA HOTELS IN ILALA DISTRICT**

**DAR ES SALAAM**

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**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: Labour Turnover Rate and its Costs in the Five Stars Hotel: A Case of Serena Hotels in Ilala District, Dar es Salaam” in partial fulfilment of the requirement for the degree of Master of Business Administration of the Open University Of Tanzania.

.....  
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Date

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.....

Signature

.....

Date

## **DEDICATION**

This work is dedicated to my mother Mrs Leonida Mashauri , my husband Thomas Nshunju, my daughters Careen and Precious.

## **ACKNOWLEDGEMENTS**

I thank the Almighty God for His Graces, which enabled me to complete this work. In a special way, I express my sincere thanks and gratitude to Dr Salvio Macha, (my research supervisor) for his direction, corrections and suggestions particularly on how I should undertake this work and his time spent in reviewing my work.

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## **ABSTRACT**

The main purpose of this study was to investigate the rate and costs of labour turnover in the five star hotel industry in Tanzania. This research study is conducted in Serena hotel as one of the big five rated star hotel in Dar es Salaam Tanzania. The study adopted descriptive survey research design. Simple random sampling method was used to pick respondents for this study. In this research, data were collected from 120 hotel employees in Serena hotel. Total number of respondents were required to answer the questionnaires and other data regarding total number of hotel employees, annual turnover number, annual replacement costs and hotel department line budgets for meeting the costs of replacing employees were provided by Human resource manager by filling data form and through in depth interview. The results indicated that, labour turnover was lower for (5%) in the five star-rated hotels. The hotel manages to control the supervision and administration cost by reducing the number of employees who are less reliable, low committed and poor performers through dismissal and redundancy. Also the researcher found that, there are strategies for human resource employment in Serena hotel that has been taken for attracting, developing and retaining employees such as hiring employees with good qualifications and working experience that fit the right person to the job. Providing different extra off, breakfast and lunch package, welfare loan system and compensation package. The research will assist larger and smaller hotels to reduce high labour turnover by adopting systematic HRM strategies, to monitor their costs closely and use the research findings information to manage human capital more effectively, to allocate resources well and to adopt better ways of managing and retaining employees.

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**LIST OF ABBREVIATIONS AND ACRONYMS**

HR Manager	Human Resource Manager
HRM	Human Resource Management
ILO	International Labour Organisations
U.S.A	United States of America

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Introduction and Background of the Study**

Labor turnover is a term that is widely used by many human resource practitioners. The rate at which an employer gains and losses its staff is called employee turnover. According to Price (1977) employee turnover is the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period.

If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in that same industry. When employees leave, valuable knowledge is lost and even guests may follow the departing employee. Hireling a new employee ramped up to performance levels similar to the one you have lost takes time and money. Hoteliers who actively find ways to retain employees gain a sustainable competitive advantage. A certain amount of turnover is necessary and healthy for an institution; too much staff turnover can lead to excessive costs. Turnover is a major problem for many organizations because it is extremely costly for the employer, particularly in jobs which offer higher education and extensive on the job training.

##### **1.1.1 Background**

According to Hinkin and Tracey (2000) high employees' turnover rates in the hotel industry are not country specific; this is a worldwide epidemic. Low labor turnover is seen as an asset in the competitive war. Labor turnover is seen as one area of cost

which can be measured and benchmarked. It is seen as a significant factor when measuring organizational performance, which management can influence (White, 1995).

However, high levels of employee turnover lead to low performance and ineffectiveness in organizations, and result in a huge number of costs and negative outcomes (Ingersoll and Smith, 2003). Several researchers have found that high turnover rates might have negative effects on the profitability of organizations (Aksu, 2004; Hinkin and Tracey, 2000 among others).

Johnson (1981) viewed turnover as a serious problem having a strong bearing on the quality of products and services and incurring considerable replacement and recruitment costs. Curtis and Wright (2001) opined that high turnover can damage quality and customer service which provide the basis for competitive advantage, thereby inhibiting business growth.

Through retrenchment and redundancy, the turnover 'culture' can be artificially manufactured in order to meet ill-defined but nevertheless accepted organizational objectives such as a broader cost minimization strategy. In some cases, downsizing can be used as a positive measure, promoting creativity by removing 'dead wood' (Nicholls and Buergmeister, 1993). Labor turnover can also be used as a disciplinary mechanism through involuntary terminations or the threat of termination (Timo, 1996). It can also be a strategy for maintaining work discipline or as a quality control device attracting 'fresh new faces' and encouraging poor performers to leave (Timo, 1999; Hollenbeck & Williams, 1986).



Serena has established itself as one of the world's leading hospitality brands offering quality accommodation, unique holiday and conference solutions, cultural heritage and adventure tourism. Its collection of 35 unique hotels, resorts, safari lodges and camps, palaces and forts located in East Africa (Kenya, Tanzania, Zanzibar, Rwanda, Uganda), Mozambique and Southern Asia (Pakistan, Afghanistan and Tajikistan) are in some of the world's most interesting, enchanting, historic and exotic settings. *<http://www.serenahotels.com> (Retrieved on 15<sup>th</sup> May, 2015).*

The common operating philosophy at all Serena properties is attention to even the smallest details, exceptionally personal service and a continuous effort to meet and even foretell customer requirements. In addition, each property celebrates and reflects its area's artistic idioms and cultural expressions with a view to giving clients a unique experience in every Serena. These values are key to Serena's ethos and are the key elements that contribute to the strength and uniqueness of the brand."Serena employ only the best and it ensure that they benefit from extensive training, benefit, health and community support. *<http://www.serenahotels.com> (Retrieved on 13<sup>th</sup> May, 2015).*

## **1.2 Statement of the Research Problem**

Through literature review, research gaps were identified in the field of employee turnover, specifically in the context of hotel industry and more particularly in the Australia, Kenya and USA: The research literature on labor turnover is dominated by analyses in which labor turnover is treated as the dependent variable Huselid, 1995; Morrow et al., 1999). Studies that take labor turnover as an independent variable are

relatively scarce. The publications on the costs of labor turnover that are available mostly only convey a normative message. They often aim at presenting different dimensions of costs and formulas for how to do the accounting, but generally lack a quantitative analysis of the effects on firm performance. (Tziner and Birati, 1996).

This unbalance in the research of labor turnover was already noted as early as 1982 by Mobley who wrote that ‘relative to the causes of turnover, consequences have been underemphasized’ (Mobley, 1982:31). Nevertheless, in the 1999 special issue on labor turnover of the *Human Resource Management Review* (1999) all papers treat turnover as a dependent variable and none as an independent one. Thus my research study on “labor turnover rate and its costs will treat “labor turnover as independent variable” and labor costs as dependent variable. Thus, I decided to study on the labor turnover rate and its costs in the Five Star hotel because most researches did not study the relationship of labor turnover rate as independent variable and replacement costs as dependent variable.

Thus most researchers concluded that employees leave the organizations because of independent variables such as job stress, lack of commitment, job dissatisfaction, and person agency such as powerlessness, locus of control and personal control. While thousands of studies have investigated why employees choose to leave their jobs, very little research has directly examined the impact associated with employee turnover. Like many other developing countries Tanzania need well skilled and qualified human resources personnel’s that will help the country to reach the goal of improving its economy. Tanzania is experiencing labor turnover problem although

no formal research has been done to determine the significant rate and costs of employee turnover in the hotel industry as well as the strategies to ensure there is employee retention to enhance hotel performance.

### **1.3 Research Objectives**

#### **1.3.1 General Research Objective**

To investigate the relationship between labor turnover rate and its costs in the five star hotel.

#### **1.3.2 Specific Objectives**

- i). To assess the impact of labor turnover on hotel costs.
- ii). To determine the costs associated with labor turnover.
- iii). To study how to reduce labor turnover and increase employee retention in hotels.

### **1.4 Research Questions**

- i). Assess the impact of labor turnover on hotel costs.
- ii). Determine the costs associated with labor turnover.
- iii). What are the ways to reduce labor turnover and increase employee retention in hotels.

### **1.5 Significance of the Research**

The findings from the study are significant for academicians, government and the hotel industry as a whole.

The findings will assist human resource personnel's to formulate better strategies to ensure there is employee retention to enhance hotel performance.

For academicians the study results will contribute to the body of knowledge for better understanding of the rate and costs of employee turnover. This knowledge also shall be useful tool for further researches in the rate and costs of employee turnover in other five rated star hotels located in Tanzania.

For hotel industry, the findings will help the hotel and tourism sector in Tanzania to formulate its motivational policies and come up with effective retention strategies. These efforts will build a good image of the hotel sectors, hence convince skilled, competent and professionals to apply work in the hotel Industry.

## **1.6 Organization of the Proposal**

The research proposal consists of chapter one, two and three. Chapter one involve the introduction, background, statement the problem, research objectives, research hypothesis, the limitation and the significance of the research. In this chapter explains that labor turnover in the hotel industry as a world epidemic.

It also explains high level of labor turnover lead to high costs and low performance in the hotel and low level of turnover lead to low costs and high performance in the hotel.

In chapter two, the study highlights the overview of the literature review, conceptual definitions, theoretical analysis, and empirical analysis of relevant studies, conceptual and theoretical framework and the research gap.

Chapter three of the research study will consist of research design, area of the research or survey, sampling design and procedures, variables and measurement procedures, methods of data collection, data processing and analysis.

## **1.7 Limitation of the Study**

### **1.7.1 Time Constraints**

The researcher is expected to face a time constraints since this is an academic paper and need to be completed according to the academic almanac, hence it will be a short period of time for making the whole research report compiled, reviewed and analyzed thoroughly.

### **1.7.2 Access To Key Information And Information Holders**

The case study in particular requires an in depth understanding of both qualitative and quantitative data and the willingness to provide views through questionnaires and interviews. Where people are not willing to participate well it can be difficult to get accurate data.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Overview**

A literature review is an account of what has been published on a topic by accredited scholars and researchers. It enables the researcher to know the kind of additional data needed in the study. It justifies the need for the study and highlights the relationship between the past and the current studies. This chapter discusses the main concept of labor/employee turnover; it highlights different theories and conceptual models derived from reviewed literatures which are relevant to this study and their implications to the study. It shows various empirical studies conducted on turnover at different places and time and, then the gaps shall be identified.

Employee turnover is the permanent withdrawal from the organization it occurs when employees leave an organization. Employee turnover is a rotation of workers around the labor market: between firm, job and occupation and between the states of employment and unemployment (Abassi and Hollman 2000). Such movement may be voluntary or involuntary.

#### **2.2 Conceptual Definitions**

Employee turnover is the rotation of workers around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment” (Abassi et al., 2000). The term “turnover” is defined by Price (1977) as: the ratio of the number of organizational members who have left during the

period being considered divided by the average number of people in that organization during the period. Frequently, managers refer to turnover as the entire process associated with filling a vacancy: Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover (Woods, 2002).

### **2.3 Theoretical Analysis**

Resource based theory of strategic human resource management proposed that the human capital pool ( a highly skilled and highly motivated workforce) had a greater potential to constitute a source of sustainable competitive advantage, the human capital pool must have both high levels of skills and a willingness i.e motivation (Wright et al,1994).

A particular perspective on labor turnover is provided by the Resource-based theory of strategic human resource management (Ulrich, 1991) and the related ideas on high commitment HRM (Guest, 1997). According to these theories, a motivated workforce can really make a difference when competing in the market. But a less committed/ de motivated labor is contradictory to high performance of job. Therefore, in a context of high commitment HRM the costs of labor turnover will be relatively low. And in the context of Low committed HRM the costs of labor turnover will be high.

#### **2.3.1 Classification of Employee Turnover**

Involuntary turnover this occurred when an employee is terminated for poor performance or work rule violation. This is triggered by the organization policies,

work rules and performance standards that are not met by employee. Voluntary turnovers are further distinguished into functional and dysfunctional turnovers. Functional turnovers are the resignation of substandard performers and dysfunctional turnovers refer to the exit of effective performers. Dysfunctional turnover is of greatest concern to the management due to its negative impact on the organization's general performance. Dysfunctional turnover could be further classified into avoidable turnover (caused by lower compensation, poor working condition, etc.) and unavoidable turnovers (like family moves, serious illness, death, etc.) over which the organization has little or no influence (Taylor, 1998).

### **2.3.2 Labor Turnover Rate and Costs**

The cost of turnover also varies based on complexity of the jobs, experiences, qualifications, and hotel property types (Hinkin and Tracey, 2008). Although the turnover rate of managerial employees is expected to be lower than that of operational staff, the cost of replacement is much higher.

Hotel size may be a factor, as larger hotels are more likely to adopt systematic HRM strategies and practices reducing turnover rates, especially at the luxury hotel level (Knox and Walsh, 2005).

Labor turnover is a significant cost to organization performance. Involvement in recruiting (including advertising), training, induction, growth and skill development, and quality represent a direct cost to the organization (Hinkin and Tracey, 2000). Another substantial but often-overlooked direct cost is that of hiring a person to cover absent staff, a common practice in businesses expecting a certain degree of



turnover (Karsan, 2007). Labor turnover is not only a significant tangible dollar cost but also an intangible or 'hidden' cost associated with loss of skills, inefficiency and replacement costs (Lashley and Chaplain, 1999). Lashley (2000) refers to lost investment in training and lost staff expertise as particular examples of turnover costs and opportunity costs. Analyses of the costs associated with turnover yield surprisingly high estimates.

### **2.3.3 Levels and Intensity of Labor turnover**

Labor intensity however varies according to the type and stage of tourism and hospitality development, infrastructural development, level and type of establishment (Kusluvan 2003). Service delivery and the late adoption of technology resulted to frequent labor turnover in the hospitality and tourism across the world. A large proportion of jobs in tourism and hospitality are semi-skilled or unskilled with about two thirds or 64 percent of jobs in the hotel, restaurant and catering sector being unskilled or semiskilled; 6 percent in managerial, 8 percent supervisory, and 22 percent craft or skilled (Riley, 1996). Hence, the quality of tourism and hospitality jobs has been questioned due to the low skills profile of the jobs.

Guerrier (1999) concludes that, if a job has low status in society and it is done by low status people, it is assumed that it must require little skill. According to Baum (1996) and Wood (1997), tourism and hospitality employment have resulted to hotel jobs being regarded as low status jobs with low payments and poor working conditions. Employee turnover as a research stream can be traced back to the work of March and Simon (1958) that was primarily based upon the level of job satisfaction and

organizational commitment. Other theorists such as Mobley (1977), Price (1977) and Price and Mueller (1986) identified a range of other variables such as pay, communication, social integration, routinisation, role overload, promotional opportunity, training, supervisor and co-worker support, and distributive justice as having a significant impact upon turnover.

Management turnover intentions are affected to a greater extent by psychological, perceptual and affective factors rather than by the characteristics of the employees or hotels although age is a factor that is significantly associated with long-term management turnover (Carbery et al., 2003). Management turnover has been reported as being lower than that of the operational employees and this may be attributable to the relatively higher level of dedication among hotel managers and the high investment made by hotels in their managers (Carbery et al., 2003).

According to Lucas (1995), labor turnover was observed to be highest amongst the newly employed people. He observed that, the newly employed people seemed to have higher perception and expectations from new jobs, impatience and other personal ambitions which are rarely achieved with time. This leads to the employees changing of jobs. The International Labor Organization's report (ILO) (2001), gave the high labor turnover rate amongst those on their first employment in the hospitality industry to be at 51.7 percent in the United States of America, 30 percent in Asia and 42 percent in the United Kingdom. High labor turnover rates among employees and general managers have a significant negative impact on a hotel's performance and profitability (Hiemstra, 1990). In a study by Hiemstra, (1990) in

Turkey, he observed that an average of fifty three hotel general managers change properties every three years. Similar trends were observed by Bull (1995), with hotel managers in Hong Kong.

## **2.4 Empirical Analysis of Relevant Studies**

### **2.4.1 Empirical Literature Review World Wide**

Generally, all costs related to the leaving and replacement of employees can be considered to be costs of labor turnover. These embrace not only the costs of recruitment and selection. As early as 1960, Gaudet (1960: 39-47) put forward a comprehensive list of turnover costs with items such as advertising, recruiting, applicant's travel expenses, medical examinations and psychological testing, recruitment awards for employees, and 'hotel entertainment'.

Sailors and Sylvestre (1994: 32) estimated the costs of labor turnover to US companies "to be several billion dollars per year" of which 20 per cent consists of direct turnover costs and 80 per cent of costs that can be associated but are not directly visible.

### **2.4.2 Research on Labour Turnover Rate and Costs in Australia**

This research on labor turnover costs in Australia was undertaken with a purpose of offering insight into this vital issue for the accommodation industry. The data revealed that the annual turnover rate for operational employees and managerial staff were 50.74% and 39.19% respectively, which were both higher than expected. Employees at all levels look for better pay, working conditions, training and career

prospects and this can drive turnover. In a comparative analysis between Singapore and Australia, Cheng and Brown (1998) found that Australian hotels were relatively slow in adopting innovative recruitment and selection strategies.

The data also confirmed the assumption that regional labor markets are more vulnerable to distance and isolation as turnover rate is clearly higher in regional and remote hotels.

### **2.4.3 Empirical Literature Review in East African Countries**

(Kuria et al 2012), International journal of business and social science conducted a study for a purpose of establishing the internal and external causes of labor turnover in three and five star-rated hotels in Nairobi city. Nairobi city has seven hotels which are classified as five star and nine hotels which are classified as three star hotels. The study adopted descriptive survey research design. This study involved a total of 133 permanently employed staff working in these star-rated hotels. Simple random sampling method was used to pick hotels as well as the respondents for his study.

The Employee Attitude Survey (EAS) revealed that, lack of balance between work and personal life was a major cause of job resignation (32%) while lack of staff involvement in decision making and creativity was (56%). Consequently, employees were familiar with job requirements and departmental mission statements. The need to create conducive work environment probably prompted them to ask for flexi-hours. Poor remunerations were cited with over 60% of the respondents dissatisfied.

More so, was the undefined rewarding system where 46% of the respondents strongly disagreed. The study therefore recommended that, the management should improve the working condition for the employees as well as establishing training policies that equip employees with job requirements and expectations. Finally, the need to establish a rewarding system that would motivate workers other than monetary remunerations is also recommended.

#### **2.4.4 Empirical studies in Tanzania**

In Tanzania, no study has been documented labor turnover rates and costs in hotel industry

#### **2.5 Research Gap**

According to different turnover studies as mentioned in the empirical study it's seem the costs of labor turnover incurred by hotel industry is large. Due to those studies there is still a gap on the solution taken to reduce the rate and costs of labor turnover in the hotel industry. Therefore this study aims at investigating and finding solutions to the question "why is the employee turnover rate and costs increase? Perhaps this study will help to identify the solution to solve or reduce the gap.

Research literature on labour turnover is dominated by analyses in which labour turnover is treated as the dependent variable (Morrow et al., 1999). Studies that take labor turnover as an independent variable are relatively scarce.

In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Alexander et al., 1994). Therefore, in situations where

organizations are not stable employees tend to quit and look for stable organizations because with stable organizations they would be able to predict their career advancement.

Employees may stay longer in an organization if they are motivated and rewarded. Studies show that a motivated employee is a productive employee; therefore, it is the responsibility of organizational leadership to ensure that all employees are productive. To be productive means supporting the mission and vision of the organization. Employees may stay longer with organizations if they are well paid and motivated. Management and leadership motivate and reward high performance employees in order to prevent them from leaving.

## **2.6 Conceptual Framework**

Conceptual framework can be defined as set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent (Rachel and Ramey, 1987). To find out how effective one's conceptual framework is, one should analyze whether the set objectives have been addressed (Smyth, 2004).

According to my proposed research title "Labor turnover rate and costs in five stars hotel" There are two types of variables. Independent variables and dependent variables. "Independent variables are also known as the predictor or explanatory variables. These are the factors that the researcher thinks explain variation in the dependent variable. In other words, these are the causes. Dependent variable is the outcome variable that the researcher is attempting to predict. (Kombo K. and Tromp

D. 2006). Through the theory of the classification of labor turnover developed by (Mathis R.L and Jackson J H 2006).

My proposed research study also predicts that organization bureaucracy, poor performance of employees, violation of work rule. Low job performing by employees, less reliable employees, lower compensation and poor working conditions. All these are Independent variables and are the main causes of labor turnover.

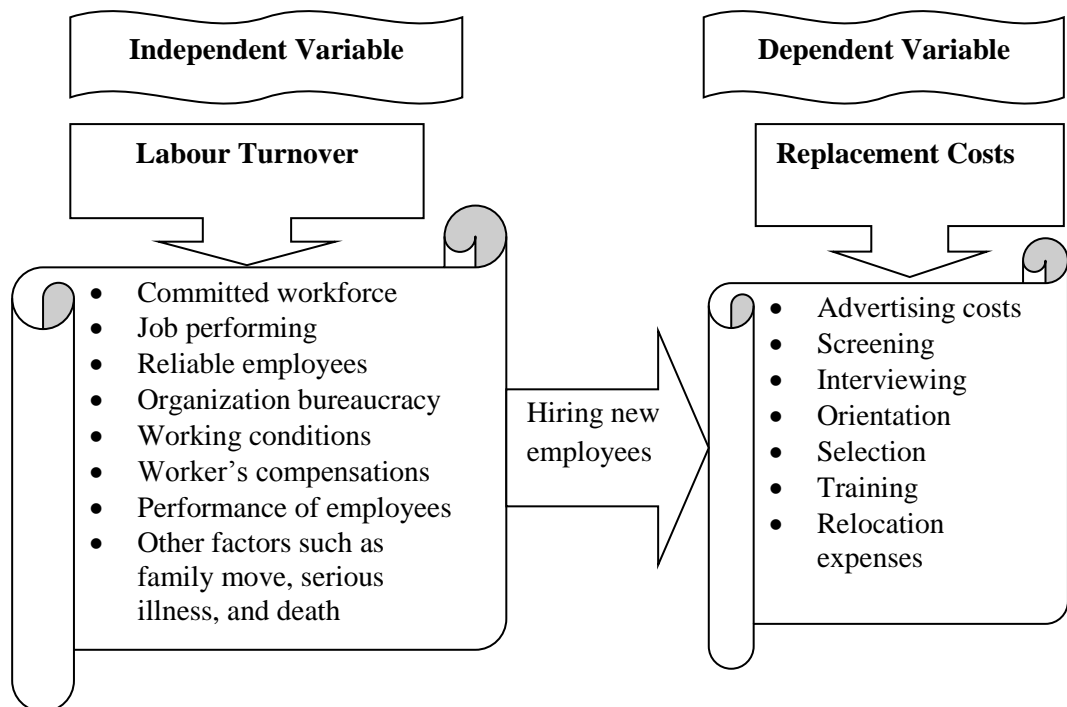
Other Independent variables are family moves, serious illnesses and death; employee's moves out of geographical areas and the reasons that could be influenced by employer are also independent variables.

Several research such as (Hinkin and Tracey 2000), (Lasley & Chaplain 1999), (Karsan, 2007) explained that, Labor turnover is a significant cost to organization performance.

Through my proposed research study, dependent variable is organization costs incurred because of labor turnover. These organization costs are associated by involvement in recruiting (including advertising, screening, interviewing and services associated with selection), training, induction, growth, skill development, replacement costs, and supervisory, administrative expenses. All these are dependent variables that results into high/low replacement costs. Other dependent variables in my proposed research are related to indirect costs which are lost productivity associated with the interim period before a replacement can be placed on the job and

costs associated with the period prior to voluntary termination when workers tend to be less productive.

My proposed research study predict variables such as organization bureaucracy, performance of employees ,violation of work rule, job performing by employees, reliable employees, workers compensations and working conditions. All these are independent variables that results into of high or low labor turnover. Other independent variables are family moves, serious illness and death, employees to move out of geographical areas and the reasons that could be influenced by employer are also independent variables.



**Figure 2.1: Conceptual Framework Diagram**

Through my proposed research study, dependent variable is organization costs incurred as a result of labor turnover. These organization costs are associated with



replacement costs (including advertising, screening, interviewing and services associated with selection), training, and orientation, growth and skill development. All these are dependent variables that results into high/ low replacement costs.

Other dependent variables in my proposed research are related to indirect costs which are lost productivity associated with the interim period before a replacement can be placed on the job and costs associated with the period prior to voluntary termination when workers tend to be less productive.

## **2.6 Theoretical Framework**

Theoretical framework is a collection of interrelated ideas based on theories. It is a reasoned set of prepositions, which are derived by data or evidence. It accounts for or explains phenomena. (Kombo and Tromp 2006).

A particular perspective on labor turnover is provided by the resource-based theory of strategic human resource management (Prahalad & Hamel, 1990; Barney, 1991; Ulrich, 1991) and the related ideas on high commitment HRM (Beer et. al., 1984; Guest, 1997). According to these theories, a motivated workforce can really make a difference when competing in the market. Dedication to the organization's goals, knowledge of the firm's internal processes, its suppliers and customer relations is supposed to produce high performance (Herman, 1997). A high turnover rate is contradictory to high performance because it shows that one of the core conditions of high performance – i.e. a highly committed workforce – is not met. Additionally, high commitment HRM requires long periods of training and socialization.

Consequently, it will take more time before the break-even point between investments in human capital and the returns to these investments is reached. Therefore, in a context of high commitment HRM the costs of labor turnover will be relatively low.

## **2.7 Summary**

In the previous chapter “Literature review discussed the conceptual definitions of labor turnover, theoretical analysis of various labor turnover theories and the empirical analysis of relevant studies. The empirical analysis of labor turnover and its costs has been taken in Australia, Kenya and United States of America.

Also through my research study on “ labor turnover and its costs in the Five Star hotel, the conceptual framework and theoretical framework suggested that, the larger amount of organization costs are associated with replacement costs such as costs associated with advertisement, screening, interviewing and services associated with selection), training, induction, growth, skill development, supervisory and administrative expenses

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Overview**

This chapter explains the way in which the research will be carried out. It is organized under the following sub sections; the research process, research design, the population, sampling techniques, research instruments, data collection procedures, data analysis and research limitation.

#### **3.2 Research Design**

The research design helps the researcher to obtain relevant data to fulfill the objectives of the study (Churchill and Iacobucci, 2002). In the research study the researcher used descriptive research survey. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2003).

##### **3.2.1 Area of the Research or Survey**

The Researcher collected data from Serena hotel. This hotel is one among three five stars rated hotels located at Ilala District in Dar es Salaam Tanzania. Serena Hotel main office is located in Ohio Street in Dar es Salaam Tanzania, next to golf course gymkhana club and it provides view of Indian Ocean.

I selected Serena hotel because is old one and the biggest hotel with multi-functional department and complexity of staffs. Being a researcher, I got the opportunity to

determine the costs associated with labor turnover. Also I studied the ways of reducing labor turnover and increase employee retention in the hotel.

### **3.2.2 Survey Population**

Population refers to the larger group from which the sample is taken. Population refers to an entire group of persons or elements that have at least one thing in common, for stance, staffs at Serena hotel. Study population includes some of the overall demographics such as age, gender and class of the survey population. (Kombo and Tromp 2006). The survey population included 120 staffs from Serena hotel.

The employees of Serena hotel involved, questionnaires were distributed in different department, before distribute the questionnaires the relevant department was consulted having appointment with the manager and supervisors. The questionnaires were distributed to food and beverage waiters, receptionists, cooks, cleaners, technicians, human resource personnel's, accountants, sales and marketing staffs, kitchen assistants, bar waiters, housekeepers and maintenance technician and so on. The sample was collected from different department or sections of the hotel. There are 443 employees working in the hotel. Between those employees 140 employees were sampled, out of 140 samples, I got only 120 respondents.

### **3.2.3 The Sample Size**

According to Babbie (1992), the sample is a segment of population in which the researcher is interested in gaining information and drawing conclusions. While selecting a sample size, researchers are advised to put into consideration three

important aspects namely; the availability of population, methods of sampling to be used and the financial resources available for the facilitation of the specific study (Charles, 1995).

The sample drawn consisted of 120 respondents, of which 6 respondents were human resource officers, 3 were accountants, 29 technicians, 7 were sales and marketing officers, 43 were kitchen assistants/ food and beverage, 19 were housekeepers/ cleaners and 13 were front office/receptionist making 120 total number of respondents. The said sample size is desired because it is a representative of the finite population and is large to enable simple calculations.

#### **3.2.4 Variables and Measurement Procedures**

Variables are attributes or qualities of the cases that we measure or record. “Independent variables are also known as the predictor or explanatory variables. Dependent variable is the outcome variable that the researcher is attempting to predict. (Kombo K., Tromp D. 2006).

My proposed research study also predicted that organization bureaucracy, poor performance of employees, violation of work rule, low job performing by employees, less reliable employees, lower compensation and poor working conditions. All these are Independent variables and are the main causes of labor turnover.

Other Independent variables are family moves, serious illness and death, employee’s moves out of geographical areas and the reasons that could be influenced by

employer are also independent variables. The labor turnover of an office is measured as the total number of employees leaving that office per year as a percentage of the average number of employees employed that year in that office. In this measure 'employee' is defined as a person and not as (part of) a full time equivalent.

The following formula adapted from Mercer (1988) is used in calculating turnover costs in organizational set-ups.  $\text{Turnover} = \frac{\text{Number of (internal) job leavers in period}}{\text{Average number of employees}} \times 100$ . These turnovers may be assessed monthly, quarterly, half yearly or annually. Thus, if there were 10 separations during a month and the average number of employees was 100, the wastage rate would be:  $\frac{10}{100} \times 100 = 10\%$ .

### **3.3 Methods of Data Collection**

There are two basic types of data further on which research can be originated, secondary data and primary data.

#### **3.3.1 Secondary Data Research**

It can be available to researchers on two type's internal and external data. Kinner et al (1996) describes internal data is that exists within an organization itself and comes from sources such as organization figures, reports and past research. External secondary data relays to sources such as reports and statistics from the government agencies, journal and textbooks. Proctor (2000) suggested that also internet appeared as a data source assists the collection of secondary data is available through online reports, journals and magazines because of several websites that have been created by government agencies and companies.

### **3.3.2 Primary Data Research**

Primary data is information gathered directly from respondents through questionnaires, interviews, focused group discussions, observation and experimental studies. Data is collected from existing sources. (Kombo and Tromp 2006). The researcher used questionnaire, observation and in-depth interview to collect data.

### **3.4 Data processing and Analysis**

A descriptive type of study is to be used in the study preferably because it makes enough provision for protection against bias while maximizing reliability with due concern for economic completion of the study. The study will rely on individuals' self-reports on their knowledge, opinions, attitudes and behavior. Gay (1987) argues that, descriptive studies are concerned with the assessment of attitudes, opinions, demographic information, condition and procedures. Given the purpose of this study, which aims at assessing the impact of labor turnover on hotel costs in Serena hotel. The researcher also presented data by using tables, graphics and direct quotations.

#### **3.4.1 Data forms**

Having established a degree of rapport and co-operation with hotel sample, in order to carry out the in-depth interview, the data forms were used to gain additional numerical data which might be useful in fulfillment of objective 2. The aim was to obtain a numerical data of both the current employees of Serena hotel, and of those staff who had left the organizations within a period of one year. Human resource manager and accountant supervisor asked to complete forms that show quantitative records of those staff who had left and replaced by the hotel within the past 12

months. The data forms covered the following details: The number of hotel employees, labor turnover number, staff number and working position, length of service and staff number, reasons for leaving and staff number. Hotel department line budgets for meeting the costs of replacing employees ( in percentages ) and the cost of replacing operational and managerial staffs per annum.(Examples of the forms are given in Appendices 3 ).



## CHAPTER FOUR

### 4.0 RESEARCH FINDINGS

#### 4.1 Introduction

Employees in the hotels are mostly important to the development of the hotels as well as for providing a sustainable competitive advantage for the hotel. Labor turnover is a critical concern in the hotel industry. Thus understanding the nature and costs of employee turnover is very important. Previous research on labor turnover in the hotel industry conducted on other parts of the world indicated that high labor turnover has impacted negatively in business sustainability due to high costs of training new employees, replacement and separation costs for the departing employees as well as dissatisfaction to customers.

The research data revealed that, Serena hotel succeeded in managing and retaining employees. Employee's turnover in the study area is not high because the hotel administration pays employees good salary, workers compensations, training opportunities, providing staffs with welfare loan system and lunch package, resulting in employees good customer care, increasing hotel profit and customer satisfaction.

According to Kusluvan (2003), one of the major benefits of the development of the hospitality industry in any economy is the provision of employment. Hence Serena hotel succeeds in the provision of employment, retaining employees as well as reducing labor turnover. In five stars hotel, taking Serena hotel as an example, researcher found that, there are lower number of labor turnover. In 2014 there were only 23 employees turnover which was (5%) out of 443 of all employees.

## 4.2 Description of Respondent's Demographic Profile

In the analysis of the results, respondents were separated in groups according to their age, gender, marital status, and years of working experience, educational background and working position.

**Table 4.1: Age Group of Respondents**

Age	Number Of Respondents	Percentage
Below 25	13	11
Between 25- 34 years	40	33
Between 35-44 years	57	48
Between 45-54 years	10	8
Total	120	100

Source: Data Collected From the Research, 2015

According to the table 4.1, most respondents who were 57 persons have age ranged between 35-44 years old. The second highest number of respondents was between 25-34 years equivalent to 48% out of 120 total respondents. This is followed by below 25years which were 13 persons (11%) of total respondents. The lowest amount was 10 persons (8%) of all respondents. In additions, the data shows that 13 respondents which were (11%) were below than 25 years and 67 (56%) were over 35 years.

According to Lucas 1995 and the ILO report (2001), young people in their first employment have greater expectations from the current jobs and whenever such expectations are not realized within a period of less than six months, they resign to look for better opportunities.

**Table 4.2: Gender of Respondents**

<b>Gender</b>	<b>Number of Respondents</b>	<b>Percentage</b>
Male	66	55
Female	54	45
Total	120	100

Source: Data Collected From the Research, 2015

As shown in the tables 4.2 above the majority of respondents were male, which consist of 66 persons equivalent to 55% whereas female consist of 54 persons equivalent to 45% of all 120 total respondents.

**Table 4.3: Marital Status of Respondents**

<b>Marital status</b>	<b>Number of Respondents</b>	<b>Percentage</b>
Single	50	42
Married	64	53
Divorced	06	5
Total	120	100

Source: Data Collected From the Research, 2015

From the table 4.3, the data showed that, Job satisfaction was more prevalent among married workers, followed by single workers. Job dissatisfaction was more prevalent among divorced workers. There are some researchers showed that married employees are more satisfied with their job than the unmarried employees. It may be the reason that, the married employees' new system of life changes their expectations of work than their counter parts.

**Table 4.4: Respondent's level of Education**

<b>Education Level</b>	<b>Number of Respondents</b>	<b>Percentage</b>
Ordinary level education	04	3
Certificate education	37	31
Diploma education	58	48
Bachelor degree education	19	16
Master's degree education	02	2
Total	120	100

Source: Data Collected From the Research, 2015

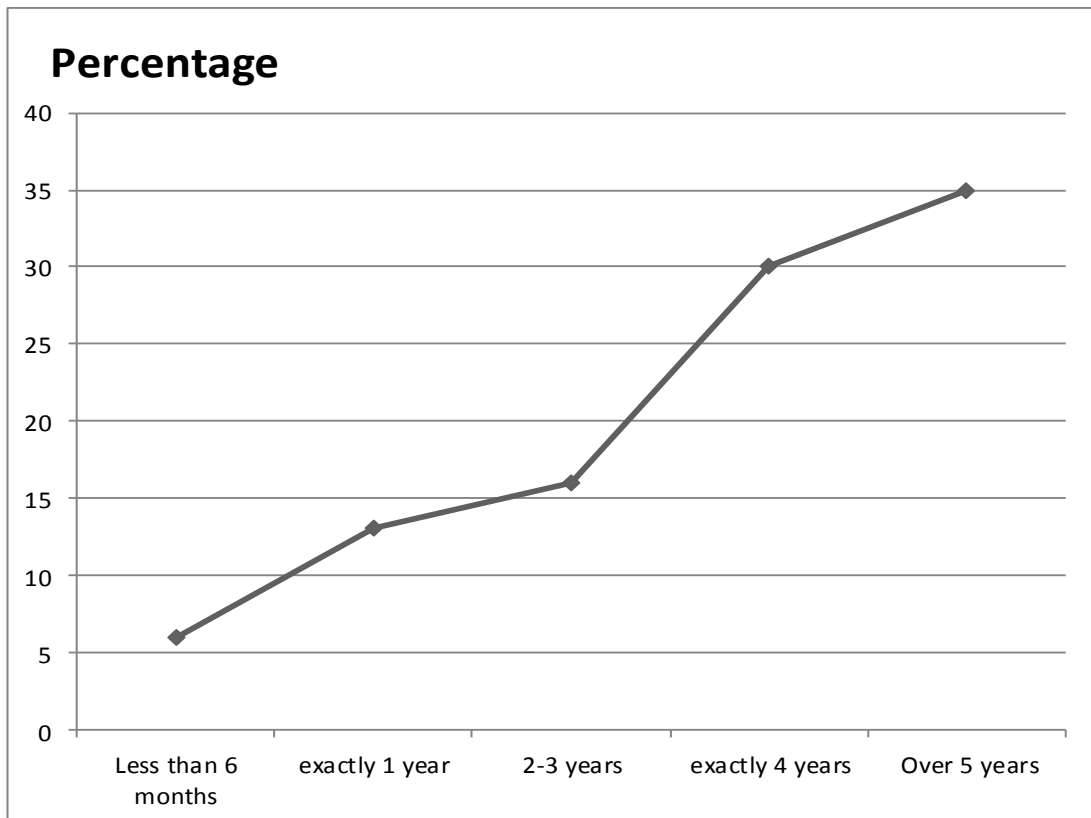
Based on the table 4.4, most of respondents had diploma course education levels which consist of 58 persons occupy 48% of all respondents. This is followed by certificate course which consist of 37 persons (31%) out of 120 total respondents. Number of respondents who had bachelor degree courses were 19 persons (16%). Only 4 respondents had ordinary level secondary education. And 2 respondent's (2%) had masters' degree qualification. This is congruence with the study by Riley (1996), that about two thirds or 64% of jobs in the hotels, restaurants and catering sector are either unskilled or semiskilled.

The research findings indicated that, more than  $\frac{3}{4}$  respondents are receptionists, kitchen assistants, food and beverage waiters, salespersons, cleaners, and technicians had a certificate and diplomas. Few of them had a bachelor, o' level (form four) and master degree level. The findings from the research found that education distribution comply with the general hotel industry because hotel industry require less experts with degree or masters but need more common people who are willing to provide service to others such as housekeepers, cooks, waiters and cleaners.

**Table 4.5: Working Experience of Respondents**

<b>Working experience</b>	<b>Number of respondents</b>	<b>Percentage</b>
Less than 6 months	7	6
Exactly 1 year	16	13
2-3 years	19	16
Exactly 4 years	36	30
Over 5 years	42	35
Total	120	100

Source: Data Collected From the Research, 2015

**Figure 4.1: Line Chart of Respondent's Working Experience**

Source: Data collected From the Research, 2015

From the figure 4.1, the highest percentage of the respondents had been working over 5 years which occupy 42 persons equivalent to 35% of all respondents. This was followed by 36 respondents equal to 30% worked for exactly 4 years. While 16

respondents equivalent to 13% had been working for exactly 1 year and only 7 respondents (6%) had been working for exactly 6 months.

**Table 4.6: Working Position of Surveyed Respondents**

<b>Working position</b>	<b>Number of respondents</b>	<b>Percentage</b>
Human Resource Officers	06	5
Accountants	03	2
Technicians	29	24
Sales & marketing	07	6
Kitchen assistants/Food and Beverage	43	36
Housekeepers/ Cleaners	19	16
Front office/ receptionists	13	11
Total respondents	120	100

Source: Data Collected From the Research, 2015

From the table 4.6, majority of surveyed respondents working position were kitchen assistants who were 43 persons occupy 36%. Followed by technicians who were 29 persons occupy 24% of total respondents. While positions of housekeepers were 19 persons occupy 16%. Front office positions were 13 respondents who occupy 11% of total respondents. The least amount of surveyed respondents working position were 6 human resource officers, 3 were accountants, and 7 respondents were in the position of sales and marketing. The data in the findings showed that, main of respondents are common staffs in the hotels and their jobs are mostly for kitchen assistants, technicians, housekeepers, and front office positions.

### **4.3 Key Results Organized According to the Research Questions**

Total number of employees in the hotel are 443; where by 249 are male which occupy 56% of all total employees and 194 are female which occupy 44% of all employees.

**Table 4.7: The Hotel Employees**

<b>Gender</b>	<b>Number of employees</b>	<b>Percentage of employees</b>
Male	249	56
Female	194	44
Total	443	100

Source: Data collected From the Research, 2015 (Human Resource Department)

#### 4.3.1 Reasons for Labor Turnover

The researcher provides answers to respondents that indicate not important, less important, important and very important. Employees required circling the possible answers that match the reasons for labor turnover in their hotel/working place. After respondents finish circling those reasons for labor turnover in their hotel, the results were as follows.

**Table 4.8: Reasons for Labour Turnover**

<b>Reasons for Labor Turnover</b>	<b>Number of Respondents</b>	<b>Percentage of Respondents</b>
Violation of work rule	35	29
Poor performance of employees	33	28
Less reliable employees	32	27
Lower compensations	10	8
Other factors such as family move, illness and death	4	3
Poor working condition	3	2.5
Organization bureaucracy	3	2.5
Total	120	100.0

Source: Data collected from the research 2015.

The table 4.8 described the answers provided by respondents through the question asked by the researcher to circle the reasons for labor turnover in their hotel. Hence, as a result of research findings, I presented the proposed independent variables in the conceptual framework that the main causes of labor turnover in Serena hotel are

violation of work rule, poor performance of employees and less reliable employees. Regarding the table 4.8, total number of 100 respondents which were (84%) of all respondents indicated that violation of work rule, poor performance of employees and less reliable employees are important and very important reasons for labor turnover in their hotel as employees sometimes dismissed by their employers because they are not familiar with job requirements; by laws, work rule and poor performance standards.

They also indicated that, poor working conditions, organization bureaucracy and other factors such as illness and death are less and not important factors for labor turnover in their hotel. Very few respondents who are only 3; dish and table cleaner, a cook and a technician see table 4.8 above, they were blaming that, they are working in bad working conditions as their jobs are dirty works in nature, monotonous, boring work and they work in long and difficult hours. They added that due to their job nature, other workers decided to leave the job as a result of illness. Only 3 respondents ( 2%) said that organization bureaucracy are not the important reason for labor turnover in their hotel as respondents suggested that, insufficient information on how to perform the jobs adequately, lack of consensus on job duties may cause employees to feel less involved and dissatisfied with their jobs and want to resign.

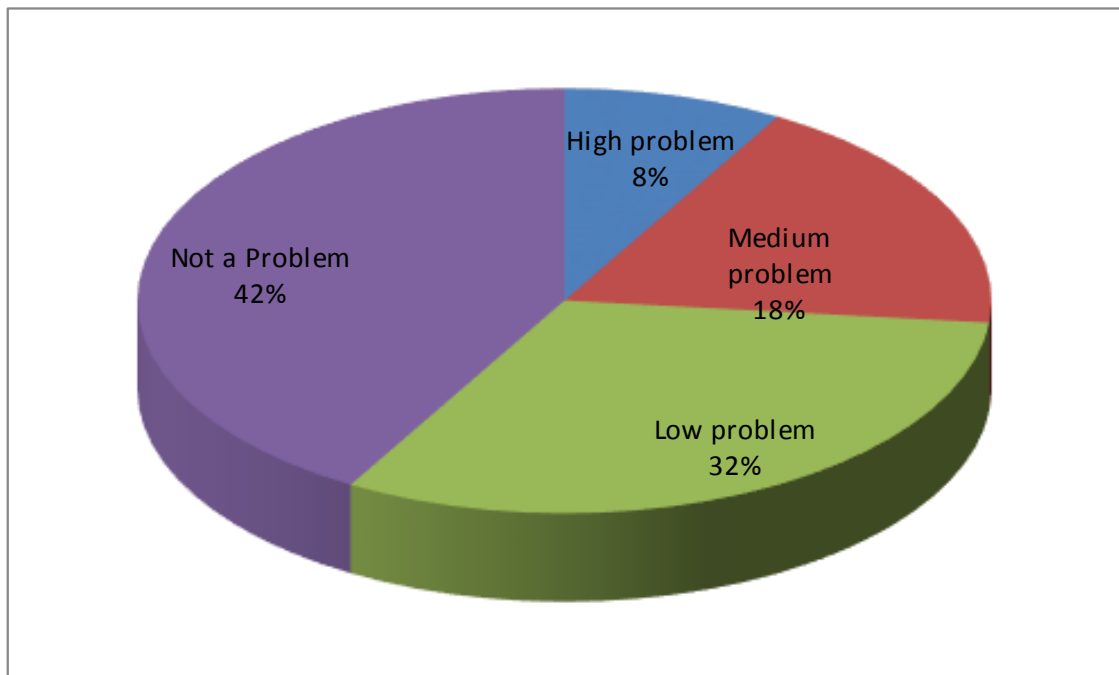
#### **4.3.2 Labor Turnover as a Problem**

One of the question posed to respondents through questionnaire is concerned the extent to which they consider labor turnover to be a problem to the industry as a whole as well as the criteria used for employees promotion.



**Table 4.9: The Extent to Which Serena Hotel Staffs Consider Labor Turnover to Be a Problem**

Is labor turnover a problem to the company?	Number of Respondents	Percentage of respondents
High problem	10	8
Medium problem	22	18
Low problem	38	42
Not a problem	50	32
Total	120	100



**Figure 4.2: The Extent to Which Serena Hotel Staffs Consider Labor Turnover to Be a Problem**

Source. Data Collected From the Research, 2015

Table 4.9 figure 4.2 confirms that, “labor turnover has low impact to the company as 88 respondents which were equal to 74% marked that, “labor turnover was not a serious problem and just a low problem to the company,” as the company has strong

strategy of controlling high labor turnover. Respondents suggested that, criteria to be used for workers promotion are good personal communication with fellow workers and managers, hard work, innovation and creativity.

Respondents suggested that, criteria to be used for promoting hotel chefs are creativity in food preparation and buffet, packaging, quality, test and color. Others provided that criteria to be used for promoting room attendants are to be honest, hospitality and good relationship with customers. For food and beverage waiters, respondents suggested that, waiters should have good communication skills and attractive dresses, good reception, cleanliness and seriousness with customers.

Taking this overall picture from the hotel respondents would suggest a high level of internal promotions generally. However, there does in fact appear to be a marked discrepancy between what has been said and the actual proportion of promotions in the hotel. Through the year 2014, the data from human resource department showed that, the hotel management promoted only 5 staffs, despite a total of 40 job vacancies.

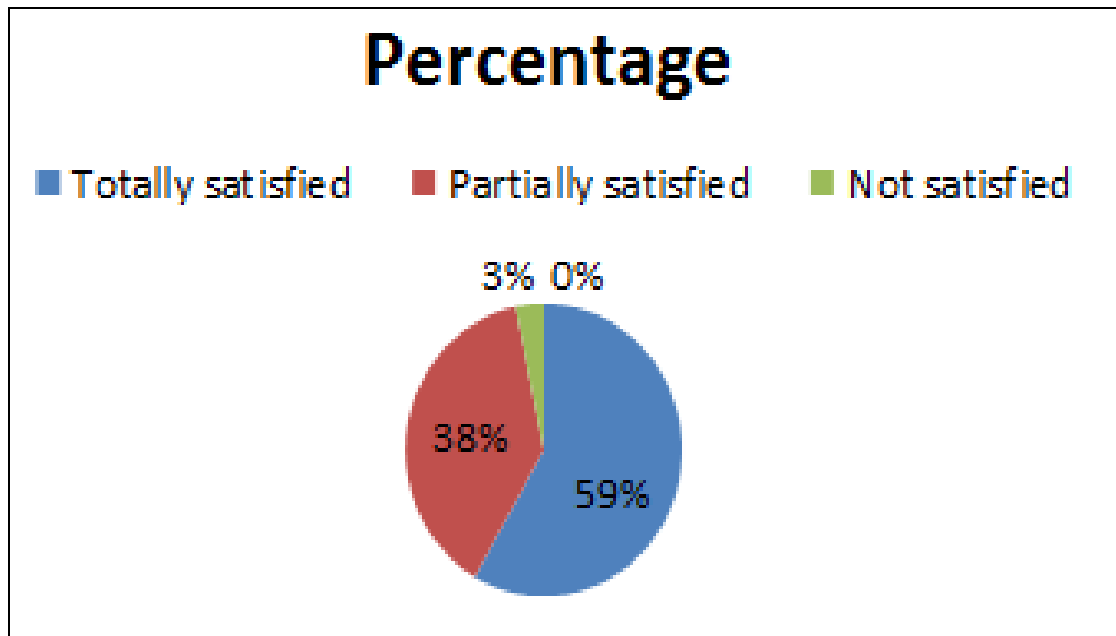
#### **4.3.3 Employee Satisfaction with Job**

Research question was designed to investigate whether employees are satisfied or dissatisfied with the work and to know the reasons behind. The aim was to find ways on how to reduce labor turnover and increase employee retention in hotels. In some cases, employees are found to enjoy their work while on the other hand other employees are found to hate their jobs.

**Table 4.10: Employees Satisfaction with Job**

Employees satisfaction with work	Number of respondents	Percentage
Totally satisfied	70	<b>58.3</b>
Partially satisfied	46	<b>38.3</b>
Not satisfied	4	<b>3.3</b>
Total	120	<b>100.0</b>

Source. Data Collected From the Research, 2015

**Figure 4.3: Employees Satisfaction with Work**

Source: Data collected From the Research, 2015

The research finding shows that 70 respondents which occupy 59% are satisfied by their employment. While 46 respondents which occupy 38% are partially satisfied with their employment and only 4 respondents which occupy 3% are not satisfied with their employment. One of the respondents in the questionnaire wrote that, "I am satisfied with my work because in my department there are many leaning opportunities, we met

different people with different issues, views and challenges where I learn different things from them. I also get chances to participate on different forum and meetings inside and outside the country. Apart from it is not good for a man of my age to continue searching for an employment like a young graduate. Good salary was mentioned as the main reasons by all respondents that they are satisfied.

They also mentioned social support (benefits and staff welfare), fair treatment, promotion, training or career development, better working environment, rewards and recognition are reasons that the hotel management used to reduce labor turnover and increase employment retention. Other reasons mentioned by other respondents are opportunities to know different business, economic issues, opportunity to contribute and promoting Tanzania national abroad. Research findings also observed that, employees are working in good environment which contributes to minimize employee's turnover.

#### **4.3.4 Retention Strategies by Hotel and Their Effectiveness**

The question was asked to Human resource manager on what are the retention strategies used in Serena hotel. The aim was to study ways to increase retention of employees and reduce labor turnover. During the in-depth interview with the human resource manager, he said, that "human resource department each year has budget for compensation, recognition, rewards, training and professional development". Its commitment to staff retention the hotel management provide incentives to employees who perform well by giving award and training certificates or other motivations without using money. Concurring with Hay (1999) state that money cannot be ignored,

but it should not be the primary mechanism to attract and retain talent because employees who come for money will leave for money.

The research interview by human resource manager was designed to identify the importance and effectiveness of retention strategy the hotel used to reduce the employee turnover. The data revealed clearly that retention strategy in the hotel is very important and the strategy used in retaining employees are good salary, training and staff development, good working environment, job involvement, promotion, reward, recognition, extra off, welfare loan system, lunch package, social support, distributive and procedural justice and employee autonomy. Felix (2001).

Human resource manager mentioned good salary as one of important variable for good retention strategy. He explained that, compensation in their hotel is used in attracting and keeping employees who are responsible and have unique skills .Experts such as Lawler (1990), maintained that “Organizations that have high levels of compensation, have lower turnover rates and larger numbers of individuals applying to work for them as well as high wage workplaces may create a “culture of excellence.”

Serena hotel provide to its employees benefits such as bonus, lunch, extra off, welfare loan, extended maternity leave, employees assistance programs and the like. Human resource manager added that, job involvement and autonomy results into lower labor turnover as, “highly involved employees exert more efforts, receive more rewards for this effort, which in turn results more job satisfaction”.

Human resource manager added that, “Our employees are involved in organization matters, our human resource department has policy to ensure staff knows rules, their job description, and responsibilities within the hotel industry”. Human resource manager also said that, “training and development are key factors to good retention as training programs are essential to the development of the hotel industry”.

The hotel management incurs big costs on training and development. He mentioned high cost training program mentoring provided by Serena hotel to all staff through South Africa e- learning program. A business that provides education and training is more competitive, productive and win the loyalty of its workforce. Promotion, recognition and rewards are mentioned as important variable for the hotel to have a good retention strategy. He said that more than third quarter of hotel staffs have remained in their employment position for more than five years.

#### **4.4 Key Results Organized According To Research Objectives**

##### **4.4.1 The Impact of Labor Turnover on Hotel Costs**

**Research Objective 1.** To assess the impact of labor turnover on hotel costs

Regarding to the question posed by researcher that required respondents to mark the possible answers that they think are the impact of labor turnover on hotel costs. The aim was to relate if research objective would match with research findings. The researcher provided answers to respondents that indicate very high impact, high impact, very low impact and low impact. Employees required to make the possible answers that they think are the impact of labor turnover on hotel costs.

**Table 4.11: The Impact of Labor Turnover on Hotel Costs**

<b>Impact of labor turnover on hotel costs</b>	<b>Number of respondents</b>	<b>Percentage of respondents</b>
Very high impact	12	10
High impact	08	7
Very Low impact	57	47
Low impact	43	36
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Data collected from the research 2015

Hence, as a result of research findings, 100 respondents equal to 83% indicated that labor turnover has Low to very Low impact upon hotel costs. While 20 respondents equal to 17% indicated that labor turnover has high to very high impact upon Serena hotel costs.

**Table 4.12: (A) Percentage Number of Employees in Serena Hotel**

<b>Managerial Level</b>	<b>Number of Employees</b>	<b>Percentage of Employees</b>
Executive /Director	1	0.2
General manager	1	0.2
Department managers	7	2
Supervisors	31	7
<b>Operational Level</b>		
Kitchen assistants	170	38
Housekeepers/cleaners	92	21
Technicians	52	12
Front office staffs	57	13
Sales & marketing staffs	32	7
<b>Total employees</b>	<b>443</b>	<b>100</b>

Source: Data collected from the research 2015

#### 4.4.2 Research objective 2: To Determine the Costs Associated with Labor

##### Turnover

Table 4.12 (b) and (c) and figure 4.4 (b) and (c) confirms the answers by Human resource manager through the data form provided by the researcher to fill the form regarding labor turnover number and percentage in the areas of resignation, termination, redundancy, retirement and dismissal. The research finding revealed that, among 23 employees (5%) who were left their jobs in 2014, 12 persons equal to 2.6% were dismissed by their employer. 8 persons equivalent to 1.8% got redundancy and retrenchment, 2 persons which occupy 0.4% of total turnover number terminate their employment and only 1 person which occupy 0.2% had retired.

**Table 4.12 (b): Employees Turnover Number in Serena Hotel**

<b>Employees</b>	<b>Turnover Number</b>	<b>Percentage of Turnover</b>
Executive /Director	-	-
General manager	-	-
Department managers	1	0.2
Supervisors	1	0.2
<b>Operational Level</b>		
Kitchen assistants	11	2.4
Housekeepers/cleaners	4	0.8
Technicians	3	0.6
Front office staffs	2	0.4
Sales & marketing staffs	1	0.2
Total	23	5%

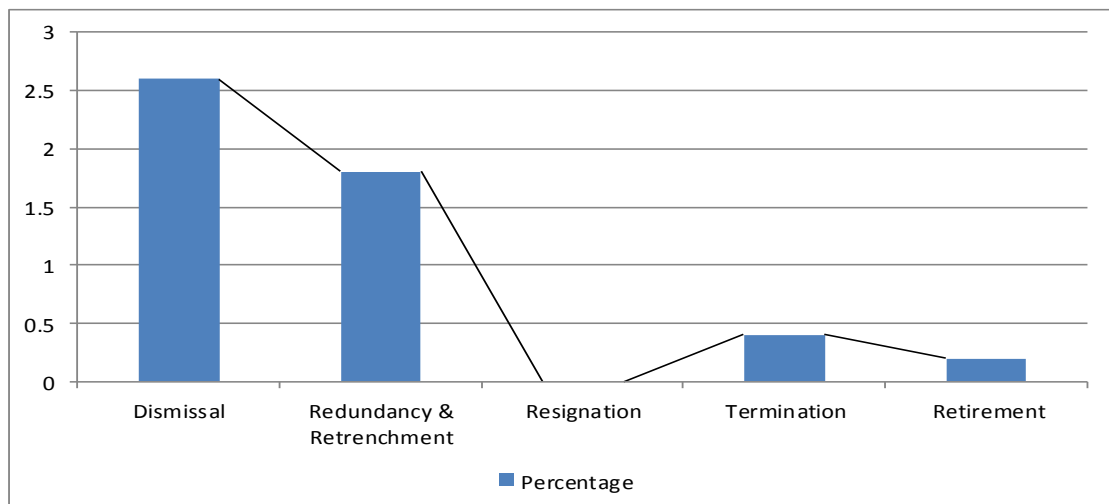
Source: Data Collected From the Research, 2015



**Table 4.12 (C): Labour Turnover Number in Serena Hotel and the Main Reasons for Leaving**

Main reasons for leaving	Turnover number	Percentage of total turnover
Resignation	0	0
Termination	02	0.4
Redundancy& retrenchment	08	1.8
Retirement	01	0.2
Dismissal	12	2.6
<b>Total</b>	<b>23</b>	<b>5.0</b>

Source: Data collected From the Research, 2015



**Figure 4.4: Histogram of Percentage Labour Turnover in Serena Hotel**

Source: Data collected From the Research, 2015

**Table 4.12 (d): The Cost of Replacing 1 Operational Staff per Annum**

Expenses	Costs
Advertisement	50,000
Screening & interviewing	100,000
Orientation & training	300,000
Uniforms	100,000
Legal law expenses	100,000
Medical examination	50,000
Relocation expenses	300,000
<b>Total</b>	<b>1,000,000</b>

Source: Data collected From the Research, 2015

**Table 4.12 (e): The Cost of Replacing 1 Managerial Staff per Annum**

<b>Expenses</b>	<b>Costs</b>
Advertisement	50,000
Screening & interviewing	100,000
Orientation & training	400,000
Uniforms	150,000
Legal law expenses	100,000
Medical examination	50,000
Relocation expenses	500,000
<b>Total</b>	<b>1,350,000</b>

Source: Data Collected From the Research, 2015

**Table 4.12 (F): Hotel Department Line Budgets for Meeting the Costs of Replacing Employees**

<b>Hotel Department</b>	<b>Line budget</b>	<b>Percentage</b>
Human resource	3,000,000	10
Sales & marketing	4,000,000	13.3
Engineering & maintenance	4,500,000	15.
Kitchen/Food & Beverage	9,000,000	30
House keeping	5,500,000	18.3
Front office	4,000,000	13.3
<b>Total</b>	<b>30,000,000</b>	<b>100</b>

Source: Data Collected From the Research, 2015

Each year Serena hotel allocate budget to meet the annual expenses of meeting the costs of replacing employees as a result of labor turnover. Serena Accounting department allocate 30,000,000 million Tshs each year and distribute it as follows; human resource department 3,000,00 Tshs , Sales & marketing 4,000,000 Tshs, Engineering & maintenance 4,500,000 Tshs, , kitchen/food & beverage 9,000,000 Tshs, housekeeping 5,500,000 Tshs and front office 4,000,000Tshs. In the above tables 4.12 (b),(c),(d), (e), (f), the researcher managed to present research objective 2, which required to determine the costs associated with labor turnover.

The research data shows that, in 2014 annual employees' turnover were 23 persons which were equal to 5%. The rate of employee's turnover was very low and its costs were also low. Regarding the research in 2014, the annual rate of turnover for managerial employees were 2 persons and for operational employees were 21 persons. Thus the cost of replacing 21 operational staffs in Serena hotel in the year 2014 was 21,000,000 million Tshs. And the cost of replacing 2 managerial staffs in Serena hotel in the year 2014 was 2,700,000m. Thus, the total costs of replacing 23 turnover employees in 2014 was 23,700,000 m Tshs.

#### **4.4.3 Important Factors When Recruiting and Selecting Employees**

**Research objective 3.** To study how to reduce turnover and increase employee retention in the hotel. The researcher provides answers to respondents that indicate not important, less important, important and very important. Employees required to circle the possible answers that match the important factors when recruiting and selecting employees. After respondents finishing to circle those important factors when recruiting and selecting employees in their hotel, the results were as follows below:

**Table 4.13: Important Factors When Recruiting and Selecting Employees**

<b>Important Factors When Recruiting and Selecting Employees</b>	<b>Number of Respondents</b>	<b>Percentage of Respondents</b>
Attitude	03	2.5
Personality appearance	21	17
Previous experience	41	34
Qualification	45	37
References	07	7
Age	03	2.5
Total	120	100

Source: Data collected From the Research, 2015

Where by the responses were grading in the following category

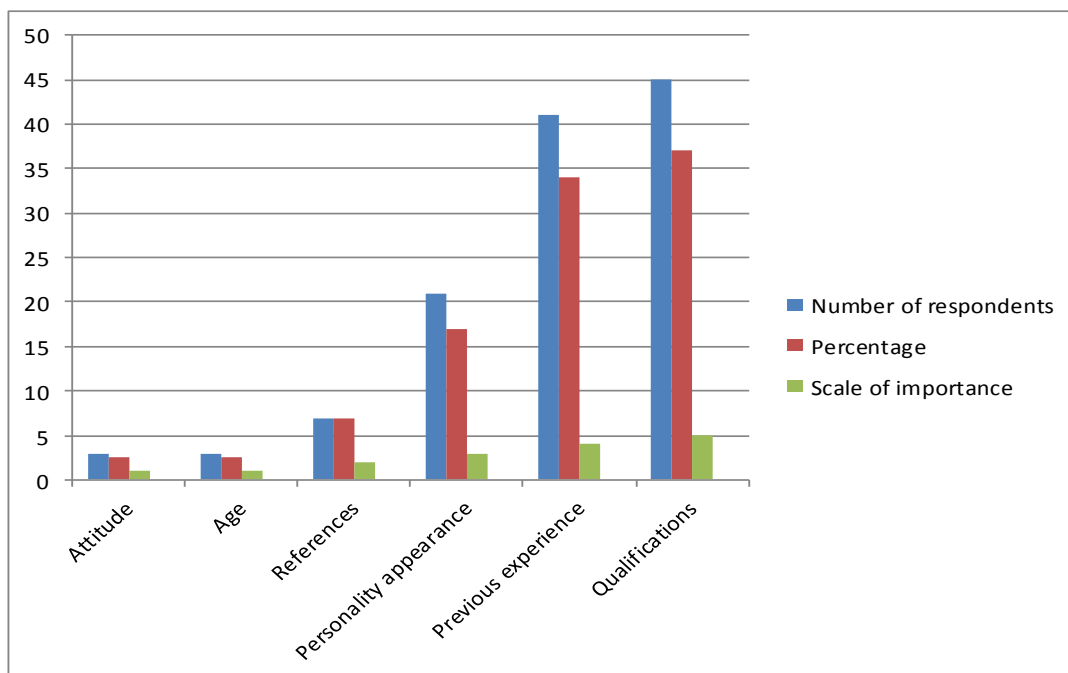
*1= Least important*

*2=Less important*

*3= Important*

*4= Very important*

*5= Most important*



**Figure 4.5: Scale of Importance When Recruiting and Selecting New Employees**

Source: Data collected from the research 2015

The specific objective of the researcher was to study how to reduce turnover and increase employee retention in hotels. Regarding table 4.13 and figure 4.5 above 45 respondents who were equal to 37% of total respondents indicated that qualifications were the most important factors in recruiting and selecting suitable employees. 41 respondents (34%) indicated that previous experiences were very important factors in

recruiting and selecting employees. While 21 respondents equal to (17%) indicated that, Personality appearance were the important factors in recruiting and selecting employees. 7 respondents which occupied 7% indicated that references were less important factors in recruiting and selecting employees.

While 3 respondents (2.5%) indicated age and remaining 3 respondents indicated attitude such as religion, place of birth, gender and marital status to be the least important factors in recruiting and selecting employees.

Thus to reduce labor turnover and increase employee retention in hotels, human resource personnel of Serena hotel recruit and select employees with best qualifications accompanied with working skills and knowledge that match with the job vacancy. Also human resource personnel during interviewing the candidate, they look the personality appearance of the candidate. Better and planned policy for recruitment done by Serena hotel help to increase employee's retention and reduce labor turnover in the hotel.

Refer also table 4.12 (c) and figure 4.4, when conducted research interview with Human Resource manager of Serena hotel, he said that, "one of the hotel strategy that make Serena hotel to remain five Star rated hotel and look the top hotel in Tanzania is through its strategy of every year to reduce the poor performers employees through dismissal, retrenchment and redundancy". Human resource manager quantified that, in the year 2014, there were only 23 which were 5%. He said that, those employees were left in the hotel through dismissal, redundancy and

retrenchment as one of the hotel strategy to reduce the low committed, less reliable and poor performers in order to minimize hotel costs.

According to Nicholls & Buegmeister, 1993). In some cases, downsizing can be used as a positive measure, promoting creativity by removing dead wood. Labor turnover can also be used as a strategy for maintaining work discipline or as a quality control device attracting ‘fresh new faces’ and encouraging poor performers to leave (Timo, 1999; Hollenbeck and Williams, 1986).

Refer table 4.13 and figure 4.5, the researcher also found that approximately three quarter of all respondents explained that labor turnover is not a serious problem and is just a low problem as Serena hotel manage to control internal costs of recruitment and replacement. The company also managed to control high labor turnover rate through provision of extensive job training, good working conditions, compensations, promotions, attractive salary and other benefits such as breakfast and lunch package, extra off and welfare loan. The hotel administration also manages to control supervision and administration cost by reducing the number of employees who are less reliable, low committed and poor performers through dismissal and redundancy.

#### **4.4.4 Length of Service for Hotel Employees**

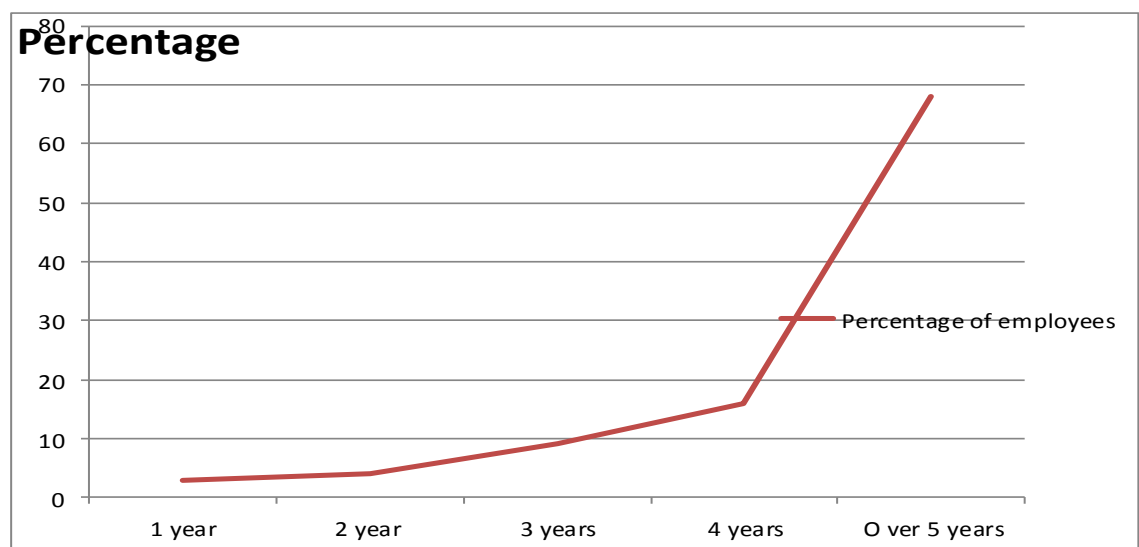
From the table 4.14 and figure 4.6 below, the researcher managed to confirm the results of low labor turnover and the increase of employee retention in the hotel through the following research results.

Data provided from Serena hotel ( Human Resource Department) revealed that, the highest number of employees were 300 who occupy 68% of total employees and had been working over 5 years. Followed by 70 employees occupy 16% had been working for 4 years. Employees who had been working for 3 years were 39 equal to 9%. While 20 equal to 4% had been working for 2 years. Only 14 employees equal to 3% had been working for 1 year. Generally, the research revealed that, there is an element of stable employees in Serena hotel.

**Table 4.14: Length of Service for Hotel Employees**

Length of service	Total number of employees	Percentage of employees
1 year	14	3
2 years	20	4
3 years	39	9
4 years	70	16
Over 5 years	300	68
Total	443	100

Source: Data collected from the research, 2015



**Figure 4.6: Line Chart of the Length of Service for Serena Hotel Employees**

Source: Data Collected From the Research, 2015

#### **4.5 Discussion of the Results Connecting Back To the Literature Review**

The study comply with the Resource based theory of strategic human resource management and align with the context of high commitment human resource management as highly committed workforce and low labor turnover are met and the costs of labor turnover is relatively low. The study is contradictory with the negative effects of labor turnover. (Barney 1991; Ulrich, 1991).

The data shows that 13 respondents who were (11%) were below than 25 years and 67 (56%) were over 35 years. According to Lucas 1995 and the ILO report (2001) ,young people in their first employment have greater expectations from the current jobs and whenever such expectations are not realized within a period of less than six months, they resign to look for better opportunities.

As shown in the table 4.2.2 and figure 4.2.2 above the majority of respondents were male, which consist of 66 persons equivalent to 55% whereas the female consist of 54 persons equivalent to 45% of all total respondents. The findings from the research comply with the nature of hotel employment with working in shifts and the social stigma of working in hotels curtailed many females in joining the industry (Taylor, 1998 and 2002).

The findings from the research found that education distribution comply with the general hotel industry because hotel industry require less experts with degree, masters or PhD but need more common people who are willing to provide service to others such as housekeepers, receptionists, cooks, waiters and cleaners.



This is congruence with the study by Riley (1996), that about two thirds or 64% of jobs in the hotels, restaurants and catering sector are either unskilled or semiskilled.

Human resource manager quantified that, in the year 2014, there were only 23 which were 5%. He said that, those employees were left in the hotel through dismissal, redundancy and retrenchment as one of the hotel strategy to reduce the low committed, less reliable and poor performers in order to minimize hotel costs. According to Nicholls and Buergmeister, 1993). In some cases, downsizing can be used as a positive measure, promoting creativity by removing dead wood. Labor turnover can also be used as a strategy for maintaining work discipline or as a quality control device attracting 'fresh new faces' and encouraging poor performers to leave (Timo, 1999; Hollenbeck and Williams, 1986).

Serena hotel provide incentives to employees who perform well by giving award and training certificates or other motivations without using money. Concurring with Hay (1999) state that money cannot be ignored, but it should not be the primary mechanism to attract and retain talent because employees who come for money will leave for money.

Good salary and compensation in Serena hotel is used in attracting and keeping employees. Experts such as Lawler (1990), maintained that "Organizations that have high levels of compensation, have lower turnover rates and larger numbers of individuals applying to work for them as well as high wage workplaces may create a "culture of excellence."

## **CHAPTER FIVE**

### **5.0 CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Conclusion**

The main purpose of the study was to investigate the relationship between labor turnover rate and its costs in the Five Star hotel in Tanzania and the case study was taken in Serena hotel in Dar es Salaam city. This research study is based on a study conducted in Serena hotel as one of the big Five Star hotel located in Ilala District in Dar es Salaam Tanzania.

Serena hotel main office is located in Ohio Street in Dar es Salaam Tanzania, next to golf course gymkhana club and it provides view of Indian Ocean. I selected Serena hotel because is old one and the biggest hotel with multi-functional department and complexity of staffs. The study adopted descriptive survey research design. Simple random sampling method was used to pick respondents.

Being a researcher, I got the opportunity to assess the impact of labor turnover on hotel costs, determine the costs associated with labor turnover and I studied the ways of reducing labor turnover and increase employee retention in the hotel.

Serena hotel succeeded in managing and retaining employees. Two -thirds of hotel staffs have remained in their employment position for more than five years. Serena hotel manage to control internal costs of recruitment and replacement. Employee's turnover in Serena hotel is not high because the hotel administration pays employee's

good salary, workers compensations, providing staffs with welfare loan system, lunch package, and extra off and training opportunities such (Roistering) e- learning program conducted through South Africa.

## **5.2 Recommendations**

### **5.2.1 Theoretical Recommendation**

Hotel practioneers are advised to hire smart persons so as to develop a loyal, motivated workforce and keeping employee turnover rate at a minimum. Based on study results, larger and smaller hotels are encouraged to study the ways in which firms spend money on replacing employees. The knowledge will allow hoteliers to reduce the overall costs in recruitment as result of labor turnover.

The study also encourages hotel practitioners to monitor their costs closely and use the research findings information to manage human capital more effectively.

The findings would assist other hotels in allocating resources well and to study better ways of managing and retaining employees. Other hotels are encouraged to have hotel engineering and technical department that deals with working conditions of hotel employees for repairing and maintaining different hotel spaces such as restaurants, swimming pool, stores and offices.

Hotel practioneers should provide employees with standard benefit package including extra off, breakfast and lunch package, welfare loan system, health, life insurance, vacation, apparent leave policies and retirement plans in order to attract

and retain them to work for long service. Employee who works in a good environment has long years of service rather than those who are working in poor environment.

Academically the present study has important implications aiming at understanding HRM in developing countries. The results demonstrate effective HR practices can lead to a more stable workforce in a developing countries and this observation contributes to expanding the focus of turnover research.

### **5.2.2 Practical Recommendation**

It was suggested by Serena employees that, there must be an apparent policies of the hotels on workers promotions and the actual number of promotions. It was suggested by employees that, the criteria to be used for promoting hotel chefs are creativity in food preparation and buffet, packaging, quality, test and color. While the criteria to be used for promoting room attendants are to be honest, hospitality and good relationship with customers. For food and beverage waiters, it was also suggested that waiters should have good communication skills and attractive dresses, good reception, charming, cleanliness and seriousness with customers.

In addition, employees were suggested to have career advancement opportunities, especially for those employees who their career oriented are in the early or middle stages of their careers. Also the employees were suggested to have the type of training that match with their employment needs and practice. Job openings should be posted and that there are no barriers on transferring to new positions

I suggest that the future research should pay attention on the relationship between married and unmarried employees and labor turnover as we know marriage system changes employee's expectation of work. The research findings will assist human resource personnel's in the hotel industry to recruit either more married or unmarried employees.

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## **APPENDICES**

### **APPENDIX 1: Questionnaire for Employees**

Thank you very much for agreeing to participate in this study which investigates among other things, the factors associated with labor turnover rate and its costs in hotel industry a case study of Serena hotel in Dar es Salam Tanzania.

#### **The Purpose**

The purpose of this study is to obtain your opinion and views on labor turnover rate and its costs in Serena hotel. Your views and those of others who will complete this questionnaire will provide a valuable input to the work currently being carried out to devise new approaches and strategies to retain employees and reduce turnover in the hotel. Your answers will be completely confidential.

#### **Part I: General Information and Background**

Please provide information in blank spaces below;

1. Gender (Put a tick) Male (  ) Female (  )
2. Your age (please tick where appropriate)
  - a) Below 25 years (  )
  - b) Between 25-34 years (  )
  - c) Between 35-44 years (  )
  - d) Between 45-54 year (  )
3. Your position/Title.....
4. Department.....

5. Qualifications (put a tick) secondary ( ) certificate ( ) Diploma ( ) Degree ( )  
masters ( )
6. For how many years you have been working with your current employer (please tick where appropriate)
- a) Less than 6 months ( )
- b) Exactly 1 year ( )
- c) 2-3 years ( )
- d) Exactly 4 years ( )
- e) Over 5 years ( )
7. Marital status (put a tick) single ( ) married ( ) divorced ( )

### Part 11

8. What are the hotels policies for the promotion within the hotels? Based for those promoted within the past 12 months?
9. As Serena hotel employee which of the following do you personally think are the strong reasons for labor turnover in your hotel industry? (Please circle)

	Very important	Important	Less important	Not important
Violation of work rule	3	2	1	0
Poor performance off employees	3	2	1	0
Less reliable employees/low committed workforce	3	2	1	0
Lower compensations	3	2	1	0
Poor working conditions	3	2	1	0
Other factors such as illness	3	2	1	0

10. As Serena hotel employee which of the following do you personally think are the important factors when recruiting and selecting employees. (Please circle)

	<b>Most important</b>	<b>Very important</b>	<b>Important</b>	<b>Less I important</b>	<b>Least important</b>
Attitude	5	4	3	2	1
Personality appearance	5	4	3	2	1
Previous experience	5	4	3	2	1
Qualifications	5	4	3	2	1
References	5	4	3	2	1
Age	5	4	3	2	1

11. Is labor turnover a problem to your hotel company? Please put a ( tick)

- a) High problem
- b) Medium problem
- c) Low problem
- d) Not a problem

12. Select one answer which you think is related to your job satisfaction. (Please tick)

- a) Totally satisfied ( )
- b) Partially satisfied ( )
- c) Not satisfied ( )

Provide reasons for job satisfaction.....

13. To what extent labor turnover has impacted the hotel performance in your hotel industry. Please circle.

- a) Very Low impact
- b) Low impact
- c) Very high impact
- d) high impact

14. What strategies do you think used to control high labor turnover rate in your hotel?

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.....

**Thank You for Your Cooperation**

**APPENDIX 2: Data Forms to Be Filled By Human Resource Manager and  
Accountant Supervisor/Manager**

*Form No. 1: The Hotel Employees*

<b>Gender</b>	<b>Number of employees</b>
Male	
Female	
<b>Total</b>	

*Form No. 2: Number of Employees in Serena hotel*

<b>Managerial Level</b>	<b>Number of employees</b>	<b>Turnover number</b>
Executive /Director		
General manager		
Department managers		
Supervisors		
<b>Operational Level</b>		
Kitchen assistants		
Housekeepers/cleaners		
Technicians		
Front office staffs		
Sales & marketing staffs		
<b>Total</b>		

*Form No. 3: Labor turnover number in Serena hotel and the main reasons for  
leaving*

<b>Main reasons for leaving</b>	<b>Turnover number</b>
Resignation	
Termination	
Redundancy& retrenchment	
Retirement	
Dismissal	
Others; specify	
<b>Total</b>	

*Form No. 4: The Cost of replacing employees*

<b>Expenses</b>	<b>The cost of replacing operational staff per annum</b>	<b>The cost of replacing managerial staff per annum</b>
Advertisement		
Screening & interviewing		
Orientation & training		
Uniforms		
Legal law expenses		
Medical examination		
Relocation expenses		
Other expenses		
<b>Total</b>		

*Form No.5: Hotel Department line budgets for meeting the costs of replacing employees*

<b>Hotel Department</b>	<b>Line Budget</b>
Human resource	
Sales & marketing	
Engineering & maintenance	
Kitchen/Food & Beverage	
House keeping	
Front office	
<b>Total</b>	