

A Review of HR practices and Employee Retention in Hospitality Industry

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Abstract- *High Employee turnover is one of the major challenges facing the hotel industry and it rather seems to be a worldwide phenomenon. Indian hospitality industry is facing a continued shortage of trained and skilled employees. Turnover results in losses to the organisation in terms of recruitment and training costs, lost morale, low performance, inefficient service delivery and loss of revenue. HR practices contribute to organisational performance. Research has suggested that a combination of HR practices when well planned and implemented had a significant positive effect on employee turnover. By analyzing the domains of knowledge related to HR practices unique to hospitality industry with characteristics typical to the industry such as cyclical and seasonal demand, reliance on low skilled labour, international chains vs. domestic companies, ownership, heterogeneity of firm size, level of services provided, this paper attempts to present a clear cut path for researchers probing the depths of Human resource practices specific to the industry.*

Key words – *HR Practices, Attrition, Turnover, Retention, Recruitment, selection, Pay, Compensation, Training*

1. INTRODUCTION

Human resource practices improve organisational performance by keeping the employees engaged and satisfied at work. Hr practices are systems of HRM developed to recruit, manage and retain the employees of an organisation. Huselid 1995, adopted 13 HR practices in his study to measure organisational performance in relation to turn over and found that 12 out of 14 HR practices had significant relationship with only one measure of organisational performance , i.e. turn over of non-managerial employees. This signifies the extent to which employee turnover effects the bottom-line of hotel organisation. This paper is an attempt to concise the literature on HR practices in Hospitality industry and their effect on employee turnover.

Asamoah Appiah Williams and Eugene Owusu-Acheampong (2016) The author conducted an extensive study of 400 employees across 40 hotels of Ghana on HR practices related to Selection, Training, Compensation and career development practices. The study revealed low compensation schemes, low level and quality of training as triggers of intention to quit.

Salih Kusluvan, Zeynep Kusluvan, Ibrahim Ilhan and Lutfi Buyruk (2010) – The literature of HRM studied HR practices under two streams 1. Individual HR practices and 2. Bundles of HRM. In comparison to other industries HR practices in Tourism and hospitality industry are not effectively executed so as to generate employee commitment, satisfaction and motivation. The Industry has a reputation for poor Human resource practices and managing people in an old fashioned and exploitative way. The key reasons for poor Human

resource management can be attributed to the pool of low skilled and easily replaceable workers, large labour pool, competitive pressure on organisation, lack of unionization, hypocrisy of managers and owners, high cost and small profit margins, unstable and insufficient demand and seasonality business which has a direct relation to the way human resources are managed. The industry has a reputation of selecting employees intuitively and not inclined towards established practices such as structure interviews and cognitive ability tests. Selective staffing, fair pay and benefits, employee involvement and empowerment, improved work conditions, strong leadership and vision will contribute to reduced employee turnover.

Mark A. Huselid (1985) - This study investigates the influence of HRM practices on employee turnover, productivity and financial performance. The primary data was sourced from 12000 public firms in USA during the 1980's. Huselid conducted the study by categorizing the HR practices into "Employee skills", "organisational structure scales" and "Employee motivation". The study showed that "Employee skill" and "organisational structure scales" which aims to enhance knowledge skills and abilities were negatively related to employee turnover, while both were positively related to productivity and employee performance. Employee motivation can be achieved by incentive compensation schemes. The study concluded that firms gain substantial benefits by investing in HR practices associated with lower turnover, greater productivity and corporate financial performance.

S. Nivethitha, Lata Dyaram & T.J. Kamalanabhan (2014) - This paper attempts to understand the effect of firm's HR practices on psychological contract and its impact on employee turnover. Four human resource practices are considered in the developed model: recruitment and selection, training and development, performance appraisal and compensation & benefits which are interrelated and inter dependent. Recruitment process fosters psychological contract due to their relation with employee performance, absenteeism and work attitudes. Ill defined recruitment practices with a tendency to recruit job-fit rather than organisation-fit, internal recruitment and poor training boost turn over intention of the employees whereas employees selected through realistic job previews will have lower turnover intention.

Quality of training is affected by adopting basic methods like on-job training, and lack of quality training programs. Psychological contract should specify the expectations from one another through training relationship. Enhanced work environment in terms of pay and benefits will help in employee retention, while salary and benefits offered elsewhere induce turnover. Many studies found a correlation between salary and organizational performance with pay and benefits motivating them for better performance. Employee's relationship and psychological contracts develop through an interactive process of employer and employee shaped by the human resource practices such as recruiting, training, performance appraisal, pay and benefits. HR Practices also impact organizational performance by creating structural and operational efficiencies.

The study concluded that effective recruitment and selection practices of employment, training and career development opportunities, periodic performance appraisals followed by monetary and non-monetary benefits will enhance employee future performance. Pay is considered as one of the major reasons for high turnover. Reduced turnover intentions and subsequent employee turnover will result in minimizing the financial cost and effort involved in recruitment, training and replacement cost.

Parag Arun Narkhede (2014) - This study is on Restaurant Service staff from Jalagon city to identify causes of turnover, the impact of supervisor recognition and opening of other hotels on turnover intentions. The literature has so far identified factors that impact turnover rates as orientation and socialization processes, ad hoc recruitment and selection procedures, discrimination at the workplace, lack of training and development opportunities, management styles, organizational commitment, competition and organizational culture, labour shortage, stress and burnout the seasonal nature of the industry and job dissatisfaction.

The pervasive impacts of labour turnover on a hotel's bottom line are direct expenditure as a result of increased recruitment and training of new employees, intangible costs which include productivity losses due to unfamiliarity of the workplace, poor service quality as a result of insufficient manpower. Studies suggested that turnover can be influenced by various intervention processes' that include placement and orientation, job performance and training and development. High proportion of operative and unskilled staff indicate limited promotional and developmental opportunities for lower level employees, resulting in a mobility of staff out of that organization to one that provides better career options.

The author concludes there is lack of motivation in the sector; openings in other reputed hotels induced the intention to quit due to dissatisfaction resulting from a combination of factors. Revision of salaries to match the trend, group insurance schemes, will address the problem to an extent and helps to avoid loss of goodwill due to service problems in future.

Jonathan Winterton (2004) - This paper has reviewed the literature relating to employee turnover and the competing theories of employee withdrawal to develop a model of the process of voluntary separation. The model identifies low job satisfaction and alternative opportunities as the triggers of intent to quit, while low organizational commitment and ease of movement are associated with actual separation. It was argued that any of the four areas could initiate the separation process, although turnover is anticipated to be highest where all four are relevant.

Employers see little point in raising skills in sectors where a high proportion of individuals will leave, yet failure to invest in training and development may contribute to higher labour turnover. There is evidence that the volume of HRD is negatively related to voluntary labour turnover.

The paper showcases a comprehensive conceptual model of voluntary separation with a framework of four suggested key areas of actions; 1. Promoting job satisfaction through remuneration, working conditions and work organization; 2. Building organizational commitment by establishing an appropriate organizational culture, improving opportunities for training and development and introducing employee participation; 3. Altering employee perceptions through improved recruitment practices, more effective communication and selective reengagement of returners; and finally actions were proposed to 4. Reduce ease of movement through financial participation, family-friendly employment policies and training in firm-specific skills. The first two can be controlled by the management intervention.

HRD practice is affected by each of the proposed initiatives, since training and development is intimately related to other HRM concerns. Thus recruitment practice needs to anticipate the HRD activities planned, work organization delimits the opportunity and necessity for work-based learning, employee participation may facilitate more effective design of HRD initiatives and family-friendly policies affect the likelihood of employees engaging in learning outside working hours. However, there is an apparent tension between building

commitment through providing opportunities for training and development and reducing ease of movement through training in firm-specific skills. This tension can be resolved by ensuring that employees have a core of transferable skills, with firm specific competencies extending these. Since high trust is associated with high commitment, providing training towards portable qualifications may have little impact or negative impact on Ease of movement compared with positive impact on commitment, but this is yet to be explored empirically through HRD practice.

Ayse Bas Collins, (2007) - A firm needs to address specific HR Skills, which cannot be imitated by rivals. The firms should continuously engage to be competitive in order to survive. Five-star hotels are considered the apex of the industry where one can expect to find quality and value. The results of the study show that the unique work force characteristics together with HR practices improve the proficiency level of five star hotels in Turkey.

A combination of High physical labour requirements, educated employees delivering a high degree of administrative skills, delivery of career specific skills acquired through education defines the quality of services rendered in five star hotels. The study found turnover among high numbers of younger employees linked to family-related matters, military service. Those small percentage of personnel who continue to work through the years eventually form the core group of the organization, these employees are the essence of defining and maintaining quality within five-star hotels.

A Hotel's recruiting specification should address the weaknesses of its current staff, but the study found a mismatch of its recruitment procedures with their hiring specifications. Poor employment practices can be addressed by including promoting vocational education, increasing internship periods to fill lower levels of the hotel with trained personnel, thus saving the hotel long induction periods. The results show that the enhanced staff profile of five-star hotels may be one of the main factors that create their "competitive advantage. There is room for improvement in recruitment methods. Hotels, regardless of rating must understand their HR make-up and take initiatives to retain staff.

Gayani Hewagama (2015) -This paper discusses the challenges faced by the hotel industry and the relevant HR strategies and practices in this context. The findings reveal that there is a mix of HR strategies in the sector, with hotels blending numerical flexibility with externalized forms of labour, and functional flexibility with high-commitment HRM. Even large hotels adopt temporal labour strategies and use contingent labour to counter fluctuating demand. Numerical and temporal labour strategies are one way to maintain a supply of mobile workers at low cost. However, temporal labour strategies may hinder functional flexibility. Low wages and limited training opportunities to casual workers will have a negative impact on service quality. In general, the hotel sector applies a cost-minimization strategy and adopts numerical flexibility to a considerable extent.

However, to gain functional flexibility, large-scale luxury hotels have adopted more formalized, systematic HRM practices and policies. Employee skill development has a positive impact on service quality, and this practice reinforces the behaviour, skills and attitudes of service employees. Multi skilling and cross functional training improves functional flexibility and reduces turnover issues. Flexibility in hotel operations is also maintained through job rotation, job enrichment, cross-functional training, and multi-hiring. Investment in training activities helps employees in their career progression and can result in better service quality. The author suggests that a mix of labour strategies combining

functional and temporal/numerical flexibility practices would be most effective in the hotel sector.

Sow Hup Chan and Oi Mei Kuok (2011) - Recruitment is the process of generating a pool of capable people applying to an organization for employment (Gold, 2007). Firms are more discerning when the cost of a mistake in recruitment is high. The authors examine hiring managers' attitudes regarding selection methods, vital skills sought in new employees, and why their employees quit. A study of data collected from 200 hiring managers from tourism and Hospitality industry revealed that the top five skills sought by hospitality employers are communication, computer literacy, interpersonal/social, critical thinking/leadership, and teamwork. More emphasis is on "people skills," which are typically hard to observe, quantify, and measure.

The ability of the organisation to assess the applicant-organisation fit can have a positive effect on the job satisfaction, performance, organisational commitment and employee turnover. Pay satisfaction is positively related to organizational commitment. The study disclosed that workforce of hospitality have very low organisational commitment since many employees leave after gaining some experience by giving short notice usually for higher salaries resulting in shortage of labour. Shortage of labour lead to increased salaries compromising on operational bottom-line due to intense competition in an attempt to retain the workforce. This also suggests that only highly committed employees choose to remain with their organizations.

Human relations skills are related to increased productivity and organisational growth. Verbal and listening skills, communication competencies enhance quality service. Hiring applicants with competencies such as integrity and initiative are more tied to personality and are difficult to develop. Hotels prefer to hire candidates with developable competencies, this explains the lack of much emphasis on technical skills or experience as provision of on-the-job training can compensate for lack of work experience while addressing the need to hire less qualified candidates due to labor shortage. The study found that resume and recruitment interview is the most frequently used selection and assessment methods. Pay was a major reason for employees to quit their jobs.

Dora Martins, Susana Silva, Candida Silva (2017) - The practices of human resource management are specific actions used by companies to attract, motivate, retain and develop employees. HRM practices to be truly effective need to be adequately coordinated and be applied as part of organisational strategy. The author conducted a quantitative analysis of 33 hospitality companies and 95 companies of other activities sector based in Portugal with an aim to identify the HRM practices, the level of participation of the HR dept in Development of HRM practices, and the differences in the HRM practices in companies of the hospitality sector comparatively to other business sectors.

The study revealed the most common practices in the hospitality sector are recruitment and selection, training, attendance an absenteeism control, communication and information sharing while adopting direct compensation practices and employee retention more significantly. The hospitality companies expect to develop the four main initiatives in the area of HRM that is investment in training, developing employee relations, improvement of working conditions, and investment in internal communication. It has been found that the development of human factor is not yet a concern for management.

2. CONCLUSION

Human resources are considered the greatest assets of the organisation. Selective hiring, nurturing and retaining the talented pool of employees is of utmost importance in an industry

plagued with high attrition rate. Effective implementation of Human resource practices leverages the organisation towards competitive advantage and improved organisational performance.

Pay satisfaction is a determinant of organisational commitment. Literature so far disclosed low compensation levels as a major reason for employee dissatisfaction and subsequent quit intention. This is due to the employment of temporal and low skilled workers to satisfy the unstable and seasonal demands of the hospitality business. Such workers are easily replaceable, and many hotels consider this as a tactic/norm to minimise costs, failing to understand the cost ramifications in the long run.

Most Hotels select employees intuitively with less emphasis on structured interviews or standard procedures for screening and selection. Hotels tend to recruit job fit rather than organisation fit which is detrimental to employee commitment and retention. A lot more changes should be made to the existing recruitment methods.

The effectiveness of training depends on adopting conventional training methods and implementing quality training programmes. The hotel's poor employment practices can be addressed by long induction periods and increased internship which improves productivity and enhances employee satisfaction. With high turnover rates the industry presumes investment in training as a setback to its financial goals.

Periodic performance appraisals and career development opportunities to induce motivation, strong leadership and vision, promoting participative and empowered employees for improved commitment and good work environment are considered the key players amongst HR practices in retention of talent. HR practices must be efficiently coordinated and made an integral part of organisational strategy to help attract, motivate, develop and retain the workforce. More focused approach to implementation of effective HR practices will help to reduce attrition, increase operational efficiencies and improve financial outcomes.

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