

## **THE SIGNIFICANT FACTORS OF EMPLOYEE TURNOVER CASE STUDY: ABC HOTEL**

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### **Abstract.**

*The hospitality industry is one of industry that focuses on the quality of human resource. In order to provide the good service, the hospitality industry needs qualified human resources. This is because the hospitality industry fully oriented to customer's satisfaction. The success of the hospitality industry can be seen from customer's satisfaction through the services provided by the hotel. However, there is one problems faced by hospitality, there is the employee turnover. One of the hotels who experienced the employee turnover is ABC Hotel. The impact that felt because of the employee turnover are disrupting the operational of the hotel and also causing losses for the cost, time and a decrease in production and services. The questions and the purpose of this research is to determine the significant factors of the employee turnover at ABC Hotel. Referring to the concept of Santhanam et.al (2015). There are six factors about the employee turnover in hospitality industry. Those are recruitment, selection, training, performance appraisal, career growth opportunities, and salary & benefit. After determining the significant factors of the employee turnover at ABC Hotel, the purpose of this research is to reduce employee turnover at ABC Hotel. The researcher distributed the questionnaire to all employees of ABC Hotel and obtained 64 respondents. The results of the questionnaire collecting were processed by using binary logistic regression as a tool of data processing and analysis. From the research, the result that obtained are the significant factors of the employee turnover at ABC Hotel, the factors are recruitment and selection.*

*Keywords: Employee Turnover, Recruitment, Selection, Training, Performance Appraisal, Career Growth Opportunities and Pay & Benefit*

### **Introduction**

Now days, an increasing number of hospitality was greatly influence by the growing number of domestic and international tourists. In another side, the government continues to developing and promoting Indonesia's tourism. In the business sector, the tourism industry is one of the industries that are experiencing an increase. Therefore, the government continues to encourage the program and activities related with tourism, because tourism industry is one of the industry sector that contribute significantly in increase the national income. Hospitality is one part of the tourism business. A lot of hotels compete to improve quality so as to create competition in the sector of hospitality businesses. Because the tight of competition in the hospitality industry, then the hospitality industry must be able to adapt to changing environmental conditions to compete in the hospitality competition.

Employee turnover is an endemic issue in the hospitality industry worldwide. Employee turnover intention acts as a surrogate for actual employee turnover. One of the most challenging issues faced by the hospitality organizations today is to manage the changing employment relationship. Being in customer service business, hospitality industry capitalizes heavily on its human resources to achieve its competitive advantage. Hospitality industry is a high customer service oriented business where

interaction between employees and customers determine the competitive advantages and success of the business (Chand & Katou , 2007 ; Choi & Dickson, 2009).

The hospitality industry is a company that often experience employee turnover caused by internal problem that occurred at the company, internal problems it also causes a high rate of employee turnover. Employee turnover may disrupt the company’s performance. The hospitality sector is oriented to customer satisfaction, so the hospitality industry should have qualified human resources to provide excellent service to customer. The success of the hospitality industry can be seen from the customer satisfaction through the service provide by the hotel. High levels of intention turnover has become a serious problem for companies, even some companies experiencing frustration when he learned that the recruitment process has secured the staff finally turned out to be futile because the staff who have been recruited and work at his company has chosen a job in another company (Hinkin & Tracey, 2000).

Employee turnover is very detrimental to the company. Disadvantages are divided into two: Direct Costs and Indirect Costs. The direct costs associated with the loss of time and money to recruit, hire and train employees. The indirect cost is the decline in production and services because the company has not found a replacement for the employee to perform work that had previously been left behind by employees who resign or hire new employees who do not have experience and should be given training (Hinkin & Tracey , 2000). Recruit, select and train new employees often spend a lot of money, because the higher the turnover rate, the higher the expenditure will occur (Lussier , 2005).

**Problem Identification**

To find the problem faced by ABC Hotel, the researcher did introduction interview with the Manager of Human Resource Department. The researcher asked, what the problem being faced with ABC Hotel. Manager of Human Resource Department give the answer that ABC Hotel had a problem regarding the employee who resign. Every month, there are the employees who resign. The reason why the employee resign is they are already get a better job, want to find a better job and the job felt less suited. Because almost every month there are an employee who resign then has an impact to operational activities are disrupted.

**Table 1-1 Turnover Rate. Source: Primary data July 2016**

Turnover Rate				
Year	Resign Employees	Sign Employees	Total Employees	Ratio (%)
2015	24	30	73	32.88
2016 (end of June)	13	12	72	18.05

**Research Questions**

Based on the issues that have been mentioned in the previous section, the question that has been formulated by researcher are:

1. What is the significant factors employee turnover at ABC Hotel?
2. How to minimize employee turnover at ABC Hotel?

**Research Objectives**

Related to problems that happened in the ABC Hotel, this research was designed to analyze the significant factors that cause an employee turnover at ABC Hotel. The purpose of this research is:

1. To determine the significant factors of employee turnover at ABC Hotel.

## 2. Minimizing the number of employee turnover at ABC Hotel.

### Research Scope and Limitations

Analyze primary data obtained from the manager of human resources department and a questionnaire about ABC Hotel significant factors that determine employee turnover and minimize employee turnover at ABC Hotel. Limitation of this study is to identify the significant factor in employee turnover at ABC Hotel and measure the impact of employee turnover at ABC Hotel.

### Employee Turnover

Turnover intention is a tendency or intention of the employee to quit his job (Zeffane, 1994). According to Bluedorn (1982) turnover intention is the attitude or the probability of an employee to leave the organization or voluntary turn over caused a improvements. Futher described Mobley, Horner and Hollings (1978) in the desire to move can be early symptoms of turnover in a company. Turnover can also be defined as the movement of labor out of the organization. Turnover can be a resignation, transfer out organizational units and termination or death of a member of the organization. Robbins (2008) explained that the turnover can happen voluntarily or not voluntary. Voluntarily turnover is the employee's decision to leave the organization caused by how interesting the work that is currently available and the availability of other employment alternatives. Conversely, involuntary turnover expulsion describes an employer's decision terminate the working relationship and are uncontrollable for the employees who experiences it. In a company, employee turnover can occur anytime with varied reasons. Companies should know that employee turnover is a serious problem if the number continues to increase.

### Employee Turnover Factors in Hospitality Industry

#### 1. Recruitment

According to Bonn and Forbringer (1993) to reduce the turnover employee at hospitality industry, the recruitment who recommended is through sources as referrals, hiring minorities, the elderly, female and disable employee

According to Mardianto (2014) said that the process of recruitment, are:

Sourcing process is the process of getting the candidates who suit with the needs of organization through the available resource. The recruitment begins when an organization identifies the position left by an employee, identified a labor and a request from Manager. After identified, the organization will make a proper method to get the new employee who suitable with the needs of organization.

Selection Process is the selection can be: a. Psychological test b. Psychological interview c. Managerial skill test

User process:

The method at the user process, are:

a. Interview by manager and director b. Medical checkup c. Sign contract and administration d. new employee orientation

Source of the new labor:

#### 1. Internal labor

An employee who come from the internal of organization through the mutation program, rotation and promotion.

#### 2. External labor

External labor sourced from outside the organization, the source come from:

a. School recruitment b. The recruitment of college or educational institution. c. Labor association d. Publicity e. Professional association f. Labor contracting companies g. Recruitment through the internet h. Employee's recommendation i. Job search provide j. Job fair k. Internship

## 2. Selection

According to Levin *et al*, (1992) selection process for the new employee is an important process for the organization. The quality level of the new employees will determine the competitiveness of the organization in the marketplace from a technology, productivity, quality and cost perspective. The level quality of the new employees can be measured by knowledge, technical skills, interpersonal creativity and potential. The purpose of the process of selection is for reduce employee turnover. The Manager needs to choose people who compatible and according to personality and culture of the organization, because the success of an organization is determined by human resource. In the selection process, the organization must be able to get people who are competent and in accordance with the criteria who looking by the organization.

## 3. Training

The way or the method performed by hospitality industry to reduce the turnover employee by providing training. Besides reducing the turnover employee, the training could increase the quality of the employee. Hospitality industry give a little attention to training (Nolan, (2002); Barrows, 2000). According to Davidson *et al*, (2011) the issues of training, skill and quality of service is one of the important issues for the future like the past. The training at hospitality industry is important and the importance of reviewing the needs of what is needed continuously to be fulfilled. Either the formal or informal training had an important role for some reason, including the industry's global expansion, for reduce the turnover employee, needs to improve the knowledge and carrer paths, increase the legal requirements and the important is for increasing the quality of service who provide to customers.

## 4. Career growth opportunities

According to Walsh and Taylor (2007) one of the causes the employee of hospitality industry was left is no clear a career path. Besides the absence of a clear a career path, another reason is job less challenging, oriented to costumers and less of the salary. They are looking for a challenging job that offers career growth opportunities and the fair compensation. The manager's commitment to make an improvement at that problem, give a possibility to reduce the amount of the employee who had an intention to resign. Developmental programs such as career advancement training programs, capacity building programs and training in specialized areas as social responsibility measures are practically non-existing. It is obvious that hotel companies should do a better job recruiting high quality employees and train them better for careers to lower their employee turnover rates (Bagri *et al*, 2010).

## 5. Performance appraisal

According to Grote (2010) stated performance appraisal which ideally should consist of 5 steps:

- a. At the beginning of the year, the manager should to meet with the employees to discussion about what the goals who want to achieve this year. The meeting can last for hours. The result from those meeting could be used as employee performance planning.
- b. The employees need to try to achieve the goal that has been made. In middle of the year, the manager meets with the employees to discuss about the achievement of what has been achieved and not achieved.
- c. The manager can fill in the form performance an appraisal and discus with the boss before discussing with the employees. The manager also can make administration's decision such as a giving a compensation.
- d. Assessment of the performance appraisal did by a manager with held a meeting with the employees for one hour and talking about how to increase the performance of the employee.
- e. They are set a date to hold the meeting again in the next year, and making a goals who want to achieve in the next year, and the process will began again. Goal's setting is really important to achieving the target of the company.

## 6. Pay and benefit

Lack of skill and lack of training make the employees at hospitality industry have a low income compared with another industry. Training program and career development to ensure the quality of services and the productivity also will increase the income for the employees of hospitality industry

(Nankervis & Debrah, 1995). The main reason of employees at hospitality industry to resign was the salary issues. Their find out that they are needs to discuss about how to approach the human resources with the creative way to increase the commitment of the employees (Chan & Kuok, 2011). The tendency of employees to resign from the company will be reduced if the promotion and salary provided by the company competitive. The Issues of promotion and salary is considered a very important issue for employees (Blomme *et al*, 2010).

### Conceptual Framework

Based on literature the conceptual framework of analysis that will be created can be described in this model.

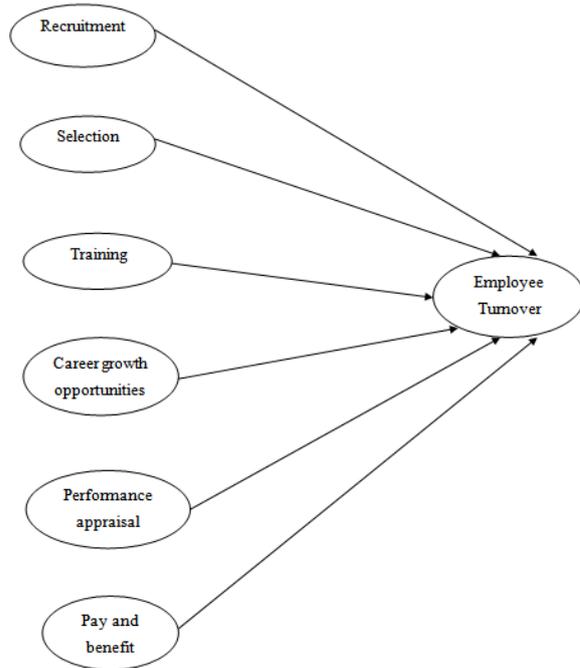


Figure 2-1 : Conceptual Framework Factors Employee Turnover

This conceptual framework explained that there are six factors which influence employees to resign from the job; those are recruitment, selection, training, career growth opportunities, performance appraisal, pay and benefit. The sixth factors will affect employee turnover in the industry hospitality. This research was conducted to determine the significant factors of employee turnover at ABC Hotel.

### Hypothesis

- Ho<sub>1</sub>: There is no influence recruitment against employee turnover at ABC Hotel.
- H<sub>1</sub>: There is influence recruitment against employee turnover at ABC Hotel.
- Ho<sub>2</sub>: There is no influence selection against employee turnover at ABC Hotel.
- H<sub>2</sub>: There is an influence selection against employee turnover at ABC Hotel.
- Ho<sub>3</sub>: There is no influence training against employee turnover at ABC Hotel.
- H<sub>3</sub>: There is influence training against employee turnover at ABC Hotel.
- Ho<sub>4</sub>: There is no influence career growth opportunity against employee turnover at ABC Hotel.
- H<sub>4</sub>: There is an influence career growth opportunity against employee turnover at ABC Hotel.
- Ho<sub>5</sub>: There is no influence performance appraisal against employee turnover at ABC Hotel.
- H<sub>5</sub>: There is an influence performance appraisal against employee turnover at ABC Hotel.
- Ho<sub>6</sub>: There is no influence pay and benefit against employee turnover at ABC Hotel.
- H<sub>6</sub>: There is an influence pay and benefit against employee turnover at ABC Hotel.

## Methods

In the research, the methodology that used is binary logistic regression methods and quantitative approach that will give a general view about the significant factor that determine employee turnover.

## Population

The population at ABC Hotel based on data from Manager of Human Resource Department is 75 employees.

Employees of ABC Hotel consist of two parts:

1. Employee recruitment process conducted by ABC Hotel: 67 employees
2. Employee outsourcing: 8 employees (security)

For security, ABC Hotels did recruitment by using agency services outsourcing)

Manager of Human Resource Department objected if the security needs to fill out the questionnaires of this research due to the Manager of Human Resource Department did not conduct the recruitment for security by them self, but use the service of a security outsourcing for recruitment. Based on that, the number of employees who filling the questionnaire of this research are 67 employees.

Currently, the research questionnaire will be distributed by Manager Human Resource Department on employees there are 3 employees of ABC hotel has resigned. Therefore, the total employees who filled in a questionnaire research 64 employees.

## Data Collection

The questionnaire was distributed to all employees of ABC Hotel. The purpose of that questionnaire is to determine the significant factors of employee turnover at ABC Hotel. List of the questionnaire are divided into two parts: First part are the items of demographics the employee, such as gender, age, educational background, work in any department, the working period, income and intention to resign. The second part consists of six items of employee turnover factor in the hospitality industry. The first factor is the recruitment, the second factor is the selection, the third factor is the training, the fourth factor is career growth opportunities, the fifth factor is the performance appraisal, and the sixth factor is the pay and benefit. The response code is using a four-point scale to fill in the answer. The questionnaire will be filled by employees of ABC Hotel contained a questions about the significant factors that cause employee resign from ABC Hotel. The population who used for data processing is 15 employees. The purpose of this research is to determine the significant factor of turnover employee at ABC Hotel therefore this research using the data of employee who had an intention to resign from ABC Hotel. From the total of all employees from ABC Hotel are 64 employees and who had an intention to resign are 15 employees.

## Data Analysis

### Reliability

To measure the reliability of a set of two or more constructs, this study used Cronbach Alpha. Own alpha value is between 0-1 where in the larger the value of alpha, the higher reliability of the indicators (Hair *et al*, 1992). In accordance with the Cronbach alpha test, the total scale of reliability for this study varies from 0.923, indicating an overall perfect reliability factor (Rahman, 2012).

### Validity

For this validity is tested using Bartlett's test and KMO. But for KMO and Bartlett's used to make the validity of all of the factors are valid, must could be a factor or not, while the validity of item questionnaire wears test of the validity of the ordinary. Then the results of the test of Bartlett's and KMO in this study are both significant, so it can proceed to the formation of a factor (Rahman, 2012).

### Binary Logistic Regression

Logistic regression is one of the test equipment to test the relationship between the responses of the predictor variables. Variable response was usually a binary yes or no, with employee turnover

prediktornya factor. Because the study was put on the questionnaire, the predictor variables and the form is categorical data. Research can use logistic regression (Agresti, 2002).

## Results and Discussion

### Reliability Test

**Table 4-2 Reliability Result**

No.	Variable	Question	Cronbach's Alpha
1.	Recruitment	P1	.913
2.	Selection	P2	.914
		P3	.918
3.	Training	P4	.919
		P5	.922
4.	Career growth opportunities	P6	.913
		P7	.915
		P8	.914
5.	Performance appraisal	P9	.914
		P10	.915
6.	Pay and benefit	P11	.921
		P12	.917
		P13	.925
		P14	.926

The conclusion of the above can be seen that the value of alpha values  $> 0.9$ , it can be interpreted that all the items have a perfect reliability questions.

### Validity Test

**Table 4-3 Validity Test Result**

No.	Variable	Question	Correlation Coefficient	Critical Limit	Explanation
1.	Recruitment	P1	0.818	0.2075	Valid
2.	Selection	P2	0.792	0.2075	Valid
		P3	0.697	0.2075	Valid
3.	Training	P4	0.673	0.2075	Valid
		P5	0.614	0.2075	Valid
4.	Career growth opportunities	P6	0.817	0.2075	Valid
		P7	0.786	0.2075	Valid
		P8	0.801	0.2075	Valid
5.	Performance appraisal	P9	0.803	0.2075	Valid
		P10	0.77	0.2075	Valid
6.	Pay and benefit	P11	0.625	0.2075	Valid
		P12	0.735	0.2075	Valid
		P13	0.573	0.2075	Valid
		P14	0.475	0.2075	Valid

From the analysis table 4-2 using a significance level of 5% and N = 64 with degree of freedom (DF) = 64-2 then obtained  $r$ -table = 0.2075. Then from each item in question compared with the value of the Pearson correlation with the total score obtained  $r$ -table. Test criteria,  $r$ -count (Pearson correlation) >  $r$ -table.

Conclusions can be seen that all of the variables (the item in question) with a total value of correlation > 0.2075 then all items declared invalid all questions.

### Binary Logistic Regression

**Tabel 4-3 Average Rating Factor Employee Turnover**

No	Respondent	Average Rating Factor Employee Turnover					
		Recruitment	Selection	Training	Career Growth Opportunities	Performance Appraisal	Pay and Benefit
1.	Respondent 1	3	2.5	2.5	2.666667	2.5	2.25
2.	Respondent 2	2	2.0	2.0	1.000000	2.0	2.75
3.	Respondent 3	2	2.5	3.0	2.333333	2.0	2.25
4.	Respondent 4	3	3.0	2.0	3.000000	3.0	2.50
5.	Respondent 5	3	3.0	3.5	2.333333	3.0	3.00
6.	Respondent 6	3	3.0	3.0	3.000000	3.0	2.50
7.	Respondent 7	2	2.5	3.0	2.000000	2.0	2.00
8.	Respondent 8	3	3.0	3.0	3.000000	3.0	3.00
9.	Respondent 9	3	3.0	3.0	3.000000	3.0	3.00
10.	Respondent 10	3	3.0	3.0	3.000000	3.0	3.00
11.	Respondent 11	3	3.0	3.0	3.000000	3.0	3.00
12.	Respondent 12	2	2.5	2.5	2.666667	2.5	2.50
13.	Respondent 13	3	3.0	3.0	2.000000	2.0	2.50
14.	Respondent 14	2	2.0	2.0	2.000000	2.0	1.75
15.	Respondent 15	2	2.5	2.0	2.000000	2.5	2.75

- Respondent 1 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 2.5, Factor 3 (Training) 2.5, Factor 4 (Career growth opportunities) 2.7, Factor 5 (Performance appraisal) 2.5, and Factor 6 (Pay and benefits) 2.25.
- Respondent 2 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.0, Factor 3 (Training) 2.0, Factor 4 (Career growth opportunities) 1.0, Factor 5 (Performance appraisal) 2.0, dan Factor 6 (Pay and benefit) 2.75.
- Respondent 3 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.5, Factor 3 (Training) 3.0, Factor 4 (Career growth opportunities) 2.3, Factor 5 (Performance appraisal) 2.0, dan Factor 6 (Pay and benefit) 2.25.
- Respondent 4 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training) 2.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 2.50.

- Respondent 5 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.5, Factor 4 (Career growth opportunities) 2.3, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 3.00.
- Respondent 6 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 2.50.
- Respondent 7 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.5, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 2.0, Factor 5 (Performance appraisal) 2.0, dan Factor 6 (Pay and benefit) 2.00.
- Respondent 8 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 3.00.
- Respondent 9 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 3.00.
- Respondent 10 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 3.00.
- Respondent 11 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 3.0, Factor 5 (Performance appraisal) 3.0, dan Factor 6 (Pay and benefit) 3.00.
- Respondent 12 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.5, Factor 3 (Training ) 2.5, Factor 4 (Career growth opportunities) 2.7, Factor 5 (Performance appraisal) 2.5, dan Factor 6 (Pay and benefit) 2.50.
- Respondent 13 give average rating to factor employee turnover is Factor 1 (Recruitment) 3, Factor 2 (Selection) 3.0, Factor 3 (Training ) 3.0, Factor 4 (Career growth opportunities) 2.0, Factor 5 (Performance appraisal) 2.0, dan Factor 6 (Pay and benefit) 2.50.
- Respondent 14 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.0, Factor 3 (Training ) 2.0, Factor 4 (Career growth opportunities) 2.0, Factor 5 (Performance appraisal) 2.0, dan Factor 6 (Pay and benefit) 1.75.
- Respondent 15 give average rating to factor employee turnover is Factor 1 (Recruitment) 2, Factor 2 (Selection) 2.5, Factor 3 (Training ) 2.0, Factor 4 (Career growth opportunities) 2.0, Factor 5 (Performance appraisal) 2.5, dan Factor 6 (Pay and benefit) 2.75.

**Table 4-4 Value Factor Employee Turnover Odds Ratio**

No.	Factor Employee Turnover	Value Odds Ratio
1.	Recruitment	24.4%
2.	Selection	22.2%
3.	Training	11.9%
4.	Career growth opportunities	9.1%
5.	Performance appraisal	13.1%

6.	Pay and benefit	14.2%
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Based on the value odds ratio (the value of which has an influence on the ABC hotel employee to resign) factors that have the greatest influence was a factor recruitment to the value of the odds ratio of 24.4%. Selection factor have an influence of 22.2%, training factor have an influence of 11.9%, career growth opportunities factor have an influence of 9.1%, a performance appraisal factor have an influence factor of 13.1% and a pay and benefit factor have an influence by 14.2%. Based on the table 4-4, value factors employee turnover odds ratio. Significant factors that make employees resigned ABC Hotel is a recruitment factor with a value odds ratio of 24.4% and a selection factor with a value odds ratio of 22.2%.

### Conclusion

The purpose of this research is to determine the significant factors of employee turnover at ABC Hotel. There were six factors of turnover in the hospitality industry. Factors employee turnover in the hospitality industry is the recruitment, selection, training, career growth opportunities, performance appraisal and pay & benefits. In addition to determine the significant factors of employee turnover at ABC Hotel, this research aims to reduce employee turnover at ABC Hotel. Based on the results of the questionnaire and data analysis, significant factors of employee turnover at ABC Hotel which affects employees to resign is a factor of the recruitment and selection factor. Recruitment factor has great influence with the value of 24.4%, and a selection factor has the effect of 22.2%.

After determine the significant factors of employee turnover, a possible way to reduce employee turnover at ABC Hotel is to improve the recruitment system and improve the system of selection.

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