

Reasons of high employee turnover in hospitality sector in Hungary

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Abstract: Employee turnover is crucial for organizational performance, profitability and productivity. Evidence reveals that the employee turnover in hospitality is connected to dissatisfaction with relationship with supervisors, working conditions, working schedule, benefits and salary. In order to maximize staff productivity, customer satisfaction and organizational revenue, hospitality leaders must reduce employee fluctuation and turnover. The aim of this research is to survey the factors affecting employees' intention to turnover in hospitality sector in Hungary. A cross-sectional quantitative design was implemented to answer the questions of the research. The results show significant evidence to support a greater focus on employee retention methods and the promotion of satisfactory working environment for hospitality staff. The results of the study can be used as a basis for making decisions regarding employee welfare, designing retention strategies, implement it for future planning and development of human resources.

Keywords: hospitality, employee turnover, retention, Hungary

1 Introduction

The considerable contribution of hospitality sector to economy in many countries is undeniable. Hospitality is one of the fundamental concepts of modern society, which, due to a long stage of development, has become a powerful industry that brings together thousands of professionals who create all the best conditions for consumers of services — guests and residents of the region. At the present stage of its development, the concept of "hospitality industry" still remains collective for numerous and diverse forms of business that specialize in the market of services related to serving guests [1, 2].

As being main part of tourism sector, hospitality sector includes restaurants, hotels, accommodation, etc. The present research is focused on one of the main problems in the hospitality sector, namely, the high turnover of employees. According to previous research studies hospitality sector has significant staff turnover rate compared to other industries [3, 4, 5]. According to Schindler [5] the employee turnover rate is 44% in the hospitality sector, which is higher than in

other sectors. The present research investigates what the reasons of high staff turnover could be in Budapest, Hungary. In Hungary the rate of workforce as a share of the total dropped to 3.8% in 2020 [6] showing a downward trend from 2015, which implies that leaving the sector is as grave a problem as high staff turnover. The result of this research can be used for developing strategy against high turnover in local restaurants and hotels, it can also be useful during recruiting process for restaurant as well as Human Resource Managers.

The high turnover in any organization affects competitiveness, customer satisfaction and in the end the profitability of an organization. Increasing loyalty can positively contribute to longer job tenures, however, the hospitality sector suffers an increasingly high turnover of staff due to low wages, low social status in some countries [7]. This fact draws attention to the importance of the present research since long working hours or poor assessment might also have an impact on high turnover and job dissatisfaction. The present pandemic situation has also revealed that the problem must be urgently solved. The hospitality sector is a customer satisfaction-based sector, and it basically goes through human resource satisfaction because customers are directly contacted with the employees of the organizations. Based on these arguments the following research questions were formulated:

RQ1. What are the financial and non-financial motivations of employees in the hospitality industry?

RQ2. What are the main reasons most of the employees leave their job in the sector?

RQ3. What kind of solutions can be applied to reduce turnover intention?

At a general level, we argue that the indicators such as wage satisfaction, working situation psychological contract violation, corporate values, management style and other subjective factors are among the main reasons of turnover intention, i.e. employees' intention to voluntarily change jobs or companies.

The next section introduces some theoretical background about the hospitality industry and motivation of the employees in the sector. It will include motivation theories, financial and non-financial motivations of employees, understanding of corporate values, analysis of management styles. Then the results of a questionnaire-based survey will be presented, and the findings will be discussed to reveal the motivation of employees to leave jobs in the hospitality sector mainly in Budapest, Hungary.

2 Literature Review

2.1 Employee Turnover Definitions

One of the earliest concepts of employee turnover was defined by Price [8] 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. Denvir and McMahon [9] considered Employee Turnover as the act of an employee leaving an organization by being employed by another organization, while Price [8] considered in a more broader sense of employee turnover as a change in an individual's status as a member of an organization. The concept of employee turnover includes all kinds of job changes, such as entry, promotion, demotion, and employee turnover.

2.2 Influences of Employee Turnover

Muchinsky and Morrow [10] have concluded after their study that there are three main factors that influence employee turnover, namely job-related factors, economic opportunity-related factors, and employee personal factors. Among them, job-related factors focus on the influence of the organization on employee turnover, economic opportunity-related factors describe the influence of external labor market laws on employee turnover, and individual factors describe the influence of personal differentiation on employee turnover.

Lambert et al.'s study [11] classified the factors influencing employee turnover into four categories, and they also presented job satisfaction as a separate variable, while the remaining three categories were demographic variables, work environment variables (including elements such as role conflict, job diversity, coworker relationships, employee autonomy, and job involvement), and the variable of available job opportunities.

Organizations are now conducting research to determine the causes of employee turnover. When a new employee is hired, there is a cost associated with induction and training [12]. Hiring a new employee is frequently more expensive than maintaining an existing and experienced employee [13]. Employee loyalty for instance was investigated by Ineson et al. [7], where the research revealed that the managers' treatment and assessment of employees as well as the benefits of social involvement greatly contribute to higher loyalty and lower turnover. The research also found that job satisfaction is not directly linked to monetary compensation.

When an employee is unhappy with their job, or when their functions in the organization are limited or constrained, turnover intention can appear. Employees start not to see a future in the same company or industry [14]. According to Tett and Meyer [15], turnover intention is an employee's willingness to leave the company. From the standpoint of an employer, losing an experienced and skilled employee is unquestionably a loss. However, it can also present a chance for employers to hire new and better recruits instead of dissatisfied and incompetent employees.

The most likely causes of high staff turnover in the hospitality industry, according to Fallon [16], are as follows: long working hours, disrespectful superiors, high job pressure, overloading, less fringe benefits, low income, greater physical work, and better opportunities in other sectors are the most common causes. We can further divide the turnover intentions into two groups. Employee turnover has both avoidable and unavoidable intentions [17]. If appropriate efforts are done in a timely manner, avoidable intentions can be averted. These can occur as a result of management neglect. Low wages, work stress, relationships with bosses, working hours, and transportation facilities, particularly for late night shifts, all contribute to avoidable intents. While the employee's unavoidable intents are due to personal concerns. These intentions may arise as a result of illness, a family member's death, family troubles, pregnancy, or leaving the area.

2.3 Tools for the implementation of personnel policy

The personnel policy of an organization in a broad sense is understood as a system of norms and rules, on the basis of which the main areas of personnel management (selection, training, promotion) are planned in advance and agreed with a common understanding of the goals and objectives of the organization. Weber [18] defined it as the ability to achieve obedience from other people, regardless of what this obedience is based on. He highlights, firstly, the presence of those in power, those who exercise power, secondly, the presence of subordinates, those over whom power is exercised, thirdly, the norms of domination (rules, procedures), fourthly, sanctions for violation of norms and reward for their implementation. Such an institutional interpretation of the concept of politics correlates with the concept and content of personnel policy.

According to Gudin and Gavrenkova [19, p. 96], there are general requirements for personnel policy that should be applied to it in modern conditions. Firstly, personnel policy should be closely related to the development strategy of the enterprise. In this respect, it represents the staffing of the implementation of this strategy. Secondly, the personnel policy should be sufficiently flexible. This means that it must be, on the one hand, stable, since certain employee expectations are associated with stability, and on the other hand, dynamic, i.e. be adjusted in accordance with the change in the tactics of the enterprise, the production and economic situation. Since the formation of a qualified workforce is associated with certain costs for the enterprise, the personnel policy should be economically justified, i.e. proceed from real financial possibilities. And, finally, personnel policy should provide an individual approach to its employees.

3 Data and Research Methods

The present research used a quantitative method applying judgement type non-probabilistic sampling. A self-developed questionnaire was distributed among employees of selected restaurants in order to meet the research goals in Budapest, Hungary. A questionnaire with four sections with 36 questions was outlined to

capture different aspects of demographics, job and salary satisfaction and communication. The data was obtained from selected restaurants and bars in Budapest particularly from members of staff serving at tables, baristas, welcoming and kitchen teams and was analyzed with SPSS software. Descriptive as well as inferential statistical analyses were conducted. As a first step Socio-demographic characteristics were analyzed.

Budapest was selected as the target city since during the pandemic a higher rate of business in the hospitality sector survived. The research instrument was divided into 4 sections: Section 1 covered demographic questions, Section 2 was related to job satisfaction, Section 3 investigated communication at workplaces and finally Section 4 was concerned with financial matters. The information was gathered from more than 30 members of the serving staff. Initially, two restaurants were selected through judgement sampling, and further data was acquired from employees using simple random sampling. Apart from that, some qualitative research was conducted, data was gathered through informal discussions with employees and managers in order to have a better understanding of the research and to identify answers to the problems [20]. According to Dubois and Gadde [21, p. 10] 'the interaction between a phenomenon and its context is best understood through in-depth case studies'.

To narrow down the scope of the research question the research was limited to one city, Budapest, Hungary and the research has strived to figure out what the reason behind high turnover rate in hospitality sector in Budapest, Hungary could be.

In the context of ethics, the research complies carefully with data protection legislation when using personal data of the respondents, to protect the privacy of their data subjects and to avoid the risk of any harm occurring to all participants of this research. The fact that ethical concerns can happen in every phase of our research made this point very significant.

4 Results

4.1 Demographic Profile

Data collection was carried out in the capital city, Budapest, however, the willingness rate resulted in a low number of responses, namely a total number of 33 employees could be reached. The sample is far not representative, however, some tendencies can be noticed and compared to research of larger samples. The result of demographic data showed that 55% of the respondents are females while 45% of them are males, 88.8% of the respondents were younger than 30 years of age (Figure 1). 82% of the respondents have experience in the hospitality sector up to 2 years. Around 48% of the respondents are married or are in relationship. 37% of the workforce has worked in the same restaurant for less than or a year, this shows the instability of the workforce in the sector.

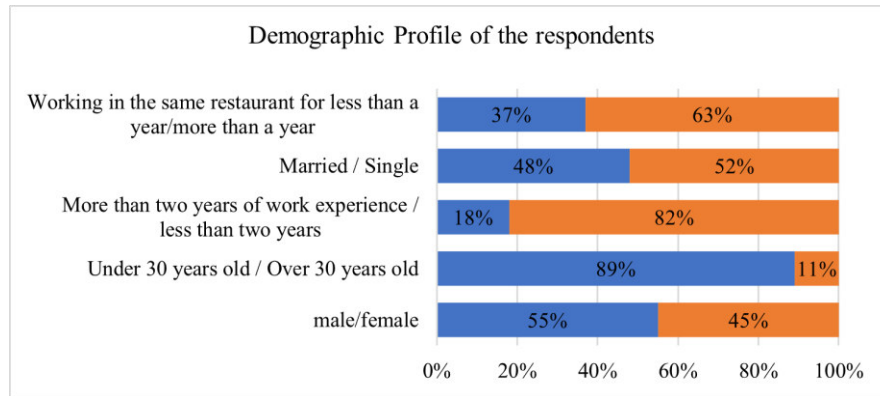


Figure 1 Demographic profile of the respondents

4.2 Job satisfaction results

Regarding the experience in the profession as well as in the hospitality sector and the respondents' workload, the sample shows that employees have an average 3.5 year of experience in the profession and the sector, while their average working hour is 42.73 hours, higher than the standard 40 hours per week in Hungary. Half of the employees have been working for at least 3 years in the profession and for at least 2 years in the sector, and half of the respondents work at least 44 hours per week (Table 1). The standard deviation depicts that there are relatively large differences in the employees' experience and workload. Based on skewness it can be stated that the experience of the employees and the years spent in the sector are relatively low while the working hours are high among these people. Meanwhile 36.4% of the respondents are satisfied with the current working hours, and 48.5% of them would like to work less. Gender had no impact on the number of working hours, and while males work 38.47 and females work 46.28 hours a week respectively in the sample, the difference is not statistically significant ($p=0.28$, equal variances assumed ($p=0.311$)).

Employees' experience and workload			
	<i>Years in profession</i>	<i>Years in the sector</i>	<i>Number of working hours per week</i>
Mean	3.41	3.48	42.73
Median	3	2	44
Mode	1	1	60
Std. Deviation	3.154	3.134	20.552
Skewness	1.879	1.854	-0.050
Kurtosis	4.711	4.694	-0.374
Percentile 25	1	1	28
Percentile 75	5	5	60

Table 1 Employees' experience and workload

It was also checked whether experience increases the number of working hours that might lead to turnover intention in the end. It was found that there is a medium strong correlation between experience and working hours ($r=0.492$) and the years spent in the sector explains the differences in the number of working hours by 24.2%. The experience in the sector is a significant factor ($t=3.144$, $p=0.004$) and interestingly one year of experience results in 3.225 hours more working hours a week according to the linear regression function.

The responses are quite balanced regarding whether they would like to change workplace because of the working hours, 48.5% would change workplace, while 51.5% would not do so due to working hours. At the same time 60.6% of them feel sometimes overloaded but 15.2% responded 'always' to this question and 21.2% feel often overloaded, which means that 97% of the respondents feel overloaded in the hospitality sector. 42.4% of them believe that the higher workload is due to the management requirements while 24.2% of them attribute it to the customers. Three quarters of them respond that the management asks employees to do tasks that are not in the job description. Two thirds of them believe that changing workplace would help to improve the work-life balance despite the fact that 69.7% of them think that the working hours are the same as agreed during the hiring process. Employees are undecided regarding the question whether the organization has broken many of its promises (51.5% agree vs 48.5% disagree) while job insecurity is high only for 9.1% of the respondents. According to the responses employees were fired mainly due to behavioral issues (42.4%) and attendance issues (24.2%).

Respondents were analyzed should they change workplace because of the working hours they would be willing to work more, or they would rather work less. While a significant and medium strong relationship was found between the two intentions, ($\chi^2=7.76$, $p=0.021$ and Cramer's $V=0.485$), 68.8% of the respondents who would change workplace wishes to work less (Table 2) and 58.8% of the ones who would not change workplace are satisfied with the current working hours. 18.8% of the ones intending to change workplace are willing to work more while 29.4% of the ones who do not wish to leave job would like to work less at their current place.

<i>Willing to work more or less</i>	<i>Willing to change workplace because of working hours</i>		
	<i>No</i>	<i>Yes</i>	<i>Total</i>
<i>I am satisfied with the current working hours</i>	58.8%	12.5%	36.4%
<i>Less</i>	29.4%	68.8%	48.5%
<i>More</i>	11.8%	18.8%	15.2%
<i>Total</i>	100.0%	100.0%	100.0%

Table 2 Relationship between turnover intention and willing to work more or less

Work-life balance has become an important issue in the job market recently. As it was found two thirds of them believe that changing workplace would help to

improve work-life balance, and half of them have already had some argument due to the working hours with their family/partners, but not so often. However, it was found that 42.4% of the respondents believe that working less and changing workplace would improve on their work-life balance, while 12.1% are satisfied with the current working hours but think to improve work-life balance with changing workplace and 9.1% would even be willing to work more (Table 3). The relationship between willingness to change working hours and workplace because of work-life balance was found significant ($\chi^2=8.728$, $p=0.013$) with a medium strong Cramer's V (Cramer's $V=0.514$).

<i>Willing to work more or less</i>	<i>Do you think about changing your workplace because of work-life balance?</i>		
	<i>No (%)</i>	<i>Yes (%)</i>	<i>Total (%)</i>
<i>I am satisfied with the current working hours</i>	24.2	12.1	36.4
<i>Less</i>	6.1	42.4	48.5
<i>More</i>	6.1	9.1	15.2
<i>Total</i>	36.4	63.6	100.0

Table 3 Relationship between changing workplace due to work-life balance and willingness to change working hours

4.3 Results on salary satisfaction

Employees were asked about their satisfaction with their salary. Since financial questions contain sensitive data, the questions were mostly Yes/No questions. Table 4 displays the ratios of employees based on salary satisfaction. Two thirds of the respondents are familiar with the current average salary in the sector and half of them are satisfied with their current salary. 72.7% of them would change workplace provided they were not satisfied with the salary and 57.6% of them expect salary promotion soon. Over two thirds in the survey received the contracted salary. Based on the responses over half of the employees are not satisfied with the current salary and do not expect salary promotion.

	<i>No (%)</i>	<i>Yes (%)</i>	<i>No answer (%)</i>	<i>Total (%)</i>
<i>Do you know the average salary in your profession?</i>	33.3	66.7		100
<i>Are you satisfied with your current salary?</i>	48.5	51.5		100
<i>If you are not satisfied, would you change your work to place with more salary than current place?</i>	18.2	72.7	9.1	100
<i>Do you expect salary promotion soon?</i>	42.4	57.6		100
<i>Do you get the salary what you agreed on hiring process?</i>	24.2	75.8		100

Table 4 Employees' satisfaction with salary

Consequently, when it was checked whether salary dissatisfaction would lead to change workplace a significant relatively strong relationship was found

(Chi2=11.647, p=0.003, Cramer's V=0.594). 66.7% of the ones who are not satisfied with their current salary would change workplace. There are, however, employees who would change workplace despite being satisfied with their current salary (33.3%). As a result, it can be stated that salary dissatisfaction would lead to turnover. Employees were also analyzed whether the amount of the current salary motivates them to work more. Table 5 presents the distribution of the employees in this question.

<i>Are you satisfied with your current salary?</i>	<i>Willing to work more or less</i>			
	I am satisfied with the current working hours (%)	Less (%)	More (%)	Total (%)
No	33.3	68.8	20	48.5
Yes	66.7	31.3	80	51.5
Total	100.0	100.0	100.0	100.0

Table 5 Employees' satisfaction with salary and intention to work more or less

Based on the results the relationship cannot be confirmed, since no significant relationship was found between the responses (p=0.069). According to the results, 68.8% of respondents who are not satisfied with their salary would like to work less. 80.0% of respondents who are satisfied with their salary are willing to work more. Two thirds of the respondents are satisfied with their current salary and the current working hours but still there is a 33.3% who are satisfied with the working hours but not satisfied with the salary.

5 Conclusion

In this paper the reasons behind high employee turnover in the hospitality industry was examined. It is evident from the review of literature that the hospitality industry is experiencing high employee turnover globally and finds it difficult to retain their experienced and skilled employees. The present quantitative research included a small non-representative sample however, it allowed the authors to see some of the difficulties employees in the hospitality sector face in Budapest. The results are alignment with the results found in other research studies.

The research posed three research questions namely, what the financial and non-financial motivations of employees in the hospitality industry are; what the main reasons most of the employees leave their job, and finally what kind of solutions can be applied to reduce the turnover intention.

The research partly answered to the posed questions since it found that gender has no influence on the working hours, so it does not seem to be a reason for job turnover intention. However, employees who intend to leave their current job would do it due to financial motivation, high workload problems and due to work-life balance problems. Employees, who experience problems of work-life balance are willing to change. Employees wish to work less but it is only partly due to low salary. As the analysis found a year spent in the sector increases the working time by more than 3 hours, which is a heavy workload increase. Work-life balance

plays a significant role in turnover intention since half of the employees have already had argument with family members due to the high number of working hours.

Job satisfaction is also part of the problem. Half of the participating employees are dissatisfied with their job, and salary dissatisfaction also leads to turnover intention.

Organization staff is the backbone of any company or organization, and they need to be retained by the organization to get ahead of the competition. Other companies are always in search of experienced and talented people. So, an organization should give enough reason to motivate and remain with the present employer. For reducing employee turnover, management should come forward to develop a suitable retention strategy.

But before we need to understand the reason why the employees leave their organization. The employee turnover causes may be different from one organization to another. In summary it can be argued that some of the common reasons for high employee turnover in the hospitality industry are low salary, compensation, harsh working environment, long working hours, poor working relationship with superiors, psychological contract breach low job engagement, fewer chances of promotion, etc.

After finding the causes, the management should develop effective human resource practices which include recruitment of candidate with career goals, value, and plans which matches the goal of that organization. Employees should be given compensation and salary which can also be linked to their performance to recognize their work. Management should draft a policy for the employees to get timely bonuses and promotions. Also, the family-friendly initiatives can be introduced. Employees should be given challenging work to keep them engaged and sometimes organize events, sports, shows, etc. This retention strategy would help hospitality organizations to reduce employee turnover.

The present research has its limitations since the sample size was low and the sample was non-representative, the research focused on Budapest. However, in the future the research can be extended to the rural areas and some other cities in Hungary to increase the sample size and investigate the high turnover intention reasons in the country.

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