

Labour Turnover in a New Zealand Hotel Company: The Gordian Knot?

Initial Results from a Decade of Exit Interviews

Introduction....

- New Zealand Hotel Turnover - Is it important?
- Organisation Overview
- Literature/Methodology
- Findings
- Discussion
- Moving On

Hotel Turnover? Groan!..... Not Again!

- ✓ The hotel sector forms a crucial part of the New Zealand Tourism industry, which in itself is a major contributor to the economic health of New Zealand
- ✓ Top foreign currency earner for NZ .
- ✓ 2010, Tourism expenditure totalled \$22.4 Billion dollars, accounting for 18.2% of total export earnings and 8.7% of NZ GDP
(Ministry of Economic Development, 2010)
- ✓ The hotel sector employs about 18,000 people and makes up approximately 25% of the hospitality workforce
- ✓ Employment in the hospitality sector grew by 20% between 2001 and 2006, faster than the average across the NZ workforce of 14%
(Whiteford & Nolan, 2007)

The Gordian Knotor Not?

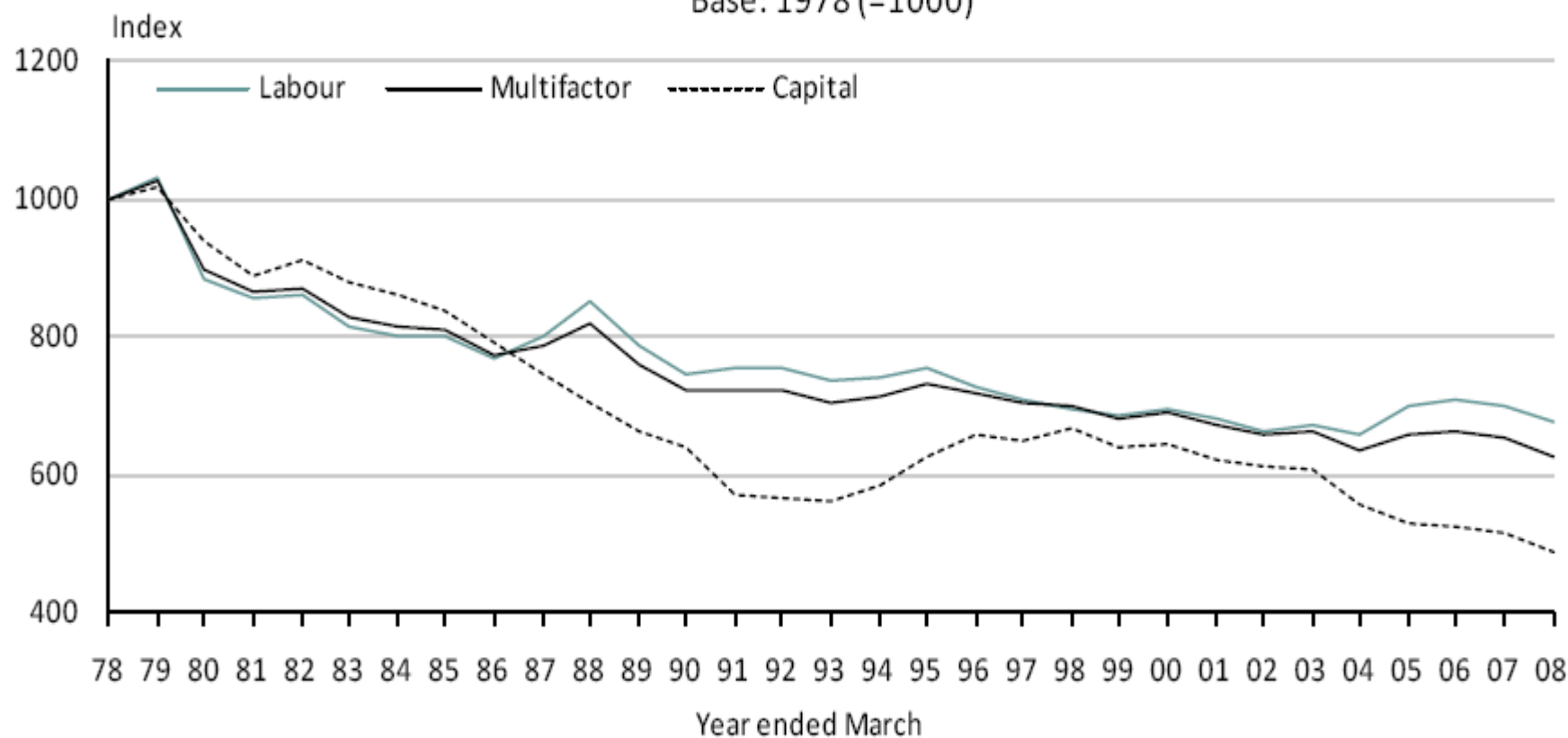
- ✓ Hospitality is the only NZ sector to have declined in productivity since 1978, at the rate of 1.3% per annum (Statistics New Zealand, 2010). Employs 6.6 percent of all people working in New Zealand, but only produces 2 percent of national GDP (Stokes et al., 2010)
- ✓ Has one the least educated/qualified work forces compared to the national average (Stokes et al., 2010)
- ✓ Has almost twice the level of labour turnover against the national average (Human Resources Institute of New Zealand, 2009)
- ✓ Hotels posted an average yield of 4% between 1999 and 2003, significantly lower than the national average of 5.7% and the 10-14.3% averages in restaurants, bars and retail (Lincoln University, 2007)
- ✓ Lowest hourly pay of all recorded sectors in NZ

Figure 13.3

Accommodation, cafés, and restaurants productivity indexes

Year ended March, 1978–2008

Base: 1978 (=1000)



Source: Statistics New Zealand

New Zealand Average Hourly Earnings (Not Including Overtime)

Employment sector	Average Hourly Earnings 2009 \$	Average Hourly Earnings 2002 \$
Accommodation / cafes / restaurants	\$16.39	\$12.61
Retail	\$16.84	\$13.49
Manufacturing	\$23.05	\$18.25
Construction	\$22.93	\$17.17
Personal Services	\$22.85	\$18.34
Transport / postal / warehousing	\$23.86	\$18.89
Arts and recreation services	\$21.70	\$21.82
Wholesale trade	\$26.29	\$20.46
Health care and social assistance	\$27.05	\$19.26
Forestry and mining	\$27.56	\$19.96
Renting / hiring / real estate services	\$24.48	\$24.77
Education and training	\$30.92	\$22.66
Public admin. and safety	\$30.81	\$24.77
Finance and insurance	\$35.92	\$24.81
Electricity, gas and water	\$30.07	\$27.45
Information / media / telecommunications	\$33.10	n/a
Professional / scientific / technical services	\$29.14	n/a

The Gordian Knotor Not?

We seem to be left with Wood's slightly hopeless knot:

Hospitality work is largely exploitative, degrading, poorly paid, unpleasant, insecure and taken as a last resort, or because it can be tolerated in the light of wider social and economic commitments and constraints.

Wood (1997. p. 198) in Baum (2007)

The Gordian Knot – Turnover Literature

- ✓ Turnover has been the focus of intense international research for many years and has attributed vast numbers of causal agents to turnover
- ✓ O'Reilly et al (1991) describe the entire field of turnover as a process of incremental growth in knowledge that is gradually reducing in importance as the paradigm becomes increasingly limited
- ✓ Boxall, Macky and Rasmussen (2003) refer readers to comprehensive reviews on the turnover literature in Price (1977), Cotton and Tuttle (1986), Tett and Meyer (1993), Holm and Griffeth (1995) and the most recent meta-analysis by Griffeth, Holm and Gaertner (2000).
- ✓ From these reviews, Boxall, Macky and Rasmussen (2003) emphasise the most strongly supported causal agents for turnover, including:

Literature – Turnover/Exit Interviews

- ✓ **Unemployment rates affect turnover**; low unemployment and a tight labour market affects employee perceptions of how easy it is to obtain alternative employment
- ✓ **Age** is strongly positively associated with tenure length and thus negatively associated with turnover
- ✓ **Remuneration** retains an important role in turnover
- ✓ Exit interviews have been considered by some authors to be a powerful tool for analysing turnover (Mok & Luk, 1995; Iqbal, 2010)
- ✓ However, many authors question the methodology and focus of exit interviews and seriously debate the value of resulting data (Deery 2000, Gioia & Catalano, 2011)
- ✓ Schatcher (2005) suggests that failure to action exit interview findings is a common fault in organisations.

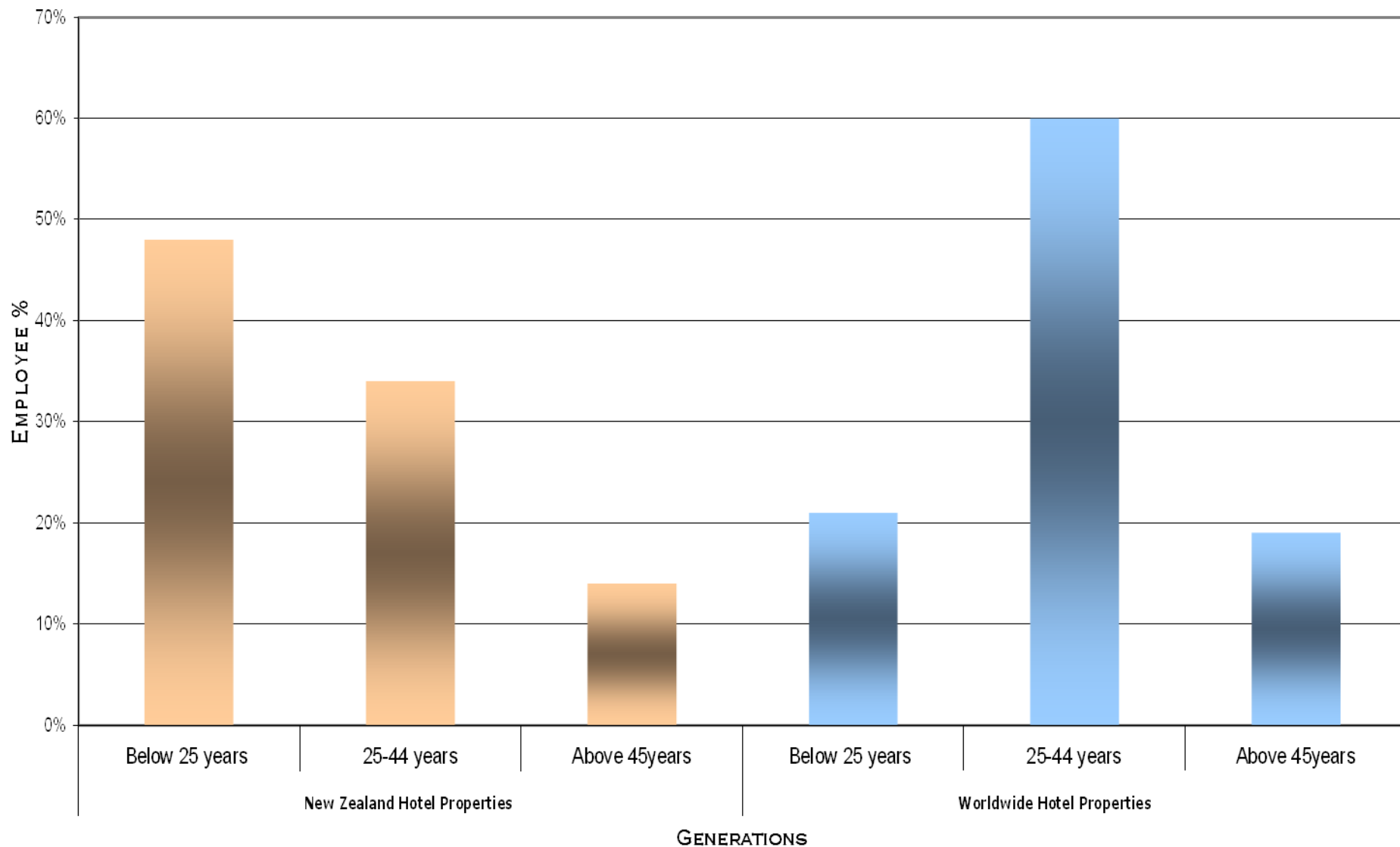


Methodology

- ✓ Hotel X has 24 hotels in New Zealand, ranging from budget accommodation to luxury resorts
- ✓ The data was gathered by the Regional HR Co-ordinator for Hotel X over the period 2000-2010. The data was provided to the authors in consolidated, anonymous, spreadsheet format
- ✓ The data is based on standardised exit interviews that are run by various HR managers in the hotels
- ✓ 8379 exit interviews were collected, from approximately 11289 employees in total (74.2% of all employees)
- ✓ Rather than pursuing further narrow empirical hypothesis testing for increasingly fragile turnover correlations this research will take a broader view and use descriptive statistical methods to ask questions about the turnover trends over this period.



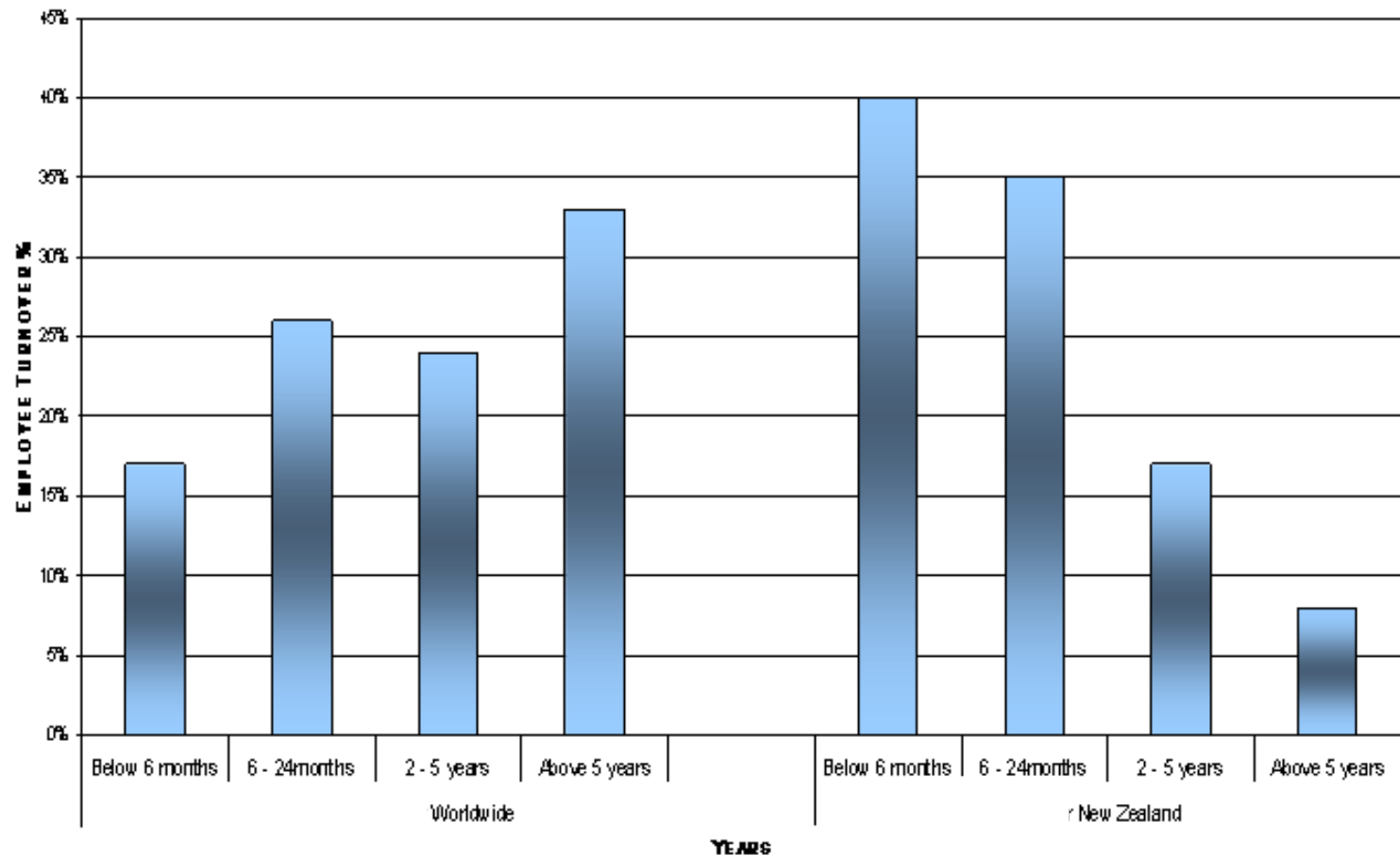
THE GENERATIONS FROM NEW ZEALAND AND WORLDWIDE HOTEL PROPERTIES COMPARISON





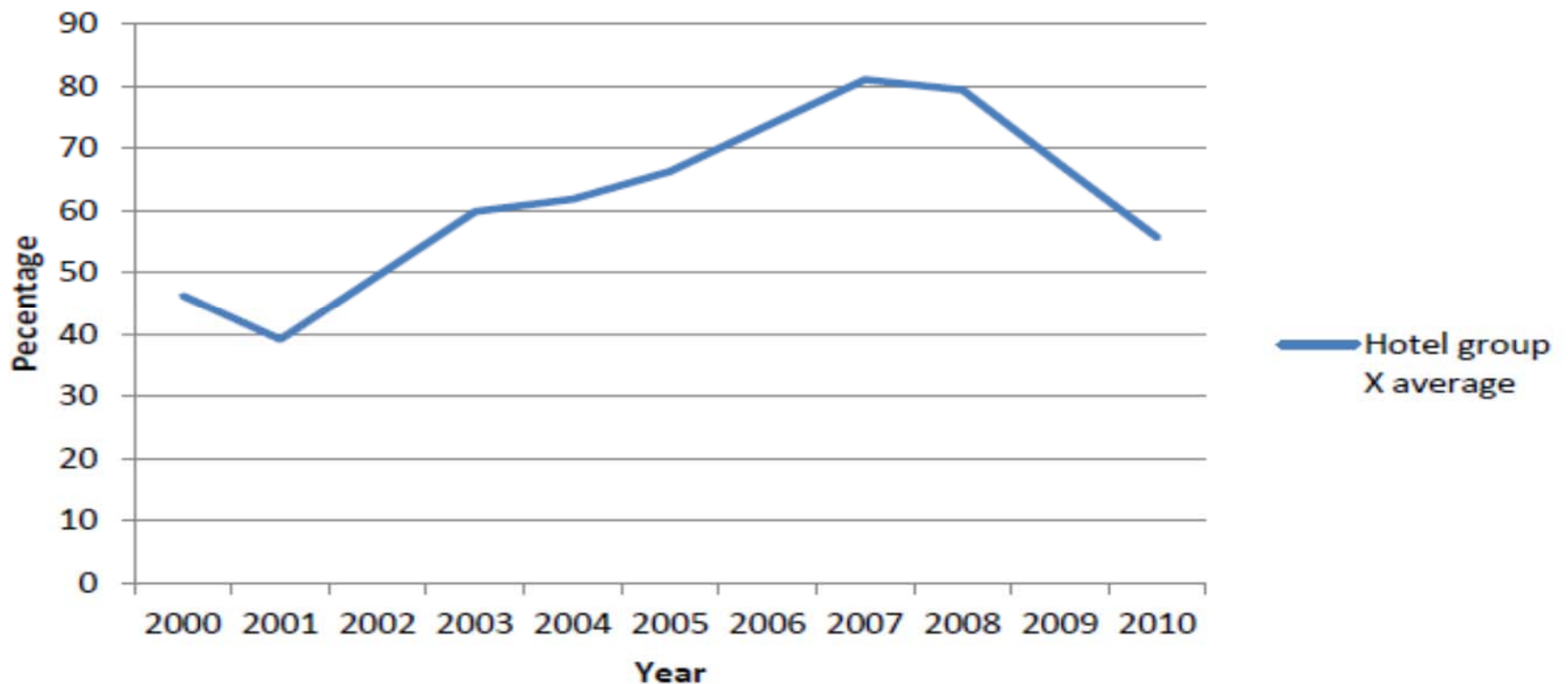
Findings.....

SERVICE LENGTH FROM NEW ZEALAND AND WORLDWIDE HOTEL PROPERTIES COMPARISON

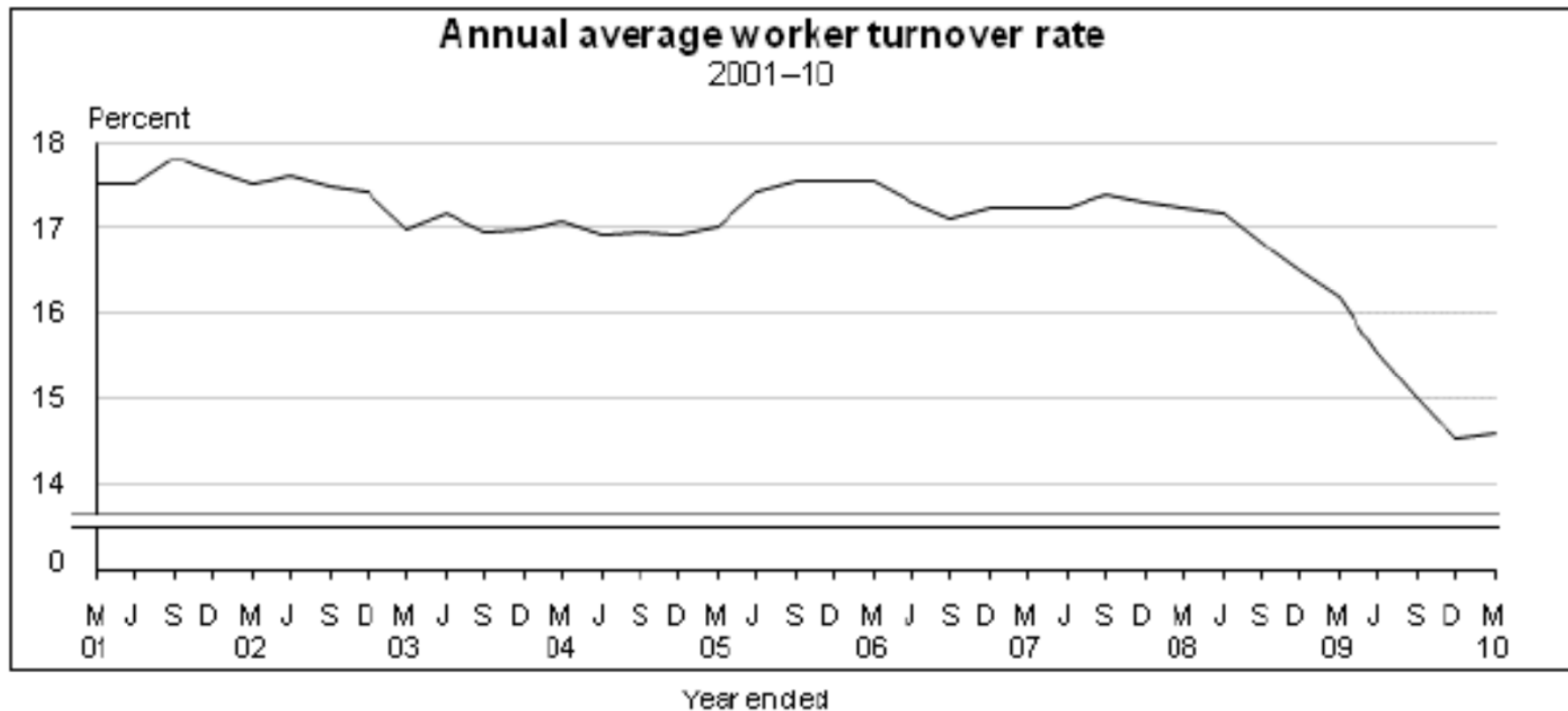


Hotel X Average Turnover Rate 2000-2010

Hotel group X Average Turnover



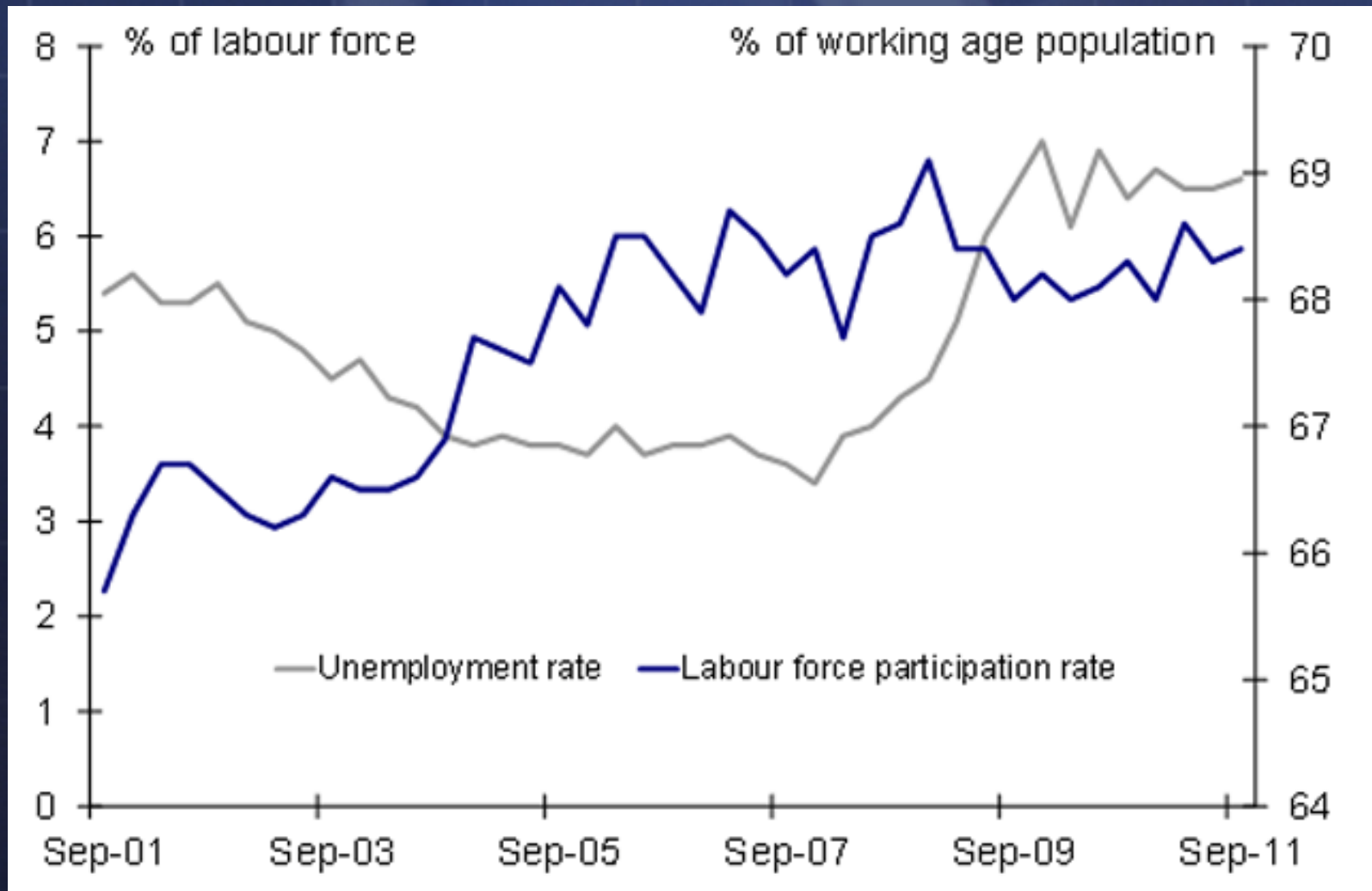
New Zealand Annual Average Worker Turnover Rate 2001-2010



Source: StatisticsNewZealand

Statistics New Zealand (2010)

New Zealand Unemployment Rate 2001-2011

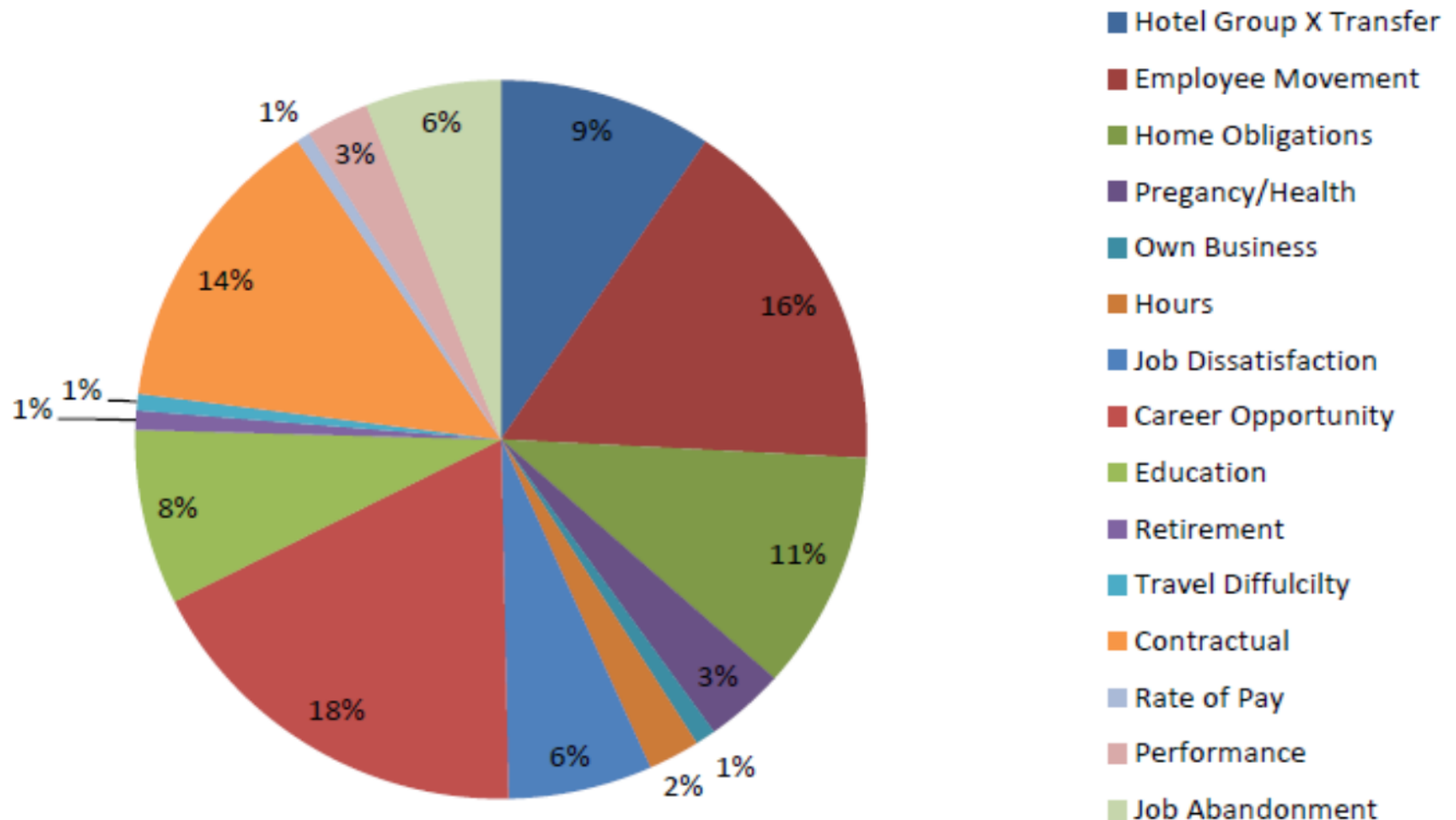


Findings.....

- o **Travelling Overseas**
- o **Home Obligations**
- o **Relocation**
- o **Pregnancy/Family**
- o **Own business**
- o **Lack of hours**
- o **Shift Work**
- o **Job Dis-satisfaction**
- o **Visa expired**
- o **Career Opportunity**
- o **Education/ Study**
- o **Retirement**
- o **Travel Difficulty**
- o **Temporary Contract**
- o **Insufficient Promotional Opportunity**
- o **Insufficient Training**
- o **Unhappy with Management style**
- o **Monotonous work**
- o **Lack of Recognition**
- o **Heavy Workload**
- o **Personality Conflict**
- o **Working conditions**
- o **Rate of Pay**
- o **Job Performance**
- o **Termination during Probation**
- o **Job Abandonment**

Reasons for leaving, all employees (8379) 2001-2011

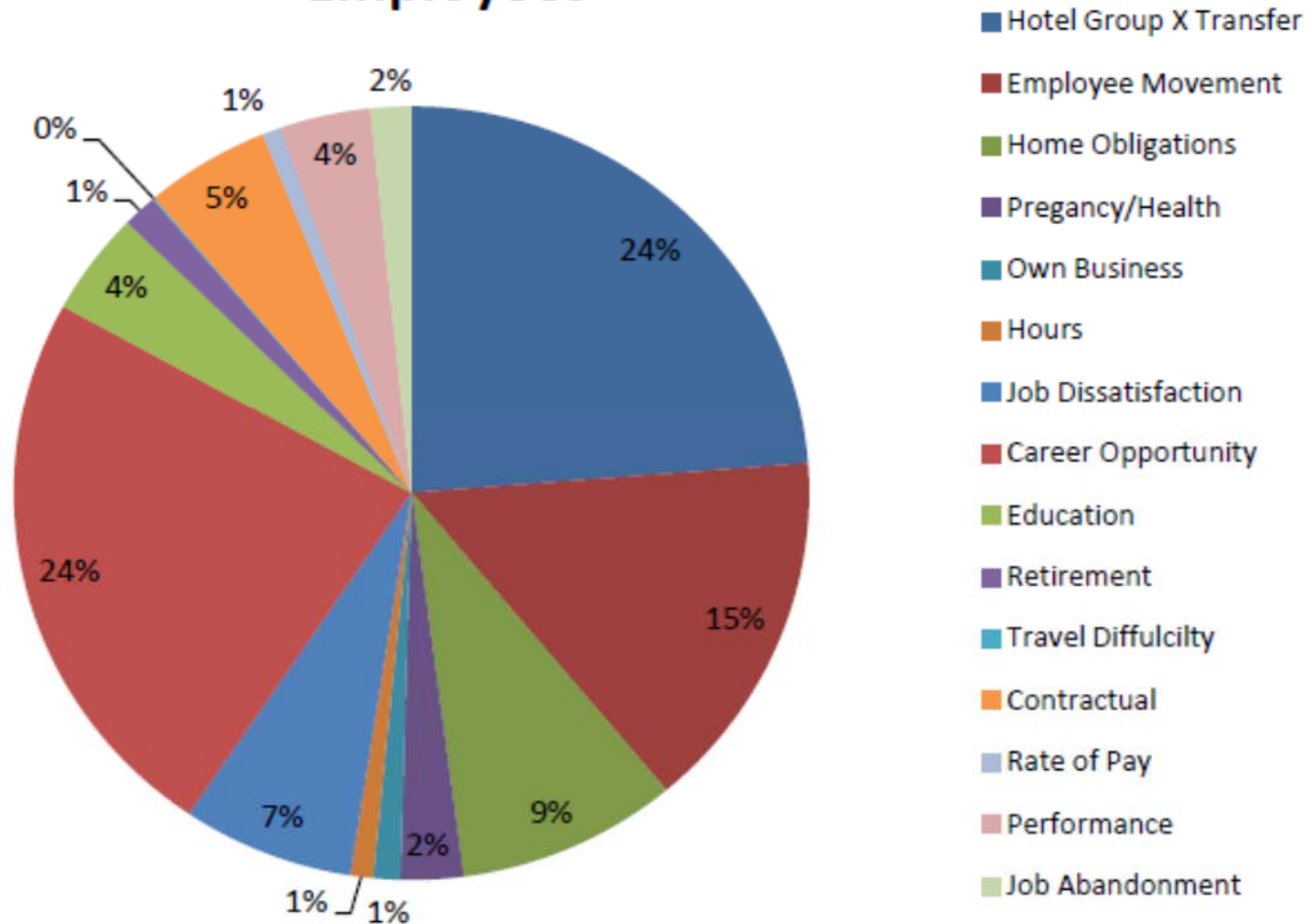
Reasons for Leaving within Total Employees





Reasons for leaving, FT employees (2780) 2001-2011

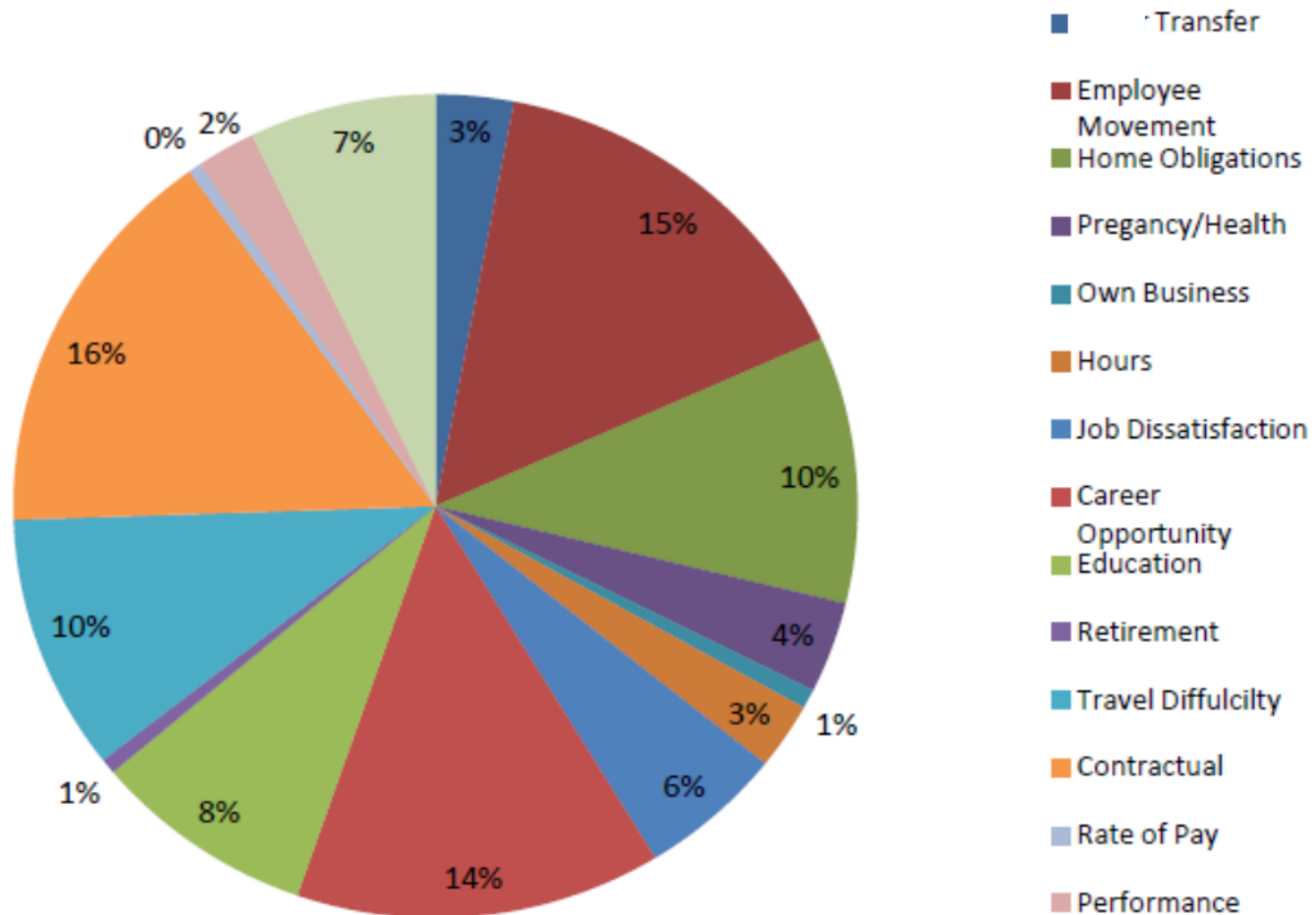
Reasons for Leaving within Full Time Employees





Reasons for leaving, PT employees (5600) 2001-2011

Reasons for Leaving in Part Time Employees





Discussion

- ✓ The data shows support for the three factors suggested in Boxall et al. (2003):
- ✓ The inverse relationship between unemployment rates and turnover – the impact of the GFC is clearly visible
- ✓ Age and turnover
- ✓ Pay and turnover – while supported by theory – not apparent in exit interviews
- ✓ While the organisation could take comfort from the 24% of full time employees who are choosing to transfer within the group, this is offset by an equal number (24%) who leave for perceived better opportunities.
- ✓ Very few part time staff transfer within the organisation. In part time employees, we see the casualised nature of their employment expressing itself in the high rate of turnover due to limited tenure contracts and expiring visas.



Discussion

“In many respects, Wood’s bleak (1997) assessment of the industry remains substantially unchanged in many countries, both developed and less developed”.

“In the final analysis, the conditions of work in tourism are attributable to the outcomes of market force pressures, temporised in part and in places by government and wider societal interventions”.

Baum (2007, pg. 1396)

- ✓ NZ Govt spent 400 million on the Rugby World Cup to provide showcase the country. Given that hotels are a key part of the showcase – you are likely to be served by a worker on low pay, casualised contract who has been there less than a year