Addressing high turnover in hospitality industry

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A new study of the Spanish hospitality industry reveals some of the chief causes, consequences and lines of action to take regarding high turnover in a sector that represents 6 percent of GDP.

In Spain, approximately half the employment in the tourism industry in 2008 was in the hospitality business, demonstrating its huge economic and social impact. The sector represents 6 percent of GDP and employs 5.7 percent of the country's working population.

The workforce is notoriously mobile, with 29 percent changing jobs in the past year and 42 percent having done so during the past two years. The industry's turnover rate has dropped in recent months, most likely due to the economic downturn.

However, this is a temporary situation. There are other major causes underlying high turnover, and these structural factors are worth exploring, since this issue is damaging not only to the industry's image, but to service and quality as a whole.

Reasons for turnover

Using statistical data and interviews with a number of top companies, IESE researchers analyzed the sectorial or organizational factors that have the greatest impact on turnover. These include:

- The low deployment rate for professionalized human resource management

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systems.

- Experience and subjective criteria such as positive attitude and presence being rated higher selection criteria than proper training.
- The high rate of temporary employment associated with both the seasonality of the sector and its fragmentation.
- The nature of the service provided, which demands scheduling flexibility and availability for overtime.
- Hospitality-industry businesses, particularly SMEs and microenterprises, having a markedly hierarchical structure and minimal chances of promotion.
- The industry's lack of prestige or even bad reputation.
- The inadequacy of training strategies with respect to the real needs of the hospitality industry.
- Work environment.
- Wage policy.

These factors lead to considerable job dissatisfaction. As such, the study points out that hospitality employees in Spain are the third most dissatisfied with their jobs, surpassed only by those working in security and sales.

In fact, the profile of the typical dissatisfied worker in Spain — female, no higher education, 1-2 years on the job, working in a company of fewer than 11 employees, on a temporary contract — matches the profile of the average hospitality industry employee. The only difference is in the age category: the highest degree of dissatisfaction is generally found among workers between the ages of 45 and 54, while in the hospitality industry, over half of the entry-level positions are held by employees under the age of 35.

Greater size means greater retention

The study also highlights the difference between SMEs and large firms, the latter of whom experience lower turnover rates. This is partly because companies of this type are more likely to adopt proper human resource management policies, which are key for retaining employees.

Larger firms consider employees in the context of a professional career track that, starting at the entry levels, offers prospects for constant advancement within their professional category.

With such policies, a firm can: nurture professional growth, something that will be reflected

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through explicit recognition and greater remuneration; create the idea of a professional horizon; minimize the practice of temporary hiring, which feeds the feeling of insecurity; and foster employee identification with the company.

These policies are highly advisable and create benefits for the company in terms of retaining talent, saving on training and greater customer satisfaction.

Training remains an issue

Spain's hospitality industry is hampered by considerable deficiencies with regard to training at all levels. Executives and managers lack training in professionalized human resources management. With respect to middle managers, there is a shortage of training in managerial skills and the management of individuals and teams. Ultimately, at the lower skill levels, we see training deficiencies in customer care and the delivery of quality service.

Specialized training should be the foundation for improved personnel management. It should be adapted to each of the above-mentioned levels and tailored to the company's specific size and needs. That improvement, according to the study, is what would lower turnover.

Doing so would require the development of training programs for both upper-level and middle managers, and it may be necessary to precede these programs by an intensive awareness campaign regarding the need for such programs.

Training is also advisable for entry-level positions. The industry's entrepreneurs value and require not only technical training, but also a certain know-how that, these days, comes with experience.

Therefore, there is a need to deploy educational models that promote complete training for students. This creates a certain sense of professional identity more closely resembling the actual labor situation; it also allows for experience to be gained through paid internships arranged with industry businesses.

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