



# Factors Influencing Employee Turnover in the Hotel Industry in Chitwan

Sushmita Giri<sup>1</sup>, Govinda Prasad Dhungana<sup>2\*</sup>

<sup>1</sup>Balkumari College, Tribhuvan University, (sushmitagiri754@gmail.com)

<sup>2</sup>Department of Statistics, Birendra Multiple Campus, Tribhuvan University,

\*Corresponding Author: govinda.dhungana@bimc.tu.edu.np

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## Abstract

*Employee turnover is a critical issue in the hotel industry, posing significant financial and operational challenges, particularly due to the sector's higher turnover rates compared to other industries. This study aims to identify key factors influencing turnover intentions, such as working environment, career growth opportunities, compensation, and job satisfaction. A quantitative research design was employed to identify the factors influencing employee turnover. The study population consisted of staff from tourist-standard hotels registered with the Regional Hotel Association of Nepal (RHAN). Twelve hotels were selected by convenience sampling, and 180 questionnaires were distributed, with 100 completed responses, resulting in a 55.5% response rate. The findings revealed that job satisfaction had a significant negative impact on turnover intentions, while other factors like working environment, career growth, and compensation were not statistically significant predictors. The study concludes that improving job satisfaction is essential to reducing turnover. The implication of this study is that managers or owners should prioritize initiatives to enhance job satisfaction as a strategic approach to reducing employee turnover intentions.*

**Keywords** Employee turnover; hotel association of Nepal; Chitwan; job satisfaction; hotel staff

## 1. Introduction

Human Resource Management (HRM) plays a crucial role in managing organizational resources and ensuring the well-being of employees (Hassan et al., 2011). Samuel and Chipunza (2009) underscore that employees are invaluable assets for any organization, with the effectiveness of a company's workforce directly influencing its performance. Ton and Huckman (2008) assert that while businesses may prioritize core operations, sustainable success depends significantly on the effectiveness of their human capital. Employee turnover, defined as the number of employees leaving a company within a specific timeframe (Sut & Perry, 2011), is recognized as a source of financial strain for businesses and significantly impacts job efficiency (Barak et al., 2001). The costs associated with turnover, both tangible and intangible, can hinder organizational performance and productivity, necessitating increased investment in talent acquisition and development (Barak et al., 2001). Wright and Bonett (2007) highlight the importance of considering the hidden costs of turnover to mitigate its adverse effects.

Turnover can be categorized into voluntary and involuntary forms (Wright & Bonett, 2007). Voluntary turnover occurs when employees leave for various reasons, such as pursuing higher salaries or better work conditions, posing a concern for managers due to its potential negative impact on the organization. In contrast, involuntary turnover results from factors such as layoffs or poor performance and is initiated by the employer. Research indicates a strong and consistent association between voluntary turnover and the decision-making process of employees regarding their tenure with the company (Wright & Bonett, 2007).

According to the US Bureau of Labour Statistics, nearly one-third of workers in the United States are expected to leave their jobs voluntarily in 2020. The consequences of losing skilled personnel are significant, prompting extensive investigations into the causes of turnover over the past decades. Agovino (2019) noted that the hospitality sector experiences a higher turnover rate compared to other industries, ranging between 60 to 120 percent annually. Given factors like globalization, increased emphasis on knowledge-based work, and rapid technological advancements, retaining and attracting high-quality personnel is more crucial than ever.

Nepal, emerging as an economic force, boasts abundant human and natural resources along with a growing pool of skilled professionals. The hotel industry in Nepal is notable for its establishment, organization, and diversification. According to the World Travel and Tourism Council (2020), the hospitality industry in Nepal contributes 6.9 percent of the nation's total employment, making it one of the most thriving sectors in the country. The hospitality industry in Nepal, revolving around hotels, restaurants, and a few travel companies, is concentrated in Kathmandu, Pokhara, and Chitwan, delivering quality services in each sector. The hotel industry grapples with a significant challenge of high employee turnover rates, impacting operations and finances. Despite the efforts by hotel managers to influence staff retention, high turnover rates remain a persistent issue (Sthapit & Shrestha, 2018). Furthermore, Nepali organizations are increasingly struggling to recruit and retain experienced skilled workers, as noted by Kattel (2013).

In the Nepalese context, Adhikari (2010) observed that contented workers exhibit lower absenteeism, contribute positively to the company, and express a desire to remain with the organization. Conversely, dissatisfied workers have negative attitudes, frequently absent themselves, remain discontented with supervisors, seek opportunities to leave the company, and experience stress. Although there is no standardized framework for comprehensively understanding turnover, limited research has explored factors contributing to turnover within the hotel industry. Therefore, there is a critical need for empirical research on factors influencing employee turnover, particularly the intention to leave. The hotel industry, being a service-oriented sector, plays a crucial economic role in the country, relying heavily on the skills and abilities of its workforce. In literature, the numerous researches have been conducted to explore the relationship between various factors and organizational employee turnover in the hotel industry

of Chitwan. However, there is a gap in the literature due to the absence of a coherent framework applied in the local context. So, we develop an understanding of such empirical research which can help us bridge in this gap and provide us some actionable insights in order to identify the factors affecting turnover in hotel sector of Chitwan, Nepal. Hence, this study aims to determine the proportion of turnover intentions and its influencing factors, such as working environment, career growth opportunities, compensation, and job satisfaction.

## **2. Method and material**

### **2.1 Research design and study population**

The study utilized a quantitative, analytical research design to identify factors influencing employee turnover in the hotel industry in Chitwan. The study population comprised all hotel staff registered with the Regional Hotel Association of Nepal (RHAN) in Chitwan.

### **2.2 Sample size and sampling**

According to the Regional Hotel Association Nepal (RHAN), there are over 100 member hotels in the Chitwan region. These hotels vary in size and category, providing diverse accommodation options for visitors to Chitwan National Park and the surrounding areas. This study focuses on tourist standard hotels in Chitwan, which share similar characteristics. According to RHAN, there are 26 tourist standard hotels which has more than 20 rooms in Chitwan, Nepal (RHAN, 2024). Out of these, 12 hotels (46.2%) were selected by convenience sampling. The selected hotels were Central Palm Hotel; Hotel Chitwan; Chitwan Midtown Hotel; Bharatpur Garden Resort; Serene Boutique Hotel; Jungle Safari Lodge; Landmark Forest-Park; Green Park; Hotel Jungle Crown; Park Safari Resort; Regenta Resort and Spa; and Bharatpur Town Residency.

Total 180 employees, including managers, accountants, receptionists, senior chefs, chefs, waiters, housekeeping staff, and others, were working in these 12 hotels and were included in the study sample. The researcher distributed 180 self-administered questionnaires to these employees using a complete enumeration sampling technique. Out of these, 100 questionnaires were completed and returned to the researcher, resulting in a response rate of 55.5%.

### **2.3 Research instrument**

The questionnaire had two major sections: demographic information, including age, gender, qualification, job level, and years of experience; and determinants of employee turnover, divided into five dimensions: working environment (Pattni, 2018), career growth opportunities (Berhane, 2016), compensation (Perry, 2008), job satisfaction (Mersha, 2020; and Martin et al., 2014), and employee turnover (Perry, 2008). These questions were measured on a five-point Likert scale: SD (strongly disagree), D (disagree), N (neutral), A (agree), and SA (strongly agree).

### **Employee turnover**

Employee turnover refers to the rate at which employees join and leave an organization,

typically measured as the average duration of employment. This measure is critical for assessing workforce stability and is often compared across similar businesses within an industry. Buzeti et al. (2016) describe employee turnover as the frequency at which employees depart from a company. Turnover can be categorized into two main types: voluntary and involuntary. Voluntary turnover occurs when employees choose to leave, often seeking better opportunities or due to personal reasons. Involuntary turnover involves the organization terminating employees due to factors such as economic constraints or poor performance (Al Amri & Pandey, 2020).

### **Working environment**

The working environment encompasses the conditions under which employees perform their job responsibilities, including work schedules, reporting requirements, supervisor styles, task nature, and work flexibility. Effective management of these factors can satisfy and retain employees by ensuring confidentiality, maintaining control over the work environment, and enhancing motivation and long-term commitment. Conversely, poor management of these factors can lead to increased stress, driving employees to leave (Lee et al., 2015; Das & Baruah, 2013; and Koki & Ramarumo, 2015).

### **Career growth opportunities**

Career growth opportunities refer to the chances for advancement or progression that employees encounter or seek to enhance their career prospects. Employees who can fulfil their career growth expectations within an organization experience boosted morale and productivity (Merchant, 2010; Stahl et al., 2009).

### **Compensation**

Compensation is a mix of wages and assistance given to workers in exchange for their work. Similarly, employee compensation refers to providing salaries, commissions, services to employee in exchange of their hard work and precious times. To attract and keep the best employee in the workplace, it is important to recommend fair and competitive pay. Employees who perceive themselves as undervalued in terms of compensation may seek opportunities elsewhere where their contributions are more adequately rewarded (Firth et al., 2004).

### **Job satisfaction**

Job satisfaction encompasses attitudes toward work, organizational environment, social factors, physical workspace, and incentives (Yousef, 2017), affecting organizational health and employee retention (Tandung, 2016). Job satisfaction is a crucial predictor of turnover intentions. It reflects the extent to which employees are content with their roles, with numerous studies finding an inverse relationship between job satisfaction and turnover (Griffeth, 2000). Employers should enhance motivation and recognize staff contributions through effective compensation plans.

## **2.4 Validity and reliability**

For reliability, 10% of the sample (three different hotels not included in the main



study) was selected for pre-testing the tools. The pre-tested tools were collected, and Cronbach's Alpha was calculated to measure reliability. A value greater than or equal to 0.69 for each construct (Employee Turnover, Working Environment, Career Growth Opportunities, Compensation, and Job Satisfaction), along with an overall Cronbach's Alpha value of 0.834, was considered acceptable (Smith & Johnson, 2020). To ensure instrument validity, an extensive literature review was conducted, and consultations were held with subject experts and statisticians. Valid tools were adopted from various sources in the literature. Therefore, the researcher ensured a focus on both validity and reliability.

## 2.5 Analysis plan

After data collection was completed, all information was gathered, edited, coded, categorized, and properly recorded. The collected data were entered into SPSS for analysis. For the presentation of demographic variables, percentages and frequency tables were used. Descriptive analysis involved calculating the mean and standard deviation. Inferential analysis was conducted using correlation and regression analysis to further explore these relationships. Likewise, different test was performed to test the relationship between the variables. The hypothesis suggests that factors like the working environment, career growth opportunities, compensation, and job satisfaction play a significant role in influencing employee turnover in the hotel industry.

## 3. Result

The findings reveal that out of 100 respondents, 14% were in the age group of less than 20 years, while the majority (85%) were in the 21–35 years age. Similarly, 59% of the respondents were male. In terms of educational attainment, 34% had up to a secondary education level, whereas the majority (61%) held a bachelor's degree. Furthermore, 36% of the respondents reported having between 2-4 years of experience, while 46% had less than 2 years of experience (Table 1).

**Table 1: Sociodemographic Information of Respondents**

<b>Age in years</b>	<b>Percent</b>
≤ 20	14.0
21 - 35	85.0
≥36	1.0
<b>Sex</b>	
Male	59.0
Female	41.0
<b>Qualification</b>	
Up to 12	34.0
Bachelor	61.0
Master	5.0

<b>Work Experience in year</b>	
< 2	46.0
2 -4	36.0
5 - 7	13.0
≥7	5.0

Among the respondents, 10% were managers, 12% were senior chefs, 12% were receptionists, and 12% were accountants. Similarly, 13% were chefs, 12% were waiters, 13% were housekeeping staff, and the remaining 16% held various other positions. Likewise, when asked about their reasons for considering leaving their current positions, 28% of respondents cited job dissatisfaction, 19% reported low compensation, 14% indicated limited career growth opportunities, and 13% mentioned a poor working environment as the most influential factors.

### **3.1 Relationship between the employee turnover with working environment, career growth opportunities, compensation and job satisfaction**

The relationship between employee turnover and working environment, career growth opportunities, compensation, and job satisfaction was examined. The findings reveal a negative relationship between employee turnover and these variables. However, there was a statistically significant negative relationship with job satisfaction ( $r = -0.255$ ,  $p < 0.05$ ). Hence, job satisfaction is a primary factor in employee turnover (Table 2).

**Table 2.** Relationship between the Employee Turnover with Working Environment, Career Growth Opportunities, Compensation and Job Satisfaction

<b>Variables</b>	(1)	(2)	(3)	(4)	(5)
Working Environment (1)	1				
Career Growth Opportunities (2)	0.340**	1			
Compensation (3)	0.665**	0.604**	1		
Job Satisfaction (4)	0.542**	0.611**	0.677**	1	
Employee Turnover (5)	-0.028	-0.168	-0.171	-0.255*	1

\* Significant at 0.05 level, \*\* significant at 0.01 level

To predict job turnover intention in the Chitwan district, linear regression using stepwise modelling was employed. A stepwise approach to linear regression, which includes all potential predictor variables, was utilized. To conduct this analysis, it is essential that the data are normally distributed. The normality test, performed using the Kolmogorov-Smirnov test, confirmed that the data are normally distributed ( $p\text{-value} \geq 0.05$ ). Furthermore, multicollinearity was assessed using the Variance Inflation Factor (VIF). It was observed that VIF values were less than 5.00, indicating that the data were free from multicollinearity. Following this, the ordinary least squares (OLS) method

was applied to assess the impact of turnover intention on working environment, career growth opportunities, compensation, and job satisfaction (Tables 3 and 4).

**Table 3.** Model Summary and ANOVA

R	R <sup>2</sup>	F-value	p-value
0.495	0.245	3.265	0.038

Table 3 depicts that the fitted model is significant at the level of 0.05 (F-value = 3.265, p-value=0.038). The intention of turnover among hotel employees was statistically significant with job satisfaction and not affected by other predictors such as the working environment, career growth opportunities, and compensation (p-value  $\geq$  0.05). However, there was a negative impact of job satisfaction on turnover intention (p-value = 0.045). This suggests that low job satisfaction is the primary determinant of intension of turnover (Table 4).

**Table 4.** Influencing factors of intension of turnover by stepwise regression model

Influencing factors	$\beta$	t	P-value
Constant	3.493	4.350	<0.001
Working Environment	0.373	1.508	0.135
Career Growth Opportunity	0.016	0.098	0.922
Compensation	-0.106	-0.699	0.486
Job Satisfaction	-0.453	-2.035	<b>0.045</b>

#### 4. Discussion

The study examined the relationship between employee turnover and factors such as the working environment, career growth opportunities, compensation, and job satisfaction. The findings indicate a negative relationship between employee turnover and these variables. Notably, there was a statistically significant negative relationship with job satisfaction ( $r = -0.255$ ,  $p < 0.05$ ). Thus, job satisfaction emerges as a primary factor influencing employee turnover (see Table 3). To enhance job satisfaction, it is crucial to provide employees at all levels with autonomy in decision-making. Since, the success of the hotel industry relies on its employees, they should be treated fairly. These results align with the findings of Kiruthiga and Magesh (2015), Francisco, et al., (2014), and Hussein (2017). The hotel industry is human-centric, relying on employees who dedicate their skills, knowledge, and abilities to deliver effective and efficient service, and enhancing hotel performance. The nature of hotel jobs globally, including in Nepal, is similar, with employees expecting compensation and rewards commensurate with their efforts.

The findings of this study reveal a significant negative relationship between compensation and employee turnover, suggesting that employees are more likely to

remain with an organization if they perceive the compensation system to be fair and inclusive of promotion opportunities for competent employees. This result aligns with previous research conducted by Subramanian & Shin (2013); and Singh & Mishra (2016), both of which highlight the strong inverse relationship between compensation and employee turnover. Adequate compensation appears to serve as a critical factor in enhancing employee retention, as employees are more inclined to stay when their contributions are recognized and rewarded appropriately.

Conversely, the study identifies a positive relationship between career growth opportunities and employee turnover, indicating that the absence of career development prospects may drive employees to leave the organization. This finding is supported by Tsui et al. (2009), who also demonstrated that career development opportunities are essential in fostering employee retention and reducing turnover intentions. Employees who perceive opportunities for career advancement and skill development are more likely to stay, as these factors contribute to their long-term professional growth and satisfaction within the organization.

Additionally, the positive relationship between the working environment and employee turnover further emphasizes the importance of a conducive workplace in employee retention. The findings correspond with Kumar & Singh (2014), who highlighted the role of a supportive working environment in reducing employee turnover. A positive work environment, characterized by a healthy organizational culture and supportive leadership, is essential for reducing turnover and ensuring long-term employee engagement.

## **5. Conclusion**

This study identified job satisfaction as the key determinant of employee turnover in the hotel industry in Chitwan, with a significant negative relationship between job satisfaction and turnover intention. While employees had generally positive perceptions of the working environment, career growth, and compensation, these factors were not statistically significant in predicting turnover. The results emphasize the crucial role of job satisfaction in retention, highlighting the need for targeted strategies to enhance job conditions, recognize employee contributions, and provide career development opportunities to mitigate turnover rates. Strengthening job satisfaction is therefore essential for reducing turnover in this sector.

### **Limitation of study**

A low response rate of 55.5% was observed, which could potentially impact the generalizability of the study's results.

**Conflicts of interest:** The authors declare that they have no conflicts of interest.

### **Data availability statement**

All finding of data relevant to the study are presented in the manuscript, and complete data set can be provided upon request from the corresponding author.



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