

# How Much Does Labour Turnover Cost? A Study of Australian Four- and Five-Star Hotels

## ***Abstract***

**Purpose:** Employee turnover is a significant challenge for Human Resource Management (HRM) strategies and organisational performance. This study presents findings drawn from an extensive survey of labour turnover in the Australian accommodation sector. A particular focus is placed on turnover rates and costs.

**Design/methodology/approach:** Based on labour turnover literature and an industry panel, an online survey was designed and distributed to four- and five-star hotels across Australia. Human Resource Managers from 64 hotels participated in the survey, providing a representative sample and a response rate of 29 percent.

**Findings and implications:** The research shows the major costs being attributed to labour turnover. These are costs that both the industry and individual operators should examine closely as they impact substantially on hotel operating costs and profitability. It also indicates that the levels of service, consumer experience and value may be impacted.

**Research limitations:** A limitation of this study is its main focus on tangible labour turnover costs. Additionally, findings based on four- and five-star hotels may not apply to other accommodation sectors.

**Originality/value:** The literature on hotel labour and turnover costs is limited and this paper provides the first major study in the Australian context, adding new knowledge to our understanding of labour turnover and cost impact on hotels. It also suggests areas where hotels may better address the turnover issue.

**Keywords** Labour Turnover Costs, Hotels, Australia

**Paper type** Research paper

## ***Introduction***

The Australian tourism industry is a leading industry contributing A\$38,935 million or 3.7% of gross domestic product in 2006/2007, a 7.8% increase over the previous year and accounting for more than 10% of Australia's export earnings (Australian Bureau of Statistics (ABS), 2008a). In 2006/07, Australia's accommodation sector comprised 5,891 businesses, which collectively employed 96,000 people and generated a total income of A\$9,876 million (ABS, 2008b). Accommodation is an essential element of tourism services and is vital to the quality of the tourist experience as it constitutes a major part of consumption.

High staff turnover in hotels is a major factor affecting workplace efficiency, productivity and hotel cost structure (Deery & Shaw, 1997; Lashley & Chaplain, 1999). The hotel labour market has a dual face; on the one hand, it is difficult to attract suitable labour; and on the other, it has relatively high levels of turnover representing a significant loss of investment in human capital, training and quality. Labour turnover represents a challenge for contemporary HRM strategies and practices. In Australia, turnover in the tourism industry has attracted the attention of public policy makers with the Australian House of Representatives establishing a Parliamentary Inquiry into the tourism workforce (Australian Parliament House of Representatives, Standing Committee on Employment, Workplace Relations and Workforce Participation, 2007).

Despite the adverse impact, there has been limited research effort concerned with quantifying the adverse impact of labour turnover in the Australian accommodation industry. In order to address this imbalance, the Australian Tourism and Transport

Forum (TTF) and the Sustainable Tourism Cooperative Research Centre (STCRC), commissioned this research into labour turnover. The research sought to:

- Assess the extent of labour turnover;
- Assess the direct cost of turnover;
- Examine the accountability structures associated with turnover; and
- Assess the impact of turnover on service quality and productivity.

These issues are critical in shaping hotel HRM practice and the management of labour retention. Being the first large scale study, the research findings may also contribute to the development of a policy agenda of the accommodation industry in Australia. The estimates of turnover presented in this paper highlight the labour retention issues facing the Australian accommodation sector. The study represents a timely investigation into the issues surrounding turnover and identifies the ameliorating role that HRM might play.

### ***Labour Turnover 'Culture' in the Hospitality Industry***

Employee turnover as a research stream can be traced back to the work of March and Simon (1958) that was primarily based upon the level of job satisfaction and organisational commitment. Other theorists such as Mobley (1977), Price (1977) and Price and Mueller (1986) identified a range of other variables such as pay, communication, social integration, routinisation, role overload, promotional opportunity, training, supervisor and co-worker support, and distributive justice as having a significant impact upon turnover.

How does the hotel and hospitality industry envisage labour turnover? It is the voluntary or involuntary exiting of staff from the employment in a hotel. A prominent feature of the hospitality industry is that it is labour intensive but experiences high levels of labour turnover (Birdir, 2002; Brien, 2004). For instance, data from the United States suggest a voluntary turnover rate in the leisure and hospitality industry of 52.2%, with accommodation and food being the highest in the hospitality sector, compared to an average of 23.4% across all industries (The US Bureau of Labor Statistics, 2006). Though debate varies, suggested reasons for this high turnover include: low-skilled and low-paying work, unsocial working hours, low job satisfaction and the lack of career advancement within each establishment (Aksu, 2004; Hinkin & Tracey, 2000). Turnover is aggravated by a shrinking labour force (Coy, 2006). As noted in Iverson and Deery (1997), a turnover culture has been created and reinforced within the hospitality industry. Hotels generally regard high turnover as part of the work-group norm and employees frequently hold the belief that they are entering jobs with limited career development opportunities.

A number of attempts have been made to understand management turnover; career advancement, organisational culture and commitment, the intrinsic and extrinsic job satisfaction and work-life balance are found to be among the key motivators for managers to quit. Management turnover intentions are affected to a greater extent by psychological, perceptual and affective factors rather than by the characteristics of the employees or hotels although age is a factor that is significantly associated with long-term management turnover (Carbery et al., 2003; Ghiselli et al., 2001; Stalcup & Pearson, 2001). Management turnover has been reported as being lower than that of the operational employees and this may be attributable to the relatively higher level of

dedication among hotel managers and the high investment made by hotels in their managers (Carbery et al., 2003).

Hotels are also facing a changing labour market as gradually, Generation Ys form a larger proportion of their employee groups, especially those who work in the frontline positions. It has been recognised that Gen Y differs radically from the previous generations in terms of work-related characteristics, values and attitudes, thus casting doubt on extant HR paradigms based on baby-boomers and generation X. Gen Ys have been perceived by the older generations as problematic because they are sometimes demanding, have a low tolerance for boredom and are unafraid of expressing personal opinions (Solnet & Hood, 2008). However, several studies revealed that from a career perspective, Gen Ys are confident, passionate, self-reliant, committed, determined and ambitious (Barron et al., 2007; Batey & Woodbridge, 2007; Broadbridge et al., 2007). Self-actualisation, work-life balance, career development, communication and networking have become particularly important to Gen Y employees in their job expectations. Empirical evidence has suggested that the expectations of Gen Y worker in the hospitality industry are often in disagreement with the view of their employers and the reality of the industry (Barron, et al., 2007; Cairncross & Buultjens, 2007) and this misalignment subsequently impacts upon organisational outcomes such as turnover and productivity (Solnet & Hood, 2008).

### **Tangible and intangible costs of turnover**

Labour turnover has wide cost ramifications. For example, in Australia over the last decade, there has been increased pressure to lift hotel profits in order to attract further investment. The Bureau of Tourism Research estimates the rate of return to be just

over 12% for the industry, which is significantly lower than the all industries average of 15.2% (Department of Industry, Tourism and Resources, 2005). Labour is a significant cost and the leakage of human capital through unnecessary turnover is an element of critical importance to bottom line performance. A number of HRM practices have been suggested as potential solutions for turnover, such as investment in training, offering organisational support, adopting innovative recruitment and selection processes, offering better career opportunities (Cheng & Brown, 1998; Forrier & Sels, 2003; Hinkin & Tracey, 2000; Walsh & Taylor, 2007; Walters & Raybould, 2007) and adopting measures to increase job satisfaction and commitment (Aksu, 2004).

Researchers are increasingly focused on the role of employee relations/HRM practices, and high levels of labour turnover are seen as mitigating the achievement of broader business outcomes (Cho et al., 2006; Schuler, 1989; Schuler & Jackson, 1987, Sun et al., 2007). Involvement in recruiting (including advertising), training, induction, growth and skill development, and quality represent a direct cost to the organisation (Hinkin & Tracey 2006). Another substantial but often-overlooked direct cost is that of hiring a person to cover absent staff, a common practice in businesses expecting a certain degree of turnover (Karsan, 2007).

Labour turnover is not only a significant tangible dollar cost but also an intangible or 'hidden' cost associated with loss of skills, inefficiency and replacement costs (Lashley & Chaplain, 1999). Lashley (2000) refers to lost investment in training and lost staff expertise as particular examples of turnover costs and opportunity costs. Some scholars point to more intangible transaction 'costs' of labour turnover

associated with organisational behaviour and related 'hygiene factors' such as work routinisation, role conflict, poor job satisfaction, low morale, poor commitment, corrosive supervision/leadership and a lack of career development that impact on employee productivity, effectiveness, quality and hotel service standards (Deery & Iverson, 1994; Davidson, et al., 2001a, 2001b, & 2001c; O'Connell & Kung, 2007). Empirical evidence has shown that lost productivity resulting from staff turnover may account for more than two-thirds of the total turnover cost (Hinkin & Tracey, 2008). As turnover increases, service quality may decline as it takes time and resources to 'back fill' departing employees, especially at busy hotels (Lynn, 2002).

### **Loss of accountability for turnover costs**

A reduction in employee turnover would be a significant factor in reducing hotel costs and improving labour productivity. Yet, managing and accounting for turnover remains a vexed question for hotels as there is no single point of accountability within or between departments. There appears to be few successful strategies to achieve improved labour turnover and the hotel accountability structure remains relatively weak. The HRM budget generally covers direct costs of turnover (Davidson et al., 2006). This is most likely because the cost of staff turnover falls outside the conventional accounting practices within hotels. This practice signifies lost accountability and diminished internal organisational visibility for this cost. The lost accountability issue is exacerbated when it is recognised that the cause of the cost originates from a different accountability unit (i.e. the area of the organisation where the employee works) to the unit that incurs much of the cost associated with staff turnover (HRM).



Through retrenchment and redundancy, the turnover 'culture' can be artificially manufactured in order to meet ill-defined but nevertheless accepted organisational objectives such as a broader cost minimisation strategy. In some cases, downsizing can be used as a positive measure, promoting creativity by removing 'dead wood' (Nicholls & Buegmeister, 1993). Labour turnover can also be used as a disciplinary mechanism through involuntary terminations or the threat of termination (Timo, 1996). It can also be a strategy for maintaining work discipline or as a quality control device attracting 'fresh new faces' and encouraging poor performers to leave (Timo, 1999; Hollenbeck & Williams, 1986).

The loss of accountability problem may be particularly significant where the operating manager feels a degree of turnover is desirable. In this situation, the benefits of staff turnover may outweigh the costs. Thus, turnover may mask a range of organisational and behavioural factors that impact on the way in which hotels account for and respond to turnover. Hotel turnover transaction 'costs' are then more appropriately seen in the context of this contradictory dynamic: on the one hand dysfunctional; yet on the other functional (Davidson et al., 2006). The use of labour turnover as a managerial tool is therefore controversial, with the long and short-term benefits of turnover difficult to assess due to the lack of agreed assessment tools (Cascio, 1992).

### **Turnover rates and costs in the hospitality industry**

Due to the 'hidden' nature of its costs, many hotel executives fail to realise how serious a problem labour turnover can be. Whilst direct costs are relatively easy to measure, indirect costs are not so clear cut (Karsan, 2007), and are difficult to quantify (Davidson et al., 2006). Hinkin and Tracey (2006) have attempted to shed

light on the structure and costs of turnover by developing an online calculator for the U.S. lodging industry where turnover costs were classified into five categories: pre-departure, recruitment, selection, orientation and training, and lost productivity.

Yet hotel turnover is also affected by other factors. Europeans, partly due to a higher unemployment rate, are much less likely to change jobs than the Americans, whilst voluntary turnover is almost non-existent or very low in some parts of the world such as Singapore (Tanova & Holtom, in press, as cited in Holtom et al., 2008). For example, lost productivity was found to account for 47.1% to 67.6% of the total turnover cost in the US, but was relatively low in Turkey (Aksu, 2004; Hinkin & Tracey, 2008). The cost of turnover also varies based on complexity of the jobs, experiences, qualifications, and hotel property types (Aksu, 2004; Hinkin & Tracey, 2000, 2006, 2008). Although the turnover rate of managerial employees is expected to be lower than that of operational staff, the cost of replacement is much higher. It may also impact upon line employee turnover due to managerial inconsistencies (Stalcup and Pearson, 2001).

Studies on turnover cost in the accommodation sector are limited (Hinkin & Tracey, 2006) and most of them have been conducted in the US. The only study on Australia was published in 1996. It suggests that the costs of employee turnover are high and exponential according to skill, ranging from A\$4,651 for a room attendant, A\$4,787 for a Food & Beverage Waiter, A\$9,468 for a Chef, to A\$12,679 for a managerial position (Deery & Iverson, 1996). This study used a small sample of six hotels. An unpublished Queensland hotel industry survey in 2003 of four- to five-star hotels, found that the lowest turnover for a hotel was 27.5% per annum with the highest

being 59.4% per annum. The survey found that the 25 hotels surveyed employed 5,294 employees, and of these, 2,383 employees had resigned in the year prior to the survey, representing a significant average turnover rate of 44.9% per annum.

Employee replacement costs were estimated to account for up to a third of hotel HRM departmental budgets (HR Manager, Gold Coast hotel, personal communication, June 2003).

Other estimates put employee turnover rates between 30% and 50% and sometimes over 300% per annum depending upon location, employee relations, the HR practices adopted and the culture of the hotel (HR Group Manager, major hotel chain, Cairns, personal communication, June 2003). Nation-wide estimates of turnover in the hotel industry, presented in the Parliamentary Inquiry, found a range of 39% to 84% depending on job types, with the Inquiry calling for greater research into the scale and characteristics of labour turnover (Australia House of Representatives, Standing Committee on Employment, Workplace Relations and Workforce Participation, 2007). Hotel size may be a factor, as larger hotels are more likely to adopt systematic HRM strategies and practices reducing turnover rates, especially at the luxury hotel level (Knox & Walsh, 2005).

### ***Research Method***

For the purpose of this research, the definition of accommodation is derived from the ABS (2006) categorisation; that encompasses 4 to 5 star accommodation and that provides accommodation as a core business. An on-line survey was prepared based on a concept proposal drawn from labour turnover literature and the Project Reference Panel comprised of senior researchers, and representatives of TTF and STCRC.

Compared to traditional paper-and-pencil instruments, computerised online instruments have grown more popular for their flexibility, cost effectiveness and efficiency, especially for accessing large samples across different geographic locations. It is also reliable, socially acceptable, and participant answers are more frank and truthful (Knoradt et al., 2003). The survey was pilot tested by an industry-based reference group of senior hotel industry human resource managers from both corporate head offices and individually owned properties.

TTF is the peak industry group representing tourism and transport in Australia. Members of TTF encompass most major hotel chains and a large number of individually owned and operated hotels. The survey was distributed on-line directly to the individual and corporate hotel members of TTF. In the case of corporate members, the head office then distributed the survey among their Australian properties. A total of 221 hotels were contacted and HR directors of these properties were requested to complete the survey as they have the greatest access to HRM related data. During a three-month period, responses were received from 64 hotels (29% response rate). The geographical distribution of the hotels was Inner City CBD (36.5%), Suburbs (12.7%), Regional Towns (27%), Regional Areas (4.8%) and Remote/Islands (19%) and reflects a balanced cross section of Australia's residential hotel industry.

The survey comprised sections on:

- Hotel background such as location, rating, number of rooms, and operational status;
- Hotel employee categories and turnover characteristics;

- Hotel turnover costs by establishment, and departments these costs were accounted to; and
- Impact of turnover on services quality and productivity.

In regard to turnover cost, respondents were asked to provide an actual dollar cost incurred over the 12 months prior to the survey on ten categories of cost suggested by the Project Reference Panel. The Statistical Package for the Social Sciences (SPSS) was used to analyse the results using standard statistical analysis techniques for percentages, means and structuring the data according to identifiable groups.

### ***Findings and Discussions***

The location of hotel is important when examining turnover figures, as more remote locations tend to have different labour markets and historically higher turnover rates than inner city/CBD hotels. Almost 75% of respondents had 100+ rooms, and the spread between establishments and room size, especially at the 100+ room level, provides a credible sample of larger hotels on which to base an analysis. The majority of the properties were run as part of a chain (60.3%), however, a significant proportion were independently owned or operated (36.5%).

The survey identified a turnover rate of 50.74% for operational employees and a 39.19% turnover rate for managerial employees (see Table 1).

*Insert Table 1 here*

The hotel industry has traditionally relied on casual employees (employees engaged by the hour at will) as a means of achieving labour flexibility and for filling job

vacancies. Nearly one third of the staff in the hotels surveyed was employed on a casual basis. HR manager feedback indicated that casuals tend to have higher turnover because these employees have multiple jobs in order to obtain an adequate level of income. Trends towards using casuals has implications for the training effort (and therefore cost), human capital loss, company loyalty, brand (e.g. quality of service) and productivity. According to Cairncross and Kelly (2008), casualisation has the potential to undermine effort of sustaining service quality and is harmful to knowledge management and staff retention. Yet an Australian government report (The National Long-Term Tourism Strategy Steering Committee, Department of Resources, Energy and Tourism, Australia, 2009) has acknowledged that the tourism industry has and requires what it calls a dual labour market consisting of higher skilled full time professionals and lower skilled workers who are part time and casual.

What was unexpected was the 39.19% turnover rate amongst executives, supervisors and departmental managers, which was far higher than the Project Reference Panel and the Industry Panel had anticipated. This suggests that managerial and operational employees may experience similar patterns of turnover and this is often overlooked when discussing hotel turnover in general. For example, personnel at all employment levels may be searching for better career opportunities, better pay or better internal transfer opportunities. There is an urgent need for the industry to closely examine labour retention for both employees and managers. The loss of human capital and corporate knowledge must put a considerable strain upon any hotel's performance. If the dual labour market mentioned by the National Long-Term Tourism Strategy Steering Committee (2009) is accepted, the lower skilled part time and casual employees can be replaced without undue impact upon service standards! However,

the 39.19% managerial turnover must impact significantly on all aspects of hotel operations. At best there is anecdotal evidence to suggest that hotels try to keep key managers but this is not a systematic retention strategy.

The hotel industry has experienced unprecedented growth over the last 25 years, with more indicated in the developing countries. The question may be asked, where did these managers and replacement managers come from to support this growth?

Education worldwide has supplied evermore graduates from colleges and universities to provide a pipeline of new managers. A study by Timo and Davidson (2005) identified that 40% of Australian hotel managerial employees were in the 25 to 34 age bracket, lending support to the notion that turnover has been supported by graduates.

The total turnover figures were then broken down by employment category. This showed areas of high turnover in detail and suggests a predictable pattern of high turnover in the Restaurant/Bar, Housekeeping, Kitchen and Front Office areas (See Table 2).

*Insert Table 2 here*

There was a need to split the sample into Inner City/Suburbs and Regional/Remote because of the possibility that the turnover figures for the whole sample would mask some important differences. Table 3 shows that labour turnover is greater in regional / remote hotels across all categories compared to those in the inner city / CBD and suburbs, and that the overall turnover rate in regional/remote hotels is more than twice the level of CBD/inner city hotels.

*Insert Table 3 here*

Regional/Remote hotels are at a disadvantage in relation to staff retention, with managerial and employee turnover at 55.46% and 71.91%, respectively. Remoteness, a desire to move on, limited social life, close group living and isolation make attracting staff much more difficult. In addition, these hotels often attract large numbers of Working Holiday Visa employees who seek particular travel experiences (e.g. off-shore island resorts) and therefore are unlikely to stay. By contrast, Inner City and Suburbs have a much reduced turnover. This reinforces the fact that we have a two tier labour market. There is an upper tier of employees in urban hotels who are enjoying better working conditions, job security and career opportunities compared to a lower tier of employees working in rural areas where, largely due to geographical location, employers have failed to provide the same level of opportunity. There may be additional differentiation between the two tiers in terms of skill levels and wages, which affect service quality and cost.

Tables 4 and 5 provide the actual costs involved in labour turnover. Respondents were able to be more precise on direct costs. The data in Table 4 illustrates the complexity of the bundling of factors that make up the cost of labour turnover. The average cost for replacing executive, managerial and supervisory staff was A\$109,909 per annum per establishment, which if multiplied by the number of hotels that participated in this survey (n=64), provides an estimated cost of approximately A\$7 million per annum. This amount does not include intangible costs such as the transaction costs associated with loss in quality, decision making, business acumen or with leadership hiatus.

*Insert Table 4 here*



The data in Table 5 suggests that A\$9,591 was the average cost for replacing an operational employee. Multiplying this figure by the number that according to the survey have left over the past 12 months (n=4378), produces an estimated cost of just under A\$42 million per annum. In this survey of 64 hotels, the total annual cost for replacing all managers and employees was A\$49 million.

*Insert Table 5 here*

Consistent with earlier findings based on a regional sample (Davidson et al., 2006), the data supports that turnover costs are often accounted to the HR department rather than to operational departments of the establishments surveyed. This ‘camouflages’ the actual cost of high turnover in each department. The lack of cost accountability reduces the ability to track turnover costs and does not allow hotel owners and operators to use turnover costs to develop effective department-based turnover prevention strategies. The current study found that 44.5% of the hotels reported that the HR and/or a department had budget line accountability for replacing employees whereas departments alone had only 24.6%. To ascertain whether the labour transaction costs are appropriately accounted for by the industry, the survey sought information on cost monitoring. The results showed that management time and expenses spent on recruiting and training new employees are the two most monitored items.

Most respondents noted labour turnover as having a major impact on the service quality of their operations with 87.6%, rating it high impact. This is not surprising as a high level of turnover rate was reported in the sample. A lower level of service quality has a negative impact on perceived value, satisfaction, brand image and post-

consumption behaviour (Zeithaml, 2000). The results indicate a constant need for new staff to be trained and instructed on the service standards required. The incremental pressure of training requirements must impact upon overall service standards unless more is invested in training, a cost in time, resources and also an opportunity cost.

Similarly, most respondents indicated that labour turnover had a major impact upon their hotel productivity with 82.6% rating it as high impact. In order for hotels to maintain standards and reduce costs, the hotels must paradoxically invest more in training, as human capital is constantly lost. This implies a significant impediment to the effective operation and performance of human resources in any hotel.

### ***Discussion and Conclusions***

This research on labour turnover costs in Australia was undertaken with a purpose of offering insight into this vital issue for the accommodation industry. The data reveals that the annual turnover rate for operational employees and managerial staff were 50.74% and 39.19% respectively, which were both higher than expected. These levels of turnover suggest that both managerial and operational employees may have similar working experiences in the hotel sector and/or similar reasons for leaving. Employees at all levels look for better pay, working conditions, training and career prospects and this can drive turnover. However, there are many other factors such as generational change, emotional labour, burnout, organisational culture, climate and commitment that also impact upon turnover but are beyond the scope of this paper. In a comparative analysis between Singapore and Australia, Cheng and Brown (1998) found that Australian hotels were relatively slow in adopting innovative recruitment and selection strategies. Although it cannot be said that any single aspect of the

employment relationship has caused the high turnover problem, there is certainly the potential to reduce turnover with better utilisation of an integrated HR strategy that addresses the goals of the organisation. The data also confirmed the assumption that regional labour markets are more vulnerable to distance and isolation as turnover rate is clearly higher in regional and remote hotels.

The results show that the cost of turnover is at an extraordinarily high level for the Australian hotel industry to continue to pay. Without including the intangible costs of loss productivity and service quality, an average hotel in this survey spent A\$109,909 for replacing executive, managerial and supervisory staff each year. The average cost for replacing an operational staff was A\$9,591. The total labour turnover cost in the 64 hotels was \$49 million per annum. By implication, the overall cost to the industry is much greater and runs into hundreds of millions of dollars in both tangible and intangible costs. Additionally, lack of accountability of turnover costs was also apparent in the 64 hotels. These findings raise questions:

- Can the hotels lose almost 40% of managers annually and still maintain managerial continuity, efficiency and be profitable?
- Can the hotels reduce turnover costs in absence of a structure that acknowledges turnover problems but does not allow for effective monitoring and distribution of turnover costs?

It is the time that Australian accommodation sector seriously addresses these questions through reforming the internal strategic HRM and accounting systems. The answer to turnover may lie in high-performance HRM theory, effective talent management, and organisations commitment to mitigate this problem. An integrated HR strategy combining resource (e.g. staffing levels, training, mobility and security)

and control-based HR practices (e.g. appraisals, rewards, job design and participation) can affect turnover and productivity through creating a quality employment relationship (Sun et al., 2007). Hotels have to adapt to new workforce demographics and provide a supporting environment that reflects the value of Gen Y employees by adjusting existing career prospects and personalising trainee programs. Management career packages focusing on training, awarding, an embracing management culture, and family involvement would be more effective in attracting and retaining the best possible entry-level talent (Dermody & Holloway, 1998). Additionally, hotels may have to find better ways to utilise older employees as they have a lower propensity to change jobs.

There is also the need for accommodation businesses to re-visit and analyse their own labour and cost experience. Businesses must identify not only reasons why staff leave, but also what might make them stay. An industry-wide study into labour recruitment and retention would greatly advance knowledge of the cause of turnover and the status of HRM practice in the Australian accommodation sector. These insights may help develop a more effective talent management system both within the industry and individual hotels. Efforts should also be made to charge turnover costs to the operating departments, which may prompt a re-examination of employment practices and begin to stem this waste of human capital and financial resources.

Additionally, this study suggested that HR managers were well aware of the adverse impact of turnover on productivity and service quality. Whilst it focused on mainly tangible costs of turnover, there is a need for further analysis of the management time, costs spent in training new employees, and the implications for operations as well as

the impacts of intangible costs and employee performance. A limitation is that the findings are based on four- and five-star hotels which may not apply to other accommodation sectors.

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*Tables and figures*

*Table 1: Turnover by Group*

<b>Staff Category</b>	<b>Total Number Employed</b>	<b>Total Turnover Number</b>	<b>Total Turnover %</b>
<b>Management Level</b>			
Executives	275	101	36.73%
Department Managers	660	271	41.06%
Supervisors	984	380	38.62%
Total Managerial Employees	1919	752	39.19%
<b>Operational Level</b>			
Full-time Employees	3816	)	Split not possible within data collected
Part-time Employees	1411	)	
Casuals	3400	)	
Total Operational Staff	8627	4378	50.74%

*Table 2: Turnover by Category*

<b>Category</b>	<b>Total Turnover Number</b>	<b>% of Total Turnover</b>
Executives	101	1.97
Department Managers	271	5.29
Supervisors	380	7.42
HR Staff	45	0.87
Sales & Marketing	88	1.71
Front Office	575	11.22
Kitchen	810	15.81
Restaurant / Bar	1318	25.73
Housekeeping	991	19.35
Administration & Finance	112	2.18
Maintenance / Grounds	169	3.30
Sport / Other	107	2.08
Gaming	58	0.95
Health	105	2.05
Total	5130	100.00

Table 3: Turnover by Geographic Location

Category	Inner City/ CBD/Suburbs		Regional Town/ Area/Remote/ Island	
	Total Number of Turnover	% Turnover Rate of Total Turnover for Location	Total Number of Turnover	% Turnover Rate of Total Turnover for Location
Executives	46	2.42	55	1.70
Department Managers	103	5.42	168	5.20
Supervisors	145	7.63	235	7.28
HR Staff	20	1.05	25	0.77
Sales & Marketing	60	3.16	28	0.87
Front Office	260	13.68	315	9.75
Kitchen	221	11.63	589	18.24
Restaurant / Bar	590	31.05	728	22.54
Housekeeping	330	17.37	661	20.46
Administration & Finance	59	3.11	53	1.64
Maintenance / Grounds	34	1.79	135	4.18
Sport / Other	6	0.32	101	3.13
Gaming	6	0.32	52	1.61
Health / Spa & Fitness	20	1.05	85	2.63
Total employees that left	<b>1900</b>	<b>100.00</b>	<b>3230</b>	<b>100.00</b>
Total turnover rate of managerial employees	28.11%		52.46%	
Total turnover rate of operational employees	33.65%		71.91%	
Total turnover rate of managerial and operational employees	32.66%		68.32%	

*Table 4: Cost of Replacing Executives, Managers and Supervisors per Hotel per Annum*

Cost	Average Cost Per Responded Establishment
Advertising for replacement executives, managers/supervisors	\$8,931
Management time spent interviewing & selecting employees	\$14,417
Management time and expenses spent on training new employees	\$28,841
Agency fees	\$13,895
Contract staffing*	\$13,400
Uniforms	\$10,800
Selection tests*	\$4,071
Legal/law*	\$3,357
Relocation expenses	\$9,141
Medical*	\$3,056
<b>Total</b>	<b>\$109,909</b>

\*Low response rates were identified for these items.

*Table 5: Cost of Replacing each Operational Staff Member*

Cost	Average Cost Per Operational Employee
Advertising for replacement operational employees	\$1,186
Management time spent interviewing & selecting employees	\$2,519
Management time and expenses spent on training new employees	\$2,921
Agency Fees	\$2,400
Uniforms	\$565
<b>Total</b>	<b>\$9,591</b>