Hospitality Industry
Market Overview
Challenges – Solutions - Results

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The hospitality industry has always struggled with a high turnover rate. According to North American research conducted and published in 2007, voluntary turnover rate in the hospitality industry was identified as 21.3%, highest comparing to the other industries that were surveyed.

2007 Voluntary Turnover Rates by Industry

- **Hospitality: 21.3%**
- Healthcare: 15.5%
- Real Estate/Construction: 15.4%
- Distribution/Warehouse: 15.3%
- Other*: 15.1%
- Services: 14.7%
- Not-For-Profit: 13.7%
- Financial Services: 13.3%
- Technology: 10.6%
- Manufacturing: 10.2%
- Utilities: 6.5%

Employee turnover within the North America's fast-food and hotel industries costs those industries in the neighborhood of $140 billion annually. In more bite-sized terms, it will cost roughly 100% to 200% of an employee's base salary to recruit and train a replacement. Although the turnover rate for these industries hovers between 78.3 percent and 95.4 percent on a national basis, some fast-food restaurants and hotels experience lower rates, and have greater success retaining employees. Overall, higher levels of motivation and motivated performance translate into a 53 percent reduction in worker turn over.

Simply put, the study demonstrates that certain behaviors have various impacts on turnover in various ways, and these differences suggest strategies employers might use to reduce turnover. These include:

- Employees who feel better about their jobs persist more, exert more effort, and are less likely to leave.

- When employees feel they can not perform certain tasks, managers should reduce the size of complexity of the task into smaller "portions". This helps the employee to build self-efficiency.

- Employees who perceive their work conditions to be unfair and/or unreliable need evidence that the system is there to help them be effective. If negative perceptions are correct, management should rectify them.

Carefully targeted employee selection and understanding the process can solve the problem in both the short- and long-terms.

Areas to consider:

(1) Improving employee selection (hiring) process in order to lower turnover
(2) Improving employee work engagement and employee productivity
(3) Right management can improve performance and workplace moral

Cost of Turnover

In this example we've used parameters of a full time employee (40 hours per week) at $11 per hour. Assuming it took 3 weeks to fill this position, 5 days to train and full month (30 days) till this employee is working at the full capacity and productivity.

Annual Base Salary	$ 22000	
Benefits Cost	$ 6600	Estimated at 30% of base salary
Monthly Salary + Benefits	$ 2383	
Daily Salary + Benefits	$ 121	Based on 235 working days

Loss of Productivity from Other Employees Filling in for Vacant Position

Daily Cost of "Covering" Position	$ 39	33% of Daily Salary + Benefits
# of Days Position Vacant	21	
Total Cost to "Cover" Position	$ 819	

Cost To Hire

HR or Hiring Manager Salary	$ 45000	
Hourly Rate	$ 25	Based on 235 working days
Resume Screening (Hours)	2	
Interviews (Hours)	2	
Total Hours to Fill Position	4	
Cost to Fill Position	$ 100	

Training Cost

Trainer or Manager Salary	$ 45000	
Daily Rate	$ 191	Based on 235 working days
Total Training Days	5	
Total Training Cost	$ 955	

Days to Productivity — Time required for the new hire to reach 100% Productivity

Daily Employee Cost	$ 121	
Days to 100% Productivity	30	
50% Productivity Loss	$ 1815	Prior to reaching 100%, assume individual works at 50% Productivity

Total Cost

Total Cost of Turnover	$ 3689	

Note: The Cost of Turnover does not account for the added cost of advertising job openings, recruitment services, etc. The final number can also vary according to other variables used in this sample. Turnover Calculator is FREE tool, available on
http://www.canadahrcentre.com/solutions/calculating-cost/turnover-calculator/

Management Turnover

There is always another hotel or restaurant out there looking to hire managers and make them a better offer. This causes management teams to frequently change in hospitality industry. This creates a negative/positive effect on the staff and customers because with new management comes change which can be good or bad. The problem with this is that management teams can change as fast as the rest of the staff.

Due to the fact that the hospitality industry has the highest turnover rate out of all other industries. This is just another reason why a hotel (including all facilities on the premises such as restaurant, spa-salon) that gives great service one week may give really bad service the next.

Canada Human Resources Centre has identified several areas where the hospitality industry can reduce spending, increase bottom line results, employ better people, reduce turnover and increase employee loyalty.

The following is a list of suggestions based on the overall industry. Each hotel may have different requirements or challenges which we can address on an individual basis.

Conclusion

By improving employee selection, job specific skills recognition, management competency and understanding employee loyalty and dedication the hospitality industry can tremendously improve the turnover rate and increase bottom line results.

Canada Human Resources Centre recommends the following course of action:

1. Implement employee assessment/skills testing tools during different stages of the hiring process in order to understand and select the right people for the right position in the organization.
2. Determine the level of engagement in employees already working in the organization in order to prevent low productivity and unexpected turnover.
3. Assess manager's capability to be respected leader of the team, who can motivate and lead by example.
4. Develop hiring benchmark for each department assessing top and bottom performers in order to develop Job Fit Pattern specific to that particular and corporate culture of organization.

Stage 1, Hiring New Employees

1. Employee Honesty and Integrity
(suggested tool to use: Job Lie Detector Test)

Is it important to know in advance if the candidate is going to have the kind of reliability employer has come to expect, especially if they going to handle cash?
This is the first step selection process. No one wants to risk hiring people with questionable integrity and character especially if the employee has access to cash or inventory. However few organizations have the right (or any) tools in place in order to eliminate unwanted people coming to their organization. Job Lie Detector Test will measure honesty, personal integrity, and attitude towards dishonest behavior. Expected result –reassurance in employee honesty, theft prevention.

2. Customer Service Attitude of the Potential Employee
(suggested tool to use: Customer Service Assessment)

Hospitality, more that any other industry is relying on high levels of customer service in order to stay competitive, increase revenue and continue to grow repeat business with loyal customers.
In today's reality customer service is a common disease in almost all industries in North America.
If customer service is important, the Customer Service Assessment will assess six behavioral characteristics such as *Trust, Tact, Empathy, Conformity, Focus, Flexibility*; and two basic proficiencies: *vocabulary and numerical*; the company's customer service perspective: the degree of alignment between an individual's perspective on providing customer service and that expressed by the company. Expected result – better customer service, increased profits.

Stage 2, Inside of the Organization

1. Right Manager – Right Team
(suggested tool to use Managerial Skills Assessment)

People don't leave companies, people leave people. This tool can help in measuring critical workplace compatibility factors between managers (supervisor, team leader, etc.) and their employee(s). Understanding the dynamics of the supervisor-subordinate relationship helps the manager work more effectively with each employee by recognizing where their perspectives are similar and where they differ. This increased understanding of the relationship leads to a greater comfort for both the manager and the employee. Expected result is lower turnover, increased loyalty and productivity.

2. Job Satisfaction,
(suggested tool to use Employee Engagement Assessment)

Can anyone be productive and perform at 100% capacity at their workplace if they don't like the job they are doing? This tool will measure the employee engagement level, job satisfaction and their total workplace experiences. It will provide insight into your employees' opinions about human resource issues, the role work plays in their lives, what their needs and preferences are on-the-job and what motivates them at work.

3. The Actual Skills
(suggested tools to use: Skill Tests)

Do you need to know if your next employee comes with the skills you are expecting?
Skills Testing use powerful technologies, such as performance-based testing which simulates popular software products like Microsoft Office, to ensure accurate, reliable assessment of knowledge, skills and abilities. A sample list of relevant Skills Tests includes: Microsoft Word, Excel, Software Skills, Computer Literacy, Language Skills, Clerical Skills, Food Services and many others. For the entire list of Skills Tests please refer to http://www.canadahrcentre.com/skills-testing-categories/

Further Suggestions

In order to optimize hiring for each position it is recommended to understand the qualities and characteristics of the top performers vs. bottom performers (front desk personnel, sales department, bell desk, managers, etc). This will accomplish 2 things: a) assessment of top performers will help in developing "benchmark" used in future hires, b) assessment of the bottom performers will also help in understanding and adjustment of Job Fit criteria providing management with suggestions on how to improve / further develop the "under achievers" within the organization.

Investment

All assessments and skill tests are 100% web based and can be administered in-house or remotely. It is recommended for hotels with more that 5-10 employees to establish their own testing account with administrator privileges (can be provided by Canada Human Resources Centre) in order to administer, store and review skill tests and assessments. Smaller hotels-motels have the same options available to them.

Initial set up (including license and 30 min training): $50.

Average cost of a test is $25. Some assessments can range in price from $20 to $60 depending on the complexity of the assessment. Volume discount is available (call for pricing 1-888-654-0709 ext 115)

Annual investment could be as little as $100 dollars, depending on the company's size, number of employees, budget and desire to achieve results.

Members of Manitoba Hotel Association are eligible for 10% group discount.

For more details please contact Canada Human Resources Centre

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