

# Effects of Pay and Work Environment on Employee Retention: A Study of Hotel Industry in Mombasa County

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**Abstract-** Travel and Tourism Industry is one of the fastest growing industry in the world contributing a colossal US \$6 trillion dollars in 2011 and creating 5 million new jobs (Travel and Tourism Economic Impact Report, 2012). Hospitality sector is one of the main pillars of this industry in Kenya which has generally continued to experience phenomenal growth both in terms of revenues generated and infrastructure to support the industry. Its phenomenal growth has come along with fierce competition among the players in the industry for the limited human resource available. Increased ability to retain their current employees has therefore become a very important objective for most employers in this sector. This study sought to identify the effects of the pay and work environment on the retention of employees in the Hotel Industry in Mombasa County. Findings revealed that pay had a weak influence on employee retention while work environment had the strongest influence which was significant at ( $p = .005$ ) 2-tailed. While it was evident from the results that work environment plays a major role in employee retention, to remain competitive it was recommended that employers in the industry also need to re-evaluate the current weaknesses associated with pay.

**Index Terms-** Employee Retention, Employee Rewards, Pay, Work Environment

## I. INTRODUCTION

The Hotel Industry plays an important and crucial role in the development of Kenya. By the year 2006, it was contributing Kshs. 87 billion to the revenues of Kenya representing 5.2% of the country's Gross Domestic Product, (Ministry of Tourism Plan 2006). The growth of this industry in Kenya is closely linked to the growth of Tourism in general in the Country. In the 1960's to the late 1980's respectable growth in this industry was recorded thanks to the tremendous foreign investment and the attraction into Kenya of a lot of tourists during this period. The 90's was however a period of heavy decline in the hotel industry due to the decline in tourism as a result of a combination of socio – political issues that negatively impacted on the image of the country and its attractiveness as an investment destination.

Since the year 2003, the industry has however experienced a turnaround of fortunes with growth and expansion being realized. This is largely due to the active role and deliberate efforts spearheaded by the Administration of His Excellence President

Mwai Kibaki, the former president of the republic of Kenya, who took over power in the year 2003.

## Employee Retention

Employee retention could be described as the efforts by any business or organization to develop strategies and initiatives that support current staff into remaining with the organization. Retention is “the ability to hold onto those employees you would want to keep for longer than your competition” (Johnson, 2000). Success or otherwise of an organization in retaining its employee's is measured in terms of Employee Retention Rate (ERR) or through assessment of the Employee Turnover Rate (ETR). High employee retention rate means that employee turnover rate has been low and vice versa. All organizations will therefore always seek and strive to maintain high rates of employee retention (ER)-especially of their key talents, thus maintaining low levels of staff turnover.

Ability of an organization to retain its employees has two-fold implications. Organizations that retain their high performers are bound to be successful in performance and at the same time avoid expenses that are incurred in advertisement of vacant positions, recruitment and selection, induction and training new employees that follow and employee lost (Okioga, 2012). From studies conducted it is suggested that the cost of employee turnover often ranges from 50% to 200% of an employee's annual salary based on the type and level of job he/she holds, (World atWork, 2012). In the hotel industry, low employee retention rates have been observed to interfere and disrupt the internalization of standards by the employees thus resulting to lower quality of service, reduced customer satisfaction and making an establishment less competitive. (Kimungu & Maringa, 2010).

## II. STATEMENT OF THE PROBLEM

The Hotel Industry in Kenya has steadily recorded positive expansion in the last decade with the establishment of new facilities as a result of increased investment from both local and international investors. This has been observed in the all the traditional tourist areas of Nairobi, the game parks such as Masai Mara and also Mombasa. According to the Economic Survey of 2007 and the Tourism Performance Review of 2010, hotel capacity as defined by the bed nights available in a given year has been steadily increasing from 7.766 million bed nights available in 2003 to 17.416 million bed nights available in 2011.

This increase in capacity has been achieved through the construction of new hotel facilities and the re-opening of facilities which had been closed in the 1990's and the early 2000. With this expansion in the hotel industry, Managements of most facilities are increasingly facing the challenge of increased staff turnover with new entrants in the industry constantly "poaching" employees from other already existing hotel facilities. In a research conducted by Kuria, et al in 2011, labour turnover rates of 68% and 13% in three star and five star rated hotels respectively were observed in Nairobi. This challenge of high turnover is being experienced despite managements of hotel facilities initiating and implementing various strategies including: offering career advancements opportunities especially for key talent among other initiatives in order to help retain their employees. While previous studies on employee retention in the hotel industry and which have presented rewards as playing a critical role in employee turnover have been conducted in other industries including the hotel industry in other areas, there is no such research conducted to appreciate the effect of the various components of reward on employee retention in the hotel industry in Mombasa County Tourism area.

### III. OBJECTIVES OF THE STUDY

#### General Objective

The general objective of this research therefore was to examine the effects of pay and work environment on employee retention of hotel workers in the Hotel Industry in Mombasa County tourism area.

#### Specific Objectives

1. To examine the effect of Pay on employee retention in the Hotel Industry in Mombasa County tourism area.
2. To determine the effects of Work Environment on employee retention in the Hotel Industry in Mombasa County tourism area.

#### Significance of the Study

The findings of this research would be critical in shaping the HRM practice of hotels in the Mombasa County tourism area and specifically with regard to the design and implementation of reward strategies and systems.

#### Scope of the Study

The scope of the study involved all the hotels within the Mombasa County. It was also limited in scope to investigating the effect of reward systems on employee retention in the hotels in Mombasa Count

### IV. LITERATURE REVIEW

#### Pay

Pay consists of cash compensations which are directly provided by employers for the work performed by the employees. Pay consists of two main elements i.e. the base pay which is compensation given on the basis of some pre-defined rates e.g. amount of time spent on the job by the employee such as hourly weekly rates and pay contingent on the employee's

performance e.g. merit increases, incentive pay, bonus pay etc. Of this two, base pay forms the largest component of the total reward package for most employees, (Green, 2010).

#### Base Pay

Base pay may be expressed as an annual, weekly or hourly rate. The hourly rate is sometimes called the time rate system of payment. Base pay is categorized into either job-based pay where the base is related entirely to the value of the job rather than the person. On the other hand where the base pay is adjusted to take into account the levels of competency or skills it's known as person –based pay. (Armstrong, 2012). Job evaluation initiatives in determining base pay are intended to cater for internal relativities in arriving at the base pay levels while market survey and tracking of market rates are used for assessing external relativities that help in determining competitive base pay rates.

#### Contingency Pay

Contingent pay is a nimble instrument that allows employers to pay for results they want by giving money to those who are fully contributing to the business objectives (Zingheim& Schuster, 2007). Thus unlike base pay, contingent pay and accompanying decisions are usually in line with the performance levels or desired results/ aspect achieved or exhibited by the employees. In contingency pay based on performance also referred to as Performance Related Pay (PRP), the consolidated pay increases or cash bonuses are based on the achievement of some agreed target by the employee (s) at the end of a stipulated period. In competence- based contingency pay, the reward decisions are made based on the level of some desired and identified competencies individual employees demonstrate while carrying out their roles. On the other hand in the contribution or skill based contingency pay both the levels of desired competencies and skills, exhibited by individual employees and their respective performance form the basis of the pay increase decisions to be made. In addition to the three approaches establishment of contingent pay systems in organizations, teamwork, quality and quantity produced based contingent pay systems have been developed and successfully implemented especially among organizations practicing high performance work systems (Ichniowski et al, 1997)

Contingent pay systems and structures can be based at the individual, team or organization level depending on the organizational culture, the relationship of the contingent pay and other elements of reward and the objectives of the organizations. At the individual level, contingency pay is either included in the base pay paid to the employees and as such the individual pay progresses within the established pay range or it can be a variable pay in the form of a cash bonus which is paid separately from the base pay. At the team and organizational level contingent pay is linked to performance at these levels .This could take the form of either profits sharing whereby the employees get to share in the organizational profits realized over a given period of time or acquisition of organization shares (stock sharing) whereby employees get to share in the successes and risks of the organization (Al-Jarradi, 2011)

Inclusion of the contingent pay element in total reward by most employers is aimed at among other reasons to; elicit greater work effort (input) or output from workers, attract better quality

employees to the organization, enhance employees commitment to the employing organization, introducing a stronger element of fairness into remuneration by rewarding those who work hardest or most effectively and to retain their workers. Organizations use one form of contingent pay system or the other so as to retain workers when labour markets are tight (Oyer, 2004). Despite the advantages of contingent pay, it has however been argued that such pay systems could lead to negative effects including increase in conflicts between workers, pursuit of individual goals by employees at the expense of organizational objectives and in cases of group based contingent pay arrangements the risk of free riders who despite their non or low performance get rewarded similar to their hardworking teammates.

### **Work Place Environment**

Workplace environment includes not only the physical elements around the work area of an employee but also all things that form part of the employee's involvement with the work itself. World at Work, the Total Reward Association defines workplace environment as the total cluster of observable physical, psychological and behavioural elements in the workplace. A positive work environment is believed to make employees feel good about coming to work and provide the necessary motivation to sustain them throughout the day. This observation is echoed by Wells & Thellen (2002), who stress that organizations offering suitable levels of privacy and sound controls at the work place thereby improving levels of motivation and commitment in employees have an increased ability to satisfy and retain employees. Heneman (2007), also does allude to the fact that one of the most crucial element of any organizations total reward strategy is having a positive work environment.

### **Employee Retention**

Organizations need individuals who perform well and choose to remain as their employees. Retention is the ability of a company to keep valued employees who contribute to organizational success for as long as the relationship is mutually favourable (Al- Jarradi, 2011). Employee retention is one of the elements which influence the general employee mobility of labour in an organization, the other being employee turnover which can be considered as the other side of the same coin (Okioga, 2012). Employee retention means the existence of an on-going employment relationship, while employee turnover indicates the employee separation from a given employment relationships.

Employee Retention is currently one of the critical issues in organizations as a result of changing dynamics and turbulence being experienced in the general work environment as a result of various phenomenon. Such phenomenon being experienced by organizations across the globe include massive lay-offs as a result of restructuring and business failures in certain sectors of economies leading to low staff morale and commitment. At the same time new jobs are being created in other sectors as new businesses are created leading to shortages in some professions particularly in the medical and services industries.

Population demographic changes of decreasing new entrants into the workforce and gap between the highly educated and those with very little education have also helped to propel the

employee retention issue to the level of being considered as a strategic business issue. This position is aptly captured by Barbara (2002) statement that, "In today's turbulent workplace, a stable workforce becomes a significant competitive advantage and that if an organization has unstable workforce conditions, it's forced to invest thousands of dollars in recruiting, orienting, training, overtime and supervision which comes right off the organizations bottom-line. When retention rates are low, extra time and money are spent on recruiting, selecting and training new employees that could have been spent on other activities like performance improvement or career development of employees (Abbasi, 2000).

Therefore given the critical importance of employee retention to the performance and survival of organizations, human resource professionals are expected to regularly re-evaluate their existing reward strategies and programmes to ensure that they address the employees' preferences for improved motivation and commitment. Providing jobs which are satisfying, clear career development opportunities, as much autonomy as is practicable and above all competent line management are some of the factors that play significant role in employee retention (Torrington et al, 2008). Other strategies believed to enhance employee retention include reward professionals: making counter-offers, increasing new hire offers, offering more frequent exceptions to reward policies and programmes and making attempts to "handcuff" key employees to the organization by offering stock options and other programs that make it difficult to leave (Scott et al, 2012).

In a recent survey by WorldatWork (2012), it is indicated that the 5 (five) most frequently used methods to retain key talent include: identifying key employees who are essential to the business (85%), discussing with key employees their future opportunities within the organization (80%), paying employees above the labour market (75%), creating a succession plan to replace individuals critical to success (74%) and developing employee who may replace key employees who may leave (73%).

## **V. THEORETICAL AND CONCEPTUAL FRAMEWORK**

Employers and employees associations are usually typified by both material and non-material interchange between the parties. Most of the material aspects of the association between these two parties are usually agreed upon during the setting of the conventional relationship between the two parties. (Whitemener et al, 1998). The other non-material (intrinsic) aspects of the association between the employer and employee are usually a product of a host of responsibilities that develop in the course of interaction between the two parties. Herzberg's Two Factor theory on motivation and The Towers Perrin Model of Total Reward provides the theoretical background for this study. Armstrong & Murlis (2004), describe motivation as a goal directed behaviour brought about by the perception that a particular course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants.

### **Fredrick Herzberg – Two factor theory**

Fredrick Herzberg's, two factor theory of motivation identifies two sets of factors namely: hygiene or maintenance factors and motivating factors which influence individual's attitudes towards work, Herzberg (1959). According to Herzberg, hygiene factors which he termed as dissatisfiers usually do little contribution to provide job satisfaction as their presence only prevents dissatisfaction but is not motivating to individuals. These factors are extrinsic in nature and are related to the condition under which a job is performed. Motivating factors on the other hand also termed as satisfiers act as forces of job satisfaction. Job satisfaction/dissatisfaction has long been recognized as a predictor of employee retention. These motivators according to Herzberg are intrinsic to the content of the job and are made up of elements including personal growth and development, design of the work itself, recognition and achievement among others.

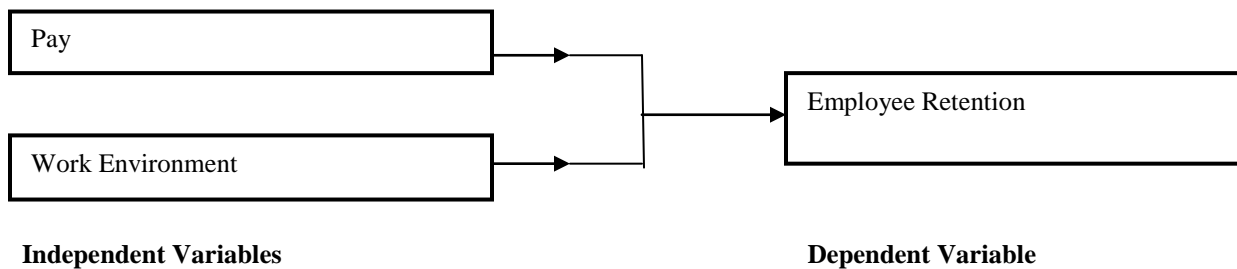
### Towers Perrin Model of Total Reward

According to Towers and Perrin (2001), this mix of both material and non-material interchange between employees and employer developed in an employment relationship is aimed at

among others: averting employee exploitation of the employer, arousing some desired level of employee engagement and retaining productive employees. This mix of both material and non-material rewards has been described as the new pay or total rewards (Schuster & Zingheim, 1992). The structure of total rewards has developed overtime, with different individuals identifying different elements to make up total rewards. WorldatWork (2007), defines total rewards as consisting of the elements of compensation, benefits, work life, performance and recognition, development and career opportunities. Towers Perrin (2001), identifies four elements of pay and bonus, benefits, learning and development and the work environment which make up the Towers Perrin Model of Total Rewards. According to this model, these four components of reward are grouped into two main categories of tangible (financial) elements and relational (intangible or non-financial) elements of reward.

For the purpose of this study the independent variables are pay and work environment components of reward while the dependent variable will be employee retention.

Figure 2.1: Schematic Conceptual Framework



## VI. RESEARCH METHODOLOGY

The main aim of this study was to investigate the relationship between the various elements of rewards towards employee retention in the hotel industry in Mombasa County. The study used the correlation research design. Correlational study is a quantitative method of research where there are two (2) or more quantitative variables from the same group of subjects and you are trying to determine if there is a relationship between them (Waters, 2014).

### Population

The population for this study included the employees of the various hotel facilities in the County of Mombasa. The population was divided into two; management staff and non-management staff working in the hotel facilities within the Mombasa County area.

**Table 1: Target Population**

<b>CATEGORY</b>	<b>ACTUAL POPULATION</b>	<b>WEIGHT</b>	<b>WEIGHTED POPULATION</b>	<b>WEIGHTED % OF TARGET POPULATION</b>
Management Staff	475	2	950	23.10%
Non-Management Staff	3164	1	3164	76.90%
<b>TOTAL</b>	<b>3639</b>		<b>4114</b>	<b>100%</b>

**Sample Frame**

The sampling frame for this study comprised of the management and non management staff within the hotel industry in Mombasa County. The management staff are responsible for control and management of the various operations in the organization. They are also expected to develop various policies and strategies to help drive the business of the organization.

**Sample and Sampling Technique**

A sample size of 347 employees was selected out of a total population of 3639 using the American National Examination Formulae as shown in Appendix V (NEA Research Bulletin, 1960 and (Krejcie & Morgan, 1970). The number of employees to make up the sample from each stratum were determined using the Neyman's Allocation formula with the results of the computation as shown in Table 2 below.

**Table 2: Sample Size**

<b>CATEGORY</b>	<b>SAMPLE SIZE</b>	<b>SAMPLE FRAME</b>
Management Staff	80	23.06%
Non- Management Staff	267	76.94%
<b>TOTAL</b>	<b>347</b>	<b>100%</b>

**Research Instrument**

The study collected primary data using a simple survey questionnaire which the subjects were asked to respond to the items provided. The survey questionnaire was split into three separate sections: Demographics sections which enlisted the participant’s responses to aspects such as gender, name of hotel, age, level in the organization and number of years in current employment. Reward elements section which enlisted the participant’s responses to the reward elements of pay, and work environment. The third section which enlisted the participant’s responses as regards employee retention. Intention to leave measures developed by Jenkins (1993) and adopted by Mustapha (2009) and Abeysekera (2007) was used to measure employee retention. A 5-point Likert Scale was used with the survey.

**Data Collection Procedure**

Data collection involved a self-administered questionnaire. The researcher distributed the questionnaires physically at the respondents’ place of work. The researcher left the questionnaires with the respondents and picked them up later. Each questionnaire was coded and only the researcher knew which person responded. The coding technique was used for the purpose of matching returned, completed questionnaires with those delivered to the respondents.

**Data Analysis and Presentation**

The data collected was edited and the responses received coded to make the data actionable. The data collected was then quantitatively analyzed using various statistical methods including the Statistical Package for Social Sciences (SPSS). The outcomes of the descriptive statistics in terms of means, standard

deviations, and correlations of all the variables were presented in a table format.

Pearson’s “r” correlation test was used to compute the degree of association between the various items of pay, workplace environment and employee retention.

**VII. RESEARCH RESULTS AND DISCUSSION**

**Demographic Characteristics**

The profile of the hotel employees sampled covered length of service with the current hotel, job level (i.e. management or non-management), age and gender. The results are discussed in the subsequent sections.

**Length of Service**

In assessing the length of service, the respondents were required to indicate how long they have been in employment in the current hotel. **Table 3** below shows the results of the responses provided. From the 111 respondents, the study revealed that 20.7 percent of employees in the hotels within Mombasa County have worked for their current employers for more than 10 years. 18.9 percent of employees have been in employment in the current hotels they are working in for between 7 years and 10 years, 37.8 percent of employees have worked for their current employers for between 3 years and 6 years while 22.5 percent of the employees in hotel within Mombasa County have been in employment with their current employer for less than 3 years.

**Table 3: Length of Service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 3 years	25	22.5	22.5	22.5
	3 to 6 years	42	37.8	37.8	60.4
	7 to 10 years	21	18.9	18.9	79.3
	More than 10 years	23	20.7	20.7	100.0
	<b>Total</b>	<b>111</b>	<b>100.0</b>	<b>100.0</b>	

**Job Level (i.e. Management or Non-Management)**

In determining the job level of the respondents, they were required to state whether the position they hold is a managerial or non/managerial level position. As shown in **Table 4** below, 27.1

percent of employees are in Management level positions while 72.9 percent of the respondents are in non/management level positions.

**Table 4: Job Level in the Organization**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Management	30	27.1	28.0	27.1
	Non-Management	81	72.9	72.9	100.0

	<b>Total</b>	<b>111</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
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**Age Profile**

To assess the age profile of employees sampled, the respondents were required to state in which age group they fall in, and the results are recorded in **Table 5** below. 3.6 percent of the employees are within the 50 and 59 years age bracket, 23.4 percent are within the 40 and 49 years age bracket, 38.7 percent

of employees in the hotel industry in Mombasa County are within the 30 and 39 years age bracket, 30.6 percent of employees in the hotel industry are in the age bracket of between 20 and 29 years, while only 3.6 percent are under the age of 20 years.

**Table 5 Age Profile**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	<b>Under 20 years</b>	4	3.6	3.6	3.6
	<b>20 – 29 years</b>	34	30.6	30.6	34.2
	<b>30 – 39 years</b>	43	38.7	38.7	73.0
	<b>40 – 49 years</b>	26	23.4	23.4	96.4
	<b>50 – 59 years</b>	4	3.6	3.6	100.0
	<b>Total</b>	<b>111</b>	<b>100.0</b>	<b>100.0</b>	

**Gender Profile**

Of the 111 respondents who completed the questionnaire, 53 individuals or 47.7 percent of the respondents were male and 58 or 52.3 percent were female as depicted in **Table 6** below.

**Table 6: Gender Profile**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	<b>Male</b>	53	47.7	47.7	47.7
	<b>Female</b>	58	52.3	52.3	100.0
	<b>Total</b>	<b>111</b>	<b>100.0</b>	<b>100.0</b>	

**Correlation Results**

It was observed from **Table 7** below that there is a statistically significant but fairly weak and positive relationship between pay and work environment ( $r = 0.334$ ,  $p < 0.05$ ), this results are consistent with those of an earlier study by

Phonansam (1995), on total compensation practices and their relationship to hospitality employee retention which concluded that work environment and pay must be viewed together or else the employees would be dissatisfied with the reward being offered

**Table 7: Correlation Analysis of the Independent Variables**

		<b>PAY</b>	<b>WORK ENVIRONMENT</b>
PAY	Pearson Correlation	1	.334**
	Sig. (2-tailed)		.000
	N	111	111
WORK	Pearson Correlation	.334**	1

ENVIRONMENT	Sig. (2-tailed)	.000	
	N	111	111

Regression Results and Discussion of Key Findings

**A. Effect of Pay on Employee Retention**

According to the descriptive statistics provided in **Table 9**, pay was evaluated on the basis of 4 statements which were assessed on a five point Likert scale from ‘Strongly Disagree’ to ‘Strongly Agree’. The results show that statement 2 had the highest mean of 3.22 suggesting that the contingency/performance related aspect of the pay element in rewards is one which they most agreed upon as being established in most hotels. This position is supported by the existence of the traditional service charge arrangement in most hotels where employee get additional pay which are a form of gratuity to the employees realized from charging the guests/customers. However they seem to suggest that they largely disagree that there is equity in the base pay they earn relative to what others outside the organizations performing similar jobs earn and also relative to what others within the same hotel facilities performing other jobs earn, as indicated by the low means of 2.90 and 3.03 respectively as shown in **Table 9**.

The perception of the lack of equity in pay is strongly supported by the general strong perception the employees have that they could get better pay should they move to other hotels to take up similar positions as indicated by the mean of 3.20 as shown in **Table 9** below. These findings of the respondent’s perception of the pay they receive point to the fact that pay is one of the major issues behind the problem of low employee retention in the hotels in the county. These findings are consistent with earlier study by Kuria. & Ondigi(2012), of 493 non-management employees working in permanent terms in selected hotels where most of the respondents described their salaries as poor, a pointer to their dissatisfaction with their employers therefore constantly looking for greener pastures. Similarly, Logan (2008) argued that most employees leave their current employers usually in search of better opportunities in the form of better salaries and wages.

The results of the regression analysis for the four measures of pay element in the hotel industry in Mombasa County, as shown in **Table 8**, indicate in overall weak but positive relationship with employee retention at ( $\beta = 0.098, p > 0.05$ ). This study findings seem to concur with those of a case study research which aimed at assessing the impact of employee turnover on customer service and competitiveness of organizations in Kenya, which established that pay had only a 9.2 percent influence as a factor prompting staff to leave previous employers compared to career advancement which had 22.9 percent and working conditions which had 13.6 percent influence, Kimungu& Maringa, (2010). These findings also concur with a study of the factors affecting turnover intention of hotel employees in Taiwan where salary as an independent variable

was considered and the results indicated a coefficient value of 0.08 which was not significant thus showing that salary level of hotel employees will not significantly affect turnover, Lee, Huang& Zhao, (2012)

**B. Effect of Work Environment on Employee Retention**

According to the detailed descriptive statistics of the influence of work environment on employee retention, **Table 10** below shows that, on a scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree, most employees in the hotels study felt strongly that they had good working relationships with their supervisors with a mean of 3.91, and that they were usually accorded opportunities to use their own initiatives and talents in the course of their work. The employees felt that the working conditions provided by their employers were suitable and comfortable to work in with an overall mean of 3.86. In addition most respondents/employees felt that their employers were giving them ample support in trying to balance their social responsibilities and their work with a mean of 3.65. This is probably facilitated by the seasonality and fluctuations in the operations in most hotels which largely allows employers to release their staff during low tourist seasons. This findings are in sharp contrast to those in a study by (Kuria& Alice) 2012 who reported that working conditions was one of the major reasons for labour turnover in three star and five star rated hotels in Kenya with respondents citing long working hours with minimal pay thus negatively affecting their ability to balance work and family demands, lack of the choice of the shift they could work in and cruelty from their supervisors as some of the contributors to the poor working conditions.

The regression analysis results as shown in **Table 8**, reveal a statistically significant positive relationship between work environment and employee retention ( $\beta = 0.456, p\text{-value} = 0.05$ ). These results are consistent with the study by May, Lau & Johnson (1999), which suggested that organizations offering better quality work life are likely to have a leverage when hiring and retaining valuable work force. It also concurs with a study by (Huang et al, 2007) on the influence of work – life balance on the turnover intentions of auditors, which proved that an improved work-life balance reduces intention of turnover of auditors and thus improve the organizations retention ability. In summary, the study found out that while pay has an effect on employee retention, it was however very weak. On the other hand work environment has the strongest and positive effect on employee retention for Hotels in Mombasa County with a beta factor of  $\beta = 0.456$ . This means that 1 unit change in work environment has a 45.6 percent impact on employee retention



**Table 8: Regression Analysis – Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.650	.365		4.517	.000
	PAY	.098	.077	.120	1.268	.208
	WORK ENVIRONMENT	.456	.102	.300	2.876	.005

a. Dependent Variable: EMPLOYEE RETENTION

**Table 9: Detailed Descriptive statistics for Pay**

	N	Mean	Std. Deviation	Cronbach's Alpha if Item Deleted
<b>PAY</b>				
Amount of pay I receive for my job is about equal to others doing similar work in other hotels	111	2.90	.990	.900
If I do good work, I can count on making more money (incentives for performance like service charge, commission etc.)	111	3.22	1.268	.898
My Salary is fair for my responsibilities	111	3.03	1.013	.895
I could get better pay if I move to a comparable job in another hotel	111	3.20	1.292	.907

**Table 10: Detailed Descriptive statistics of Work Environment**

	N	Mean	Std. Deviation	Cronbach's Alpha if Item Deleted
<b>WORK ENVIRONMENT</b>				
If I do good work I can count on being promoted.	111	3.47	1.086	.899
The Hotel gives enough recognition for well done work.	111	3.68	.964	.896
The hotel provides suitable and comfortable working conditions (working space, sitting arrangement, ventilation and air conditions.	111	3.86	.899	.898
On my job, I have sufficient opportunities to use my personal talents and use my initiatives.	111	3.75	1.013	.897
For a large part I determine how I work.	111	3.72	1.011	.897
I have a good working relationship with my supervisor.	111	3.91	1.014	.898
My Supervisor supports me in balancing my family and work demand.	111	3.65	1.149	.898

Duties which I perform actually match with duties indicated in my job description.	111	3.59	1.056	.898
The Management does a good job of keeping me informed about matters affecting me.	111	3.68	1.037	.898

### VIII. CONCLUSIONS AND RECOMMENDATIONS

From the study it can be concluded that pay as a financial component of reward has a weak influence on employee retention in hotels in Mombasa County tourism area as compared to the non-financial element of work environment. It was also observed that there are significant pay discrepancies between the players in the industry leading to employees constantly seeking better opportunities and thus fuelling the low employee retention scenarios experienced. In addition the strong evidence from the findings that non-financial rewards have a stronger impact on employee retention than the traditional financial rewards points to the need for the employers in this industry to implement holistic approaches in reward management so as to ensure they develop total reward packages which to offer their employees and not focus on financial rewards alone.

The first recommendation is for the employers to work towards harmonizing the pay they offer their employees to ensure that they don't lose staff to other competing hotels and firms since they feel they can get better pay there. Secondly the managers should strive to continue improving the working conditions for their employees since it significantly enhances their employee retention abilities as organizations. Finally the study recommends that the employers in this area should strive towards broadening the spectrum of the rewards they can offer their employees and not focus on direct monetary rewards alone.

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