

Factors Affecting Employee Retention in the Service Sector (A Case Study of the Hotel Industry)

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Abstract

The driving force of any organization is its people—its workforce. Therefore, it is important for organizations to implement optimal human resource policies and retain employees. This, in particular, has become one of the most pressing issues for Mongolian service organizations. This shows the need for research on the factors influencing employee retention, particularly in the hotel industry. The aim of this study is to analyze the factors affecting employee retention in the hotel sector of the Mongolia. Extensive research has examined the employee retention in tourism and hospitality. However, empirical validation remains scarce in Mongolia. We validate theoretical propositions and that work-related factors, structural factors, and interpersonal factors are positively and strongly related to employee retention in the Mongolian hotel industry. We developed our research model by selecting only the factors influencing employee retention from the model proposed by the Insync HR Research Institute in Australia in 2012. In order to identify the factors influencing the stability of employees in this industry, 103 employees from 22 hotels operating in Mongolia were randomly selected to participate in a survey. The survey revealed that work, structural and interpersonal factors have a strong positive relationship with the stability of employees. The study recommends factors to ensure the stability of employees. This is important for retaining employees with knowledge and skills, thereby increasing the competitiveness of the organization. This study helps to pay attention to work-related factors, structural factors, and interpersonal factors to ensure the stability of employees in the human resources plan for the hospitality industry. Our analysis informs recommendations for successfully retaining employees in an organization.

Keywords

Work Factors, Structural Factors, Interpersonal Factors, Human Resource

1. Introduction

Business organizations increasingly define their economic competitiveness through the knowledge and skills of their workforce (Niguse, 2018; Mohammad Alzayed, 2017; Ansar Abbas, 2020). Therefore, employers must provide opportunities for employees to grow, advance, and access educational opportunities. Nevertheless, organizations need to ensure employees remain with them long enough to apply their acquired knowledge and skills in the workplace, and to pass that knowledge on to new hires. This is indeed closely related to employee retention.

Maintaining employees' skills and knowledge ensures a company's economic competitiveness (Roodt, 2002) and, thus, retaining employees has become a major organizational issue in today's world. According to Wahl & Prause, worldwide skill shortages have become a crucial issue for most organizations (Abhishek Bhati, *Talent Acquisition and Retention in Social Enterprises*, 2011).

Recent data from HR Cloud reveals an annual turnover rate of 73.8%, indicating that over 6% of employees leave their jobs every month in 2023. Furthermore, the leisure and hospitality sector far surpasses other industries in turnover rates, with a staggering 82.6% turnover rate compared to the relatively lower rates in education and health services, which stand at 38.3% (Lim Kim Yew, 2024).

In Mongolia's tourism sector, 54,000 jobs were created locally, with 36,480 people employed in tourism-related activities (by 2019). Of these, 19,180 worked in hotels, 17,300 in tourist camps, and 53,330 in the service industry. However, post-COVID-19, the workforce decreased by 78% among tour operators, 68% in tourist camps, 25% in hotels, and 50% in restaurants (Mongolia, 2025).

These statistics show a general high of employee instability of hotel industry both globally and nationally.

Research from several countries has shown that training, development, pay, career opportunities, leadership support, performance appraisals, work-life balance, job satisfaction and job security are important factors in the retention of hotel employees (Lim Kim Yew, 2024; Gladys Apreh Siaw, 2022; Matazu, 2017).

This shows the need for research on the factors influencing employee retention, particularly in the hotel industry. The aim of this study is to analyze the factors affecting employee retention in the hotel sector.

2. Literature Review

2.1. Employee Retention

Employee retention is a demanding concern of the organization (Priya Sharma, 2023). Employee retention, or the stability of organizational employees, refers to the efforts made by an organization to retain experienced, high-performing employees and encourage them to continue working for the organization. The sim-

plest explanation of retention is that hiring new employees is more costly than training and retaining current employees (Nandin-Erdene, 2018; Mohammad Al-zayed, 2017; Priya Sharma, 2023; Darmayanti, 2024).

On the other hand, employee retention can be defined as the art of optimally structuring an organization's culture, environment, and salary incentives to keep employees engaged for the long term (Table 1).

Table 1. Definitions of retention.

Researcher	Definition
Get Les McKeon, Charles K. Woodruff (2001)	Employee retention is a systematic activity by employers to address the diverse needs of employees and create and develop an environment that supports the stability of existing employees.
Sharon Armstrong (2008)	Retention refers to how long employees stay with a particular organization and how often they change jobs between organizations
Byars L. I & Rue L. W. (2008), Noe R. A. (1999)	Retention involves studying the factors influencing employee stability and improving outcomes
Aliya & Fariduddin (2003)	If an organization establishes a positive attitude and eliminates negative attitudes, development follows naturally, creating conditions where employees are more stable, productivity improves, and work environments enhance.
Jim Collins	It's not just about having a vision or goal, but about choosing the right people to work with. "It's more important who you sit in the boat with than steering the boat," as defined by Jim Collins.
Leigh Branham (2005)	Retention encompasses all activities aimed at keeping employees in an organization for the long term and preventing their loss to competitors.
Jack J. Phillips & Adele O. Connell (2011)	Retention is the ultimate outcome of diverse organizational activities aimed at keeping employees.
Raymond A. Noe (2006)	High employee turnover reduces knowledge and skills while incurring significant costs, making retention a critical issue for business organizations.
Donna J. Murphy Jefferson	Regardless of the size of your company, the key to business success lies in attracting, retaining, and motivating employees.
O Connell	Demographic factors such as age, authority, education level, income, job classification, and gender cannot be overlooked as they influence employee retention.

Source: S. Nandin-Erdene "The Impact of Employee Retention on Organizational Performance" 2018.

From these definitions, retention can be broadly defined as a multidimensional HR activity aimed at ensuring employees remain satisfied and work productively for the organization's objectives over an extended period.

2.2. Factors Influencing Employee Retention

Researchers J.R. Heckman and J. Lloyd studied the factors affecting employee retention. Their research found that employees are more likely to stay in an organ-

ization when the following conditions are met:

- Employees are interested in their job.
- Fair wages and incentives are provided.
- The workplace is comfortable, peaceful, and clean.
- Management oversight is minimal.
- Employees are empowered to make decisions regarding their work.
- Employees can participate in decisions about their job and the organization.
- Social and household services are adequately provided.
- There is collaboration between managers and employees.
- Employees feel free to share their thoughts and discuss ideas with management (Tserenchimed, 2022).

Additionally, the social environment, work-life balance, and work design appear to have a favorable impact on employee retention, according to the study (Shayrine & Venugopal, 2024).

Researcher Tsetsegdelger (2016) identified that factors such as social benefits, internal environment, salary, organizational reputation, additional incentives, working hours, team dynamics, and career growth opportunities as influencing employee stability (Tsetsegdelger, 2016).

Saikhanbileg (2013) categorized factors into:

- External factors: Labor market competition, legal regulations, economic conditions, standard of living, ecological and socio-cultural aspects.
- Internal factors: Personal skills, managerial expertise, salary, incentives, workplace comfort, technological environment, organizational atmosphere, reputation, and location (Saikhanbileg, 2013).

Researchers Beni Widarman, Nur Naha Abu Mansor, and Ayub Hassan in 2005 highlighted five key factors: Organizational change, employee consensus and participation, opportunities for personal development and learning, job structure, and work-life balance (Flamholtz, 1971; Beni Widarman, 2015).

Calvin Wakely in 2004) proposed four primary categories for enhancing employee retention: recognition, problems to solve, salary and incentives, and communication (Flamholtz, 1971).

Otgontuya (2016) outlined four groups of factors affecting employee retention: work-related, cultural, personal, and external factors (Otgontuya, 2016).

Nandin-Erdene (2018) assessed retention based on five factors: career development, training, performance evaluation, salary and incentives, and health and safety (Nandin-Erdene, 2018).

Darmayanti (2024) showed that there are six factors that most influence employee retention: recognition, compensation, leadership, career development, training and development, and job satisfaction (Darmayanti, 2024).

A 2012 study by the Insync HR Research Institute in Australia, involving over 11,000 employees from more than 40 organizations, identified five factors influencing retention and turnover: structural, work-related, personal, family life, and external environment (Insync Surveys Pty, 2012).

It can be concluded that multiple factors influence employee retention in organizations. While some researchers focus solely on organizational factors, others approach the issue from multiple perspectives. Insync Surveys' model was selected for our study because it was more comprehensive and included potential factors that could be addressed by the organization's management to address employee retention (Figure 1).

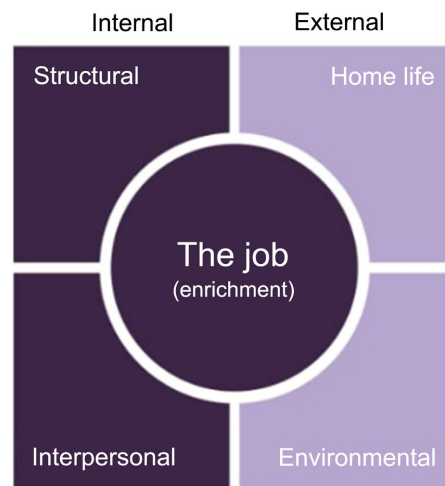


Figure 1. Insync Surveys' five factors of retention and turnover.

3. Methodology

We developed our research model by selecting only the factors influencing stability of employees from the model proposed by the Insync HR Research Institute in Australia in 2012. Factors affecting staff turnover have been removed (Figure 2).

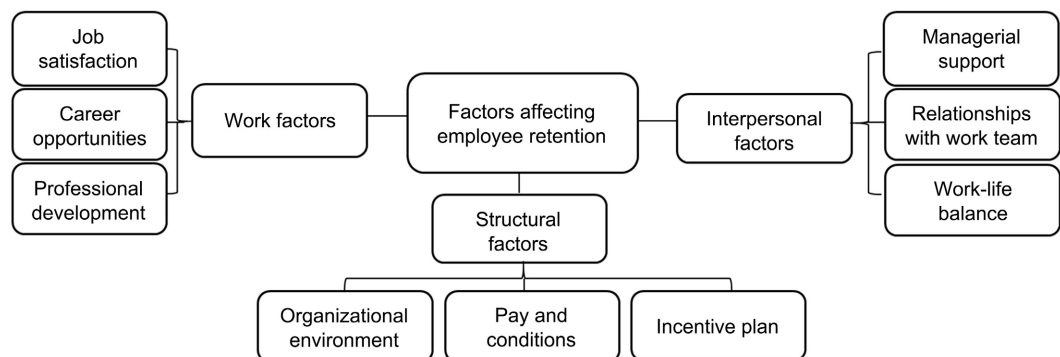


Figure 2. Research model.

As of 2021, 4516 people work in 434 organizations providing hotel, hostel, and accommodation services in Mongolia. From this, 103 employees from 22 hotels were randomly selected (with a 90% confidence that the actual value is within $\pm 8\%$ of the measured/surveyed value) and the survey was conducted. Data collection was conducted between April 1-20, 2024, using a questionnaire compris-

ing 33 questions in three sections based on prior studies. Responses were rated on a 1 - 10 Likert scale. The data were analyzed using SPSS 26 software, employing descriptive analysis, factor analysis, reliability analysis, correlation analysis, and regression analysis.

4. Research Results

4.1. Demographic Analysis of Participants

The demographic breakdown of respondents is summarized below:

- **Gender:** 68.0% were female, and 32.0% were male.
- **Age:** The largest group was 26 - 35 years (35.9%), followed by 18 - 25 years (24.3%), and 36 - 45 years (22.3%).
- **Education Level:** 54.4% of respondents held a bachelor's degree or higher.
- **Hotels:** Employees from Shangri-La Ulaanbaatar and Tuushin Hotels accounted for more than 12.6% of the sample each.
- **Job Positions:** Managers made up 31.1%, while receptionists (20.4%) and cleaners (13.6%) followed.
- **Work Experience:** 34.0% had less than 1 year of experience, 28.2% had 1 - 3 years, and 17.5% had more than 5 years of experience (**Table 2**).

Table 2. General information of the participants.

Category	Indicator	Number	Percentage
Gender	Male	33	32
	Female	70	68
Age	18 - 25	25	24.3
	26 - 35	37	35.9
	36 - 45	23	22.3
	46 - 54	14	13.6
	55+	4	3.9
Education Level	Incomplete secondary	2	1.9
	High school	35	34
	Vocational	10	9.7
	Bachelor's degree or higher	56	54.4
Hotels	Shangri-La	15	14.6
	Tuushin	13	12.6
	UB Grand	6	5.8
	Blue Sky	5	4.9
	Ulaanbaatar	5	4.9
	Holiday Inn	4	3.9
	Bayangol	4	3.9
	Premium	3	2.9
	Others	48	46.5

Continued

Job Position	Manager	32	31.1
	Receptionist	21	20.4
	Cleaner	14	13.6
	Security	8	7.8
	Doorman	6	5.8
	Dishwasher	3	2.9
	Organizer	3	2.9
	Engineer	1	1
	Back-office staff	13	12.6
	Greeter	2	1.9
Work Experience	Less than 1 year	35	34.0
	1 - 3 years	29	28.2
	3 - 5 years	18	17.5
	More than 5 years	17.5	20.4

This demographic overview provides valuable insights into the workforce composition of Mongolia's hotel sector, supporting further analysis of factors affecting employee retention.

4.2. Factor and Reliability Analysis

A factor analysis was conducted using 33 indicators from the study. The Kaiser-Meyer-Olkin (KMO) statistic for each factor ranged from 0.62 to 0.83, indicating good sampling adequacy (KMO \geq 0.5 is considered valid).

To assess the reliability of the factors in the study, reliability and factor analyses were performed for each factor. The Cronbach's alpha was determined to be 0.7 or higher, signifying that the questionnaire was well-designed and suitable for further analysis. The reliability of Cronbach's alpha for each factor is presented in **Table 3**.

Table 3. Factor and Reliability Analysis.

Factor	Number of Items	KMO	Cronbach's Alpha	Median	Standard Deviation
Job Stability	3	0.641	0.888	8.73	1.30
Job Satisfaction	3	0.745	0.863	8.10	1.38
Career Opportunities	3	0.629	0.836	8.50	1.13
Professional Development	4	0.772	0.838	7.95	1.50
Organizational Environment	4	0.814	0.842	7.94	1.66
Pay and Conditions	3	0.745	0.935	7.48	1.97
Incentive	3	0.729	0.950	7.30	2.20
Managerial Support	4	0.836	0.921	8.20	1.61
Relationships with work team	3	0.736	0.894	8.21	1.41
Work-Life Balance	3	0.748	0.942	7.99	2.14

4.3. Correlation Analysis

Correlation analysis was conducted using Pearson's correlation coefficient to evaluate the relationships between variables. The primary goal was to determine the closeness of the relationships among several variables. The results of the Pearson coefficients are presented in **Table 4**.

Table 4. Correlation Analysis Results.

	Job Stability	Work-Related Factors	Structural Factors	Interpersonal Factors
Job Stability	1			
Work-Related Factors	0.713**	1		
Structural Factors	0.653**	0.707**	1	
Interpersonal Factors	0.635**	0.710**	0.818**	1

**Correlation is significant at the 0.01 level (2-tailed).

From **Table 4**, it is evident that job stability and other influencing factors have a significant positive correlation, which indicates the feasibility of performing regression analysis.

4.4. Regression Analysis

Based on the results of the correlation analysis, linear regression analysis was performed to explore the relationships between the influencing factors.

The results revealed the following:

- 1) Work-related factors (e.g., job satisfaction, career opportunities, and professional development) have a strong positive influence on job stability.
- 2) Structural factors (e.g., organizational environment, pay, conditions, and incentive plan) also have a strong positive impact on job stability.
- 3) Interpersonal factors (e.g., managerial support, relationships with work team, and work-life balance) significantly affect job stability positively.

The regression analysis results are detailed in **Table 5**.

Table 5. Factor and reliability analysis.

Predictors	R	Adjusted R Square	F-value	T-value	Sig.
Work-Related Factors>Stability	0.713a	0.503	104.224	10.209	0.000
Structural Factors>Stability	0.653a	0.420	74.964	8.658	0.000
Interpersonal Factors>Stability	0.635a	0.397	68.097	8.252	0.000

Note: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; * $p < 0.1$ is significant level at t-value > 1.96 .

5. Conclusion

Stability is the final result of the various activities aimed at retaining employees in an organization. These activities include opportunities for employee growth, training, the organization's reputation, working conditions, salary, incentives, and

other factors related to the job. In addition, cultural, individual, and external factors within the organization also influence employee retention.

This evaluation examines how three groups of factors work-related factors, structural factors, and interpersonal factors—impact employee retention in the Mongolian hotel industry.

The evaluation shows that work-related factors, structural factors, and interpersonal factors are positively and strongly related to employee retention in the Mongolian hotel industry.

Therefore, the three aforementioned factors which influence employees working in the hospitality industry should be incorporated into human resources planning in order to retain employees and enhance stability. Hotel managers will increase employee stability by improving job satisfaction, career opportunities, and professional development, implementing optimal organizational environment, compensation, conditions, and incentive policies, providing management support, team relationships, and maintaining work-life balance. These are key factors necessary for ensuring employee retention.

The study is unique in that it examines the factors influencing the stability of hotel workers using the Mongolian hotel industry as an example. This will allow future researchers to conduct comparative research with similar studies in other countries.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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