

THE INFLUENCE OF DIRECT FINANCIAL COMPENSATION TOWARDS FUTURE-GRADUATES CAREER CHOICE IN HOTEL INDUSTRY

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ABSTRACT

Hospitality and tourism industry is expanding and becoming one of the major revenue contributors to other nations and Malaysia. It is also one of the largest sectors that employ and provide huge job opportunities for many countries. In fact, influx of workforce is produced by hospitality and tourism schools. Despite the tremendous job opportunities and vacancies in this sector, students from hotel and tourism school rather opt for other job alternatives. This never ending issue could be contributed by many factors including low entry minimal wages. Therefore, this study examines direct financial compensation influencing career choice in hotel industry among the students. Through self reported questionnaire, 265 respondents were approached using proportionate stratified random sampling method. The study shows a direct relationship on factor in research which is direct financial compensation and career choice intention in the hotel industry. Main focus on graduate is the satisfactory introductory level salary as the pull factor to join the industry beside interest and career advancement.

Key words: *Direct financial compensation, hotel management and culinary arts graduate, graduate career choice intention, hotel industry*

INTRODUCTION

The hospitality and tourism industry is one of the largest economic contributors for Malaysia. Tourism is identified and recognised as one the source of development in developing a particular country for many developing countries (Awang & Abd Aziz, 2011). At this moment, Malaysia is one of the top tourism spot and place to visit in the world (Ab. Karim, Bee & Salleh, 2009). Furthermore, Malaysia has been ranked as the World's Top Fifteen Destinations that also has becoming the prime contributor to its overall economic (WTO, 2002).

Malaysia had managed to generate US\$6.8 billion of income (WTO, 2003). Facing with great expansion and rapid growth of the hospitality and tourism industry the country need to have dependable human capital. In general, by 2020, there will be a total of 1.6 billion million jobs in the tourism industry (WTTC, 2007). Thus, there is a significant need in having a more qualified, motivated and skilled manpower available to meet the challenges of this ever changing and demanding industry. These people also the one to head and manage the industry by continually contributing to the growths and development of the hospitality and tourism industry.

The workforce force is an integral part and they ought to be the spine and the decisive factor in all industries regardless the nature of the business (Gravish, 2009). The human play a pivotal role in delivering a product that will influence the overall experience of tourists as to the tourism is a service oriented industry (Chellen & Nunkoo, 2010). In other words, this leads to the sources of labor in which majority of them are graduates from universities and colleges.

Even though there are increments in students' enrolment in hospitality and tourism program, yet, there is an issue whereby these students will not enter or join the industry after completion of their study. Jenkins, (2001) highlighted that, while the undergraduate hospitality students' degree course progresses, at the meantime, their perceptions towards the industry deteriorate as well. It is particularly true and it can be considered as a big time loss to the industry in

terms of having the potential of hiring the suitable and competent personnel for them.

This scenario is really becoming a famous issue that is being tried to be understood by hospitality researchers. Yet, there is an indicator that there is a need for such studies to be carried out due to there are still lack of studies on understanding about perceptions and intentions of the labour market towards tourism as a career (Aksu & Köksal, 2005; Ross, 1992).

Subsequently, those who not decided on a career choice tend to have more concern about extrinsic values for future job. In that case, there is a need for better reward and recognition system to help the employers attract high potential employees to a firm (Jauhari & Manaktola, 2009). Practices such as developing equitable reward systems for staff and by incorporating a wide range of benefits are an innovative recruitment and retention techniques (O'Leary & Deegan, 2005).

LITERATURE REVIEW

The Hospitality and Hotel Industry

The terms travel and tourism industry and hospitality industry mean the same thing for some people (Nenemeier & Perdue, 2005). They added that, it is basically hard to define in a correct way because of the nature of the works are the same in which providing services to people; service-oriented business. Hence, all organizations that primarily provide lodging or accommodations and foodservices for travelling public or people when they are away from their homes refer the hospitality industry (Nenemeier & Perdue, 2005)

Compensation

Compensation is defined as 'the amount of money and other items of value (e.g.: benefits, bonuses, perks) given in exchange for work performed' (Hayes & Ninemeier, 2009). In other word, all forms of financial returns and tangible services and benefits

employees receive as part of an employment relationship can be referred as “compensation”.

‘Developing a compensation program that recognizes the lifestyle and standard of living of all employees is crucial these days’ (Milkovich, Newman & Milkovich, 2001). Other authors also asserted that compensation that every employee in the hospitality receives for doing their jobs is critically important and related to their job satisfaction (Hayes & Ninemeier, 2009). With this kind of program also it would be able to promote effective delivery of essential goods and services (Milkovich, Newman and Milkovich, 2001).

Moreover, an effective compensation package or program can improve job satisfaction as well as it will assist the organization to attract and retain skilled employees (Patricia, 2002). Dessler, (2011) stated that two main components of compensation are direct financial payments (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (financial benefits like employer-paid insurance and vacations). In which this study will only focused on direct compensation criterion.

Salary

All types of pay going to employees and arising from their employment are referred to ‘employee compensation’ (Dessler, 2011). Price, (2004) stressed that pay is the main reason why people work and it is an important feature of human resource management. It is a sensitive and controversial area that has been extensively debated at both practical and theoretical levels. Employees’ job satisfaction also interrelated to the pay practice of an organization or firm (Mudor & Tooksoon, 2011).

As a vital component in employee work motivation salary is income paid to an individual on the basis of performance, not on the basis of time (Griffin & DeNisi, 2005). The salaried status implied a long-term employment relationship and the potential for career development compared to wage workers (White & Druker, 2001)

that are paid according to number of hours worked or pieces of job completed.

Wage

On the contrary, interestingly researchers found out that the definition of wage can vary greatly, on the way of the word is used and the term is used in a variety of contexts. ‘Wages’ is the basic monthly wages plus fixed allowances (fixed amounts received monthly) paid to employees as defined in Section 2 of the Human Resources Development Act, 1992 (Ministry of Human Resources of Malaysia, 2009). In the hospitality industry context, ‘wages paid to workers typically take the form of hourly wages or piecework wages’ (Hayes & Ninemeier, 2009).

Incentives and Bonuses

Researchers believed that the both incentives and bonus program are essential and becoming increasingly common in hospitality industry (Hayes & Ninemeier, 2009). In general, compensation management provides a step-by-step approach for designing a remuneration system that recognizes job requirements; employee-related knowledge and skills; and performance-related incentives that link individual, team, and work unit and organization performance. Bonuses and incentives also include a host of benefit that protect and expand the lifestyle and help all workers and their family (Milkovich, Newman & Milkovich, 2001). In other words, they have something that could ‘spark’ their performances. Subsequently, there are various advantages that lead to bonuses and incentives (Dessler, 2011).

Career Choice

The exact meaning for the word ‘career’ is hard to justify. Definitions such as: ‘a career is a sequence of positions held by a person during his or her lifetime’ (Robbins, Bergman, Stagg, & Coulter, 2000) or ‘a career is the evolving sequence of a person’s working experience over time’ (Arthur, Hall, & Lawrence, 1989).

Also, 'a career is the pattern of work-related experiences that span the course of a person's life' (Greenhaus, 1987).

It is clear that the word 'career' offers a mix of interpretations and views by various people which can be found, but all these do not account for the external influences affecting career progress, such as social and family responsibilities. Thereafter, researchers might think that it is more useful to define a career as a dynamic process in which individuals gather information on their own likes, dislikes, strengths, weaknesses, and on the world of work; develop realistic career goals; develop and implement strategies to achieve these goals; and obtain feedback to promote career decision making (Greenhaus & Callanan, 1994).

METHODOLOGY

In accessing the direct compensation influence toward graduate career choice, a quantitative research approach was employed using self administered questionnaire. The samples of the study were chosen according to proportionate stratified random sampling technique in which 265 respondents from the Faculty of Hotel and Tourism Management, University Teknologi MARA (UiTM). The data were later analyzed using descriptive analysis approach to test several hypotheses formulated to for the study.

RESEARCH FINDINGS

Demographic Profile of the Respondents

Before commencing into analysis, it is essential to understand the characteristics of the respondents. Frequency test was used against all demographic and other related variables (gender, program / department, semester, career choice, internship, previous work experience and position. The results obtained from 265 respondents showed that 41.1 percent (n=109) male and 58.9 percent (n=156) female respondents. Next, it is clear that, 50.2 percent (n=133) are hotel management students and the other 49.8 percent (n=132) are culinary arts students. 77.4 percent (n=205) choosing it willingly. Meanwhile, the balance of the respondents 22.6 percent (n=60) did

not choose their course. The data indicates that 88.7 percent (n=235) had internship experience. And the rest 11.3 percent (n=30) had no internship experience. The respondents are from the STPM and Matriculation leavers. Majority of the respondents had experienced and worked in hotel industry before 65.7 percent (n=174) followed by 34.3 percent (n=91) no working experience. This show that they are aware of the work nature and pay rate of the hotel industry Moreover, most of respondents; 54.7 percent (n=145) had worked as a part time staff, before. Meanwhile, 35.5 percent (n=94) had never worked and hold any position in a hotel, previously. The final data shows that the remaining; 9.8 percent (n=26) had worked as a full-time or permanent staff.

Assessing the Internal Reliability of the Instruments

It is vital to analyse the internal reliability of the instruments before any further analysis is conducted. Cronbach's Alpha test done showed that all the independent and dependent variables recorded the reliability values of .829 (salary), .856 (wage), .877 (incentives and bonus), and .790 (career choice). Thus, all these are ranging from an acceptable to good the instrument.

Measuring the Influence between Direct Compensation Benefit and Career Choice Intentions

In measuring the influence of direct compensation benefit towards graduate career choice. A standard multiple regressions were used to explore the relationship between the direct financial compensation factors (independent variables: salary, wage, and incentives and bonus) and career choice (dependent variable) (Pallant, 2005). A set of hypotheses was formulated and tested. The analysis was to identify how the dimensions in the independent variable influence the dependent variable. Thus research hypotheses were constructed to assessed variable presented for the study.

H1: Salary influence graduate career choice in the hotel industry

Result of multiple regression reveals that salary and career choice are positively related ($p = .000 < \alpha = 0.10$). It is the most or strongest influential dimensions of direct financial compensation according to the Beta value projected of .790. This somehow had shown how important is salary to all the respondents in order for them to join the industry. Salary level offered is the prime thing that they look at before deciding to work in the hotel. Hence H1 is supported.

H2: Wages influence graduate career choice in the hotel industry

Second analysis reveals that wage and career choice are positively related ($p = .001 < \alpha = 0.10$). However the Beta value is -.193, highlight it is the least important elements of direct financial compensation. Thus, H2 is also supported.

H3: Incentives and bonus influence graduate career choice in the hotel industry

It exposed that incentives and bonus, and career choice are also positively related ($p = .000 < \alpha = 0.10$). It shows that incentives and bonus is the second important dimensions of direct financial compensation as to the Beta value is .311. The respondents pay a lot of attention on incentives and bonus level being offered by the hotel industry as it involves long-term commitment to be achieved, due to bonus are offered on yearly basis and based on the individual performance. Therefore, H3 is also supported.

CONCLUSION

Summary of the Findings

The direct financial compensation factors were operationalized by three dimensions namely salary, wage, and incentives and bonus. The multiple regression analysis done

highlighted that all three dimensions are significantly related to career choice. In general, direct financial compensation factors level offered by the industry greatly influence graduate career choice in hotel industry.

Limitations of the Study and Possible Future Research

Thereafter, this study only provides a glance on what really matters for the potential candidates of the hotel industry, and mainly the hospitality school graduates of UiTM. In addition, this research only focuses on direct financial compensation factors (the pay factor) as an element that influences career choice in the hotel industry.

Implications and Conclusion

Although hospitality schools have prepared students with adequate skills and knowledge to develop a career in the industry, there still exists a gap between these graduates' career expectations and the reality. Consequently, they opt to not to pursue to work in the industry. This will lead to a big loss to the industry of having highly skilled labor.

Thereafter, based on this research finding, it is hope that the industry players would take a step forward to improvise the image of the hotel industry that is always associated with factors such as low pay, low job status, long working hours, antisocial working hours, unstable and seasonal employment and making the employment within the hotel industry is unpleasant (Malaysian Association of Hotels, 2000) that contribute also to the high turnover rate in Malaysia's hotel industry, despite the tremendous development of hotels in Malaysia (Hemdi, 2006; Hemdi, Nasurdin & Ramayah, 2003; Zahari, 2004).

Notably, salary levels, interaction with managers, and career paths are the universal remedies to solve this problematic scenario of attracting graduates of hospitality and tourism schools (Richardson, 2008). It is suggested to reconsider or revise back the pay level offered by the hotel operators in an effort to create improved

recruitment efforts and ultimately enhance the recruitment results in the industry. Industry recruiters also should actively reach out the hospitality schools' students and provide current and realistic information about rewards (including salary, wage, incentives and bonus, and others), work conditions, career advancement opportunities, and in the industry. It is hoped that they may reconsider their expectations and be more realistic when deciding which segment to enter and plan their career accordingly.

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