Human Resource Management in the Hospitality Industry

Now in its ninth edition, *Human Resource Management in the Hospitality Industry* is fully updated with new legal information, data, statistics and examples. Taking a ‘process’ approach, it provides the reader with an essential understanding of the purpose, policies and processes concerned with managing an enterprise’s workforce within the current business and social environment.

Since the eighth edition of this book there have been many important developments in this field and this ninth edition has been completely revised and updated in the following ways:

- Extensively updated content to reflect recent issues and trends including: labour markets and industry structure, impacts of IT and social media, growth of international multi-unit brands, role of employer branding, talent management, equal opportunities and managing diversity. All explored specifically within the hospitality industry.
- The text explores key issues and shows real-life applications of HRM in the hospitality industry and is informed through the authors’ research projects within Mitchells & Butlers plc, Pizza Express, Marriott Hotels and Café Rouge.
- An extended case study drawing from the authors’ experience working with Forte and Co., Centre Hotels, Choice Hotels and Bass, Price Waterhouse and Grant Thornton.
- Supported with new lecturer and student online resources at http://www.routledge.com/books/details/9780415632546/.

Written in a user-friendly style and with strong support from the Institute of Hospitality, each chapter includes international examples, bulleted lists, guides to further reading and exercises to test knowledge.

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Human Resource Management in the Hospitality Industry

A guide to best practice

Ninth edition

Michael J. Boella and Steven Goss-Turner
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Before joining the University of Brighton in 1992, he spent 16 years with the then Trusthouse Forte Hotels, including Regional Human Resources Director for the London and International Division. He is the author of a number of books and articles, focussing particularly on aspects of the service industries connected to workplace cultures, labour turnover and human resource strategy in multi-site businesses.

Michael J. Boella has a Master's degree in employment studies from Sussex University. He is a Faculty Fellow at the University of Brighton and specialises in teaching human resource management and law. He was a visiting professor at the University of Perpignan in France and teaches regularly at the University of Applied Sciences in Bonn and at the Angell Business School in Freiburg. He also taught regularly at the Ecole Hotelière de Lausanne. Mike worked for Forte and Co Ltd and Bass as a Human Resource Manager and for Price Waterhouse as a management consultant. Mike has been editor of a number of Croner publications for over twenty years and is joint author of Principles of Hospitality Law.

Mike has received several awards for his work: the Special Achievement Award of the Hotel and Catering Personnel and Training Association, Honorary Faculty Fellowship of Brighton University, the Award for Excellence from the University of Applied Sciences in Bonn and admission to the Confrérie du Sabre d’Or.
It says much for the quality and value of this publication that it has now reached its ninth edition. To have maintained its place as an essential text for so many years Human Resource Management in the Hospitality Industry has had to remain relevant to its broad audience. That it has done so through successive reviews is a tribute to the scholarly work of its authors, Michael Boella and Steven Goss-Turner, and this latest edition, once again, bears witness to their assiduous attention to detail and careful evaluation of the topic in the context of today’s environment.

Full of informative examples and pertinent guidance, this ninth edition has updated the subject in a timely and appropriate fashion. Whilst the fundamental principles governing the sound management of people remain constant, the circumstances in which they operate continue to evolve at an ever-accelerating rate. For example, the rapid advances in technology since the previous edition have witnessed the advent of social media as a powerful force in our lives. This phenomenon alone is now requiring managers and businesses to re-assess their relationships with employees, many of whom have ‘grown up’ with these technological advances. Furthermore, these new entrants to our industry often approach the world of work with a very different set of cultural norms to those held by their managers, presenting a new set of challenges for both parties.

For these reasons, Human Resources Management in the Hospitality Industry remains a vital text for all who aspire to a leadership role within the sector. As the industry’s professional body, the Institute of Hospitality’s prime objects are: the promotion of best practice and the advancement of education in hospitality management. This is why I am delighted to see these twin missions so amply supported in this latest edition, and the authors are to be congratulated on maintaining the freshness, relevance and breadth of coverage in a book that should be a key component in the skills armoury of all managers and aspiring managers across the hospitality industry.
This book, now in its ninth edition, offers an in-depth description of sound human resource management practices, in the hospitality industry. Managing the workforce effectively is perhaps the single most important issue in delivering first-class service which underpins a hotel’s performance, reputation and profitability.

For more than 40 years, I have persisted in the international hotel industry. First as a hotel school graduate, then as a trainee in almost every department, before rising through the management ranks of UK domestic hotel companies to assume the most senior job with one of the leading international hotel brands, Hilton Hotels. Throughout this journey the importance of good, well-skilled and enthused people was paramount in helping me achieve corporate objectives.

In retrospect I don’t think the principles of sound people management or the challenges of developing a committed labour force in the hotel industry have really changed since I first started in the industry. Of course labour laws and regulations have increased as policymakers and employee representatives have sought to offer greater employment safeguards and benefits.

At the international level, the countries of origin of hotel staff, particularly management and supervisors, have changed dramatically. In the past, companies, in order to preserve their brand integrity in new countries, tended to post skilled staff from their own already successful properties. In many countries, however, immigration rules have changed in order to protect local employment, ensuring that home-grown employees have employment priority. In addition, more international companies can now rely on a more abundant source of local trained labour in domestic markets, as a result of local education and training initiatives. Even so, restrictions on importing senior management and skilled supervisors present companies with challenges as they work to protect the integrity of their brand.

Outsourcing too has changed the management of many properties. Initially services such as laundries were outsourced. This was extended to housekeeping and some food and beverage operations. Now restaurants are being run by celebrity chefs, all adding to the variety of operational and employment arrangements and challenges both within a single property and within a whole company.

I have always felt that good hotel management requires a hands-on approach and strong communications and leadership skills. However, we now see an almost never-ending supply of new branded hotels, operating on an almost formulaic basis, setting out in countless manuals and checklists the dos and don’ts of human resource management, removing much of a hotel manager’s accountability, responsibility and discretion.

There’s no denying that hotel brands, operated under management contracts or by franchise have become the way in which hotel companies are growing across all continents of the world, and consistency of operation is critical. Getting the balance right, however, is vital. Local culture
and employment regulations play a big part in how employees are deployed, just as local culture impacts upon guests in the experience they expect and receive.

The real risk for general managers is that some remote Head Office function removes the discretion of local management to organize and inspire their workforce according to the particular circumstances and market position of each hotel. This removes the one most critical attribute of the General Manager and his or her Department Heads, i.e. his or her ability to exercise judgement, to make decisions. Granted that employment law is a minefield and prescribed arrangements need to be in place and understood, it is my view the human resource function should be at the service of General Management and not the other way round.

It is a much-used statement to say ‘Hotels are a People Business’, but it is a truism. Having a clear understanding of the overarching principles of HR planning, recruitment, selection, induction, training, performance management and people development (now talent management), reward and remuneration and regulation is a necessary part of running a people business.

In Michael Boella and Steven Goss-Turner’s book, both authors with years of experience in some of the world’s largest hotel and hospitality companies, you’ll find all of this and a lot more.
Preface

This book has always presented a particular challenge, knowing that its long-term success has been largely because it has been written to be very readable and accessible to a wide range of readers. This book has never been addressed solely to the academic community – instead it is addressed to practising managers and to students intending to be managers, and to their teachers. More than anything else we aim to indicate ‘best practice’. What constitutes ‘best practice’ is a question of opinion but we are basing what we consider ‘best practice’ on a wide range of sources including publications and research and discussions with many managers from many companies and countries.

We have avoided straying into the related sector of ‘tourism’, because the various different hospitality sectors represent over 60 per cent of the hospitality, leisure, travel and tourism businesses (People 1st, State of the Nation Report, 2011) and, whilst there are considerable overlaps between the various sectors, we believe that the hospitality sectors have distinctive characteristics.

As we wrote in the eighth edition of this book, the original edition was written when personnel management in the hospitality industry was practised by a handful of employers and even in these cases it was confined to a few functions of personnel management such as recruitment and training. Today, forty years later, we can say that human resource management (HRM) in the hospitality industry has grown in its impact and status, with an increasing number of HR Directors being appointed at executive board member level. However, it is clear that in such a fragmented industry, with the vast majority of businesses employing five or fewer staff, there is still much to do, in order to develop a positive image of the sector as a first choice for long-term career employment.

Each new edition has been prompted by a variety of changes that have affected the hospitality industry, including political, legal, economic, social and technological changes, and this edition is no different. Many of these changes have had considerable influence on the management of the industry’s human resources.

One key issue, developed even since the last edition, is the impact of the Internet – in the case of staff recruitment most major companies have largely abandoned the print media for the Internet. Furthermore, various web-based media, such as TripAdvisor, have very significant impacts on marketing, which in turn impacts on staff recruitment and training. There is now also an increasing concern for the environment and sustainability, in many cases a genuine concern, in other cases mere ‘green-washing’.

A key economic element has been the growth in the reach and the scale of hospitality companies, many now global actors. Such growth has an almost insatiable appetite for human resources at all levels and one consequence is the multicultural nature of the workforce – today it is reported that nearly 40 per cent of staff in UK restaurants were not born in the UK and over 30 per cent of managers were born overseas. Similar patterns can be observed in many other countries.
The issues of HRM across multi-site companies and in an international context have been developed to a greater extent in this edition, largely due to Steven Goss-Turner’s PhD research into the field.

Together with the globalization trend, the need to meet shareholder expectations creates other pressures which often result in changes to the management of an enterprise’s human resources. Such changes may include more flexible but often polarized and distanced workforces, outsourcing of large sections of a business activity, reliance on agency staff and short-term contracts. In the UK it is reported that 70 per cent of businesses rely upon part-time workers. All of which creates a purely economic relationship with little room for loyalty. Another consequence of such economic pressures is flatter organization structures with more empowered or enabled workers, but often with fewer internal promotion and personal development prospects.

At the same time, many employers, some conscious of these trends, are improving their human resource management practices through participating in a range of schemes such as Investors in People, the British Hospitality Association’s Excellence through People, and the Institute of Hospitality’s Hospitality Assured schemes. Such trends and developments create tremendous paradoxes for contemporary hospitality managers. Whilst many companies wish to recognize the needs of all their stakeholders, they also have to remain competitive in a global market.

We are grateful to all those who have made this latest edition and earlier editions possible, including the many companies and associations that have allowed us to use their material. These include: the British Hospitality Association, the Chartered Institute of Personnel and Development, Janine Mills of the Institute of Hospitality and Matthew Ruck of Marriott Hotels.

Finally, we are very grateful to Philippe Rossiter of the Institute of Hospitality, and Michael Hirst, previously CEO of Hilton International.

Thanks also to Juliet Boella for all her work on this ninth edition, having worked also on every edition since the first edition.

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Part 1

The hospitality industry
HRM context
A proliferation of competing brands, shorter business and product life cycles together with many different business models all make the world’s business environment more complex and challenging.

The hospitality industry is no exception. Even in periods of recession such as those experienced since 2008 the hospitality industry has seen significant changes with some sectors growing such as restaurants, coffee houses and the budget hotels sectors, whilst others have seen an equally dramatic decline such as the public house (licensed bar) sector.

Within hotels we have seen the continuing growth of the budget hotels sector and we have seen the steady growth of boutique hotels, once the preserve of enthusiastic private hotel operators, into significant chains within larger multinational chains. At the international level we also see rapid expansion of international hotel brands, such as Hilton, as the middle classes grow in many countries including the BRIC countries (Brazil, Russia, India, China) to which are added some African economies.

Hotels and hotel companies are constantly changing hands so that we see what some may describe as ‘churning’ of many hotel properties. Some iconic brands have been bought and sold several times in a few years. Many have disappeared.

Various different forms of business models are now common. Apart from simple owner-operated properties other forms of operation include management contracts (or agreements), franchising, voluntary chains (or consortia), joint ventures, branded reservation services and combinations of two or more of these. In addition, subcontracting, outsourcing and offshoring alter significantly the traditional business models.

At the social level we are witnessing important developments. On the negative side we are witnessing significant increases in obesity- and alcohol-related problems. On the positive side there are increased concerns for the environment, sustainability, animal welfare, health and healthy eating and drinking. These all impact directly or indirectly on the industry. At the technological level there has been a dramatic transformation in how customers access these services.

In the past, customers may have relied upon classification systems and brands for ‘promises’ of quality. Today, social media has entered the business environment, with sites such as TripAdvisor playing a significant part in customer behaviour. A report published in Ehotelier.com (December 2011) stated that ‘60% of guests use one or more social networking platforms during their search, shop and buy process’. And whilst brands play a vital role they are seriously challenged to deliver on their ‘promises’ by the social media.
In addition, whilst hospitality operators have operated basic forms of ‘yield management’ for many years, the adoption and development of computerized hospitality-specific yield management systems have led to the need for new skills and, in many cases, modified organization structures.

All these developments have significant impact on the human resourcing of businesses. Shorter business and product life cycles, flatter organization structures and the ‘churning’ of properties means that lifelong careers, or even moderately long careers with one employer are harder to encounter, being replaced by ‘portfolio’ careers and even portfolio jobs (i.e. two or more part-time jobs at the same time).

From the hospitality industry’s perspective, there are many accompanying societal changes with great significance for the industry’s operators. These include easier and cheaper travel and, as a consequence of improved lifestyles and medical services, increased longevity, resulting in increasing populations and demographic restructuring. Alongside this, the media in their many different forms are informing and shaping people’s behaviour as never before.

The contributions made by the hospitality industry to this general rise in standard of living are considerable and varied, providing essential products and services, leisure services, large-scale employment and wealth creation. Tourism, of which the hospitality industry is a principal element, is now claimed to be the world’s fastest growing industry and also one of the leading earners of foreign currency.

The total value of tourism to the UK in 2009 was estimated to be £86 billion, with overseas visitors spending close to £12 billion of that figure in foreign currency (People 1st, 2011). The value to the nation’s 2009 gross domestic product (GDP) of specific hospitality sector and related services was estimated at 4.9 per cent.

The UK hospitality industry, with its ever-developing range of products and services, has seen considerable growth in recent years. In 2010 and 2011 alone, according to the British Hospitality Association, 276 new hotels were built adding 35,000 rooms to the hotel stock. The high streets of towns are now as much a forum of branded restaurants and coffee houses as they are for general retailers. Whilst there have been substantial technical improvements, and conditions in the industry may have improved over what they were in the past, the relative status of the industry as an employer, compared with other employers, has not improved significantly. Admittedly at the top of the scale, some highly skilled workers such as chefs, who are in short supply, can command very high incomes, but at the other end of the scale, kitchen porters and cleaners, for example, would earn considerably higher wages for broadly similar work in other employment sectors. This is in spite of efforts being made by some of the larger companies in the industry to improve conditions.

Among the reasons must be the fact that most employees only generate between £42 and £81 per hour for their employer compared with many other industries in which employees may generate many times that for their employer. Of this between 10 and 40 per cent will be taken up by labour costs, the remainder going towards material costs, property costs, fixed costs and profit. In contrast, the gambling sector generates around £120 per hour per employee (People 1st, 2011). With few exceptions, catering services do not lend themselves easily to significant mechanization. As a result, the industry is heavily labour-intensive and labour costs dominate many profit-and-loss accounts.

The reasons for the relatively slow rate of improvement in the industry’s conditions of employment are considerable, including an understandable reluctance on the part of many proprietors and managers to be among the first to charge higher prices for their services, particularly when the UK is reported to be among the most expensive of tourist destinations. Second, the industry also consists of many small employers (46 per cent with fewer than ten employees). A third reason, linked to the former reason, is that there are few barriers to entry and limited capital requirement. One consequence is that many entering the industry lack knowledge and experience and so the failure rate is relatively high. A fourth reason is that the trade union movement exerts no influence in most sectors of the industry, which contrasts with some other countries. A fifth reason is that the industry’s workforce consists largely of people drawn from the secondary labour market, i.e. those not committed to the industry on a long-term basis (such as students, school leavers, housewives). For these reasons, the industry has its own less...
obvious but costly labour problems including such phenomena as a high labour turnover rate, institutionalized pilfering and low service standards in many establishments.

Because of the nature of the hospitality industry (i.e. many small businesses taking cash) the industry is host to a significant ‘black or shadow’ economy. This is discussed in more detail in Chapter 16, Employment Law. However, the black or shadow economy was estimated, at the European level in 2005, to be in the region of 15 per cent of the industry’s total revenue (Schneider, 2005). In the UK the tax authorities (HMRC) suggests that the UK’s black economy is of the order of 6 to 8 per cent of GDP and probably higher in the hospitality industry.

It is, of course, to be expected that some aspects of working in the hospitality industry may be unattractive when considered alongside other sectors. There are intrinsic and largely unavoidable challenges such as having to work evenings, weekends and bank holidays. Other problems, however, can certainly be reduced or eliminated by determined management action. These problems include split-shift working, unpredictable working hours, staff reliance on tips, ignorance of methods of calculating pay and distributing service charges, and management’s reluctance to involve staff in matters that affect their working lives. A number of reports have highlighted these difficulties which, together with some management attitudes and practices, undoubtedly cause much of the industry’s human resourcing problems. Even today, for example, many employers and managers expect all employees, whatever their position and wage rate, to be dedicated to their jobs, to have a vocational fervour towards their work and to sacrifice leisure time for pay that is not high by general economic standards. These same employers and managers fail to recognize that their own motivation to work is usually completely different from that of their staff, and that many work people throughout the community are becoming less work-oriented for various reasons. Employers in industry must reconcile themselves rapidly to the fact that the majority of potential staff are less likely to be singularly and vocationally committed unless ways and means are found to harness what some researchers claim is a natural motivation to work.

At the International Hotel and Restaurants Association Human Resource Think Tank in the Netherlands (1999) this issue was discussed and it was concluded that a distinction has to be made between ‘loyalty’ and ‘commitment’, loyalty being a two-way long-term attitude of trust and reliance between employer and employee, whereas commitment is perceived as a shorter-term professional/ economic relationship which endures so long as each is dependent upon the other (see Chapter 2). A similar issue has been addressed in the UK government’s MacLeod report which was concerned with employee engagement, with examples from the hospitality industry (MacLeod and Clarke, 2010).

The British hospitality industry, its workforce and the British economy

The value of the hospitality and tourism sectors to the UK economy has been emphasized earlier, and has encouraged the government to take increasing heed of the issues faced by the industry, such as during the foot-and-mouth disease outbreaks in 2001 and 2007, which had devastating impacts on many tourism and hospitality businesses.

The British Labour Force Survey 2010 reported that the hospitality, leisure, travel and tourist industries’ workforce numbered around 2,150,000, an increase of 14 per cent over 2005. The workforce represents around 7.2 per cent of the UK workforce as a whole.

Tourism and travel

The increased demand for tourism and international travel services is a worldwide development and a consequence is the internationalization of many of the leading hospitality companies. A result of this for
the British hospitality industry’s employers is that many potential employees now look overseas for employment. At the same time many foreigners come to the UK, in many cases to learn English.

Social and demographic changes

The industry is, of course, responding to major changes in the demand side of the industry, i.e. the consumer side. Demographic changes alone, such as the increased proportion and number of older people, have created demands for more products catering for their needs, and the reduced number of young people is creating both demand and labour market problems. Among the younger population, changes in eating habits – a shift to ‘grazing’, for example – have created opportunities for many different types of fast food outlets, some blamed for the worldwide increase in obesity. The move to healthy eating too is responsible for a range of new products and a related growth in vegetarianism to be contrasted with the growth of obesity within many populations.

A breakdown in the traditional socio-economic usage of different hospitality products is probably of significance. No longer are some products used exclusively by particular socio-economic groups. Instead, the use of catering products, such as fine-dining, is to a greater extent than previously determined by the occasion (behaviourally determined) rather than by the socio-economic group.

Business continuity

One of the crucial features of modern life is that businesses and organizations are subject to events outside of their control, including natural disasters such as storms and flooding, and man-made events such as terrorism. One thing that modern organizations need to do therefore, because of the potential impact of such events on the organization itself and upon its employees, is to have business continuity plans in place. (See Appendix 2, the Institute of Hospitality’s ‘Business Continuity’ guidance notes.)

The changing hospitality industry

Within the hospitality industry itself there are important developments that have long-term implications for the industry. First, as many hospitality businesses became larger (i.e. operating more establishments) and as individual establishments have become larger and more complex, there was in the 1980s an expansion of numbers in junior and middle management, particularly in the non-line functions. In the late 1980s and the 1990s, however, economic pressures have led to a reduction, a ‘delayering’, of such roles. This is discussed later in this book.

One of the biggest developments in business has been the emergence and development of a multitude of brands ranging from global brands with many thousands of outlets through to small local brands with as little as a handful of outlets. At the same time hospitality organizations have become more market-oriented. This has led to increased market segmentation and to many of the larger companies establishing specialist subsidiary companies which are concerned with a range of highly specialized products such as boutique hotels and aparthotels.

This proliferation of brands has developed because of the variety of business models including the simple owner-operated business, management agreements or contracts, consortia (voluntary chains), marketing groups, joint ventures, licensing agreements and, probably most importantly, franchising.

Franchising has been around for many years although the word ‘franchising’ was rarely used. Breweries offering tenancies was one major form enabling individuals to go into business at relatively little cost, with the support of a major brand, leaving tenants (the franchisee) to operate their pubs, in many cases within a relatively loose ‘tied house’ arrangement, with most pubs being different, i.e. a ‘soft brand’.
Other hospitality sector brands, however, were developing. In the UK one of the earliest fast food brands to develop was the Wimpy bar, to be followed years later by the entry and domination of US brands including McDonald’s, KFC and Burger King. These brands really heralded the emergence of what we now refer to as ‘hard’ brands, offering consistency and reliability which many other brands failed to deliver. For many years these ‘hard’ brands imposed their perception of customer demand on customers. Such fast food operations constitute a relatively easy and inexpensive field to enter but success demands expertise and promotional effort, which are increasingly beyond the resources of the independent. The franchise side of the hospitality industry, as a result, is growing along with franchising generally.

In the hotel sector, similar developments are evident in the growth of the consortium movement, such as Best Western, by which individual hotel businesses can collaborate with other similar establishments in order to compete effectively against the large national and multinational companies, especially in the areas of marketing and global distribution and reservation systems.

While the industry has established its importance from an economic point of view, it could be hoped that those employed in the industry would be reaping rewards that echo this increased importance. In many cases this may well be so, with key people such as chefs and waiters at leading restaurants and good managers earning high rewards.

However, as reported above, the industry does still have a reputation for low pay, which is also discussed later in the book, because it is not as simple a matter as outside observers appear to think. The value of tips, food, accommodation, laundry and savings on fuel and fares all have to be taken into account: anyone ‘living in’ avoids some of the heavy daily transport and accommodation costs. Also it must be borne in mind that a very large proportion of the industry’s workforce is drawn from a secondary labour market. Because of this, many work people may not have high-value skills to offer, or alternatively their motives to work may put a premium on the convenience of their work (location, hours, family), for which they will sacrifice higher incomes.

In fact, earlier research from Bath University, published in 1999, found that ‘catering workers are in the half of the population most happy with their jobs despite poor pay and image’:

<table>
<thead>
<tr>
<th>Job</th>
<th>Satisfaction rating (%)</th>
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<td>Restaurant and catering managers</td>
<td>55</td>
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<tr>
<td>Bar staff</td>
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<tr>
<td>Chefs and cooks</td>
<td>47</td>
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<tr>
<td>Catering assistants and counterhands</td>
<td>44</td>
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<tr>
<td>Waiters and waitresses</td>
<td>40</td>
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<tr>
<td>Kitchen porters and hands</td>
<td>40</td>
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<tr>
<td>Publicans, innkeepers, licensees</td>
<td>40</td>
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</table>

The most satisfied workers were child-carers, with a satisfaction rating of 60 per cent. The lowest were metal workers, with a rating of 20 per cent. Professor Michael Rose of Bath University concluded ‘that part-time women were more satisfied than full-timers and men in similar positions ... and staff satisfaction tended to drop with improved skills and greater access to alternative jobs’ (Caterer and Hotelkeeper, 16 September 1999). Lucas (2004) supports the general tone of the Bath findings, utilizing evidence from the 1998 Workplace Employment Relations Survey, declaring that many hospitality employees are more positive about their jobs than many in better-paid sectors.

Undoubtedly, low pay in the industry exists, but it is not something that can be put right overnight. Britain’s hotels and restaurants are already reported to be among the most expensive in the world, so increases to tariffs are not the answer. Instead, a thorough reappraisal of the services offered and the consequent manning levels and staff training may lead to greater productivity. In this field,
strides have been made; capital investment is made to replace the most menial or repetitive tasks, and efforts are made to improve the standard of training. However, increased productivity in service industries is not as easy to achieve as in many other industries without making radical changes to the nature of the service itself. To some extent this is happening, particularly through increasing the amount of customer participation, whether this is by buffet-style breakfasts or by automated check-in and check-out procedures such as those developed by Formule 1, the budget division of the French Accor group.

Most improvements and efforts seem to be made at the tip of the iceberg, mainly among the larger companies. Much the greater numerical proportion of the industry is made up of smaller employers who each employ a few staff only and who for a variety of reasons are not able or prepared to evaluate their own business methods as rigorously as is required in today’s aggressive business climate. One consequence is the growth of the larger companies at the expense of smaller companies, which is a phenomenon not confined to the hospitality industries, but is a general phenomenon of consolidating industrialized societies.

In essence, therefore, major structural changes are taking place in the workforce, and in methods and organization of work. These can be summarized as follows:

1. Employment in manufacturing is declining as productivity is improved through automation and outsourced to other (lower wage) countries.
2. Employment in personal services is increasing.
3. There will be growth in the secondary labour market and a decline in the primary labour market.
4. There will be an increase in white-collar employment.
5. There will be a decline in manual employment.
6. There will be a decline in long-term, full-time work, with more people doing more than one job, including professionals pursuing a so-called ‘portfolio’ career and a growth in ‘interim’ management.
7. There will be a reduction in job security.
8. Technological change and economic pressures cause redistribution and reorganization of work as evidenced by the outsourcing to other countries such as India of much routine information processing and call-centre work.

These trends were anticipated some years ago by Charles Handy (see Chapter 2) who wrote that the full-employment society was becoming the part-employment society, that the one-organization career was becoming rarer and that sexual stereotyping at work was no longer so rigid.

It is worth adding that such changes in working patterns are not all imposed by employers. In many cases it is the supply side of the labour market, the employees, who demand conditions such as more flexible working practices and family-friendly policies of the employer, caused largely by societal changes such as the increase in the number of single-parent families. This is evidenced today by employers asking when potential employees would be available for work, rather than insisting on traditional shift patterns. The trend towards fewer full-time jobs was supported by the Labour Market Review 2003 (Hospitality Training Foundation, 2004), which reported that only 48.1 per cent of the hospitality workforce is full-time. In 2011 63 per cent of employers offered flexible working which included job-share, condensed hours working and flexi-time (People 1st, 2011).

**Labour turnover and employment**

The industry has, for many years, had a reputation for a very high level of labour turnover. Twenty years ago the Hotel and Catering Industry Training Board (HCITB) published its report *Manpower Flows in the Hotel and Catering Industry*. It found the following gross turnover rates: managers 19 per cent;
supervisors 94 per cent; craftspersons 55 per cent; and operatives 65 per cent. Cafés and public houses had the highest rates of losses, caused largely by young people using the industry as an interlude between school or college and a full-time career. Figures for 2011 are shown in Figure 1.2.

Although labour turnover can appear to be relatively high among some sectors and some employers, it is vital that proper comparisons are made and also to recognize that not all labour turnover is the consequence of poor employment practices. Many smaller employers cannot offer careers or career progression, so employees will naturally move from one employer to the other, but they remain in the industry. These can be described as ‘transient workers’. Transient workers are most common within customer service staff (13–14 per cent of workers) and front-line staff (16–19 per cent of workers) (People 1st, 2011). Some refer to this as ‘circulation’ as opposed to ‘turnover’, because the employees concerned are not lost to the industry.

In other cases many employers recruit directly from the secondary labour market, i.e. workers who are not committed to a particular industry. Many workers such as school leavers, students and ‘long-term tourists’ are seeking short-term employment, sometimes just to earn holiday money or to learn the language, before starting their studies or returning home. Among some employers, particularly in the fast food sector, there is a very high level of labour turnover, often attracting candidates experiencing their first entry into the job market, but labour turnover is anticipated and can be properly managed.

Some key features of the hospitality industry workforce include (People 1st, 2011):

- High proportion of part-time working; 67 per cent of hospitality businesses rely on part-time working to manage demand fluctuations.
- High proportion of women; ranging from 65 per cent in sales and customer services to 44 per cent in management.
- High proportion of younger people; 44 per cent of the workforce is under 30 (UK overall figure is 24 per cent).
- High proportion of transient workers; up to 19 per cent for some front-line staff.

Pay

While there are many instances of high rates of pay in the industry – top executives are in the six-figure bracket – the image overall is not good in this respect. Reliance, in some sectors, on tipping still exists to a greater extent than some consider desirable. The practice of paying employees the basic or near basic wage and also putting notices on menus and price lists that service charges are included has had the effect of diverting customers’ tips into company revenue. In many cases this practice has an adverse effect on net earnings. First, all of the service charge may not be distributed to the staff, and second, income from such a source is taxed (VAT and income tax), which was not done previously.

In these circumstances, where low pay and distrust of the employer’s wage practices exist, it is to be expected that pilfering on a significant scale takes place. A report based upon an Open University case
study, ‘Room for Reform’, claimed that pilfering appeared to be an institutionalized part of wage bargaining in hotels. Management often recognized it as a way to boost inadequate pay (see Mars and Mitchell, 1979).

Today, ‘fiddles’ (theft) range from straightforward short-measuring and short-changing of customers to supplying one’s own household with cleaning materials, toilet paper, light bulbs, crockery, cutlery and even towels and other linen. Some fiddles are quite sophisticated and operate at quite high levels. It has been known for managers to redecorate their own homes at their employer’s expense, or for a manager to deduct ‘the cost of grass cutting’ from the hotel’s petty cash and to arrange for a farmer to pay the manager for hay taken from the same land. In regular spot surveys, not one industrial release student questioned had not witnessed pilfering.

Such practices, however, must be seen in proper perspective, bearing in mind that some other industries, trades and professions provide vastly more lucrative opportunities than those provided in the hospitality industry.

Human resource management in the hospitality industry

(This section needs to be read in conjunction with Chapter 2.) Until the early 1960s, personnel management as a specialist function in the hotel and catering industry was almost non-existent. Where it did exist, it was devoted to small elements of personnel management, such as recruitment and training. It was not until the introduction of employment legislation, such as the Contracts of Employment Act 1964 and the establishment of the Hotel and Catering Industry Training Board in the 1960s, that personnel managers began to appear in the industry in any numbers. Today all of the larger companies now employ human resource (HR) specialists, with a range of different titles including Personnel Manager, Human Resource Manager or Director, Director of People, Talent Acquisition Manager. There is still, however, too little regard paid to it by many employers. HR managers are frequently junior managers learning the ropes at the staff’s expense. The fact that many of the sector’s businesses are sole traders or micro-businesses is also a critical factor in determining the extent to which Human Resource Management (HRM) can be professionalized across the industry.

- 24 per cent are sole traders
- 46 per cent of businesses employ fewer than five people
- 74 per cent of the establishments in the sector employ fewer than 49 staff (People 1st, 2011).

Within larger hospitality companies HRM appears to be taken more seriously. Even so, the determining factor appears to be one more of attitude to human resource issues rather than the size of business in itself. Where human resource or personnel professionals are employed, HR management has become more sophisticated.

Evidence of the increasing sophistication of the human resource may be found in some academic research (see Chapter 2). Furthermore other evidence was to be found in the Hotel and Catering Personnel and Training Association’s (HCPTA) annual awards for excellence in human resource management. Each year hospitality companies submit human resource activities for consideration for these awards. Many of the ideas submitted show considerable concern for the employers’ human resources. These range from the distinctive branding of the HR function as a separate activity (or ‘product’) within the company through a range of training initiatives to schemes concerned with the care of company pensioners. Further encouraging evidence about the increasing professionalism of HRM in the hospitality sector was evidenced in the research and writings of Kelliher and Johnson (1997), Hoque (2000) and Lucas (2004).

Two of the industry’s most influential bodies set in motion a number of significant initiatives that should have long-term effects on the industry’s labour force.
Excellence through People – British Hospitality Association

In 1998 the British Hospitality Association started their Excellence through People scheme. This was partly a response to the Department of National Heritage’s report (1996) which listed a familiar range of complaints about the industry’s employment practices, including poor wages, long hours and high labour turnover. The report went on to state that ‘the tourism and hospitality industry faces the threat of a self-perpetuating vicious circle that is harmful to profitability and competitiveness ... The negative image of many jobs in the industry – low pay, low skill, low status – discourages many people from joining the industry, thus taking us back to the beginning of the vicious circle.’ Figure 1.3 shows the BHA’s Excellence through People ‘Ten-Point Code’.

Hospitality Assured – Institute of Hospitality (IoH)

The Institute of Hospitality operates the Hospitality Assured scheme, supported by the BHA. This sets out to recognize and reward high standards of customer service in the hospitality industry. The process for achieving Hospitality Assured consists of customer research and feedback and assesses a business’s performance in standards of service and business excellence, with prominence given to aspects

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**Excellence through People** is based on a ten-point code of good employment practice. It commits employers to:

**Recruit and select with care**
(so that you can promote a positive image and attract quality staff)
1 Equal opportunities
2 Recruitment
A good employer attracts, selects and employs quality staff, whether full-time or part-time or casual, who are legally entitled to work in the UK.

**Offer a competitive employment package**
(so that the staff you take on know what to expect and are well cared for)
3 Contract of employment
4 Health and safety
A good employer ensures that staff are fully aware, in writing, of their terms and conditions of employment and provides a healthy and safe work environment for them.

**Develop skills and performance**
(so that standards of customer service and productivity can be enhanced)
5 Job design
6 Training and development
A good employer constantly seeks to increase productivity, business efficiency and customer service by improving staff competence, motivation, effectiveness and job satisfaction.

**Communicate effectively**
(so that you and your staff are working towards the same goals)
7 Communications
8 Grievances and discipline
A good employer ensures that staff know what is expected of them, keeps them informed of performance and has arrangements for dealing with discipline and grievances.

**Recognise and reward**
(so that you can retain highly motivated staff)
9 Performance review
10 Rewards and recognition
A good employer takes steps to keep and motivate quality staff by rewarding them equitably by means of a well-understood remuneration package.

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**Figure 1.3 Ten-point code**

Source: British Hospitality Association.
such as the customer promise, business planning, standards of performance, service delivery, training and development. See Appendix 1.

**Investors in People**

Investors in People (IiP) was launched to ‘improve business performance and secure competitive advantage’. The scheme has four main principles:

- **Commitment** – to invest in people to achieve business goals.
- **Planning** – how individuals and teams are to be developed to achieve these goals.
- **Action** – to develop and use the necessary skills in a programme directly tied to business objectives.
- **Evaluation** – measuring progress towards goals.

**Further reading and references**


Ernst and Young (2012) *Global Hospitality Insights, Top Thoughts for 2012*, London: Ernst and Young.


For those interested in earlier reports on the industry, previous editions of this book contain some details. Members of the UK’s Institute of Hospitality can access publications including Management Guides which summarize key information of relevance to hospitality operations (www.instituteofhospitality.org).

Members of the UK’s Chartered Institute of Personnel and Development (CIPD) can access a range of materials including Fact Sheets and articles from over 300 online journal titles relevant to HR. CIPD members and People Management subscribers can see articles on the People Management website (www.peoplemanagement.co.uk).

Questions

These questions have been designed so that the first question in every case can be answered from material in the accompanying chapter. Subsequent questions may need reference to material contained in the reading list and maybe to other sources as well. The last question, in most cases, requires knowledge and experience of the industry, acquired, for example, through normal employment, holiday work or industrial placement.

1  The hospitality industry consists of several different and distinct sectors. Discuss these sectors, identifying the key features of selected sectors (such as casual dining, fine-dining, fast food, hotels) and how these features influence the nature of the workforce of the selected sectors.

2  What factors are likely to influence the hospitality industry’s workforce in the future?

3  Discuss the key features of the workforce of an employer with whom you are familiar and the factors which influence the make-up of the workforce.
Chapter 2

Human resource management (HRM)

Introduction

The great importance of the workforce, the human resources (HR), in ensuring the commercial success of the hospitality industry and its many thousands of outlets may be succinctly summarized. At a financial level, the hospitality workforce payroll is frequently the single largest cost item, measured as a percentage of wage costs to sales. From a perspective of a service sector, the human resources are usually the first point of interpersonal contact between a hospitality enterprise and its customers. Herein lies the source of the most critical dilemmas and challenges that face the industry: to contain and control the costs of labour whilst maximizing the quality of service to the customer, the principal focus of the business. The effective management of these human resources is therefore vital to the prosperity of the enterprise, whether undertaken by the line managers and owner-managers of smaller businesses or as part of the responsibility of specialist HR managers in the larger chains.

This hospitality industry, of such national and international economic significance as outlined in Chapter 1, is highly competitive and labour-intensive. It is not surprising that in recent years both practitioners and academics have increasingly sought to tackle the key challenges facing the sector with a range of HRM initiatives and research-based proposals. Many hospitality companies have launched extensive recruitment campaigns utilizing all current means of gaining attention from potential employees, including the Internet and social media. There have been examples of major training programmes across international boundaries and the setting up of central training academies as focal points for management development. From mainstream HRM literature, for example, Storey (2007: 4) notes that as with other service organizations, hospitality has been the subject of an increasing number of industry-specific human resource studies and publications. There has certainly been a steady output of publications dealing with the hospitality industry and its frequently documented workforce issues (e.g. Brotherton, 2000; Hoque, 2000; Lucas, 2004; Nickson, 2007). Although greatly dependent on the performance, commitment and interpersonal behaviour of its employees, the hospitality industry has been regularly criticized for inadequate people management practices (Price, 1994; Ogbonna and Harris, 2002; Ritzer, 2007). In particular, the industry and its image is characterized by its detrimentally high labour turnover rates (Deery and Shaw, 1999; Lashley and Rowson, 2000), the causes often put down to poor management and training of the all-important workforce, and the negative implications being increased employee costs and variable customer service (Davidson et al., 2010).
In the modern era of competition and of service industry dominance, human resource policies feature prominently as part of a contemporary organization’s overall business policy and planning, as virtually every management decision affects, to a lesser or greater extent, the people working within the enterprise. Most strategic decisions are made within an organization’s policy framework (see Figure 2.1), representing the aims (mission), purposes, principles and intentions of the organization. These stated policies provide management with the strategic framework within which they make their decisions, and HR strategy and practice have increasingly become crucial components of this framework for labour-intensive service businesses in the globally competitive environment of the past few decades. The hospitality industry, with its high dependence on a workforce that is capable of delivering the promise of a quality product and service, must embrace the principles that underpin the concept of human resource management.

HRM: a contemporary phenomenon

Over the past three decades the term ‘human resource management’ (HRM) has gradually entered the language and discourse of everyday business life. Employees refer to their ‘HR’ department when needing to resolve an employment issue; many organizations have renamed their previously entitled ‘Personnel’ office to fall in line with the trend to use the HR label, and job titles have also been radically overhauled to reflect the contemporary approach (Legge, 2005; Storey, 2007).

A review of the appointments pages in the past 15 editions of People Management (a publication of the CIPD – the Chartered Institute of Personnel and Development) reveals the increasing movement towards specialist roles within the discipline, including senior HR positions where the job holder is required to be a significant expert in fields such as reward and recognition, employment relations, learning and development, training, and the management of cultural change. The spread of the influence of HRM into more strategic business policy matters and overall organizational performance is typified by the ‘business partnering’ model developed by Ulrich and Brockbank (2005). Consequently contemporary HRM is conceptualized by some in terms of organizationally ‘embedded’ HR managers working alongside line managers, supported by an array of highly specialized services closely aligned to business strategy and planning, far removed from the purely administrative role expected of the personnel management department of the past.

A definition of HRM that encapsulates many of the component factors that come together in a contemporary interpretation of the meaning of HRM is offered by John Storey:

A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel techniques.

(Storey, 2001: 6)
Storey points to the strategic qualities of HRM, that HR policies are increasingly integrated with business strategies. This concept of a ‘fit’ between business and HR policy will be explored in this chapter: the notion that if HRM is in line with or contingent upon the external environment and the service-oriented internal environment within hospitality situations, then higher performance will result and the competitive edge is more likely to be established. Another strand of thinking on HRM stresses the value of an appropriate organizational culture, of individual commitment and a mutuality of objectives and beliefs of both the employee and the organization. The emphasis on the elements that form an organization’s culture is also a significant boost for the significance of HRM policies and practice, as most of these elements, from worker behaviour and workplace ‘rituals’ to communications and reward systems, may be influenced by the people management of the business especially in service sectors such as hospitality. It should also be recognized that the interpretation of HRM as outlined above, an all-encompassing approach to managing people, is not just a role for HRM specialists, but a role for all line managers and supervisors, as an integral part of their everyday operational management of employees.

Storey’s definition also recognizes that within HRM there is still a requirement for a set of specialist and essentially administrative personnel practices and techniques; these may include the technical aspects of job design, job and person specifications, recruitment and selection processes, training plans, job evaluation exercises and payroll management, employee records, grievance and disciplinary procedures and so on. The HR department is also responsible in many firms for advice and guidance to line managers in order to ensure compliance with employment legislation, and for staff welfare matters, and HRM specialists may be required to assist managers in finding solutions to a range of issues related to people at work (see Figure 2.2). In connection with the recognition that part of the concept of HRM

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**Figure 2.2 Some issues in human resource management**
retains the application of more operational personnel practices and techniques, Figure 2.3 outlines the main functions and responsibilities normally covered under the specialist personnel management function.

Human resource policies and practice do not develop in a vacuum. They are an expression also of the style and culture of the organization, an expression of its values. Human resource approaches need to be dynamic, both changing and shaping the behaviour of the workforce within the organizational culture and framework. The standing and influence of the HR department is therefore a critical factor. Its importance can be estimated and demonstrated by considering the levels of risk with which the function is involved. The different levels of risk range from leadership and strategy to work group morale and atmosphere (or ‘climate’), to the individual’s motivation at work, as illustrated in Figure 2.4.
As indicated earlier, within the latter part of the twentieth century there was a sustained increase in research and publication in the field as HRM became linked with factors deemed of enormous significance in the business environment of the time: integrated business strategy, business performance, high-performance work systems, organizational culture and workplace relations. Increasingly HRM was viewed by practitioners and scholars as critical to the understanding and potential success of enterprising organizations. The later decades of the century provided a backdrop of incredibly fast and significant change, driven by economic and technological developments, changing product and labour markets, global markets and competition, and, in the developed economies, the increasing dominance of the service industries (Redman and Mathews, 1998; Korczynski, 2002; Legge, 2005; Noon and Blyton, 2007). The economic dominance of service industries, including hospitality and tourism, in developed nations focused attention on the qualities and competitive potential of employees and their behaviour and competencies in those all-important customer contact situations.

Debate over the meaning and implications of the emerging HRM concept has been energetic in outlining the contradictions and changing perspectives of the theory and the practice, examining just how much of the concept is rhetoric and how much is reality (Purcell, 1999; Storey, 2007; Boxall and Purcell, 2011). Key areas of concern to both academics and practitioners have been the links between HRM and strategy, between HRM and high-performance work systems, between HRM and high-commitment employee management, and of the key role of HRM in connection with organizational culture. The development of HRM as a strategic and influential aspect of management practice derives

**Figure 2.4** The level of personnel work

*Source: Personnel Management, February 1990.*
especially from the integration of corporate strategy and of organizational culture (notably its ‘corporate’ culture interpretation), and the goals of high commitment and performance (Guest, 1987; Appelbaum et al., 2000; Paauwe, 2008).

A critical factor in the achievement of the frequently stated HRM goals of attaining high commitment and high performance from employees is a stable workforce of well-trained and motivated people. Workforce stability, as in effective work groups unfragmented by constantly high labour turnover, provides the conditions for the building of a cohesive and capable team, and for the employees within those teams to optimize their performance levels. The hospitality industry has invariably topped the CIPD national ‘league tables’ for labour turnover (CIPD, 2009; People 1st, 2011) and this has been the statistical outcome of a range of HRM issues and challenges faced by the hospitality industry which require analysis and addressing for its future success.

An exploration of the origins and development of models of human resource management necessitates an initial review of writers and industrialists based in the United States (see Schuler and Jackson, 2005). Managers and scholars in the USA were significantly influenced by the work of leading theorists such as McGregor (1960) and Maslow (1943/1970). These important studies of motivation and people at work fall within the province of the social sciences which are concerned with studying the relationships between individuals, groups of individuals and their environment. The knowledge obtained can be used in two principal ways, namely to understand and predict changes (i.e. to focus on ‘content’), and to bring about change (i.e. to focus on ‘process’). These classical and fundamental approaches, a number of which are summarized in Figure 2.5, help our understanding of the basic and higher needs of humans, from biological satisfaction to social fulfilment. This latter state manifests itself in the human pursuit of status, security, power and other outward signs of success. Many people may not be conscious of these higher needs that drive or motivate them. If, however, management can recognize them, they can take appropriate steps to ensure that these driving forces can be used to the advantage of both the individual and the organization. There is clearly a major role here for HR management and its underlying concepts of assisting employees in reaching high performance through high commitment, and this vital link was first developed within the United States.

The rapid development of the US economy after the Second World War was accompanied by this rapid development in the study of organizations and management with much attention given to organizational behaviour and workforce motivation, summarized and critiqued effectively by Beaumont (1992). Legge (2005: 101) concurs that the term HRM, ‘may be charted first in the writings of US academics and managers’. As an early example of this influence, Sampson (1995) refers to statements by the Chief Executive of the oil company Esso in the 1950s and 1960s, who insisted that the organization made long-term staff development plans because the staff were as important a physical asset as the oil reserves drilled from the earth. Sampson (1995: 99) comments that this was ‘part of the trend towards calling people “human resources”’.

One of the pre-eminent theorists of the post-war period whose influence can be detected in the modern models of HRM was Douglas McGregor, whose publication The Human Side of Enterprise (1960) can be seen to have had a major impact on later approaches to the academic study of HRM as an emerging discipline. The concepts of Theory X and Theory Y bridged the divide between the concepts of the earlier scientific management (see Frederick Taylor in Figure 2.5) and human relations schools (see Elton Mayo in Figure 2.5). Theory X, with its prescription for tightly controlled workers, their effort motivated by extrinsic, monetary rewards pre-empted the so-called ‘hard’ approach of HRM. Theory Y, with its emphasis on intrinsic, social motivational aspects such as group work, self-development and fulfilment, provided the foundation for HRM approaches referred to as ‘soft’. Indeed, as HRM became a focus for research and scholarship in US business schools, the ‘hard’, Theory X-based approach became more associated with the University of Michigan (Fombrun et al., 1984), whilst the ‘soft’, Theory Y-based model became known also as the Harvard approach (Beer et al., 1985).