Technological University Dublin
ARROW@TU Dublin

Articles | Directorate of Academic Affairs

1994-01-01

Productivity in the Hotel Industry

Frank McMahon
Technological University Dublin, frank.mcmahon@tudublin.ie

Follow this and additional works at: https://arrow.tudublin.ie/diraaart

 Part of the Hospitality Administration and Management Commons

Recommended Citation

McMahon, F.: (1994) Productivity in the Hotel Industry. *International Journal of Hospitality Management. In Tourism*: the State of the Art (A.V.Seaton ed). Wiley, 1994.

This Article is brought to you for free and open access by the Directorate of Academic Affairs at ARROW@TU Dublin. It has been accepted for inclusion in Articles by an authorized administrator of ARROW@TU Dublin. For more information, please contact arrow.admin@tudublin.ie, aisling.coyne@tudublin.ie, gerard.connolly@tudublin.ie, vera.kilshaw@tudublin.ie.

64 Productivity in the hotel industry

F. McMAHON

Introduction

Productivity in the hotel industry is becoming increasingly significant as labour costs rise. Since the hotel industry is labour-intensive, its profitability depends on the success achieved in making good, productive use of its workforce. One might expect that the importance of maximising labour productivity would be reflected in how jobs are designed, how productivity is measured, and how staff are trained to meet rigorously set performance standards. In fact, the reality has been quite different for most hotel companies to date.

Significance of productivity

Productivity is the relationship between the inputs and the outputs of a productive system. This is sometimes represented in a formula:

$$\text{Productivity} = \frac{\text{Wealth produced}}{\text{Resources consumed}}$$

It has long been recognised by economists that productivity is a crucial factor in determining the standard of living of the citizens of any country. If changes in the productive system can lead to continually growing output of goods and services, without corresponding increases in the use of resources being consumed to produce those goods and services, then a rising standard of living may be expected.

This simple approach to national economics runs into problems when one starts to measure inputs and outputs. This national output is extremely heterogeneous since it includes physical consumer goods, buildings, and government services such as education. This difficulty is overcome by reducing all products to a common denominator—namely money. Similarly all the inputs in terms of the labour of workers can be reduced to a sum of money and can be combined with use of productive services such as capital.

However, a measure of productivity which combines labour costs and capital costs is not all that useful. Accordingly, it is more common to separate labour productivity from capital productivity. This is done by dividing total output by the cost of labour to give labour productivity, and by dividing total output by the cost of capital to give the productivity of capital.

Countries which have been successful in continually raising productivity, such as Japan which averaged 6% per annum over an 18-year period from the 1960s, or West Germany which averaged 4% per annum over a similar period, have been the envy of other countries with much more modest rates of increase. Not only do the successful countries enjoy the immediate fruits of their success; they also attract investment from other countries, thereby assisting the further development of their economies.

Productivity of the firm

The benefits of increasing productivity at national levels are mirrored at the level of the individual firm. A firm enjoying increasing productivity is in a position to pay higher wages, invest in new equipment, sell its output at competitive prices and still make a handsome profit.

Manufacturing industry has long recognised the benefits of increasing productivity and, since the end of the 19th century, much effort has been devoted to increasing the productive capacity of the firm. Many thinkers, starting with F. W. Taylor, have sought ways of mechanising and automating processes, of reducing or eliminating unnecessary handling and revolutionising the recruitment, training and motivation of workers to increase productivity. This sustained approach has enabled a reduced labour force in the manufacturing sector to produce more and more goods each year. If one ignores arguments about the quality of life and damage to the environment (only because they are outside the scope of this paper) then it must be conceded that the increases in productivity in the manufacturing sector have been very impressive.

Productivity in the hotel sector

There are compelling reasons why productivity increases are crucial to the hotel industry. Firstly, the service sector of which the hotel industry is part, is an increasingly important sector of the economy. As fewer and fewer workers in the manufacturing sector can produce all the physical goods we need, then more and more workers are

concentrated in the services sector. In developed Western economies such as the USA, more than 70% of workers are in the service sector. Secondly, the services sector has traditionally been labour-intensive. If the workers in that sector are to enjoy parity of wages with workers in the manufacturing sector, then productivity in the services sector must rise in line with increases in the manufacturing sector. Many authors have pointed to the failure of the service sector to match the manufacturing sector in this regard. Shiffler and Coye (1988) state that productivity in service industries in the United States rose at an annual rate of only 1.7% compared to 2.7% in manufacturing for the period 1960 to 1985.

Since hotels are generally labour-intensive (though individual hotels and hotel groups have taken steps to reduce their need for labour) they are particularly vulnerable to pressure from staff for increased wages. In several countries, including Ireland, wage increases are negotiated nationally while in other countries the norm is established nationally and individual firms negotiate around that norm. Such practices can put pressure on hotel companies to increase wages where no increase in productivity has occurred. It has been argued by Blois (1984) that labour costs increasing more steeply than prices, caused by a lack of productivity, are a contributory factor in causing inflation.

The importance of labour costs in the hotel industry can most readily be illustrated by the dominance of labour costs in the profit and loss accounts of hotel companies. Simpson Xavier Horwath, in their 'Irish hotel industry review' (1992) calculated that the total cost of labour amounted to 28.9% of revenue in 1991. Horwath and Horwath International (1988) have published data on the labour productivity ratio (i.e. units of gross profit generated by one unit of labour) for hotel companies in different continents. All the ratios were between 2.52 and 3.09 which would indicate that the cost of labour is between 25% and 32%.

Labour intensity in the hotel industry

Evidence offered above on the extent of labour cost in the hotel industry—generally around 30%—points to the classification of the hotel industry as a labour-intensive industry.

Other evidence of this fact can be seen in the ratio of staff to guest bedrooms in hotels. This ratio varies enormously from a low of 0.3 staff per room in some Scandinavian countries to 1.5 and even 2 per room in some underdeveloped countries. Generally, the ratio is high in low-wage countries and much lower in countries where wages and related payroll costs are high. The latter point is important—it is not just the wage cost that is important, but also the costs associated with payroll such as employers' social security costs, employers' pension contributions and so forth.

But one should also remember that hotels are increasingly becoming capital-intensive as well as labour-intensive, partly because of escalating site costs, especially in major cities. Partly because of rising guest expectations and partly because of the desire of hotel operators to install mechanical objects to replace personal services (shoe polishing machines, tea-makers, etc.), the cost of constructing modern hotels has risen sharply. A cost of 100 000 US dollars per room is now quite normal and is often exceeded. The cost of construction makes it imperative that the property is run efficiently if the project is to be viable.

Hotel industry as an employer

Given the importance of labour in the hotel industry, one might expect that the industry would pride itself on the way it nurtured this vital resource. Yet, in reality, the hotel industry has had a very poor reputation as an employer. The image of employment in the industry is one of long hours, poor pay, poor working conditions, high labour turnover, heavy reliance on casual and part-time labour, low levels of trade union organisation and a low level of commitment to staff training by employers. To justify this characterisation of the hotel industry point by point would require more space than this paper permits. But one may cite, in overall support of the negative image, the fact that in many Western countries, there is wide-spread unemployment existing alongside many vacancies in the hotel and catering industry. It seems that many unemployed people prefer to live off welfare state payments rather than work in the hotel industry. Worland and Wilson (1988) cite the extent to which the hospitality industry in Australia has come to rely on part-time labour and that the most important age groups are the under-25-year-olds and the over-60 age group. Many UK authors have identified the demographic time-bomb which threatens the hospitality industry in the UK because of a drastic shortage in the age group 18 years to 25 years, upon which the UK industry has come to rely. Innovative schemes being developed by major hotel companies to attract retired and semi-retired people to take jobs in the hotel industry may well be successful. But they beg the question of why such schemes should be necessary in an era of mass unemployment.

Difficulties in measuring productivity in the hotel industry

The characteristics of service industries affect the process of measuring productivity. These characteristics have been well summarised by Teare (1989) and include:

- The sale, production and consumption of a service take place almost simultaneously
- A service cannot be centrally produced, inspected, stockpiled and is delivered where the customer is, by people out of the immediate supervision of management
- Delivery of service usually requires some degree of human contact
- The consumer's expectations of the service are integral to his or her satisfaction. Quality of service is largely a subjective matter

In manufacturing industry, outputs may consist of standardised products that can be easily measured in terms of quantity, volume or weight. In service industries, however, there is a great diversity of output and so physical measures of output cannot readily be used. Instead, money is used as the measure. An immediate drawback of measuring output in money rather than physical terms is that any price increase is shown as a productivity increase.

The quality aspect of service poses a particularly knotty problem for those seeking to measure productivity. Staff in hotels may serve their customers in a convivial manner, striking exactly the right balance between friendliness and obtrusiveness, meeting all the expectations of the guest in terms of conviviality, timing and assistance. Or they may serve in a surly, unfriendly, patronising or obtrusive manner which leaves guests thoroughly dissatisfied. In the short term, there will be no differences in the productivity of the waiter, as measured in money terms, but in the longer term there is a great difference. How does one design a productivity measurement system which takes account of these differences?

A further difficulty in measuring productivity in hotels is posed by the possibility of substitution of materials for labour. For example, a chef can reduce his payroll by reducing his staff and purchasing ready-made desserts. If one is using a partial productivity measure such as payroll as a percentage of revenue, then this substitution of bought-in desserts for those made on the premises will show up as an increase in productivity. But is it a real increase in productivity?

The opposite problem/solution also arises. A head chef, under pressure from his manager to increase gross profit, can do so by deciding to make all desserts on the premises, even though this may mean hiring extra staff.

Boella (1992) supplies a number of different productivity measures for different hotel or catering activities, for example, the number of employees per room in a hotel, or the labour to materials ratio in a school meals service, or the number of meals served for each member of staff in a staff canteen. All of these are useful measures but all are partial measures and could be manipulated to look good. Very often, such ratios are most meaningful when used to compare units of an organisation which have similar operating procedures (such as branches of the McDonald's restaurant chain) or to compare results of one time period with results of another time period in a single unit (such as employees per room in a hotel in July 1994 with July 1993). Different partial measures, used in combination, can provide a better picture than any one composite measure. It may be fashionable to say 'just give me the bottom line' but such information rarely gives a true picture of the success/failure of a business enterprise. Ball et al. (1986) concluded that few yardsticks exist for the evaluation of hotel performance and that we are still some way from producing a productivity framework for the management of hotels. More recently, Ball and Johnson (1989) concluded that the failure of a fast-food chain to incorporate quality within its concept of productivity would be particularly short-sighted, given the presence of customers on site in fast-food restaurants and their involvement in the service process.

This involvement of the customer in the service process and the fact that the customer's perception of service quality is often more important than the actual output reality, was focused upon by Blumberg (1991). He gave particular weight to the service-time dimension. As the actual service-time delivered closely approximates this target parameter, customer satisfaction levels will rise. But as the level of service performance crosses the threshold of the time requirement, the level of customer satisfaction and perceived service quality delivery no longer rises. In fact, it plateaus. In some cases, the level of customer satisfaction may actually drop as the service performance levels apparently improve the customer often views too much service as badly as too little service.

Productivity levels in the hotel industry

Bearing in mind all the difficulties there are in measuring output in the hotel industry, one nevertheless may wish to know whether the hotel industry rates highly or lowly in the productivity stakes.

Medlik (1989) estimated that output per head in the UK hotel and catering industry was £5900 in 1985. This compared with £10 000 per head in the economy as a whole. This indicates a performance well below average

for the hotel and catering industry. But perhaps even more damning was his conclusion that output per head in the hotel and catering sector had actually fallen by 0.7% over the period 1979 to 1985. In the same period output per head for the economy as a whole had risen by 2.3%. In computing these figures Medlik had defined output as value added at factor cost (constant prices).

US authors have similarly characterised hotel productivity as being well below that of manufacturing industry.

Reasons advanced by Heizer and Render (1988) for poor productivity in the services sector are that such work is:

- Typically labour-intensive
- Frequently individually processed
- Often an intellectual task performed by professionals
- Often difficult to mechanise and automate

Witt and Witt (1989) concluded that these reasons apply to the hotel industry and felt that Guerrier and Lockwood (1988) may have summed up one of the major problems facing hotels: traditionally the development of hotel managers encourages a 'being there' style and discourages reflection and planning. Their 'hands-on' bias may make them reluctant to spend time on, and even afraid of, paperwork and figurework. Witt and Witt go on to support this view by quoting the findings of Martin and Clark that hotel managers make very little use of management techniques which have been successfully used in the manufacturing sector.

The validity of the points made by these authors is accepted. But do they give the full explanation? Surely there are some jobs in the services sector which suffer all the characteristics mentioned above but are not regarded as low in productivity. For example, dentistry is labour-intensive, involves individual processing and is difficult to mechanise or automate. Yet in many societies dentistry is among the best paid of professions. The key to their success is not the number of patients they can process but the value put on the work they do. Why is filling the belly rewarded at a much lower level than filling a tooth? The answer must lie in the availability of many competing means of filling the belly but very few substitutes for filling the tooth.

The technology of many catering enterprises is not far removed from the technology of the home. Therefore, it is comparatively cheap for competitors to enter the catering industry. Hotels in many countries experience competition from bed and breakfast establishments which are also family homes. If the hotel industry is to command a greater reward for its services, it will have to develop its use of technology to give it a greater advantage *vis-à-vis* home-based competitors.

Productivity levels and staff

Many authors have identified aspects of staffing as being a key to productivity improvement. Jones (1990) saw an important role for a productivity committee to involve staff in the process and concluded that, with labour costs being such an important element, it is clear that the potential for improvement may stem largely from the workforce's ability and willingness to decrease their input or increase their output. Witt and Witt (1989) cited the benefits of flexible working in hotels to increase productivity. Merricks and Jones (1986) suggested two approaches to improve labour productivity: firstly by increasing the performance of individual members of staff after work study and related techniques, and secondly by combining staff into teams more efficiently through scheduling. An essential feature of either approach is the need to ensure high levels of staff motivation. Jones and Lockwood (1989) stressed the need for reward systems designed to facilitate and encourage productivity. A climate must be created so that employees of the organisation are made aware that productivity is important. Among the ways this can be achieved they recommend that it be part of the induction process and of on-the-job training programmes. The concept of human engineering (the adaptation of the work environment and facilities to the psychological and physical needs of the worker as it affects productivity) is seen as an important factor in productivity by Keiser (1989).

Productivity and staff training

Perhaps the most important study of hotel productivity was published by Prais et al. (1989). This study was one of a series of studies comparing industries in the UK and Germany. The hotel study found evidence of significant differences in productivity between German and UK hotels. For the British hotels, there was an average of 2.06 guest nights per employee, taking all full-time equivalent persons engaged in the hotel reckoned on the basis of hours worked by each person; in the German sample the average was 4.01 guest nights per person. Thus the German hotels apparently required only about half (51%) of the labour per guest night that the British hotels of the same quality grading did. More detailed studies were carried out on two departments—housekeeping and reception—and in each case the German hotels were found to be more productive by a large margin. The labour requirements in Germany as a percentage of

the requirement in Britain was 59% in housekeeping and 63% in reception. Since every effort had been made to compare hotels of similar quality and allowances had been made for differences in approach, the differences in productivity were very much greater than could have been anticipated. Thus the scope for economies in labour usage in UK hotels is considerable. Perhaps as a result of the greater labour productivity, prices of hotel rooms in major towns in Germany were 20% lower than in Britain.

An analysis of the differences in physical capital in German and UK hotels concluded that the German hotels had probably spent more on equipment and refurbishment but the additional investment was small both in relation to the total capital cost of the building and in relation to the considerably more efficient usage of labour in Germany.

There is a major difference in approach to vocational training between the two countries. The authors found that the number of people qualifying for hotel occupations each year was 11 000 in Germany and 5500 in the UK. The difference is mainly at the craft level: 8000 in Germany as against 2000 in the UK. In the hotels they sampled, 35% of German staff had relevant qualifications while only 14% of UK staff were qualified.

An analysis of the syllabuses for housekeeping and reception courses in the two countries concluded that the German courses are significantly broader in scope than in Britain, and that this greater breadth had not required any reduction in depth. The German examination system relies on formal written and oral examinations and a practical examination conducted in a hotel (not the one in which the candidate served his apprenticeship) in front of three examiners who do not know the candidate. These examiners are appointed, respectively, by employers, the education authorities and the relevant trade union.

The German employers were found to be much clearer on the reliability and content of qualifications. The degree of responsibility assumed by housekeepers and receptionists in German hotels was considerably higher than in British hotels, freeing the general manager to spend more time to plan longer-term marketing strategies.

It is difficult to escape the conclusion that the greater investment in people in the German industry results in major benefits in productivity for the hotel industry in that country.

There are hotel groups in the UK which show an admirable commitment to greater productivity. In the course of her research for her dissertation on 'labour productivity in the Irish hotel industry', Juliet Ryan (1993) assessed the approach of the De Vere hotel group. This company has 26 hotels, all classified as three-star or better. In their mission statement, corporate objectives, hotel objectives and departmental objectives, the emphasis on productivity is clearly to be seen. When staff are recruited it is a condition of their employment that they may be requested to work in departments other than their own. Performance standards are set and included in the contract of employment. Training policies have been adopted to encourage staff to continue their education and gain National Vocational Qualifications. Employee performance is appraised formally once a year (twice a year for management staff). Utilisation of staff is measured on a weekly basis and productivity is assessed every four weeks.

Productivity and design

Some hotel companies have sought greater productivity by improving the design of hotels. Examples of this approach include:

- Kitchens which are placed to service two or more restaurants
- Bar service areas located between the cocktail bar and the lounge bar allowing one staff member to serve both during slack periods
- Hotel reception units which include the hotel telephone unit
- Design of hotel bedrooms and bathrooms to minimise cleaning time

A striking example of the latter has been the design of the Formule One hotels in South Africa which have reduced labour content to a minimum (no restaurant, no bar, moulded plastic bathroom unit, minimalist self-service breakfast provision). Whether such a hotel is ultimately profitable depends on the reaction of the customers—reducing the cost of inputs to a business does not ensure productivity or profitability unless the value of the outputs can be maintained.

Airline catering shows how productive a catering operation can be, measured in terms of output of meals per staff member, per hour. Great thought and planning have gone into the design of equipment and choice of menu items to ensure the speed of service and standardisation of quality. The limited time available on many air routes—effectively no more than half an hour between London and Dublin to serve a four-course meal and choice of beverage—pushes the airline caterers into careful planning of every aspect of the operation.

Hoteliers may protest that their style of catering bears little resemblance to airline catering. But good design of equipment, minimisation of storage requirements, matching or cooking requirements of menu items and

equipment, reduction of choice—all features of airline catering—can provide an example for the hotel and catering industry.

UK survey

The National Economic and Development Office published the results of a postal survey of productivity in UK hotels in 1992 (NEDC, 1992). They received 144 responses from hotels, representative of all size categories from under 10 rooms to more than 200 rooms. Thirty-five per cent of the hotels belonged to a larger group, the remaining 65% being independent hotels.

The questionnaire sought to establish the extent to which hoteliers used or did not use various techniques of operational management and productivity measurement. The results of the survey would seem to indicate a fairly low level of usage of many management techniques which have been virtually standard practice in manufacturing industry for very many years.

For example, in regard to estimating labour requirements, hotels were asked about their use of forecasting of business. Table 64.1 gives their responses in respect of both the 'Rooms' division and the 'Food & beverage' division. There is clearly no agreement on the optimum period for forecasting the volume of business to estimate staff requirements. Since most hotel staff are employed on a weekly wage basis, one could see the logic of using such a forecasting period. But it found favour with only just over half the respondents. Of those who responded positively to this question on forecasting, only 45% said they used one or more of the ratios to plan staffing. So what do the other 55% use to estimate their need for staff?

Perhaps the answer lies in the use of detailed productivity measurement after the event. This is not, in theory, a very effective way of estimating staffing requirements but would, at least, be better than no method. So, do UK hotels measure productivity after the event? In response to a question on the use of various ratios to measure productivity, the percentage who answered 'yes' were as set out in Table 64.2.

Table 64.1 *Use of forecasting of business*

	Rooms	Food & beverage
Next day's business	36	33
Few days ahead	41	40
Weekly forecast	58	52
Monthly forecast	55	45
Annual forecast	51	43

All figures are given in percentages.

Table 64.2 *Use of ratios by UK hoteliers*

Ratio	Used by (%)
Value added/no. of employees	8.3
Revenue/wage cost	48
Total cost/wage cost	26
No. of customers/no. of employees	26
Wage cost/no. of employees	13
Gross profit/revenue	33
Wage cost/revenue	46
Bed nights/employees	15
Other ratios	4

Approximately four-fifths of respondents ticked at least one ratio. This would indicate that there is some desire on behalf of hoteliers to measure some aspect of productivity. But productivity in a service organisation is a complex concept and cannot be adequately measured by a single ratio. If the UK hotel industry was seriously concerned about productivity measurement, there would be a far greater use of various ratios.

Performance standards

One way of achieving greater productivity is to set performance standards for as many tasks as possible. These standards seek to define the amount of work expected from a unit of worker's time. For example, one could set a standard of fourteen bedrooms to be cleaned by each house assistant, each day. When UK hoteliers were surveyed on their use of such performance standards, only half made any response. Out of a range of jobs to which performance standards might be applied (chamber maid, receptionist, breakfast waiter/ess, bar staff, cooks, etc.), the only job which attracted a significant response was that of chambermaid.

Flexibility of staff

One way of achieving greater productivity of labour in the hotel industry is to have a labour force which is highly flexible. In this way staff can move from department to department to meet the demands which customers are creating. Typically, different departments have their peak activity at different times of the day and while some of this is predictable—dining room at breakfast time, reception check-out immediately after breakfast—much of it is not always predictable. If a hotel staff has been trained to do many or, ultimately, all jobs with equal skill, then it can respond to shifting demand by moving the staff to meet that demand.

Hoteliers were asked what steps they had taken to ensure that staff could be moved from one job to another.

Table 64.3 *Steps to ensure staff flexibility*

None	9%
Recruit flexible staff	60%
Train to extend skill range	62%
Switch them when necessary and hope they can cope	9%

Their responses are shown in Table 64.3. There are degrees of flexibility. At the lower levels one can train each staff member to do one other job; at a slightly higher level one can train each staff member to do two other jobs and so on until, at the highest level of flexibility, every staff member can do every job in the hotel. In the UK survey most hoteliers who claimed their staff had some flexibility were making the claim at the lowest level, i.e. they claimed that there was one category of staff which could successfully undertake duties in a different department.

There is further evidence to suggest that hotel staff are not very flexible. When managers were asked how they coped with the need to increase labour supply at very short notice, their response indicated a range of activities—but moving staff from another department was not among the most popular. Table 64.4 shows that the first preference of managers in dealing with the shortages in the 'Rooms' division is to re-arrange rotas, with employment of casuals and paying overtime as the second and third choices. The responses in regard to the 'Food & beverage' division are the same as regards the first and second choices but in third place was the option of the manager standing in. Transfer of staff from other departments came sixth for the 'Rooms' division and even lower for the 'Food & beverage' division.

Apart from commenting on the small part that transfer of staff from other departments plays, one may also comment on the extent to which managers or heads of departments may stand in, to make up for the shortage of labour. Since neither managers nor heads of departments are paid overtime, this may appear to be an inexpensive solution. However, the diversion of senior staff from their duties can have a very dramatic impact on the long-term viability and success of the hotel.

Table 64.4 *How to increase labour supply at very short notice—first choices of respondents*

	Rooms division	Food & beverage division
Pay overtime	19	12
Offer time off in lieu	14	17
Pay bonus incentive	1	0
Bring in casuals	20	22
Transfer employees from other departments	12	7
Recruit quickly	3	4
Rearrange rota quickly	34	27
Managers stand in	15	18
Heads of departments stand in	10	10

Table 64.5 *Use of operational management techniques*

	Not familiar	Not used	Occasional	Regular
Method study	19%	34%	16%	6%
Work study	13%	39%	18%	6%
Work measurement	13%	37%	15%	13%

Use of operational management techniques

The NEDO survey sought to establish the extent to which hoteliers used, or did not use, operational management techniques which are commonplace in the manufacturing industry sector. The results (see Table 64.5) indicate that very few hotels make use of method study, work study or work measurement techniques. These results indicate a very low level of usage of techniques which have the potential to raise labour productivity levels in the hotel industry. Similar results were found by Martin and Clark (quoted by Witt and Witt) when they reported that 76% of UK hoteliers seldom or never used a range of operation management techniques.

Quality management in hotels

One reason advanced as to why hotels do not use quantification techniques to improve productivity is that there must be a strong emphasis on quality in hotels, especially four- and five-star hotels. With some justification it is claimed that steps to increase productivity will often lead to a decrease in the quality of the service being offered. For example, one may increase productivity by requiring each waiter to serve twenty rather than fifteen customers during each lunch-time shift. But there may well be a decrease in the quality of service experienced by customers when the waiter is under greater pressure.

So, to what extent do hoteliers emphasise quality in their staff training and use quality management techniques in their hotels? The results of the UK survey, shown in Table 64.6, would suggest that very little attention is paid to formal techniques of quality management in hotels.

What are the opinions of UK hoteliers in regard to the factors which may contribute to higher productivity

Table 64.6 *Use of quality management techniques*

	Not familiar	Not used	Occasional	Regular
BS 5750	33%	40%	8%	1%
Total quality management	35%	40%	3%	4%
Quality circles	33%	38%	4%	8%

in the hotel industry? When asked to state their agreement or disagreement with some statements, they showed strong agreement with the following two statements:

- That productivity would be higher if employees were better trained
- That high labour turnover in UK hotels results in lower job efficiency

Interestingly, most hoteliers did not feel that labour turnover in their own hotel was high but obviously felt that high labour turnover is damaging efficiency in the industry in general. A survey of four major London hotels by Denvir and McMahon (1992) found labour turnover rates in the range of 58% to 112%, which is well above rates generally found in the manufacturing sector.

How do management practices in Ireland compare with practices in the UK, in regard to productivity management? This was one of the questions which Juliet Ryan, a postgraduate student at the Dublin Institute of Technology, Cathal Brugha Street, set out to establish, working under the supervision of this author. Questions which had been asked of UK hotels were included in a questionnaire to Irish hotels in the period November 1992 to March 1993. Comparisons may be made in respect of four areas:

- Extent to which hoteliers use forecasting to assess the need for staff
- Extent to which ratios are used to measure productivity
- Techniques used to adjust the labour supply to meet a short-term peak in demand
- Extent to which performance standards have been set for various job categories

Use of forecasting to plan staffing

The majority of hotels in Ireland and the UK use forecasting of business to assist in the planning of staff needs. Weekly forecasts are the most popular period in both countries and for both room sales and food and beverage sales. But this tendency to prefer weekly forecasts rather than monthly or other periods is very much stronger in Ireland than in the UK, as Table 64.7 shows.

Table 64.7 *Use of weekly forecasting in UK and Ireland*

	UK hotels	Irish hotels
Rooms division	58%	73%
Food & beverage	52%	79%

Table 64.8 *Use of ratios to measure productivity*

Ratio	Use in UK	Use in Ireland
Revenue/wage cost	48%	69%
Total cost/wage cost	26%	59%
No. of customers/no. of employees	26%	36%
Wage cost/no. of employees	13%	40%
Gross profit/revenue	33%	70%
Net profit/revenue	33%	67%
Wage cost/revenue	46%	49%
Bed-nights/employee	15%	31%
Value added/no. of employees	8%	9%

Use of ratios

Both surveys asked hotels to indicate whether they used certain ratios to measure productivity. The responses (see Table 64.8) have indicated that Irish hotels make much greater use of ratios than their UK counterparts. No one measure enjoys universal popularity but ratios which are revenue-based are relatively more popular—in each country the three most popular ratios involve revenue compared with something else.

Adjusting labour supply to meet demand

What hotel managers say about how they adjust their labour supply to meet a short-term demand is also of interest. The two surveys asked managers to rank in order of preference the options used in their hotel to increase labour supply at very short notice. Since their actions may vary as between different divisions, they were asked to answer in respect of 'Rooms' division and 'Food & beverage' division separately. Table 64.9 sets out the three most popular options in respect of 'Rooms' division for UK and for Ireland.

Table 64.9 *Increasing short-term labour supply for the 'Rooms' division*

	UK	Ireland
Rearrange rota quickly	27%	16%
Bring in casuals	16%	40%
Pay overtime	15%	
Offer time off in lieu of overtime	—	30%

As noted earlier in respect of the UK, the response of using staff from other departments (labour flexibility) did not find great favour with Irish hoteliers.

Use of performance standards

In both the UK and Ireland just over half the hotels surveyed indicated that they made some use of performance standards. By far the most frequent use of such standards was in respect of chambermaid work. The UK survey indicated that the next most popular area for use of performance standards was in respect of food service personnel. All other categories of work scored less than 20%.

The Irish survey found that large hotels made greater use of performance standards than medium or small hotels and that five-star and four-star hotels were more likely to use them than lower-graded hotels.

Conclusions

Productivity in the hotel industry is generally regarded as low compared with manufacturing industry and the gap is not closing. As a result, wages and other conditions of employment in the hotel industry are unfavourable, compared with other industries.

The hotel industry in Ireland and the UK makes comparatively little use of operations management techniques, such as work study techniques, to improve productivity.

The approach of the German hotel industry and education system in putting emphasis on the training of hotel staff to predetermined standards has borne fruit in that German hotels can achieve the same quality standards as UK hotels with substantially less labour.

Hotel companies which wish to break out of the 'low productivity, low wages' trap need to initiate a different approach at many levels. At the highest organisational level, this will involve re-stating their mission, their objectives and departmental objectives. At lower levels it will involve the introduction of performance standards, productivity measurement and control, and a revised staffing policy in respect of recruitment, training, flexibility and reward system.

A model for productivity improvement

Whilst there is no general agreement on a framework model for productivity improvement, the experiences quoted above have suggested measures which can contribute to the process. The following ten steps could be combined and adopted to suit a particular hotel enterprise.

1. Identify the key tasks which determine the success or failure of the enterprise.
2. Use operational management techniques, including work study, to improve the efficiency with which those tasks are completed.
3. Develop performance standards for those key tasks.
4. Implement a staffing policy which treats people as the principal resource to ensure productivity, and which would seek to retain the best staff, train them to do their jobs in the defined way and train them to be flexible to undertake other tasks when necessary.
5. Communicate to all staff the importance of the key tasks and their performance standards.
6. Implement a system of monitoring and control for the key tasks based on measurement criteria which have been agreed with the staff concerned.
7. Design a reward system which encourages productivity for individuals and for groups.
8. Harness the benefits which technology can bring, especially information technology. These benefits can include fewer staff, better matching of the supply of staff and demands for staff, and better information on the costs and benefits of various hotel activities.
9. Implement a Quality Management Programme.
10. Initiate an on-going research programme and an ethos which constantly seeks improvement in all aspects of the business.

Hotel companies which successfully adopt this approach will accrue benefits in terms of increased profitability and will be in a position to improve the pay levels and other conditions of employment of their workers. Such a dual benefit is surely worthy of the best efforts of all concerned.

References

Ball, S. and Johnson, K. (1989) 'Productivity management within fast food chains—a case study of Wimpy International', *International Journal of Hospitality Management*, 8(4): 265–269.

Ball, S., Johnson, K. and Slattery, P. (1986) 'Labour productivity in hotels: an empirical analysis', *International Journal of Hospitality Management*, 5(3): 141–147.

Blois, K. (1984) 'Productivity and effectiveness in service firms', *Service Industries Journal*, November: 49–59.

Blumberg, D. (1991) 'Improving productivity in service operations on an international basis', *National Productivity Review*, Spring: 167–179.

Boella, M. (1992) *Human Resource Management in the Hospitality Industry*, 5th edn, Stanley Thornes, London.

Denvir, A. and McMahon, F. (1992) 'Labour turnover in London hotels', *International Journal of Hospitality Management*, 11(2): 143–154.

Guerrier, Y. and Lockwood, A. J. (1988) 'Work flexibility in hotels', *Proceedings of the Annual International Conference of the Operations Management Association*, University of Warwick, January, pp. 160–175.

Heizer, J. and Render, B. (1988) *Production and Operations Management*, Allyn & Bacon, Boston, MA.

Horwath and Horwath International (1988) 'Worldwide hotel industry', London.

Jones, P. (1990) 'Managing food service productivity in the long term: strategy structure and performance', *International Journal of Hospitality Management*, 9(2): 143–154.

Jones, P. and Lockwood, A. (1989) *The Management of Hotel Operations*, Cassell, London, p. 141.

Keiser, J. R. (1989) *Principles and Practices of Management in the Hospitality Industry*, 2nd edn, Van Nostrand Reinhold, New York, pp. 207–211.

Medlik, S. (1989) 'Profit from productivity in tourism', *Tourism*, 61: 14–15.

Merricks, P. and Jones, P. (1986) *The Management of Catering Operations*, Holt, Reinhart & Winston, London, pp. 127–128.

NEDC (1992) 'Costs and manpower productivity in UK hotels', NEDC, London.

Prais, S. J., Jarvis, V. and Wagner, K. (1989) 'Productivity and vocational skills in services in Britain and Germany: hotels', *National Institute Economic Review*, November: 52–74.

Ryan, J. (1993) 'An evaluation of labour productivity in the Irish hotel industry', unpublished dissertation, Dublin Institute of Technology.

Shiffler, R. E. and Coye, R. W. (1988) 'Monitoring employee performance in service operations', *International Journal of Operations and Production Management*, 8(2): 5–13.

Simpson Xavier Howarth (1992) 'Irish hotel industry review', Dublin.

Teare, R. (1989) 'The hospitality industry in the 1990s; some critical developments', *Marketing Intelligence and Planning (UK)*, 7(9,10): 48–49.

Witt, C. A. and Witt, S. F. (1989) 'Why productivity in the hotel sector is low', *International Journal of Contemporary Hospitality Management*, 1(2): 28–33.

Worland, D. and Wilson, K. (1988) 'Employment and labour costs in the hospitality industry: evidence from Victoria, Australia', *International Journal of Hospitality Management*, 7(4): 363–377.