

# Manpower Outsourcing in Hospitality – Boon or Curse#

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## Abstract

The tourism industry has seen a remarkable growth in the recent years. This has led to increase in number of hotels and resorts across the country. As such there is a huge demand for skilled and semi skilled manpower in the hospitality industry. To cater to this increased demand, various manpower consultants have emerged that see a huge market in matching supply to this demand. This research is undertaken to study the various sources of supply that are being tapped, the quality of such manpower and their acceptance by the industry. In India, where labour is available in plenty and there is huge unemployment, this research reveals how the demand is met. It also tries to learn the facts directly from the front line employees and comes up with suggestions that may be considered for betterment of standards by the concerned stakeholders.

**Keywords:** Consultants, Hospitality, Manpower, Outsourcing

## 1. Introduction

There can be no fire without fuel; life would cease to exist without food and water. Similarly for the growth and development of any industry not only are we dependent on funds and infrastructure but the manpower which actually drives all the infrastructure and makes use of funds to sustain the growth and achieve success.

As developing nations like India are looking to generate more income by promoting their tourism resources and developing more destinations to attract regular traffic from the world, such growth has led to the natural development of related services and facilities whether through government or private sources. There has been a surge in number of hotels, restaurants, fast food chains, travel services, transporters etc all over the country, especially in the large cities.

The chain reaction as a result of such growth is the creation of a huge number of jobs for skilled and semi

skilled workers as well as unskilled labour. For the existing employees this provided them with various opportunities and options to choose their employers. This naturally led to attrition in large numbers and gaps in provision of quality service.

To fill such void created by movement of skilled employees as well as unskilled employees, many organizations planned to outsource various services to escape from the burden of such attrition and sudden resignations of employees/labour in groups. Some other organizations also planned to put up their own training centres and maintain a supply of manpower that would be available to replace any vacant position created.

A lot many workers got lured to work in the Hospitality Industry without really knowing the rudiments of the kind of work and attitude required. Also notable fact was that though the entry level positions were filled comparatively easier to mid/senior positions, for such

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#This is the revised and modified version of the article, presented in the 7<sup>th</sup> International Conference on Managing Human Resources at the Workplace, SDMIMD, December 2018.

positions the only remaining option was to promote junior employees and hope for the best.

This research takes into account the situation thus created and attempts to highlight the existing gaps which needs to be addressed if this growth is to be sustainable for both organizations and employees as the need for quality is being clearly ignored.

### 1.1 Objectives of this Study

The main purpose of this study was to highlight the advantages and concerns that exist for outsourcing manpower in the Hospitality Industry. As employees in hospitality played a crucial role in delivering important services like food and service to a large number of people, the care or lack of care in selecting such employees and their employment conditions bears a lot of weightage on the quality delivered. Hence this study is focused to find the sources of such outsourced manpower, their background and qualifications, their awareness on basic hygiene, working terms for such employees and other related information. Based on such information the researcher highlights the various concerns regarding such outsourcing practices which need to be addressed.

## 2. Literature Review

A lot many generation Y workers are employed in the hospitality industry. These are mostly casual or transitional employees. In spite of having direct interface with customers that has been found to be liked by the Generation Y, (Chikwe, 2009), the image of a master – servant culture prevalent in the industry leads to high rates of employee turnover.

In the current scenario, hospitality researchers have noted that apart from communication, financial management and motivational skills, human skills are of utmost importance for hospitality managers to be effective in their profession (Pederson, 1993, Mihalik, 1992). The findings have also been reiterated in other studies which have found significant importance for human skills in addition to communication and financial skills (Mayo, et al., 2005). In the hotel industry various Human Resource practices adopted with regards to

rewards, recognition and communication must be in line with the core Human Resource strategy of retaining the best employees, (Anh & Kleiner, 2005), (Hinkin & Tracey, 2010). The main reasons for graduates leaving or not entering the hospitality industry were low wages, family obligation, non- flexible schedules, financial and growth opportunities, poor management in this order, (James, Stone, & Vandeborne, 2007).

Lack of growth opportunities were the major reasons for attrition. However, lack of work-life balance, long hours and multitasking were also identified by many as reasons for the industry losing many good employees. Some mentioned that employers would promote staff to get more work done and others were focused on multi-tasking for more profit making. (Taylor & Walsh, 2007). There is evidently a lot of impact of labour markets on all aspects of human resource management (Tyson, 1997).

Treating employees as valued assets would in reality make employees more committed and thus bring a lot more motivation in their performance which would directly contribute to the productivity and image of the organization (Guest, 1997). A publication recommends the need to put employees prior to customers since customers perceive only such value that is created for them by the employees. He also reinforces this thought of employees being the focus of an organization's attention and mentioned that hotel industry needs to pay more attention to its employees by adopting effective human resource practices that would result in generating higher profitability, (Nayar, 2010).

It was found that there existed a lot of ambiguity between word of mouth expressed by employees and their actual thoughts regarding the same. In the same context it is mentioned that employees were more likely to undervalue the importance of remuneration as a motivational criteria in most occasions and rarely overvalue the same, (Rynes, Gerhart, & Minette, 2004).

Many employees stressed the inability to spend time with family and friends as a prime cause for leaving the hospitality industry. They mentioned further that career advancements depended more on politics and

connections rather than merit (Stalcup, et al., 2001). The young graduates of present were more hungry for responsibility and craved for being rewarded according to their worth akin to their older colleagues. They were keen for being seen contributing towards the growth of the organisation (Withiam, 2005).

Research also suggests the fact that human resource management practices are essential to achieve customer service excellence as depicted by the fact that service quality and customer satisfaction are closely associated to customer satisfaction, (Heskett, Jones, Loveman, Sasser, & Schlesinger, 2008). A study determined that while compensation and perks are important, most respondents seemed to imply that no amount of money or benefits would hold them in a growth less job. Efforts need to be taken to provide a work life balance to hotel employees and a change from the accepted 12 hours a day work schedule. Many employers promoted their staff to get more work done whereas others used multi skilling to maximize profits. It was mentioned that both practices were bad and would result in the Industry losing good employees unless they changed their practices and adopted a fair hours and compensation policy, (Taylor & Walsh, 2007).

In the unorganized sector at Kolkata, especially the non rated hotels and restaurants, it was reported that there was no adherence to basic safety and hygiene norms. Further the researchers also found very poor work culture and conditions prevailing. Outsourcing of manpower was a common practice to minimize costs and skip providing basic facilities to employees. Such practices adopted by the employers found encouragement due to lack of adequate enforcement of legal requirements as well as high level of corruption amongst the enforcing officials (Sandilyan, et al., 2013). Another major issue being faced by the hospitality industry is of attrition which affects the delivery of services. There remains a huge gap between expectations of fresh graduates and the industry managers (Mukherjee, et al., 2012).

Many organizations were using unskilled and unqualified employees as cheap labour to cut down costs in Kolkata and other cities of West Bengal, (Dey, et al., 2011). These organizations did not have any good

human resource practices or any kind of training and development for employees. As a result of such workplace culture prevalent there existed high levels of dissatisfaction amongst employees and could be a direct cause of higher attrition. Rewards and remuneration provided was also meagre and not supportive to help retain employees (Sandilyan, et al., 2011). The same was supported by other researchers also.

There was found to exist a shift in human resource functions in large hotels but not much towards a human resource management model (Kelliher, et al., 1997). The human resource functioning was limited to budgeting and to some extent mainline decision making but the integration of human resource management into business plans was still only partly evident.

A lot of human resource practitioners agree on what constitutes 'bad' or 'stupid' practices in human resource management, however the knowledge of the same did not necessarily mean that these practices were not adopted by the organizations or the managers due to various reasons, (Boxall & Purcell, 2000). In larger hotels it was seen that human resource management was more strategic and linked to the business strategy (Hoque, 1999). There was a comparable scenario with regard to the human resource management practices with manufacturing companies of similar size.

### 3. Research Methodology

For this research a questionnaire was prepared and administered to selected employees from hotels/ catering establishments. All the selected candidates had found employment from various manpower outsourcing agencies that had placed them in various entry level positions in these establishments. For the research a total of 100 questionnaires were collected and analysed. The respondents were asked to give their feedback on various crucial factors like their qualifications, their skill levels, background, where from they belonged, expectations, whether they paid money to these agencies, how were they selected, what was promised and whether they got such jobs or otherwise. In addition to the details collected from

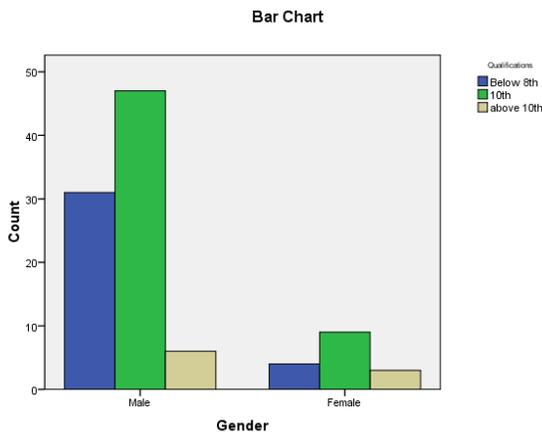
such respondents, a participant observation method was also used by the researcher to gauge the conditions in person and draw appropriate inferences. The participant personally visited the accommodations of various respondents that were provided them by their employers. Also the work premises were observed and the practices were keenly observed to clearly understand the importance of hygiene and sanitation that was prevalent in these establishments. The collected data was analysed using MS Excel and SPSS.

### 4. Data Analysis

From the data collected from 100 respondents who were in varying stages of employment process the following details were obtained.

**Table 1.** Gender \* qualifications Cross tabulation

		Qualifications			Total
		Below 8th	10th	above 10th	
Gender	Male	31	47	6	84
	Female	4	9	3	16
Total		35	56	9	100

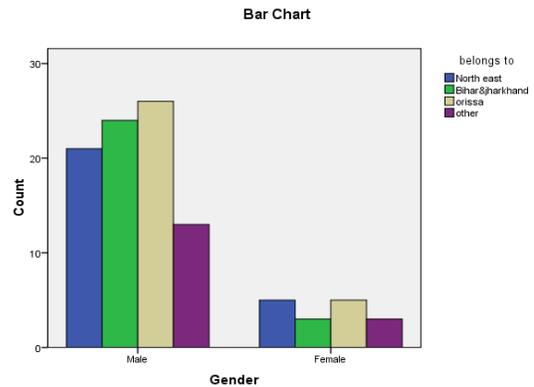


**Figure 1.**

From the (Table 1), it is clear that most of the youngsters were not well educated and very few were having more than 10+2 or intermediate level qualifications. The same is depicted in form of a graph in (Figure 1). This clearly indicates that outsourcing firms aim to attract the less qualified and needy youngsters and do not have any criteria for choosing such employees.

**Table 2.** Gender \* belongs to Cross tabulation

		belongs to				Total
		North east	Bihar&jharkhand	orissa	other	
Gender	Male	21	24	26	13	84
	Female	5	3	5	3	16
Total		26	27	31	16	100

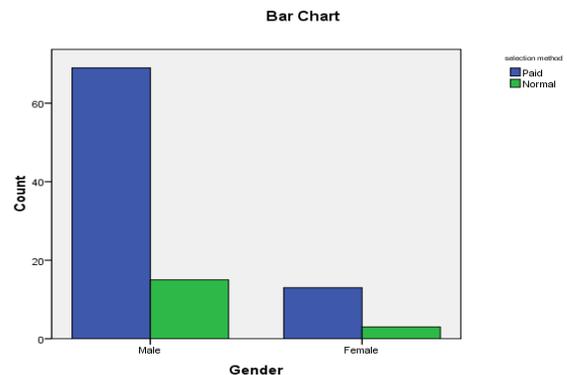


**Figure 2.**

From the (Table 2) and the graphical representation in (Figure 2), it is clear that the major chunk of the outsourced manpower belonged to Bihar, Jharkhand, Orissa or the North Eastern states.

**Table 3.** Gender \* selection method Cross tabulation

		selection method		Total
		Paid	Normal	
Gender	Male	69	15	84
	Female	13	3	16
Total		82	18	100

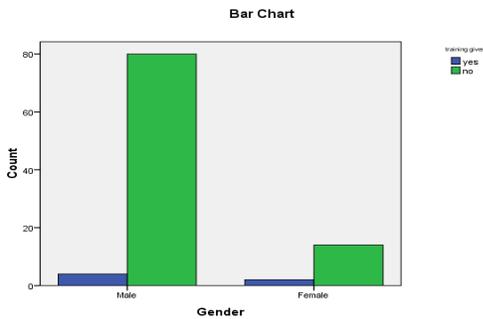


**Figure 3.**

From the (Table 3) it is clear that most of the youngsters were availing of job opportunities by paying a certain sum to various agencies that were engaged in providing manpower to organizations at certain costs. The same is represented by means of a graph in (Figure 3).

**Table 4.** Gender \* training given Cross tabulation

		training given		Total
		yes	no	
Gender	Male	4	80	84
	Female	2	14	16
Total		6	94	100



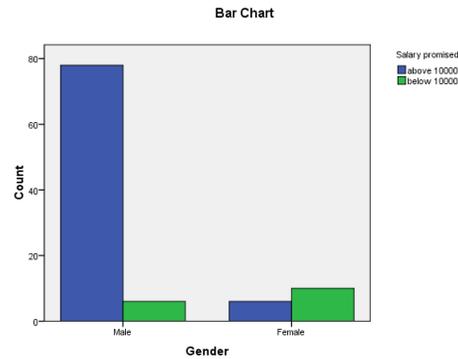
**Figure 4.**

The tables and figure clearly indicate that most of the resources received no sort of training or skill development prior to being presented to the employers. Hence it is evident that these people were being sourced as labour and were not likely to be offered any lucrative positions.

**Table 5.** Gender \* salary promised cross tabulation

		Salary promised		Total
		above 10000	below 10000	
Gender	Male	78	6	84
	Female	6	10	16
Total		84	16	100

Table 5 and Figure 5 are indicative that most of the young resources were given assurance of around Rs. 10000/m salary. On being questioned most were not even aware of terms like ESI, PF etc. Hence it is likely that they would have to accept the terms and conditions imposed on them by employers.



**Figure 5.**

### 4.1 Correlation Study

From the (Table 6 & Figure 6), which shows the correlation between education and awareness of Hygiene, it is easy to observe that higher the level of education the more likely the awareness of hygiene and sanitation. There is a significant correlation between the variables and likewise we can observe similar result by replacing education level with training given or not. It shows that trained employees were more aware of Hygiene and sanitation unlike those who had not received any sort of training.

**Table 6.** Correlations

		Education	Hygiene awareness
Education	Pearson Correlation	1	.389**
	Sig. (2-tailed)		.000
	N	100	100
Hygiene awareness	Pearson Correlation	.389**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

### 4.2 Participant Observation

For getting a clear understanding of the various terms and conditions that were being provided the researcher visited the premises of various organizations that employed these young persons. From such visits the information gathered is mentioned in the following lines. The employers usually paid the fresher's a sum of Rs. 8,000/m to Rs 10,000/m depending on the location

of employment. Few were retained as employees of the firm while many continued on the rolls of the consultant. Employers paid the consultants and they in turn reimbursed the workers retaining a part of the salary as charges. The food and accommodation provided were sadly miserable. Accommodations were crowded, lacked adequate hygiene, had no proper ventilation or lighting in many places and washrooms were usually very dirty and cramped and in insufficient numbers for the number of residents.

## 5. Results and Discussions

The very process of outsourcing seemed to stem from the need of cheap labour. Thus many manpower organizations were engaged in the process of offering their services in getting manpower for these city employers who were facing huge levels of attrition. This solved the requirements of both the manpower agencies as well as the employers. Some of the manpower sourcing agencies was adept enough to use the loopholes in existing government machinery and provided apprenticeship for freshers. All were enrolled for some communication diploma course or such to show that they were students and could be employed as apprentices for a period of a year to three years. These agencies also have established offices in various regions like Bihar, North East etc. The local people get lured by assurances offered by the local office and trustingly send the young boys and girls for employment. Most belonged to poor families who had no options of earning at their home town. These youngsters were lured to accept various offers as they were from needy families and had little choice in resisting or demanding for their rights. In many places where these youngsters were offered employment the employers preferred to have them on the rolls of the manpower agencies. These agencies rotated the manpower thus keeping the employers happy as well as ensuring that none of the lot got permanent in their jobs. The work offered was difficult and the working conditions as well as living provided were pathetic. The expectation of employers from such resources in delivering high standards of service and quality remains a question that is unanswered. **Hygiene begins at home and is a habit** – If the same is to be believed it

can be concluded with fair confidence that employees living in unhygienic conditions and poorly fed and paid were not likely to provide high level of cleanliness and hygiene to their customers.

Also it was found that higher levels of education or training provided to the prospective employees resulted in creating more awareness of Hygiene and Sanitation. This was evident by high levels of correlation between the variables as shown in (figure 4.6). However even with such training or education if the basic facilities provided itself were not sufficient then there remains a question on the output that would be delivered by such employees.

## 6. Conclusion and Recommendations

In line with the objectives of this study, it is easy to ascertain that outsourcing manpower has certain distinct advantages like cost reduction, less HR burden of payroll documentation etc, no career planning required and availability of required numbers of employees. The disadvantages include lack of commitment, adherence to quality, loyalty and surety of all compliances by the agency.

The very fact that these fresher's who were selected for this study were employed in the food and hospitality services segment has a huge bearing on the quality expectations of customers. It is difficult to accept that someone who himself/herself is living in extremely unhygienic and unsanitary conditions would be capable of providing clean and hygienic food and hospitality to the customers. It is an understood norm that people who themselves have no importance for cleanliness and hygiene would not be highly motivated to provide such to others. This raises various questions on what standards are being followed in many such organizations. As long as human resources are not counted as an asset of an organization but a cost that can be minimized by using unskilled and underpaid employees the situation will not improve.

This issue will not get resolved by enforcing adequate regulations. Efforts need to be made to increase

awareness of hygiene and quality and this is required not only to the fresher's but also to the employers. Further enforcing organizations must be strict to penalize defaulters severely so as to drive some fear of violating regulations amongst such employers as well as manpower agencies who are making use of various situations to maximize their profits paying little heed to humanity or values. Also at the root cause is the lack of education, which makes it easy for employers and other consultancy firms to exploit the youngsters. This is a serious issue and needs to be attended with urgency from all quarters including the government, private sector, employers and other social bodies.

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