

**“A study of impact of Employment Practices on Employee Productivity in Hospitality Industry”**

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**ABSTRACT-**

*One of the most intense issues in today's hospitality industry is the growing labor cost, especially pertaining to provision of employee benefits. In such a scenario, the industry must not look at welfare activities as a cost but as an investment for a better future in the business. Survey suggests that employment practices in the business sector of the hotel and related industry tend to be poor. Very few employers in hospitality business meet all of the fundamental norms set by employment legislation and the managers and proprietors are poorly advised or trained about 'good practice'. Poor employment practice is of great worry because, ultimately, it affects India's triumph in tourism and hospitality market as well as results in provision of inferior quality of employment for many people. Thus there is a need to check the impact of these employment practices on employee productivity in hotels as a major representative segment of the hospitality industry. This study aimed at analyzing the facts of employee productivity in the hospitality industry. The findings of the study suggest that the management of hotels is keen on measuring the productivity of its employees, "Tangible product is the major challenge in measuring the productivity and provision of "Work-Life Balance and "Monitory Benefits are the major boosters of employee productivity.*

**Key Words:** "Hospitality Industry", "Employee Productivity", "Hotels", "Employment Practices"

**I. INTRODUCTION**

Suddenly, India is witnessing a gigantic expansion in the hospitality industry. Newer players are entering the market, and the competition is becoming more and more ferocious. As a result of this, retention of employees has become a colossal challenge in the country's hospitality industry.

Human Resource is the field that is gaining great importance. As the industry continues to reconcile, it needs to focus on its employees and their contribution as service providers. Rising demand requires improved recruitment levels especially, at this point of time when the labor market is dwindling. To deal with this issue, the industry must attempt to work with the unions as associates, dedicate more time and money on recruitment, training and educating its workforce, enforcement of various welfare activities.

One of the most intense issues in today's hospitality industry is the growing labor cost, especially pertaining to provision of employee benefits. In such a scenario, the industry must not look at welfare activities as a cost but as an investment for a better future in the business.

In a time when the attrition rate in the hospitality industry is on the rise and is expected to grow twofold to nearly 50 per cent in the next few years, hotels are finding it hard to curb employee turnover. However, some hotels have framed several employee welfare policies to keep their employees contented. At the same time, these hotel companies are training

their employees to be more willing in service so that they understand the nitty-gritty of the hospitality services and discipline themselves to stay with the company for a sufficiently long period.

Survey suggests that employment practices in the business sector of the hotel and related industry tend to be poor. Very few employers in hospitality business meet all of the fundamental norms set by employment legislation and the managers and proprietors are poorly advised or trained about 'good practice'. Poor employment practice is of great worry because, ultimately, it affects India's triumph in tourism and hospitality market as well as results in provision of inferior quality of employment for many people

The value and significance of employees in service industries has been known by managements for many years and they agree to the fact that the facilities provided by human resources departments are the key to get a competitive edge in the market. This fact particularly holds well in the hotel industry where employees form a vital part of the "hospitality product". In labor intensive industries, human resources are also expensive to develop and retain. The recent phase of global recession has led to the discovery of human resource costing and accounting as a way by which organizations can check the impact of their employment practices on performance of their employees and the business at large. However, very few hotels follow any methodical analysis of their human resource investments and the economic contribution of employees remains unidentified. This raises questions regarding the level to which human resources are truly "valued" by hotels and how much time and effort is devoted in ensuring that human resource investments through employment practices add value to the business [9].

Also one must not forget that the Productivity of labour is an essential condition for the prosperity of any organization. The hospitality Industry is no exception to this. Along with other input resources, employee welfare and satisfaction through provision of fair employment practices are equally important in influencing the productivity of labour..

## II. LITERATURE REVIEW

The literature review focused on the following key aspects of the topic under study:

- Background of study
- Productivity management systems in the Hospitality industry
- Employment Practices adopted by the Hospitality industry
- Impact of employment practices on employee productivity

Research gaps identified:

- Impact of employment practices on employee productivity in the Indian Hospitality Industry.
- Methods of measuring employee productivity in Hospitality Industry
- Need of a standard "Productivity Management Model" and "Productivity Enhancement Model" for hotel industry.

Holjevac, (2012), affirmed that Labour productivity is a primary pointer of business performance and a significant indicator of the rate of growth and level of monetary development. Hence, studying labour productivity, important factors and measures for increasing labour productivity is essential in hypothetical, as well as applicative, terms. Accordingly, this paper analyses the significant factors of productivity -- in-house factors, in particular - and, based on these factors, puts forward measures intended at

enhancing labour productivity in the Croatian hotel industry. To gain improved insight into labour productivity in Croatia's hotel industry, which is the intent of this paper, a continuing analysis was conducted from both a non-pecuniary and a fiscal perspective. Research confirms that quality management systems have an encouraging effect on labour productivity. The study was extended to include an association of labour productivity in hotel enterprises that have an ISO certificate and those that do not.

Marchante, Andrés J., (2012), anticipated a production task for a sample of seventy Spanish hotels. This function, which identifies the main labor productivity determinants, derives to the conclusion that the more productive hotels in Andalusia are those older than twelve years, have three or more stars, belong to a chain, and contract out some of the services offered. A chief finding is that a disparity between the employees' education levels and the education required for a job is pertinent in explaining difference in the hotels' and workers' productivity. This result is particularly clear when recruits with less than five years of service were eliminated from the sample. Suitably educated employees are more competent than those whose education is not matched to the job. In addition, undereducated workers (as compared to job requirements) are less competent than overeducated ones. The study also found confirmation that hotel employees with an average tenure of more than ten years have better performance in terms of labor productivity.

Rajashree Gujarathi, (2013), discusses on the employee productivity management system adopted by the hospitality industry in India. Her research states that the characteristics of service industry make productivity management in such industries more difficult and challenging. Hospitality industry being a part of such a service industry faces a similar problem. However, the hospitality industry cannot just sit over the problem and thus have to find a gateway to deal with the issues of productivity management in hotels. This study is aimed at analyzing the Productivity Management System adopted and implemented by the hospitality industry with an objective to identify the challenges in measuring productivity in the Hotels and to identify various methods adopted by them to measure the employee productivity. In an effort to do so, a survey in the form of a questionnaire and interviews was conducted from the sample comprising of 100 hotel employees from the management and the associates categories to understand their views on the entire process. The responses received were represented graphically and analyzed using basic analytical tools. The findings of his research states that although the industry is concerned with the issues related to employee productivity, the implementation of the productivity management system is not very effective. The major reasons contributing to the ineffectiveness of the system are lack of management will, lack of common parameters of productivity measurement and intangible nature of the product of the industry i.e. "Service".

Mukta Kamplikar, (2011), proposed the corporate model and the significance of the service notion in the Indian context and customer behavior, the marketing plan, and communication policy of Ginger. Encounters such as the use of subcontracting, learning and development, and attrition are discussed. From a marketing viewpoint, this case can be used to generate an understanding of consumer behavior, reforming customer expectations, supposed service quality, Gaps in service, service positioning, and value-for-money positioning, aggressive publicity and promotions, use of the marketing mix to

familiarize a new service concept in a market. From a management viewpoint, the case can be used to demonstrate how the marketing strategy is being conveyed through a focus on service staff (selection, training, and motivation) and operations (logistics, IT, and communications), and branding (brand strategy – alignment to the corporate strategy). Third, the case is appropriate for highlighting policy – analyzing current competitive benefits, and forecasting potential future competitive advantages in a services framework.

Dr. KalyanLaghane, (2012), examined the retention management in Indian hospitality industry. The findings of the study recommended that “Aptitude management mixes traditional talent-related jobs that were deliberated as "administrative" functions into routine business procedures. By "embedding" people management procedures into standard business procedures one can make line managers to ponder of recruiting, retention, development, etc. as vital activities that make a substantial contribution to any manager's business results and triumph.”

Sunil Panwar, (2012), studied the causes of why the workforces are not able to manage with the industry atmosphere. An investigation was conducted of diverse hotel workers and supposed that most of the workers wish to work in alternate Service oriented industries such as Airlines, Tourism, Financial and Retail, services. Monetary compensation and long working hours are the two areas of displeasure for the hotel employees. This study endorses few points for the Hotel Industry to retain its employees.

### **III. OBJECTIVES OF THE STUDY**

- 1.To identify various parameters used to measure employee productivity in the hospitality industry.
- 2.To identify the various employment practices in the hospitality industry.
- 3.To study the impact of employment practices on employee productivity in the hospitality industry.

### **IV. HYPOTHESIS**

#### **Hypothesis – 1:**

Null Hypothesis ( $H_0$ ):“There is no impact of employment practices on employee productivity in the Hospitality industry”

Alternative Hypothesis ( $H_1$ ):“There is a positive impact of employment practices on employee productivity in the Hospitality industry”

#### **Hypothesis – 2:**

Null Hypothesis ( $H_0$ ):“Employment practices connected with work life balance and monetary benefits do not have a greater influence than others on employee productivity in the Hospitality Industry”

Alternative Hypothesis ( $H_1$ ):“Employment practices connected with work life balance and monetary benefits have a greater influence than others on employee productivity in the Hospitality Industry”

**V. RESEARCH METHODOLOGY**

The data required for the research was collected using the following techniques:

- **Personal Interviews:** The researcher conducted personal interviews with owners, managers and guests of popular restaurants in Pune city to get an insight on the problem under study.
- **Questionnaire:** A questionnaire bearing straight forward and relevant questions was drafted and handed over to the sample to obtain their responses.

**Sampling Methods:**

- Stratified sampling
- Reference or Snowball sampling
- Cluster sampling

**Sample Characteristics:**

Category of Hotel	Sample size of Hotels	Sample size of Employees (Respondents)		
		Category of employees in sample hotels	Aprox. no. of employees in sample hotels	Sample size
<b>PUNE</b>				
Star Category	11	Manager	750	55
Mid-scale		Associate	1,000	68
<b>BANGALORE</b>				
Star Category	11	Manager	750	53
Mid-scale		Associate	1,000	69
<b>HYDERABAD</b>				
Star Category	11	Manager	750	51
Mid-scale		Associate	1,000	69
<b>Total sample size of Hotels</b>	<b>33</b>	<b>Total sample size of respondents</b>		<b>365</b>

**VI. FINDINGS**

- **Methodology adopted to measure employee productivity in Hotels**

Methodology adopted to measure employee productivity in Hotels	Whether used in your hotels (%)	Points awarded as per the suitability (%) (Where 1 = Least suitable & 7 = Highest suitable)

	Yes	No	1	2	3	4	5	6	7
<b>1. Basis of Revenue generation:</b>									
Total revenue generated per employee.	77	23	7.7	4.7	9.0	23.3	22.7	20.0	12.6
Total food revenue generated per Food production staff.	75	25	8.2	4.9	10.1	20.0	25.5	20.0	11.2
Total food & beverage revenue generated per Food & Beverage service staff.	85	15	6.0	4.9	9.3	18.6	27.1	21.9	12.1
Total room revenue generated per Front Office / Sales & Mktg. staff.	84	16	5.2	4.4	12.3	20.5	23.8	21.1	12.6
<b>2. Basis of Time frame:</b>									
Average number of covers served per worked hours. (Food Production & F & B Service staff)	80	20	4.9	6.6	9.6	14.5	24.9	28.8	10.7
Average number of check-ins / check-outs handled per worked hours (Front office staff)	84	16	4.1	5.8	6.3	12.9	26.0	20.4	14.5
Average number of rooms serviced per worked hours (Housekeeping staff)	82	18	4.4	6.3	7.7	17.8	23.8	26.8	13.2
<b>3. Basis of guest satisfaction:</b>									
Average number of guest satisfaction points generated per department.	89	11	0.8	1.1	2.2	17.3	19.5	37.5	21.6
Number of guest praises / positive feedbacks received per department / person.	93	7	0.0	1.1	2.7	9.9	20.8	43.6	21.9
Number of guest complaints / negative feedbacks received per department / person.	86	14	1.4	7.7	4.1	13.7	24.4	27.7	21.1
<b>4. Basis of repeat business:</b>									
Percentage of repeat guests generated.	81	19	0.8	1.1	1.1	10.7	29.6	33.4	23.3

**Findings:**

- “Average number of guest satisfaction points generated per department” and “Number of guest praises / positive feedbacks received per department / person” are the most widely used methods to measure employee productivity in hotels.
- “Number of guest praises / positive feedbacks received per department / person” and “Percentage of repeat guests generated” are the most suitable methods to measure employee productivity in hotels.

- **Employment practices followed by the hotel industry and its impact on enhancing productivity of its employees.**

Employment practices followed in Hotels	Whether used in your hotels (%)		Points awarded as per its impact seen on enhancing employee productivity (%) (Where 1 = Least impact & 7 = Highest impact)						
	Yes	No	1	2	3	4	5	6	7
<b>1. Monetary Benefits</b>									
Better Salary & Wages	73	26	1.4	1.4	16.4	29.6	17.3	20.0	14.0
Employee Incentive Scheme	67	33	1.9	0.5	3.3	27.7	18.1	25.5	23.0
Overtime compensation	63	37	4.4	2.7	16.7	25.5	15.1	23.8	11.8
<b>2. Training &amp; Development</b>									
Opportunities to attend training programmes to enhance operational skills	95	5	5.5	8.5	14.2	25.5	17.3	17.8	11.2
Personality Development Programmes	87	13	4.1	1.6	6.8	7.9	16.7	43.6	19.2
<b>3. Employment Practices</b>									
Scientific Recruitment Procedures	78	22	3.0	1.1	3.0	13.4	30.7	28.5	20.3
Proper selection of personnel based on the job requirements	90	10	1.9	1.9	2.7	13.4	38.1	26.0	15.9
<b>4. Employee Services</b>									
On the job Meals	98	2	3.8	3.3	4.4	21.6	26.3	23.0	17.5
Transport Facilities	70	30	4.9	2.7	11.8	20.5	30.1	20.8	9.0
Accommodation Facilities	63	37	5.2	2.2	10.1	24.1	26.6	20.5	11.2
<b>5. Employee Relations</b>									
Employee friendly work culture	90	10	4.1	1.6	6.8	7.9	16.7	43.6	19.2
Effective employee grievance handling mechanism	86	14	1.4	3.8	3.3	6.3	14.5	24.7	46.0
<b>6. Employee Benefits</b>									

Family Medical Benefits	72	28	2.5	2.5	3.3	11.8	23.0	34.8	22.2
Child Education Plans	53	47	2.7	3.3	2.5	8.5	25.8	34.8	22.5
Family Pension Scheme / Insurance schemes	64	36	5.2	2.2	10.4	24.1	26.6	20.3	11.2
<b>7. Work - life Benefits</b>									
Additional Leaves / Holidays / Weekly offs	79	21	0.3	0.8	2.5	7.1	14.0	40.5	34.8
Employee Leisure Clubs / Get together	76	24	3.8	1.6	7.4	7.7	16.7	43.6	19.2
Fixed number of working hours per day	65	35	1.4	3.6	3.8	6.3	14.2	24.7	46.0
<b>8. Employee Appreciation System</b>									
Employee Rewards Schemes	90	10	2.2	2.5	3.8	11.8	23.0	34.5	22.2
Appreciations of performing employees	90	10	2.5	3.3	3.0	8.5	25.8	34.8	22.2

**Findings:**

- Provision of “Better salary & Wages” is the most widely used employment practices in the Provision of “Opportunities to attend training programmes to enhance operational skills” is the most widely used employment practices in the category of “Training & Development”.
- “Proper selection of personnel based on the job requirements” is the most widely used employment practices in the category of “Employment”.
- Provision of “On the job Meals” is the most widely used employment practices in the category of “Employee Services”.
- Provision of “Employee friendly work culture” is the most widely used employment practices in the category of “Employee Relations”.
- Provision of “Family Medical Benefits” is the most widely used employment practices in the category of “Employee Benefits”.
- Provision of “Additional Leaves / Holidays / Weekly offs” is the most widely used employment practices in the category of “Work-life Benefits”.
- “Appreciations of performing employees” is the most widely used employment practices in the category of “Employee appreciation”.
- On the basis of its impact on enhancing employee productivity, the highest rated employment practice pertain to the area of “Monitory Benefits” and “Work-life Benefits”

**Hypotheses Testing**

**Hypothesis – 1**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
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Do you agree that employment practices followed by the hotel have an impact on the productivity of its employees?	365	4.39	.684	.036
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**One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you agree that employment practices followed by the hotel have an impact on the productivity of its employees?	38.695	364	.000	1.386	1.32	1.46

**Interpretation:**

As per the test statistics of one sample t-test with 3 as test value with 95% level of confidence the sig value was 0.000 which is less than 0.05.

**So study fail to accept the null hypothesis and thus the alternative hypothesis that there is a positive impact of employment practices on employee productivity in the Hospitality industry is accepted**

**Hypothesis – 2**

**Communalities**

Variables	Initial	Extraction
Key Areas for boosting the employee productivity - Monetary Benefits (Salary & Wages, Overtime, Incentives)	1.000	.799
Key Areas for boosting the employee productivity - Training & Development (Skills development, Development programmes)	1.000	.673
Key Areas for boosting the employee productivity - Work-Life Balance (Weekly offs, Holidays, Duty timings)	1.000	.764

Key Areas for boosting the employee productivity - Work Culture (Employee relations, interactions, healthy work atmosphere)	1.000	.753
Key Areas for boosting the employee productivity - Employee welfare ( Family health Schemes, Children Education, Insurance)	1.000	.720
Key Areas for boosting the employee productivity - Employee recognition (Rewards & Appreciation)	1.000	.821

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.482	58.028	58.028	3.482	58.028	58.028	2.752	45.873	45.873
2	1.048	17.465	75.493	1.048	17.465	75.493	1.777	29.621	75.493
3	.504	8.404	83.897						
4	.412	6.864	90.761						
5	.321	5.349	96.111						
6	.233	3.889	100.000						

Extraction Method: Principal Component Analysis.

**Component Matrix**

Variables	Component	
	1	2
Key Areas for boosting the employee productivity - Monetary Benefits (Salary & Wages, Overtime, Incentives)	.552	.703
Key Areas for boosting the employee productivity - Training & Development (Skills development, Development programmes)	.816	-.089
Key Areas for boosting the employee productivity -Work-Life Balance (Weekly offs, Holidays, Duty timings)	.732	.477

Key Areas for boosting the employee productivity -Work Culture (Employee relations, interactions, healthy work atmosphere)	.865	-.063
Key Areas for boosting the employee productivity - Employee welfare ( Family health Schemes, Children Education, Insurance)	.786	-.319
Key Areas for boosting the employee productivity - Employee recognition (Rewards & Appreciation)	.780	-.461

Extraction Method: Principal Component Analysis.

- a. 2 components extracted.

**Interpretation:**

As per the Component matrix two components can be extracted and on the basis the factor loadings, of variables in Component 1, it can be concluded that all variables have high weightage.

**Thus Component 1 may be termed as “Influential Employment Practices”.**

However, in Component 2, the variables “Monitory Benefits (Salary & Wages, Overtime, Incentives)” and “Work-Life Balance (Weekly offs, Holidays, Duty timings)” have higher weightage.

**Thus Component 2 may be termed as “Key Employment Practices”.**

As per factor analysis, the variables “Monitory Benefits (Salary & Wages, Overtime, Incentives)” and “Work-Life Balance (Weekly offs, Holidays, Duty timings)” have high weightage in both the components. Thus it may be concluded that they have a greater influence on employee productivity in the Hospitality Industry of Pune, Bangalore and Hyderabad cities.

**So study fail to accept the null hypothesis and thus the alternative hypothesis that “Employment practices connected with work life balance and monetary benefits have a greater influence on employee productivity in the Hospitality Industry than others” is accepted.**

**VII. SUGGESTIONS & RECOMMENDATIONS**

1. In the hospitality industry, Employee productivity is measured on a collective basis and methods of measuring individual employee productivity are not in place. The industry should therefore design a system to measure individual productivity of every employee. Moreover, the system so designed, should be uniformly followed in all hotels to make the productivity measures comparable.

2. The hospitality industry is characterized by long and stressful work atmosphere and revolves around the costumers or the guests. In such a challenging situation, the management's approach is more concentrated towards operational areas and thus focus more on the end result i.e. guest satisfaction. However, it is recommended that the management should equally concentrate on its employees who are an integral part of the service delivery process and tackle issues related to their productivity.
3. Although the hotels have a system to measure the performance of various operational departments at a large, it is purely based on the Guest Satisfaction Tracking Survey (GSTS) and it does not comment on individual productivity of the employees. It is thus strongly recommended that a system should be designed to track the individual productivity of its employees.
4. It has been observed that productivity management is a challenging task for the hospitality industry and major reason behind the same is the intangible nature of the product and lack of management expertise. It is thus recommended that the management should introspect on this issue and devise a foolproof mechanism to measure productivity of its employees on an ongoing basis. This will not only keep the performing employees motivated, but will also help in correctly identifying the areas that requires attention and also the correct root cause of low productive employees so as to take timely remedial action.
5. The findings of this study suggest that the employment practices adopted by hotels have a great impact on the productivity of its employees. In spite of having an agreement with this fact by the management of hotels, the employment practices remain poor as compared to other industries. It is therefore recommended that hotels should design employee friendly practices aiming at the general welfare of its employees which would eventually result into enhanced employee productivity.
6. The biggest challenges of working in the hospitality industry are 'Poor pay packages' and 'Poor Work-life Balance' and they also happen to be the areas of greatest concern for its employees. The management should focus on provision of employment practices pertaining to the areas of 'Monetary Benefit' and 'Work-Life Balance' that have a higher impact on enhancing productivity of its employees.
7. The productivity management system to be effective should be transparent in nature. However, the findings suggest that the system implemented in Pune hotels is not transparent as compared with Bangalore & Hyderabad cities. Thus the hotels in Pune city should take a conscious effort to bring in transparency in the Productivity Management System.
8. The hotels should devise a mechanism to link the productivity of its employees to their salary or some monetary compensation. This will prove to be a good motivator for the employees to be more productive.
9. Employee benefits like 'Family medical benefits', 'Child education plans & 'Family pension schemes / insurance' act as an additional perquisite to the employees and is not a common feature in the hotel industry. Thus taking a note of this, the industry should implement these schemes for its employees.

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