Study on effects of human resource policies on the employees of two leading hotel groups in Ranchi

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Abstract

Ranchi is the capital of Jharkhand. It is witnessing a great change in all respects. The business is growing, the opportunities are increasing. There are many new hotels coming up here but the management of all hotels seems to lack professionalism. Attempt is made through this study to find out the HR policies practiced by two leading hotel groups- The Capitol Group of Hotels and Hotel Green Horizon. The data was collected and analyzed to get an insight into the effects these policies have on the employees. The objective of the study is to find out the appraisal methods followed by these hotels and the satisfaction of the employees with it. The basis used for promotions and salary increment has also been examined. The major source of recruitment of manpower in these hotels and the cause of staff turnover has also been studied.

Keywords: Human resource policy, performance appraisal, job satisfaction, Ranchi,

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Introduction

Employment within the tourism economy, worldwide is estimated (WTTC Research 2000) at 192.2 million jobs (one in every 12.4 jobs in the formal sector). By 2010, this should grow to 251.6 million jobs (one in every 11 formal sector jobs). The environment faced by HR management is a challenging one; changes are occurring rapidly across a wide range of issues. A study by the Hudson Institute, entitled *Workforce 2020,* has highlighted some of the most important workforce issues (Judy and Amico 1997). Overall, it appears that the most prevalent challenges facing HR management are the following- economic and technological change; workforce availability and quality concerns; demographics and diversity issues; and organizational restructuring.

The development of specific business strategies must be based on the areas of strength that an organization has. Referred to as core competencies (Hamel and Prahalad 1994), they are the foundation for giving a competitive advantage to an organization. A core competency is a unique capability in the organization that creates high value and differentiates the organization from its competitors.

Certainly, many organizations have voiced the idea that their human resources differentiate them from their competitors. Organizations as widely diverse as Federal Express, Nordstrom's Department Stores, and Gateway Computers have focused on human resources as having special strategic value for the organization. The significance of human resources as a core competency was confirmed in a study of 293 U.S. firms. The study found that HR management effectiveness positively affected organizational productivity, financial performance, and stock market value.

The central focus for human resource management must be on contributing to organizational success. Key to enhancing organizational performance is ensuring that human resources activities support organizational efforts focusing on productivity, service, and quality. HR planning and analysis activities have several facets. Through HR planning, managers attempt to anticipate forces that will influence the future supply of and demand for employees. Having adequate human resource information systems *(HRIS)* to provide accurate and timely information for HR planning is crucial. The importance of human resources in organizational competitiveness must be addressed as well. As part of

maintaining organizational competitiveness, HR analysis and assessment of *HR* effectiveness must occur. The internationalization of organizations has resulted in greater emphasis on global HR management.

Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR activities and is integral to HR management. For instance, strategic HR plans must ensure sufficient availability of a diversity of individuals to meet affirmative action requirements. In addition, when recruiting, selecting, and training individuals, every manager must be aware of EEO requirements.

Another important function is staffing. The aim of staffing is to provide an adequate supply of qualified individuals to fill the jobs in an organization. By studying what workers do, job analysis is the foundation for the staffing function. From this, job descriptions and job specifications can be prepared to recruit applicants for job openings. The selection process is concerned with choosing the most qualified individuals to fill jobs in the organization.

Beginning with the orientation of new employees, HR training and development also includes job-skill training. As jobs evolve and change, ongoing retraining is necessary to accommodate changes. Ensuring development of all employees, including supervisors and managers, is necessary to prepare organizations for future challenges. Career planning identifies paths and activities for individual employees as they develop within the organization. Assessing how employees perform their jobs is the focus of performance management. (IH&RA Report, 2005) The new technology is also being used by a number of companies as a means of raising skill levels. Domino's Pizza has developed interactive, learner-centered programs to guide young employees through the steps involved in making a pizza. Computer-based coaches will soon be available to guide employees through all stages of customer relations. Companies will invest in these new techniques to fulfil their training needs.

Compensation rewards people for performing organizational work through pay, incentives, and benefits. Employers must develop and refine their basic wage and salary systems. Also, incentive programmes such as gain sharing and productivity rewards are growing in usage. The rapid increase in the costs of benefits, especially health-care

benefits, will continue to be a major issue. (ILO Report, 2001). Basic wages reflect competitive labour markets, collective agreements and national laws. Variable pay is emerging as a way to reward employees whose performance enhances the success of an establishment. As a strategy, this idea is not yet common in the hospitality sector, but it is beginning to take hold. In the United States, Rodeway Inn International at Orlando, and Motel Properties, Inc. have both developed successful techniques to reward employees above their basic salaries, based on a monthly assessment scheme.

The physical and mental health and safety of employees are vital concerns. The Occupational Safety and Health Act of 1970 (OSHA) has made organizations more responsive to health and safety concerns. The traditional concern for safety has focused on eliminating accidents and injuries at work. Additional concerns are health issues arising from hazardous work with certain chemicals and newer technologies. Through a broader focus on health, HR management can assist employees with substance abuse and other problems through Employee Assistance Programs (EAP) in order to retain otherwise satisfactory employees. Employee wellness programs to promote good health and exercise are becoming more widespread. Workplace security has grown in importance in response to the increasing number of acts of workplace violence. HR management must ensure that managers and employees can work in a safe environment (Gardner, 1999). Work-related injuries tend to be more frequent, if generally less serious, in the HCT industry than they are in construction. Almost 50 per cent of workplace managers have reported one or more occurrences of work-related illness in the preceding year. Of these, stress is the most common. Violence in the work context is on the increase. The ILO publication "Violence at Work"(Chappel and Martino Di, 1998) identifies hotel, catering and restaurant staff as likely to experience violence and quotes a recent survey into the extent of violence in pubs in southern England, according to which 24 per cent of pub licensees felt "highly" at risk and nearly another quarter felt "quite" at risk.

The relationship between managers and their employees must be handled effectively if both the employees and the organization are to prosper together. Whether or not some of the employees are represented by a union, employee rights must be addressed. It is

important to develop, communicate, and update HR policies and rules so that managers and employees alike know what is expected of them. In some organizations, union/management relations must be addressed as well.

The field of HR management is undergoing transition because organizations themselves are changing. As a result, the terminology in the field is in transition. Traditionally called personnel departments, many of these entities have been renamed human resource departments. But more than the name change, HR management continues to be the "people" focus in organizations.

As an organization grows, so does the need for a separate HR department, especially in today's climate of increasing emphasis on human resources. As might be expected, the number of HR-unit employees needed to serve 800 employees is not significantly different from the number needed to serve 2,800 employees. The same activities simply must be provided for more people. Consequently, the cost per employee of having an HR department is greater in organizations with fewer than 250 employees. Two HR management trends are evident today in a growing number of organizations: one is the decentralization of HR activities and the other is outsourcing of HR activities.

Performance Appraisal

"Maximizing performance is a priority for most organizations."

Employees' job performance is an important issue for all employers. However, satisfactory performance does not happen automatically; it is more likely with a good performance management system. A performance management system consists of the processes used to identify, encourage, measure, evaluate, improve, and reward employee performance at work.

Identifying and measuring employee performance

Performance is essentially what an employee does or does not do. Performance of employees that contributes to the organization could include- quantity of output, quality of output, timeliness of output, presence at work and cooperativeness. Obviously, certain

other dimensions of performance might also be appropriate in certain jobs, but those listed are common to most. However, they are general; each job has specific job criteria or job performance dimensions that identify the elements.

Job criteria and information types

The data or information that managers receive on how well employees are performing their jobs can be of three different types. Trait-based information identifies a subjective character trait, such as pleasant personality, initiative, or creativity, and may have little to do with the specific job. Traits tend to be ambiguous, and many court decisions have held that performance evaluations based on traits such as "adaptability" and "general demeanour" is too vague to use as the basis for performance-based HR decisions. Behaviour-based information focuses on specific behaviours that lead to job success. For a salesperson, the behaviour of "verbal persuasion" can be observed and used as information on performance. Behavioural information is more difficult to identify, but has the advantage of clearly specifying the behaviours management wants to see. A potential problem is that there may be several behaviours, all of which can be successful in a given situation. For example, identifying exactly what "verbal persuasion" is for a salesperson might be difficult.

Result-based information considers what the employee has done or accomplished. For jobs in which measurement is easy and appropriate, a result-based approach works very well. However, that which is measured tends to be emphasized, and the equally important but immeasurable parts of the job may be left out. For example, a car sales representative who gets paid only for sales may be unwilling to do any paperwork or other work not directly related to selling cars. Further, ethical or even legal issues may arise when only results are emphasized and not how the results were achieved.

Performance standards

To know that an employee produces 10 "photons" per day does not provide a complete basis for judging employee performance as satisfactory or unsatisfactory. A standard against which to compare the information is necessary. Maybe 15 photons are considered

sufficient as a day's work. Performance standards define the expected levels of performance, and are 'benchmarks', or 'goals', or 'targets'- depending on the approach taken. Realistic, measurable, clearly understood performance standards benefit both the organization and the employees. In a sense, performance standards define what a satisfactory job performance is. It is important to establish standards before the work is performed, so that all involved will understand the level of accomplishment expected.

The extent to which standards have been met is often expressed in either numerical or verbal ratings, for example, "outstanding" or "unsatisfactory." It may sometimes be difficult for two or more people to reach agreement on exactly what the level of performance has been relative to the standard.

Uses of performance appraisal

Performance Appraisal (PA) is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees. Such appraisal also has been called employee rating, employee evaluation, performance review, performance evaluation, and results appraisal.

Performance appraisal sounds simple enough; and research shows that it is widely used for administering wages and salaries, giving performance feedback, and identifying individual employee strengths and weaknesses. Most U.S. companies have performance appraisal systems for office, professional, technical, supervisory, middle management, and non-union production workers.

Performance appraisal is often least-favoured activity of a large number of managers. Not all performance appraisals are positive, and discussing ratings with poorly performing employees may not be pleasant. Also, it may be difficult to differentiate among employees if sufficient performance data are not available (Kathryn *et* a*l*, 1985). Further, some supervisors are uncomfortable 'playing God' with employees' raises and careers, which they may feel is a result of conducting performance appraisals.

Performance appraisal has two general roles in organizations, and these roles lead to potential conflicts. One role is to measure performance for the purpose of rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might

hinge on these ratings, often making them difficult for managers to do. Another role is development of individual potential. In that role, the manager is featured more as a counsellor than as a judge, and the atmosphere is often different. Emphasis is on identifying employees' potential and planning growth opportunities and direction.

Objective of study

Researchers have identified following objectives of study:

1. To find out the appraisal method followed in the hotel.

2. To find out the basis of promotion and salary increment.

3. To find out the satisfaction level of the employees towards the performance appraisal method.

4. To find out the major source of recruitment of manpower in the hotel.

Sampling

A sample of 80 employees of two hotels in Ranchi was studied. They were divided into two groups- managers and heads; and the subordinate employees. Instrument with closed ended questions using a seven point Likert scale was used. Focus group discussion and personal interview were used to collect detailed information.

Conclusions and recommendations

The hotels usually follow a performance appraisal system and most of the employees (91.4%) are satisfied with the appraisal, it helps motivate (82.8%) the staff. Most of the employees agree that it helps in finding out appropriate staff for promotion. The performance appraisal system should be reviewed time and again to make it more effective. However, the present performance appraisal system does not require much change as majority of the employees are satisfied with it.

Though 91.4% of employees reported satisfaction with the performance appraisal method of the hotels, still 40.8% of them suggested that there could be a change in the appraisal method. This fact reflects that although they were satisfied with the system, they

thought that there was scope for improvement. Employees agree that gifts offered on special occasions by the hotel boosts their morale.

42% of the employees were of the opinion that there is no staff turn-over problem in the hotel. The hotels initially engaged the employees on probation and subsequently placed them on the company roll.

Purcell, *et al* (2000) in their study concluded that in an industry, which employs a large proportion of young and mobile people, turnover is bound to be high. Recruitment is a perennial problem in the sector for this and other reasons. However, one hotel in the United Kingdom has introduced a customer host scheme, under which older recruits -- with a minimum age of 55, but generally over 60 -- are recruited to help out as concierges during peak periods. Such employees often have considerable experience in the industry and may have a lower absentee rate. Turnover figures vary from region to region, but the overall picture is alarming. In the United States, according to a 1998 study, (Woods, *et al* 1998) annual turnover in 1997 was running at 51.7 per cent for line-level employees, 11.9 per cent for supervisory levels, and 13.5 per cent for property managers. The study shows that the turnover rate for the managerial levels is far lower than for line employees. In Asia, rates of around 30 per cent annually are quoted, rising to more than 50 per cent in Hong Kong, China (possibly owing to the construction of numerous hotels, creating a more competitive labour market). Different reasons for high turnover have been cited by employers and employees (IH&RA Report, ILO, 2000). Employers' representatives generally consider that turnover in the industry should be attributed to the essentially transient nature of part of the workforce, namely, students, young mothers and young people as a whole, as well as to the general difficulty in retaining staff.

The Swiss trade journal, *Expresso* (2000) defines casual workers as those who are employed on an occasional and irregular basis in connection with specific short-term requirements. In Switzerland, the casual worker has the same legal rights as a full- or part-time worker, and the only difference lies in the fact that holidays may be paid in the form of a 10.65 per cent supplement to the hourly wage for regimes allowing five weeks' annual holiday, or an 8.33 per cent supplement for regimes of four weeks' annual holiday. A similar system prevails in France. A hotel in London has sought to solve the problem of

irregular workload peaks by employing university students on a part-time basis for a fixed number of hours annually, in this instance 500 hours, which can be used as required, with students able to exchange hours among themselves according to their individual availability. According to the IUF, the need for labour flexibility has always given rise to problems in respect of maintenance of permanent staffing levels in the hospitality industry, and there is a very high proportion of part-time and casual work compared to other industries. (IUF: HRCT Bulletin). The union notes, however, that the greater the degree of flexibility, the weaker the employer's direct control over labour. Moreover, casual employees are likely to be less committed to the enterprise. Employers, too, are conscious that the casual status of the workforce results in less loyalty to the enterprise and lower skill levels.

Child labour is another concern in the hospitality and tourism industry. Child labour is a matter of grave concern, robbing children of their childhood, stunting their growth and hindering the development of their countries (ILO Report 1996). An estimated 13-19 million children and young people below 18 years of age (10-15 per cent of all employees in tourism) are employed in the industry worldwide. (Black, 1995) However, these figures do not take into account the number of children working in the informal sector in ancillary activities. Other estimates also suggest the extent and scale of the phenomenon in the industry (Pluss, 1999).

Child labour in tourism is common in both developing and developed countries. Many boys and girls below 12 years of age are engaged in small business activities related to hotels and restaurants, the entertainment sector or the souvenir trade, often as porters or street or beach vendors. They are frequently subjected to harsh working and employment conditions. The ILO (1996) estimates that there were 250 million children between the age of 15 and 14 years old engaged in economic activities worldwide; 120 million of them were working on a full-time basis, while the rest were combining their work with schooling. Analysis by region shows that Africa has the highest incidence of child labour, with approximately 41 per cent of children working, compared with 22 per cent in Asia (which, however, has the largest absolute number of child workers) and 17 per cent in Latin America.

Only 14% of the employees very strongly or strongly agreed that the hotels were offering good salary. A large number of employees (28.8 %) of employees neither agreed nor disagreed, reflecting their state of indecisiveness. 28.8% of them strongly disagreed with salaries being good. Thus mixed reaction was seen amongst the employees when it came to salary structures. The salary of the staff must be reviewed again as most of the staffs were not satisfied with their salary.

60.5 % employees agreed that the hotel provided a good working environment. Most of them disagreed that working environment was the major cause of the staff turnover. Employees believe that the hotels had good career prospects.

Many branches of the industry are known to be particularly arduous in terms of workload and hours of work (Hotel and Restaurants Convention, 1991). A survey carried out by the European Foundation for the Improvement of Living and Working Conditions covering all 15 European Union countries in 1996 found that 50 per cent of hotel and restaurant sector employees worked irregular hours; 80 percent worked on two to five Sundays in a month, and 41 per cent worked six or more nights monthly.

50% of the employees were satisfied with the food provided in the cafeteria. The food in the cafeteria should be improved a little as 50% of the employees were not satisfied with the food. Employees are entitled to get medical benefits and the employees were happy with the leave granted to them.

The head of the departments believed that the existing performance appraisal method was sufficient to find out the level of promotion of the staff. This was also agreed by other employees. They believed that experienced employees were better than fresher and thus experienced personnel were preferred. To some extent employee's reference was also considered.

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