WORKPLACE FLEXIBILITY AND LABOUR SUPPLY CHAINS IN HOSPITALITY: THE ROLE OF EMPLOYMENT AGENCIES

PEI-CHUN LAI

A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR DOCTOR OF PHILOSOPLHY

THE SCOTTISH HOTEL SCHOOL
UNIVERSITY OF STRATHCLYDE
GLASGOW, UK

May 2005

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ACKNOWLEDGEMENTS

Conducting PhD research is a lonely and lengthy journey. Looking back for the past three years, I have been through many stages in my life. However, I am very glad that I have got many loving family members, mentors and friends who provide me with support and encouragement to carry on with the journey.

First and foremost, a great appreciation to my supervisor, Professor Tom Baum, for his unconditional guidance and support. As my principle supervisor, he is more than an advisor to me. Many thanks for his fatherly guidance to assist me in many aspects, in terms of academic, learning and life.

I would also like to acknowledge Dr. Clare Kelliher of Cranfield University who is renowned as an international expert in her field for serving as the external examiner and Dr. Dennis Nickson for serving as internal examiner in my viva. I appreciate the time they spent reading the dossier, chairing the viva session and providing comments.

In addition, many thanks to colleagues and friends in the Scottish Hotel School. Without their kind assistance and warm caring, this PhD journey would be even more lonely and longer in process.

Furthermore, considerable gratitude is owned to interview informants who contributed their knowledge, experience and time to this study. They made me obtain more understanding with respect to the subject which I have wanted to know for a long time. Their contributions and being patience to me are appreciated in great deal.

Lastly but not least, many thanks to my parents, Yuan-Liang and Hui-Chu, and families, Chen-Wen, Michelle, Wendy, Winnie, Wei-Wei, and Ebi. Being a youngest daughter in the family, I have always obtained the best care from my parents. They also hope that I can be the first doctor in the family. Although they cannot be with me physically, they are with me as always in my heart.

I dedicate this manuscript to my dearest parents.

ABSTARCT

This thesis is about labour flexibility in the hospitality sector. This study investigates issues regarding the labour supply chain in the hotel sector through the integration of underpinning literature, in areas such as labour flexibility, supply chain management (SCM), and just-in-time management (JIT). It seeks to explore the phenomenon in the context of the supply of workers to client hotels by employment agencies, thereby testing the notion of the development of effective labour supply chains in the hotel sector.

Constant fluctuation between demand and supply makes the hotel sector, a labour-intensive industry, that is in need of labour flexibility. According to Walsh (1991, p.113), labour can be purchased almost on an "as needed" or "just-in-time" basis. This argument extends the potential for considering labour as part of the commodities which are exchanged within the production line or the supply chain.

Through the evidence collected from both hotels and their partner employment agencies by using semi-structured in-depth interviews for data collection, a tendency to use agency staff in the hotel sector was found. Hotels use agencies in order to gain labour flexibility, cost-effectiveness, ease of dismissal, a good quality workforce and outsourcing prevention, as well as some relatively involuntary motivations in using agency services, such as "no-recruitment" company policies and recruitment difficulties. A pull system is adopted in this labour supply chain, that is, clients (e.g. hotels) "pull" demand as and when needed, instead of suppliers (e.g. agencies) "push" their supply to purchasers. A number of issues emerged in the study which demonstrate the existence of the labour supply chain and identify several approaches to make the chain run smoothly.

However, the research itself has some limitations in its application, such as the lack of inputs from agency labour, a focus on hotel housekeeping operations, and sampling techniques. Notwithstanding these research limitations, the findings serve the main objective set for the study and confirm that employment agencies can form an effective labour solution to the hotel sector. This study is not intended to be generalisable to the whole population, but attempts to apply a theory (e.g., a hotel labour supply chain) within the context of the hotel sector.

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CHAPTER 1 INTRODUCTION

This thesis is about labour flexibility in the hospitality sector. It considers how creative supply chain solutions can provide such flexibility, particularly through partnership with the employment agency sector. The hospitality business is about people serving people. The issue is how to maintain the levels of people in service, in terms of quantity (the number of service staff) and quality (the qualifications and skills of workers). This debate plays an essential part in the management of hospitality. This study focuses on how to keep a balance in a hotel's staffing levels in order to maximise quality standards as well as to minimise operational costs.

This chapter maps out the "building blocks" in this thesis. It introduces the literature on labour flexibility, supply chain management, just-in-time management and the employment industry. In addition, it also identifies emergent issues as well as those puzzles that still remain unclear and need to be clarified through further study.

1.1 Human resource management in the hospitality sector

> "Dealing with people is what our business is all about: whether it is our employees or those guests who walk in the front door. When providing services to our guests our primary resource is our people, our workers, our employees. Being such a labour-intensive industry you would think that it would be hard to neglect these valuable resources, but oftentimes we do" (Tanke 1990, p.4).

Kelliher and Johnson (1987, p.103) identify the rapidly growing importance of the organisational personnel function during the 1970s, and show that the hotel industry was not isolated from this development in human resource management (HRM). Tanke (1990, p.5) defines HRM as "the implementation of the strategies, plans and programs required to attract, motivate, develop, reward and retain the best people to meet the organisational goals and operational objectives of the hospitality enterprise". However, in searching for the "best people" to work for a hospitality organisation, Lockyer and Scholarios (2004, p.126) argue that hotel management faces critical staffing problems, such as "long and unsocial hours, the unpredictable and often seasonal demand against high fixed costs, low pay, casualisation, high turnover, and poor personnel professionalism".

Levitt (1972) argues that adoption of a production-line approach in service industries can improve service quality and efficiency. This approach is well developed, particularly in the fast food sector, which uses manufacturing techniques to achieve targets in relation to service quality and service delivery (Levitt 1972; Mehra and Inman 1990; Schroeder 1993; Ritzer 1998, Bowen and Youngdahl 1998). Canel *et al.* (2000, p.51) also argue that "services are much like manufacturing, in that both employ processes that add value to the basic inputs used to create the final product".

Motivated by an interest in service production-line analysis and other manufacturing techniques, Lockwood and Jones (2001) postulate the possibility to transform "lean production" into "lean service" in the hospitality industry. That is, by using flexible workers to produce multiple products under flexible craft production and introducing just-in-time (JIT) production control to eliminate the waste in excessive production, the industry can pay more attention to customer product preferences. This can be achieved through increased flexibility and recognition of employee wants as well as through more highly involved management practices (Bowen and Youngdahl 1998, p.213). Lockwood and Jones (2001, p.171) further argue that:

> "the lean service approach provides an opportunity for hospitality operations to move past the very successful McDonald's approach of a mass production system producing a very narrow offering of what the company thinks the customer wants, towards being able to allow the customer to 'have it their way' and still be commercially successful".

As a result of unclear distinctions between manufacturing and service operations, a common paradigm and shared logic are emerging in the form of "mass customisation" (Lockwood and Jones 2001). Mass customisation is defined as "the use of flexible processes and organisational structures to produce varied and often individually customized products and services at the low cost of a standardized, mass production system" (Hart 1995, p.36, cited Lockwood and Jones 2001, p.171).

In line with these arguments regarding lean production, lean service, or mass customisation, it is, therefore, essential for an organisation to adopt flexible labour strategies to cope with the target of being "lean". Purcell and Purcell (1998, p.42) argue that "there is clear evidence in the UK, as in other European countries, that there have recently been significant and systematic changes in employers' use of contingent workers".

The problems that are evident in managing people in the hotel sector (Lockyer and Scholarios 2004) are the result of the operational characteristics of the industry, in terms of intangibility, perishability, variability, simultaneous production and consumption, and inseparability (Schroeder 1993; Baum 1995; Knowles 1998; Korczynski 2002). Due to constant fluctuation between demand and supply in the hospitality industry, Riley (1991, p.22) suggests "to set up a buffer consisting of part-time workers, casuals, overtime and bonus incentives" as the commonest approach in securing organisation's productivity, which "is essentially the management of labour supply".

Labour flexibility can be categorised into two dimensions, functional flexibility (i.e. by qualifying labour skills) and numerical flexibility (i.e. by quantifying labour utilisation) (Meulders and Wilkin 1987; Burgess 1997). Between these two broad categories, it can further be classified as internal qualitative, internal quantitative, external qualitative and external quantitative flexibility (Looise *et al.* 1998, see Table 2.2.1.1). In theory, there should be considerable application in the hospitality industry to use functional flexibility, such as cross-training, multi-skilling and empowerment. However, Riley (1992) argues that there is little incentive for hospitality managers to use functional flexibility, since the alternatives are easier to implement (Kelliher and Riley 2002, p.238).

In this study, the research focuses on how hotels adopt labour flexibility, with special reference to external quantitative flexibility. In other words, when employing staff from external labour suppliers, employment agencies for example, how does this strategy contribute to the effectiveness and efficiency of hotel operations? In addition, can this utilisation of external labour be managed in a systematic manner incorporating manufacturing techniques, such as supply chain management and just-in-time management? The systematic utilisation of external quantitative flexibility is a further focus in the study.

Detailed research objectives and questions are set out in the next section.

1.2 Research objectives and questions

Ingram (1996), in his work on the analysis of research topics in the field of hospitality and tourism studies, argues several key issues which may be regarded as increasingly important and are subject to considerable debate in the wider community (see Table 1.2.1).

Table 1.2.1 Issues in the hospitality and tourism research

Issues	Area of focus
Changing patterns	Trends Health and safety "Green issues" Disability Health eating
Customers	Consumer behaviour Customer needs
Agencies	Consultants Government agencies Professional trade organisations
Information technology	Technological impacts Management information systems Software advances
Service/Quality	Service quality Quality standards Service delivery Total quality management

(Source: Ingram 1996, p.3)

From Ingram's (1996) proposals, agency issues, in terms of consultants, government agencies, and professional trade organisations, emerge as fields where there is a need for further research. This coincides with the main objective of this study, that is "how to effectively adopt labour force flexibility strategies in the hotel sector, with reference to agency staff and the employment industry as a source of labour supply".

The literature notes the likelihood of hospitality managers using labour flexibility, numerical flexibility in particular, in order to deal with demand fluctuation that occurs from time to time. Incorporated with manufacturing management techniques, service production-line analysis is also suggested in the literature. It is argued that this production-line analysis can assist the service industry to achieve efficiency and to maintain consistent service quality.

Stimulated by the notion of by the production-line analysis, this study exams the possibility of combining two manufacturing management techniques, namely supply chain management (SCM) and just-in-time (JIT) management, through the utilisation of distancing labour flexibility to form a labour supply chain in the hotel sector.

As a consequence, the main research questions (see Section 5.1.1) raised in this empirical study are:

- What is the nature of the recruitment and employment industry?
- What is the relationship between the agency and its clients?
- Can concepts of Supply Chain Management (SCM) and Just-in-Time (JIT) management be applied to an analysis of the labour supply chain that is found between agencies and their client hotel?

The next section presents the foundations and the structure of this thesis.

1.3 Structure of the thesis

Searching for answers to the proposed research questions serves as the main purpose of this empirical study. During this research journey, many issues have been taken into consideration, such as:

- Previous relevant research: in terms of how similar studies have been conducted, what research findings have been reported, and what puzzles still remain unknown and unsolved.
- Research constraints in the study: such as time-frame limitations and research resource availability.
- Research design concerns: in order to underpin the entire answer-finding process as well as implement the study in a logical and reasonable approach.
- Reporting the "answers": how to report the findings of the research process in a clear, consistent and well-organised format.

These issues not only have been considered by the researcher, but also serve as guidelines in mapping out this thesis. Each issue represents an essential pillar of the study. In this section, the structure of the thesis is explained as follows.

Chapter 1 Introduction

This chapter describes the main concerns of the study and considers the "territory" within which the research is located, followed by the list of research questions. Expected outcome of this research are also stated in this chapter in an attempt to anticipate a possible contribution to knowledge.

Chapter 2 Labour flexibility and the flexible firm

This chapter is one of the three literature-review chapters. These three chapters are focused on a review of previous research in relation to the study, in order to understand the context of research and to identify the puzzles which remain unclear in the literature.

Chapter 2, in particular, examines issues regarding labour flexibility and the flexible firm model. By looking at its definition, types, reasons why, and pros and cons of labour flexibility implementation, a further understanding of this flexible strategy is gained. The chapter also introduces a flexible firm model (Atkinson 1984) as a conceptual framework that indicates three dimensions of labour flexibility strategies, namely functional, numerical and distancing flexibilities. The model's lack of underpinning empirical studies to support its theory is noted as well as a lack of specific application in specific industrial sectors, for example, the hotel sector.

Moreover, in order to overcome limited empirical underpinning in the flexible firm model, issues with respect to distancing flexibility are discussed. After reviewing definitions, principle supplying markets, relevant regulation and legislation, and products and services provided in the employment industry, a greater understanding of the sector is achieved. It is, then, followed by a discussion of the pros and cons of employing agency staff as a model for the implementation of distancing flexibility. This gives a further perceptive about the benefits of using agencies and the significance of the industry. Lastly, issues regarding the triangular relationships that exist between agencies, clients and agency staff are discussed.

Chapter 3 From supply chain management and just-in-time management to a hotel labour supply chain

Guided by the definition of labour flexibility, the ability to adjust manpower levels in an organisation under fluctuating and uncertain circumstances, this chapter first discusses the relationship between demand and supply. As a consequence, an attempt to employ production line analysis in the service industry is considered, followed by a review of the literature in relation to supply chain management (SCM). In addition, the concept of just-in-time (JIT) management is also discussed as a complement to the SCM literature.

In a JIT system, the optimum goals are waste elimination and zero inventory, and these are conditions for which the service industry searches. It is then postulated that these three theories, SCM, JIT and labour flexibility, can be integrated together to a certain extent. From this integration, a hotel labour supply chain is proposed in this chapter.

Chapter 4 Hotel operations

This chapter discusses several issues in the context within which this study is located, in terms of its definition, the characteristics of services and products the hotel sector provides and housekeeping operations within the sector. The chapter does not only provide a background understanding of the study context, but also proposes a production line analysis in hotel housekeeping operations in light of issues argued in the other literature chapters. This facilitates the building up of a possible housekeeping labour supply chain in the hotel context.

Chapter 5 Research methodology

In this chapter, underpinning philosophies of the research methodology are discussed before mapping out the research approach in this study. The study is identified as exploratory qualitative research. This chapter also explains how the study is conducted, by stating its (1) data collection design (e.g. adopting semi-structured interviews research), (2) data analysis process (e.g. data managing, data coding, and thematic classifying), and (3) data presentation format.

Chapter 6 Research findings, discussion and emergent issues

This chapter illustrates the empirical findings collected from the research fieldwork. The findings are presented according to the labour supply chain model (see Figure 5.1.1.1). As an exploratory qualitative study, the findings report issues in detail, such as the relationships between client hotels and labour suppliers, reasons why hotels use agencies, how to choose hotels' labour suppliers and how to manage the whole supply chain. This gives insight into what is happening in the context of the housekeeping labour supply chain in the hotel sector.

Furthermore, this chapter includes a summary of each issue which emerged from the research findings and an interpretation of these issues based on the emergent themes. Apart from the researcher's own interpretation, a reflection of the similarities and difference between the research findings and the literature in relation to the emergent issues is also presented.

Chapter 7 Conclusion

This chapter serves as a summary chapter of the whole research journey. Emergent issues are discussed in this chapter. In addition, limitations of the research and recommendations for future relevant research are also included. The study seeks to give readers and the researcher further insights in the labour supply model between two parties, hotels and employment agencies.

1.4 Expected contribution to knowledge

A range of research themes have been studied in relation to the main issues discussed in this work, in terms of labour flexibility, distancing flexibility in particular, SCM, and JIT management. However, it is rare in the literature that a labour supply chain is applied within specific industries, such as in the hotel sector.

Labour flexibility is defined as the ability to adjust manpower levels in an organisation under fluctuating and uncertain circumstances (Blyton and Morris 1989;

Mouriki 1994; Looise *et al.* 1998; Volberda 1998). Demand fluctuation means that the hotel sector, a labour-intensive industry, is in need of labour flexibility.

The hotel sector has key service sector characteristics, such as intangibility, perishability, variability, simultaneous production and consumption, and inseparability (Schroeder 1993; Baum 1995; Knowles 1998; Korczynski 2002). These service characteristics make the sector focus efforts into the process of producing services and products, in order to make sure each stage in the production line is in a perfect condition to satisfy customers. JIT management and SCM, which are normally applied in manufacturing industries, provide insights to this objective.

This study investigates issues regarding the labour supply chain in the hotel sector with the integration of key issues, such as JIT, SCM, and labour flexibility. It seeks to explore the phenomenon in the context of the supply of workers to client hotels by employment agencies, as a result of stimulating the development of effective labour supply chains in the hotel sector.

Issues in relation to labour flexibility are discussed in the next chapter. A further understanding of the practice of using labour flexibility can then be acquired.

CHAPTER 2 LABOUR FLEXIBILITY AND THE FLEXIBLE FIRM

In this chapter, issues relating to labour flexibility, in terms of definitions, types of labour flexibility strategies, resources in using flexible strategies and possible drawbacks to using labour flexibility, are discussed. A flexible firm model is exemplified as an elaboration to underpin the proposed study. In addition, practices of utilising distancing flexibility with special reference to employment agencies are considered in some detail.

2.1 Definitions of labour flexibility

The term, labour flexibility, is ambiguous and rarely defined (Burgess and MacDonald 1990; Pollert 1991; Tregaskis *et al.* 1998; Buultjens and Howard 2001). Reilly (1998, p.7) argues that "flexibility is a difficult concept because it is used in a number of different contexts, both in the world of work and in the political arena". According to Mouriki (1994, p. 1), the variety of views about flexibility issues range "from prodigal acceptance to outright dismissal, encountered in academic as well as political and industrial relations circles, simply confirms the complexity and the importance of the issue". Commonly, labour flexibility is defined as the ability to adjust manpower levels in an organisation under fluctuating and uncertain circumstances (Blyton and Morris 1989; Mouriki 1994; Looise *et al.* 1998; Volberda 1998; Reilly 1998). According to Amadeo and Horton (1997), flexibility is defined as the market capability to create the conditions to return to an optimal equilibrium position after an exogenous shock. This capacity, in the context of the workforce in an organisation, acts as a buffer to absorb the difference and keep the organisation elastic. Blyton (1992, p.301) concludes that labour flexibility discussed in the business literature centres on "securing lower labour costs, tighter manning levels, higher machine utilisation, greater staff mobility, and few interruptions and bottlenecks in production". Storey *et al.* (2002, p10) argue that "flexibility is used either as a cost-reduction device or as a means to meet fluctuations in demand rather than as a tool to introduce new ideas and skills into the organisation". As a consequence, another definition of labour flexibility as a cost-effectiveness approach in an organisation is suggested (Pollert 1991; Reilly 1998; Timo 2001; Sheridan and Conway 2001).

In general, labour flexibility in the context of business, as the literature suggests, serves as a means of increasing efficiency in business operations and decreasing operational costs simultaneously.

Because of ambiguities suggested in the literature, the workforce adopted under labour flexibility strategies, flexible labour, also shares this vague definitional characteristic. According to Sheridan and Conway (2001), flexible labour is commonly referred to as part-time, temporary or casual workers. However, it also includes freelancing, subcontracting, self-employment, outsourcing, homeworking, outworking, teleworking, franchising, zero-hours contracts, fixed-term contracts, seasonal working, flexi-time, agency and consultancy workers (Mouriki 1994; Forde 1998; Sheridan and Conway 2001; Moshavi and Tergorg 2002).

In the literature, flexible labour is often seen as contingent workers (often used in the US), atypical workers (often used in European countries) or non-standard labour (Tregaskis *et al.* 1998; Storey *et al.* 2002). These terms serve as a contrast to full-time employee, which is the norm of employment in an organisation. However, contingent employment has grown considerably faster than the overall employment rate during the past two decades, especially in service industries (Purcell and Purcell 1998; Druker and Stanworth 2001; Hipple 2001, Moshavi and Tergorg 2002; Purcell and Cam 2002; Gray 2002). Phan and Kleiner (2000) note that, in the US, nearly half of the workforce are contractors, due to the pressures driven by notions of down-sizing, right-sizing, re-engineering, restructuring, outsourcing, and contingent employment.

2.2 Types of labour flexibility strategies

In this section, various categories of labour flexibility strategies are considered, followed by further illustration of two main divisions within flexibility strategies, namely functional /qualitative and numerical /quantitative labour flexibility strategies.

2.2.1 Categories of labour flexibility strategies

Sources within the flexibility debate in the workplace such as Atkinson (1985, p.1) and Pollert (1991, p.3) show the degree of complexity that underpins consideration of workplace flexibility. Flexible working can provide an elastic and less rigid approach within most functions in an organisation, through use of strategies such as flexitime working, flexible labour rotations, multi-skilling or tasking, production flexibility, and delivery flexibility. Categories identified in this strategy are diverse, from the simplest divisions into numerical and functional flexibility to the five-fold segmentation of Rimmer and Zappala (1988), consisting of external numerical flexibility, internal numerical flexibility, functional flexibility, wages flexibility and procedural flexibility (Burgess and MacDonald 1990).

In summary, Table 2.2.1.1 shows the complexity in categorising labour flexibility by tabulating various classifications from a number of academic sources.

Table 2.2.1.1 Categorisation of labour flexibility

Flexibility Category	Description	Atkinson (1984)	Rimmer and Zappala (1988)	Harrison and Kelly (1993)	Looise *et al.* (1998)	Reilly (1998)
Functional	By using staff's ability and moving them between various tasks	✓	✓	✓ [1]	Qualitative flexibility	✓
Numerical	By adjusting number of staff or hours of working to meet firm's demand and fluctuation in demand	✓	✓	✓	Quantitative flexibility	✓
Pay	By developing different financial reward system to encourage functional flexibility	✓				
Distancing	By contracting out operational function to external contractor and shift burden to them accordingly	✓		Numerical flexibility (Type II)	External flexibility	
Work time	By adjusting staff's working time, in terms of shift scheduling and overtime working		✓			✓
Wage	By altering wages to suit the economic conditions		✓	✓		✓
Procedural	By establishing a procedural framework to allow negotiation between a employer and its employees		✓			
Internal	By using the existing workforce to cope with fluctuations and changes in the demand for labour				✓	
External	By making use of external labour when necessary				✓	
Locational	By using employees outside the normal workplace					✓

Note: ✓ [1] Indicates a relatively different perceptive as a common notion identified by Atkinson (1984). See Harrison and Kelly (1993) for further detail.

Categories of flexibility strategies discussed commonly in the literature are functional flexibility (i.e. by qualifying labour skills) and numerical flexibility (i.e. by quantifying labour utilisation) (Meulders and Wilkin 1987; Burgess 1997).

Functional flexibility is the ability of managers to extend the range of tasks a worker can perform. This normally applies to core, permanent staff inside organisations as multi-skilling. Functional flexibility implies that the same labour force changes its activities with the organisation, in both the short and medium term (Atkinson 1985). Numerical flexibility can be defined as the ability of organisations to increase or decrease employment quickly in line with fluctuations in business demand, and to improve the competitiveness of firms through adopting this flexible policy (Atkinson 1984; Looise *et al.* 1998; Ruiz-Mercarder *et al.* 2001). Numerical flexibility models normally employ "human hours" as instruments while utilising labour force flexibility strategies. Companies predict the requirements for human resource (based on hours needed or skill required), and adjust their human resource supplies accordingly. To achieve greater success in balancing demand and supply, companies require the ability to utilise both new employment and termination. Supplementary descriptions of the two divisions are discussed in Section 2.2.2 and Section 2.2.3 respectively.

Between these two broad flexibility classifications, Looise *et al.* (1998) further classify flexibility strategies into a two-by-two matrix (see Table 2.2.1.2), based on two considerations, the source of staff (i.e. acquisition of manpower internally or externally) and the involvement of different skills (i.e. requirement for staff to have one specific working skill only or be able to work more than two positions). Volberda (1998, p.117) defines internal flexibility as management's capability to adapt to the demands of the environment and external flexibility as management's capability to influence the environment so that the firm becomes less vulnerable to environmental changes.

Table 2.2.1.2 Labour flexibility matrix

	Internal	External
Quantitative	▪ Overtime ▪ Variable working time ▪ Part-time ▪ Shift working	▪ Agency staff ▪ Short-term contracts ▪ Flexible contracts ▪ Exchange of labour ▪ Labour pool
Qualitative	▪ Job rotation ▪ Multi-tasking ▪ Multi-functioning	▪ Detachment ▪ Consultancy

(Based on Looise *et al.* 1998)

These overlapping typologies provide organisations with different alternatives in pursuing labour flexibility. In this, the classification postulated by Looise *et al.* (1998) seems to be a more systematic approach, with the source of labour, in particular, being taken into consideration. This model also gives easy-to-follow guidelines to the employment of different flexibility strategies.

2.2.2 Functional and/or qualitative flexibility

> "Functional flexibility is sought so that employees can be redeployed quickly and smoothly between activities and tasks. This might mean the deployment of multi-skilled craftsmen moving between mechanical, electrical and pneumatic jobs. It might mean moving workers between indirect and direct production jobs; or it might a complete change of career from, say, draughtsman to technical sales" (Atkinson 1985, p.11).

Therefore, the firm expects that employees can take on different functions and work between departments. For example, a hotel receptionist checks in/out guests in the morning and cleans guest rooms as a room attendant after the morning rush. If employees are multi-skilled, this gives companies greater flexibility to act quickly and smoothly while reacting to the problem of staff shortages. Riley and Lockwood (1997, p.414) argue that, at its simplest, functional flexibility is about having employees who are multi-skilled and who can therefore move between jobs or tasks as demand arises. Guerrier and Lockwood (1989b, p.407) also suggest that functional flexibility is concerned with the versatility of employees and their ability to handle different tasks and move between jobs.

The discussion above confirms an important factor in achieving functional flexibility. That is, staff require multi-skills to undertake different tasks between departments as needed in an organisation. As illustrated in Table 2.2.1.1, an organisation performs functional (or qualitative) flexibility internally by using job rotation, multi-skilling and multi-tasking or externally through consultancy and detachment. However, when referring to functional flexibility strategies, most researchers suggest using internal staff, i.e. company-employed staff, to fulfil flexibility requirements.

In theory, the use of functional flexibility should have considerable application in the hospitality industry. The scope to match the supply and demand for labour more closely is greatest where there are fluctuations (especially unpredictable fluctuations) in the pattern of demand and where the range of activities carried out are fairly complex. However, Riley (1992) argues that there is little incentive for hospitality managers to use functional flexibility, since the alternatives are easier to implement (Kelliher and Riley 2002, p.238).

2.2.3 Numerical and/or quantitative flexibility

As suggested by its name, numerical flexibility refers to acquiring flexibility through adjusting "number" or "quantity". Guerrier and Lockwood (1989b, p.407) refer to "numerical flexibility concerned with the ability to adjust the number of workers or the number of hours worked in response to changes in demand".

Some researchers define that numerical flexibility as the ability for organisations to increase or decrease employment quickly in line with fluctuations in business demand, and to improve the competitiveness of firms through adopting this flexible policy (Atkinson 1984; Burgess 1997; Looise *et al.* 1998;Ruiz-Mercarder *et al.* 2001; Buultjens and Howard 2001).

Table 2.2.3.1 Numerical flexibility categorisation

Numerical flexibility categorisation	Ruiz-Mercarder *et al.* (2001)	Looise *et al.* (1998)	Atkinson (1984)	Harrison and Kelly (1993)
Contractual working time flexibility	The use of temporary and part-time contracts	Quantitative flexibility	Numerical flexibility	Numerical flexibility
Distancing flexibility	The use of outside employees, e.g. subcontracting and self-employment	External flexibility	Distancing flexibility	Functional flexibility and Numerical flexibility
Exit flexibility	The simplification of the administrative procedures and reducing the dismissal costs of shedding labour	Quantitative-external flexibility	Distancing flexibility	Numerical flexibility
Internal flexibility or Time flexibility	The adjustment on working time, e.g. extra hours, annual contracts on hours worked, and the use of shift working	Quantitative-internal flexibility	Numerical flexibility	

Table 2.2.3.1 shows numerical flexibility categorisation, as presented by Ruiz-Mercarder *et al.* (2001), and other researchers. The comparison indicates a relatively strong link between numerical flexibility and distancing flexibility. According to Gooderham and Nordhaug (1997, p.568), "numerical flexibility refers to the dimensioning of manpower, not least through the use of temporary labour relative to permanent labour, which will normally vary according to fluctuating conditions faced by firms". Temporary labour is often used in association with a temporary help service provider, which can be referred to as using external flexibility (or distancing strategies) in a company. Since numerical flexibility is gained through adjusting the number of hours worked or the number of staff working in an organisation, it is important for the firm to have the ability to match its labour demand and supply smoothly. In order to acquire this matching ability, it is relatively more convenient for the company to acquire external staff from contractors rather than having permanent staff who operate under statutory employer obligations, such as working time regulations and redundancy procedures. Therefore, if the company was seeking numerical flexibility, it benefits from recruiting from external contractors outside the

organisation. This discussion confirms the strong link between numerical and distancing flexibilities noted above.

In summary, different typologies of flexibility strategies, which are considered in the extant literature, are discussed in this section. A considerable component of all of them focuses on the involvement of different skills required from staff, in both qualitative and quantitative terms. This can be traced back to, arguably, the most influential flexibility study, the flexible firm model (Atkinson 1984,1985), that divides organisational manpower into two basic groups, core and peripheral. Detailed discussion in this flexible firm model is found in Section 2.5.

2.3 Using flexibility strategies

In this section, driving factors behind flexibility strategy debates and advantages of using flexibility strategies are discussed.

2.3.1 Driving factors

According to Looise *et al.* (1998), the academic debate on labour flexibility, with a strong ideological character, has been live since the early 1980s. In 1984, Atkinson proposed a model on flexible working, the flexible firm. Thereafter, much discussion has been generated about this theoretical framework (Blyton and Morris 1989; Burgess 1997; Casey *et al.* 1997).

Table 2.3.1.1 Driving factors of labour flexibility strategies

Aspect	Looise *et al.* (1998)	Guerrier and Lockwood (1989b)	Blyton and Morris (1989)	Purcell and Cam (2002)
Business	• Globalisation • Growing competition • Efficiency • Cost reduction	• Recession	• Globalisation • Recession • Changing relationships between manufacturers and suppliers • Downsizing strategies	• Globalisation • Increasing competition • Short-term economic recovery policy • "Just-in-time" production • Downsizing strategies
Technological	• New technology in information and telecommunication	• New technology	• New technology	• Technologica l changes • The pursuit of increased productivity
Social and institutional	• Individualisation • Higher education • Changing work/life style • Deregulation • Less interest in trade union	• Less working hours • Changing work/life style	• Less working hours • Changing work/life style • Deregulation • De-power of trade union	

Table 2.3.1.1 shows a comparison of flexibility strategy driving factors proposed by various researchers. From a macro-economic perspective, flexibility is generated by the following factors:

- Business aspects: recession, globalisation, need for efficiency in production process, a changing logistics pattern between suppliers and demanders such as the "just-in-time" system, cost reduction and downsizing strategies.
- Technological aspects: renovation of new information technology and machinery.
- Social and institutional aspects: changing work/life style, need for less working hours, less interests in and less power given to trade unions (what

has been called to "de-unionise" the workforce) (Tregaskis *et al.* 1998; Reilly 1998) and governmental deregulation on employment issues.

Growing competition within an industry encourages companies to search for both efficiency and cost reduction approaches to survive. The innovation of new technologies frees manning levels and allows new patterns of manufacturing and service delivery. As stated in Section 2.1, labour flexibility serves as a means of increasing efficiency in business operations and decreasing operational costs simultaneously. This can explain the prominence of labour flexibility as a concern since the early 1980s. Researchers assert that the number of companies which are obliged to use various forms of employment contracts to attain the flexibility that is required for survival in the highly turbulent business world is growing (Krausz 2000; Amuedo-Dorantes 2001).

Apart from these macro-economic factors, Mouriki (1994, p.3) notes three issues that have also accounted for the expansion in the use of labour flexibility:

- The quest by employers for greater flexibility in staff numbers and staff hours.
- The quest by women for shorter working hours or weeks, in order to accommodate their domestic responsibilities with paid employment.
- The need by a growing number of individuals to address the demands of other activities outside employment, such as education, training, and leisure.

According to Casey *et al.* (1997), factors, encouraging organisations to use labour flexibility, can be explained from two perspectives, namely strategic and non-strategic approaches.

- Strategic approaches: the implementation of business theory of treating personnel practices as important tool for implementing organisational aims; strategies in response to major shocks or pressures by developing the scope for reorganising jobs, for using different combinations of temporary and permanent workers and for new approaches to working time.

- Non-strategic approaches: changes are only considered in response to pressure and *ad hoc* situations. The response to pressure is narrowly focused and not ongoing, unlike its strategic counterpart.

Other micro-economic rationales for adopting different flexibility strategies, in the context of business operations, are also suggested by Casey *et al.* (1997):

- The pattern of demand: the demand can be various across the day, across the week, across the year and across years. Although organisations can take measures to smooth demand fluctuations, variability and predictability of demand are important factors leading to the types of flexibility practices in use, such as over-time working by permanent employees, the use of temporary workers or subcontracting.
- The nature of the product and production: services and products vary in the need for their availability over the day, in their ability to be stored or shifted over time. These have major impacts on flexible strategies. The choice between approaches is affected by the labour market, concerns over flexibility of staffing, quality issues and cost considerations, as well as the historical pattern of work organisation.
- The pressure on labour costs: cost pressures lead to the use of flexibility practices which match labour inputs to demand and affects the choice between differently priced approaches. Cost considerations may affect the choice between using overtime and employing casuals; using casuals and permanent staff; part-timers working longer hours and full-timers doing overtime; and using home workers and permanent employees on site.
- The labour market, industrial relations issues: the availability of suitably skilled workers in the labour market is a strong influence on labour flexibility strategies, either limiting the range of practices which could be used or leading to the development of new practices to overcome shortages.

- Employer and management preferences: these affect employers' responses to labour shortages. However, the employers' preference can be part of a general policy in some organisations, or in other cases it is *ad hoc*, in response to individual requests.

Summarising the factors identified by Casey *et al.* (1997), three main reasons for organisations to consider flexibility strategies are cost pressures, labour shortages and changes in demand.

In conclusion, different researchers provide varied analyses to explain the prominence of labour flexibility over the past two decades. From the macro-economic perspective, flexibility is stimulated by recession, changing patterns of production systems such as "just-in-time", growing competition within industries, searching for efficiency and cost effectiveness, changing types of work/life style, innovations of new technologies, and governmental deregulation. On the other hand, micro-economic factors focus on changing patterns of demand and, as a consequence, associated supply. Due to possible fluctuations in demand, companies need to find solutions to fluctuation, especially if a company cannot predict or forecast its future demand to a relatively exact level. According to Tregaskis *et al.* (1998, p.72),

> "flexibility is introduced on an *ad hoc* basis as a response to a change in the work itself, a perceived change in customer requirements (often sparked by new services offered by competitors), or crude decisions on 'headcount' announced, without consultation with either managers or employee representatives, as a means of improving the share price".

As stated in Section 2.1, labour flexibility seems to be a solution for organisations when under both macro- and micro-economic pressures.

2.3.2 Advantages of using flexibility strategies

The literature suggests that the advantages of labour flexibility include securing lower labour costs, tighter manning levels, rapid response in situations of demand fluctuation, improving labour productivity specifically and industrial performance in general, improving the competitiveness of firms, and giving more discretionary power to management (Burgess and MacDonald 1990; Walsh 1990; Blyton 1992; Burgess 1997; Ruiz-Mercarder *et al.* 2001; Sheridan and Conway 2001).

The aim of labour flexibility strategies, both functional and numerical, is to assist a company to keep its manpower levels at the minimum and to be able to adjust this level of flexibility as and when needed. Based on the work of Burgess (1997), the purpose of pursuing labour flexibility strategies is to promote cost effectiveness, overcome market uncertainty and volatility, avoid the costs of large scale redundancy pay-outs, respond to rapid technological change and re-organise the internal labour market. According to Amuedo-Dorantes (2001, p.638), "the need to quickly adapt to fluctuations in the workload due to market factors, vacancies, leaves, and special tasks is recognized as one of the main reasons for employers to hire temporary (or flexible) workers, along with employment costs". Moshavi and Tergorg (2002) also note three advantages of using flexible staff, in terms of greater staffing flexibility accompanied by the contingent worker, reduced direct labour rates and avoidance of long-term employment commitments from the company point of view. As well as that "contingent workers may be more efficient than regular workers in the short term" (Moshavi and Tergorg 2002, p.334).

The labour costs a company has to spend on its workforce include wages/salary, pensions, national insurance, holiday entitlement, maternity leave pay, sick leave pay, training, and subsidized food and lodging, etc. The above costs focus on direct payments and fringe benefits for companies' permanent employees. Through Mouriki's (1994) study, it is found that flexible workers cost companies 12% less an hour, on average, than full-time workers. Flexible labour are often excluded from various benefits such as redundancy pay, pension schemes, and bonuses, and offer a cheaper alternative to overtime work which receives premium payment.

Amuedo-Dorantes (2001) also notes other savings on companies' human resource expenditure, such as permanent workers' dismissal costs, wage differentials between temporary and permanent workers, and union negotiations for increased job security for permanent members. The risk of these employment transaction costs when recruiting permanent staff is moved to the flexible workers who bear the cost of uncertainty (Walsh 1990; Burgess 1997; Purcell and Purcell 1998; Tregaskis *et al.* 1998; Timo 2001).

When the company adopts labour flexible strategies, it appears to permit the underestimation of its workforce, in terms of the number of staff required to run the operation smoothly. In the case of adopting internal labour flexibility in an organisation, fewer staff are needed because the company can swap staff between departments. As a consequence, the company can reduce labour costs by having a smaller workforce. According to Timo (2001, p.303), "idle labour, like inventory, is costly. The manufacture of different types of job tenure and connecting these to flexible working time arrangements is an effective way of ensuring that departments are able to allocate labour to tasks whilst controlling labour costs". On the other hand, if the company is using external labour flexibility, then this labour cost can be partially transferred to its external contractors, the actual employers of the external labour who work on the premises.

Using an external labour or "distancing" strategy can be described as a "pay-as-you-work" strategy for both employers and employees. To deal with demand fluctuations and their unpredictable nature, labour flexibility allows companies to respond to *ad hoc* situations, and pay the exact amount for this extra work. According to Walsh (1991, p.113), labour can be purchased almost on an "as needed" or "just-in-time" basis. This also helps organisations to achieve the optimum goal: using the minimal resources to create the maximum outputs. Timo (2001), in his research on using flexible labour strategies in the hotel sector, found that flexibility strategies achieve between 14 – 16% savings on labour costs.

As noted previously in Section 2.3.1, Casey *et al.* (1997) argue three main reasons for companies to use flexibility strategies from a micro-economic perspective, in terms of cost pressures, labour shortages and changes in demand. The literature suggests the benefits in searching for labour flexibility, such as cost-effectiveness and reaction to organisational demand fluctuations. However, the evidence is insufficient in proving the advantage of using labour flexibility strategies as a solution to labour shortages. Instead, it confirms that with flexible labour, organisations should be able to adjust their human resources as and when desired.

Apart from the above advantages which mainly benefit organizations or employers, labour flexibility also brings benefits to a flexible labour force as well. Reilly (1998, p.17) argues several advantages to the workforce:

- Acquiring skills through functional flexibility.
- Meeting life style preference through doing temporary work.
- Maximizing earnings through moving from one fixed contract to the next.
- Working for a specialist supplier through an outsourcing deal rather than in a peripheral activity.
- Organising the balancing between home and work through variable working hours or part-time contracts.
- Cutting commuting time or costs through homeworking.

Reilly (1998, p.18) also points out that the benefits of using labour flexibility is mutual to both employers and employees, and "part of the misconception of the flexibility concept on the part of some protagonists is the assumption that flexibility is a management concept with one-sided benefits". He summaries these mutual benefits under several flexibility strategies as follow (see Table 2.3.2.1).

Table 2.3.2.1 Benefits of flexibility

Arrangement	Employer benefits	Employee benefits
Multiskilling	Improved productivity	Enhanced skills
Agency labour	Short-term cover	Work variety and breaks
Flexible working hours	Better labour input	Fit with domestic needs
Outsourcing service	Quality/cost improvement	Better career development
Teleworking	Reduced overhead costs	Less travel time/cost

Source: Reilly (1998, p.19)

2.4 Drawbacks of using flexible labour

Looise *et al.* (1998, p.476) argue that "a unilateral choice for external flexibility creates large risks in terms of employee performance, product quality, co-operation between fixed and temporary workers, lack of commitment and motivation and even the danger of crime".

Mouriki (1994, p.4) also notes several drawbacks to introducing flexible working patterns as follows:

- Difficulties in integrating part-time work and other flexible arrangements into an organisational structure that had been moulded on full-time work requirements. Work organisation and job descriptions have to be restructured so as to fit in with part-time working and job sharing.
- Increased administrative costs e.g. in keeping track of complicated time schedules, in working out pay and benefits, National Insurance contributions, etc.
- Difficulties in integrating flexible employees into a training and career structure.
- Problems of control from middle managers, who may also have a heavier workload in supervising a greater number of people with varying patterns of hours.

- The traditional way of assessing employees needs to give way to a more qualitative approach.

Throughout the literature, a number of disadvantages and drawbacks of using labour flexibility strategies are noted, such as quality concerns in relation to companies' products and services (Looise *et al.* 1998; Timo 2001), commitment by flexible labour employees (Looise *et al.* 1998; Timo 2001; Moshavi and Tergorg 2002), staff training (Looise *et al.* 1998; Tregaskis *et al.* 1998; Timo 2001; Moshavi and Tergorg 2002) and organisational morale issues (Guerrier and Lockwood 1989b; Mouriki 1994; Looise *et al.* 1998).

As stated in Section 2.1, flexible labour, to a certain extent, acts as a buffer to absorb the difference between company-employed staff and its demand for labour at any time, in order to keep the organisation elastic. This also indicates that flexible labour may not be able to work in the same workplace all the time. To work providers and/or employers, flexible labour is used as and when needed. For staff who work under flexible arrangements, they are required to work as and when the work providers request. In order to make up sufficient working hours for their requirements, flexible workers may need to take more than one job at a time. As a consequence, several issues arise from an employers' perspectives, such as quality of staff performance, training and staff commitments. These concerns are due to a possibility that atypical staff may not work on the same basis as full-time employees normally do.

Furthermore, Burgess and MacDonald (1990) argue that utilising internal flexibility, in terms of multi-skilling and overtime working, reduces demarcation and limits the ports of entry into the enterprise. This might result in idleness and lack of new influences and challenge from an outside perspective. Furthermore, it can be difficult to apply functional flexibility by moving staff between departments because there are strong differences in the culture and attitudes between employees working in different departments (Guerrier and Lockwood 1989b).

In summarising the pros and cons in flexible labour utilisation (Section 2.3 and Section 2.4), much of flexibility literature suggests more advantages in employing labour flexibility than possible drawbacks. An organisation benefits from shifting its risk in reacting to demand fluctuation to flexible labour themselves or flexible labour suppliers in the case of external flexibility utilisation. However, there are relatively few studies that discuss how to eliminate these possible drawbacks in using flexible labour. This could be due to a holistic discussion amongst various flexibility strategies in the relevant literature. Different labour strategies require different management skills. As a consequence, further discussion that focuses on a specific labour flexibility strategy is needed and will, therefore, contributes to the extant literature.

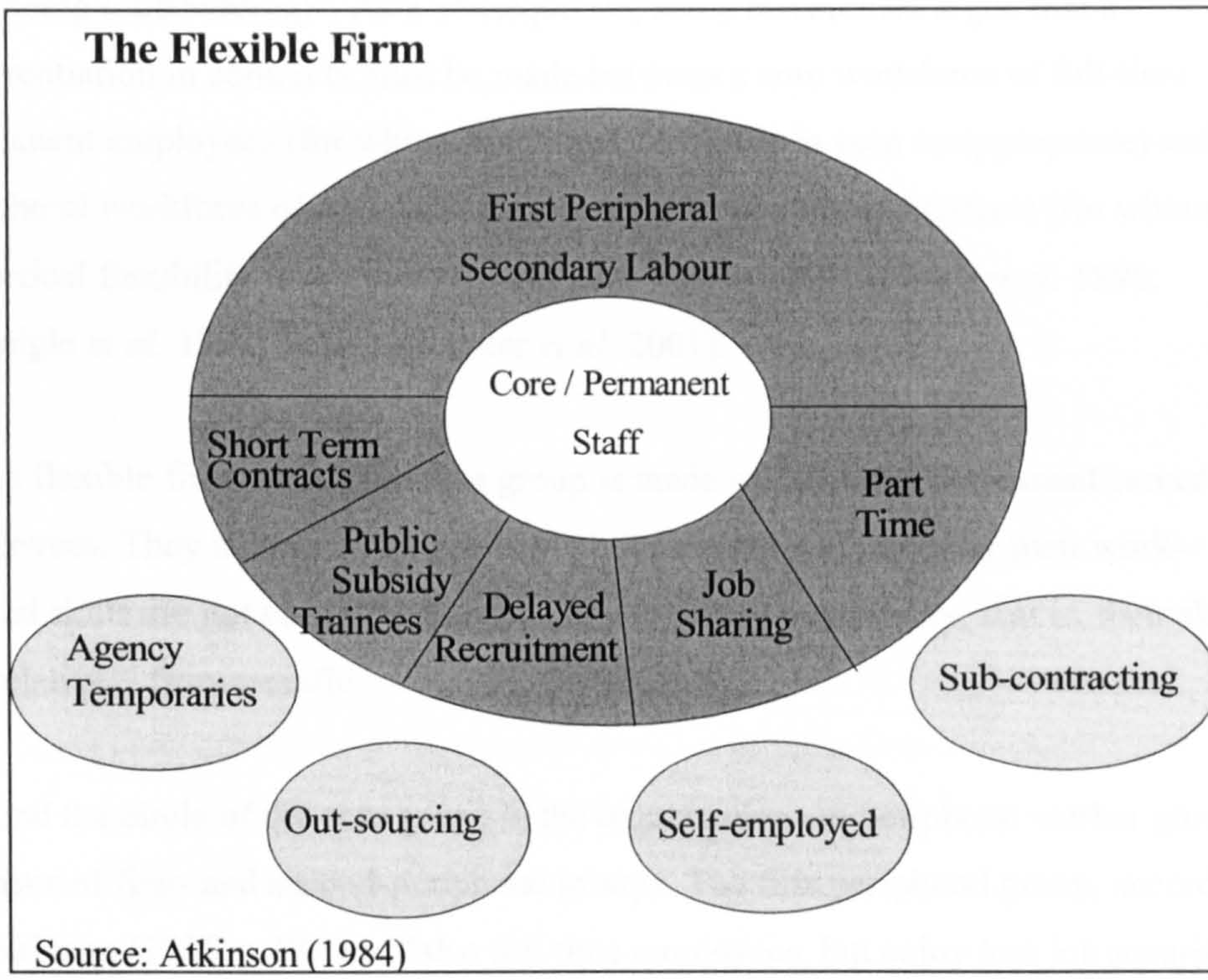
In next section, a well established flexibility model, the flexible firm model (Atkinson 1984), is discussed in order to understand the origin of flexibility debates.

2.5 The flexible firm model

> "Any survey of non-standard working must start with a description of the work of John Atkinson and, in particular, his proposed model of the 'flexible firm'. Published in 1984, Atkinson's model has been very influential and has led to the development of a vigorous academic debate about its merits as a tool of description, prescription and prediction" (Taylor 1998, p.26).

In this section, the components of flexible firms and the debates provoked by the flexible firm model are discussed.

Figure 2.5 The flexible firm model



2.5.1 Core/peripheral workers in the flexible firm model

In the early 1980s, Atkinson (1984; 1985) argued a new workplace structure, which involves the break-up of the labour force into core and peripheral groups (see Figure 2.5). This model has been used as a catalyst for an evaluation of the contribution of 'new' management strategies to the changing composition of the workforce. Atkinson also suggests that firms could pursue different types of flexibility simultaneously, by dividing the workforce and applying each type of flexibility to a different component of the workforce (Burgess 1997; Timo 2001; Deery and Jago 2002). The model plays an influential role in stimulating labour flexibility issues and debates (Purcell and Purcell 1998; Tregaskis *et al.* 1998; Ruiz-Mercarder *et al.* 2001). It also conforms with the evidence of labour force reformation observed over the past two decades in the UK (Burgess 1997; Timo 2001).

According to Timo (2001, p, 288), to link with labour flexibilities in the business context, "Atkinson's model is conceptualized in terms of functional flexibility (core), numerical flexibility (periphery) and pay flexibility (payment methods) and distancing (outsourcing)". As a consequence, some researchers argue that a differentiation in contracts must be made between a core workforce of full-time permanent employees (for whom functional flexibility is seen as appropriate) and a peripheral workforce of part-time, temporary and subcontract workers (for whom numerical flexibility is relevant) (Storey and Sission 1993; Looise *et al.* 1998; Gunnigle *et al.* 1998; Ruiz-Mercarder *et al.* 2001).

In the flexible firm model, the core group is made of full-time, permanent career employees. They belong to the primary labour market and normally their work-related skills are not easily for the company to procure externally, that is, their skills are relatively firm-specific.

Around the circle of the core group in the organisation are peripheral worker groups, in terms of first- and second-peripheral groups. The first peripheral group, according to Atkinson (1985, p.17), are "also full time employees, but enjoy less job security or access to career opportunities". For this group, their jobs are merely jobs, not careers. The jobs are normally unlikely to be either highly skilled or specific to the firm. Therefore, their link with the external labour market is direct, that is, the first peripheral group are easy to replace and substitutable. Moreover, the company commonly applies numerical flexibility to this group, because of deskilling and non-firm specific training requirements. In general, this first peripheral tier is a group of full-time employees with no career path and possessing general skills (Atkinson 1984; Burgess 1997).

Furthermore, "if the firm needs to supplement the numerical flexibility of the first peripheral group with some functional flexibility, then a second peripheral group can be distinguished" (Atkinson 1985, p.17). Part-timers, those on short-term contracts, job sharers and public subsidy trainees are examples of the second peripheral group. The aim of this group is "maximising flexibility while minimising commitment to the worker, job security and career development" (Atkinson 1985, p.17). Therefore, the essence of the flexible firm is dividing the workforce into individual skill levels and searching for labour flexibility accordingly.

Apart from the core and peripheral groups in the flexible firm, there is another group proposed in Atkinson's model, external labour. This external group offers client companies non-firm specific activities and services, such as office cleaning, secretarial/ clerical functions, security service, and data inputting. Apart from those semi-skilled functions, organisations contract out very specialized skills to this external group. The reasons for hiring this type of outsourced labour include the high frequency that this specialized function happens during a year, and the relatively expensive cost to recruit professional specialists as permanent staff. Whether outsourcing tasks are highly skilled or low skilled, the external group, which companies can contract out, includes self-employed jobbers, temporary help agencies and sub-contractors. By employing such external labour sources, organisations acquire not only greater numerical flexibility (i.e. quantitative-external flexibility: the firm chooses precisely how much of a particular service it may need at any time), but also functional flexibility (i.e. qualitative-external flexibility: the firm procures the very specialized skills and commitments from outside professionals to get a task completed). See Section 2.2.1 and Table 2.2.1.1 for further explanations of flexibility categorisation.

Purcell and Purcell (1998, p.40) summarise the construction of the flexible firm model as differentiating "between an inner core of employees with high levels of task flexibility, an outer core of peripheral employees where the achievement of numerical flexibility was paramount, and beyond the organization to the use of self-employed, subcontract and agency temporary staff, none of whom were employees of the organization".

The aim of the segmentations of the workforce within organisations is to enable firms to control their labour costs to a relatively precise level, to satisfy firms' demand for labour and to respond to possible fluctuations in manpower needs. In other words, it is a strategy for a company to act flexibly and adjust to a fluctuating business context. "The original model of the flexible firm suggests efficiency in the management of labour. The use of numerical and functional flexibility allows the supply and demand for labour to be matched more closely and so greater efficiency in the management of labour is achieved" (Kelliher and Riley 2002, p.238).

2.5.2 Criticism of the flexible firm model

After the flexible firm model was launched by Atkinson in 1984, extensive debate over its validity and theoretical and empirical basis was generated (Pollert 1991; Burgess 1997; Ruiz-Mercarder *et al.* 2001). According to Burgess (1997), the model's merit is that it highlights the importance of managerial policy and demand-side features in generating non-standard employment. In other words, this model has been used as a model of workforce restructuring, as a normative tool for workforce change, as a workforce typology, as a model for managerial decision-making and as an oracle for the future. Furthermore, according to Ruiz-Mercarder *et al.* (2001), the model of the flexible firm is based on a core-periphery use of flexibility, with numerical flexibility being more important at the periphery where firms do not conduct operations that are at the core of their business. The central idea of Atkinson was that further development would lead to a greater "distance", meaning the replacing of employees with subcontractors (Looise *et al.* 1998).

However, theories and implications behind Atkinson's flexible firm model are far more complicated than that which were outlined in the model itself (Davidson 1991; Storey and Sission 1993; Burgess 1997; Looise *et al.* 1998; Ruiz-Mercarder *et al.* 2001).

Looise *et al.* (1998) raise a number of criticisms of this model. Firstly, the character of the model is not clear. Is it analytical or prescriptive? Some researchers suggest the prescriptive nature of the model, and argue that it often appears as something that management should pursue and governments should encourage in order to adapt to extensive product market and labour market changes (Burgess 1997; Sisson and Storey 2000). Furthermore, the model contains too many theoretical foundations in one go, such as neo-classical, post-Fordism, flexible specialisation, regulation theory, and labour segmentation theory. Additionally, Timo (2001) questions the existence of sufficient evidence to diagnose whether or not a company is shaped as a flexible firm. He suggests flexibility can be a case of a deliberate "flexible firm", or flexibility coincidently occurs to match criteria as a "flexible firm". This argument is also confirmed by Purcell and Purcell (1998, p.39) who note that "there was little evidence of strategic 'core/periphery' human resource policies or practices between late 1980s and early 1990s, despite considerable management press rhetoric". Likewise, Forde (1998, p.12) notes that "subsequent case study work has found little evidence of firms operating a deliberate strategy to separate their workforce into core and peripheral parts, a central component to Atkinson's (1984, 1985) argument".

Secondly, the distinction between core and periphery is not necessarily hard in practice. The model offers a very vague range of different types of worker in one company, such as full time core employees, regular part-timers, outside contract workers and fixed term staff. However, to what extent we can divide these different types of employee into core and peripheral categorisation? For example, in a university cleaning department, its regular part-timers consist of over 80 per cent of the workforce in the department. They have similar skills to the full-time cleaners. Can these part-timers still be distinguished as peripheral staff? Furthermore, during a recession, if a company can easily make full time staff redundant and use peripheral workers instead, are those full time staff still considered to be core employees? Therefore, there is a grey area within employee segmentation. Storey and Sission (1993) confirm this argument.

> "Determination of what is 'core' to an organisation cab be difficult and shifting. Withdrawal of investment in the designated 'peripherals' can be also exacerbate what is often the real problem, that is, a comparatively unskilled and uncommitted workforce" (p.108).

Thirdly, the use of flexible work differs from sector to sector and from company to company. According to Gunnigle *et al.* (1998), there is evidence of considerable variation in the take-up of different flexibility forms according to industrial sector, employment types and the nature of the employment relationship. However, case studies cited in Atkinson's research are mainly within large-scale organisations. To develop a three-tier workforce within the company, the business has to be large enough to have three segments of employees, in terms of core, peripheral and external staff. This is considered as a bias and makes this model not universally applicable (Burgess 1997; Timo 2001).

The fourth criticism of this model is that there are too many aspects drawn from the agency/transaction cost theory and the cybernetic systems approach and too few from the resource-based and behavioural perspective. According to Burgess (1997), this analysis is vague and uninformative about the processes generating workforce restructuring. We are not sure what type of pressures and what combination of pressures generate particular workforce configurations. Based on the study of Timo (2001), it is questioned, to what extent, can management use the flexible firm model in order to de-skill work, especially in personal services such as hotels and catering that require human involvement and tacit skills (interpersonal, emotional skills, etc) in service delivery.

Another criticism by Kelliher and Riley (2002, p.238) is that "little attention has been paid, however, to the possible negative effects of simultaneously managing 'core' and 'periphery' staff in distinctly different ways". Indeed, the flexible firm model is designed mainly from a managerial perspective. Whether the workforce of the flexible firm is happy to be labelled as core/peripheral staff or not is not considered. Sisson and Storey (2000, p.83) argue that "peripheral workers have a lesser reason to show commitment to the organisation and may, in consequence, require greater degrees of supervision and control than other staff, which sits uneasily with the desire to shift away from traditional control mechanisms". This suggests that the flexible firm model should be introduced with careful consideration and adaptation to specific circumstances.

The model of the flexible firm is a chimera that is difficult to pin down. It seems to crop up in a wide variety of different contexts (Burgess 1997). The model describes an ideal combination of labour force in the company. And it explains the co-incidence of economic recession and the growth of non-standard employment in the 1980s. However, it has bias in its empirical application and does not focus on the different nature of each industrial sector. To find a perfect labour market model to fit all industries is difficult and impracticable. Therefore, it must be based on certain assumptions and discussed separately in different business sectors.

In the flexibility literature, relatively little attention is paid to the third level of flexibility strategy argued in the flexible firm model – distancing flexibility (Hotopp 2001; Purcell and Cam 2002). Much of discussion focuses on issues in the core and peripheral division. As noted in Section 2.2.3, a strong link between numerical and distancing flexibilities is argued. The next section demonstrates distancing flexibility where the employment agency industry is involved as a key actor.

2.6 Distancing flexibility – the context of employment agencies

According to Purcell and Cam (2002, p.4), "despite abundant theoretical arguments on the issue, there has been little independent research on the operation of the intermediary industry". Although it covers several sectors, such as construction, secretarial and clerical, accounting and finance, computing and telecommunications, and hotel and catering, relatively few researchers have focused on this developing industry, especially in the hotel and catering sector. In this section, related issues, in terms of the definition, typology, and products and services involved in the recruitment industry, as well as associated pros and cons of hiring agency staff, are discussed. This is followed by a discussion of the triangular relationships between agencies, client companies and agency staff.

2.6.1 Definition of recruitment and employment agencies

The recruitment and employment industry, by its normal meaning, indicates an industry which deals with recruitment related business, such as advertising, selecting, recruiting, referring and expatriating. However, there is no fixed term or definition to describe this industry within the literature. The terminologies which describe the recruitment and employment industry include the temporary help service industry, the intermediary industry, temporary employment agencies, the agency industry, employment agencies, employment bureau, temporary work bureau, third-party mediated job-brokers, the labour supply industry and headhunter companies (Forde 1998; Purcell and Purcell 1998; Druker and Stanworth 2001; Purcell and Cam 2002). Within existing studies, there is a lack of a clear-cut definition among these sub sectors within the industry.

As stated in the Employment Agencies Act (1973), the legislation which the recruitment and employment industry must comply with, the industry is divided into two categories, namely employment agencies and employment businesses.

- Employment agencies

  The businesses of providing services (whether by the provision of information or otherwise) for the purpose of finding workers employment with employers or of supplying employers with workers for employment by them. The Act thus applies to a wide range of agencies, from the standard recruitment agency, through a range of specialist agencies to entertainment and model agents, the executive selection functions of management consultants and executive search consultants.

- Employment businesses

  The businesses of supplying personnel in the employment of the person carrying on the business, to act for, and under the control of, other people in any capacity. This covers the hiring out of workers on a temporary basis and is frequently called "temping". It has long been associated with the supply of temporary secretarial and other office staff, but has extended into many other areas, including professional and industrial occupations.

The division between employment agencies and employment businesses is primarily for licencesing purpose (Purcell and Cam 2002). The main difference between the two sub-sectors depends on clients' intentions, whether or not to employ the workers, who are introduced by the employment agencies or the employment businesses. In general, employment agencies (according to The Employment Agencies Act's division) deal with introducing job seekers to work in and maintain employment by client companies (i.e. employers). On the other hand, employment businesses (or temporary staff contractors) provide their staff to work for their clients (i.e. hirers) and under the clients' supervision.

Another definition of the industry noted in Key Note (2000, p.2), "to all extent and purposes, a recruitment company is operating as an outsourced activity, because what they are doing is acting on behalf of a client company which could perform the activity itself, if it so wished". Key Note, then, divides the industry into two broad categories, namely the permanent recruitment industry and the temporary and contract recruitment industry, according to the length of employment provided within the recruitment business. That is, the permanent recruitment industry provides labour to client companies with open-ended employment offers. By contrast, the temporary and contract recruitment industry supplies manpower on a time-constrained basis in response to a request from client companies.

The meaning of employment agencies defined under the Employment Agencies Act 1973 is similar to the definition of the permanent recruitment industry classified by Key Note. Also, the employment businesses identified in the Act provide similar functions to the temporary and contract employment.

In this study, the Key Note division is adopted. The "recruitment" agencies help clients to recruit job candidates, whereas "employment" agencies assist clients to fill their labour shortages, normally but not exclusively on a temporary basis.

Furthermore, this research focuses on the employment agencies which act as an intermediary between workers and client companies, i.e. (labour force) supply side and (manpower) demand side, and as a match-maker to assist both parties " in finding each other for the purpose of doing work or getting work done" (Hotopp 2000, p.457).

Different categorisations postulated in the literature are presented in the next section in order to comprehend the employment industry in detail.

2.6.1.1 Types of employment agencies

Although originating from providing domestic staff and entertainers over a century ago, the agency industry until recently consisted mainly of small businesses located in London responsible for the provision of domestic and hotel staff (Purcell and Cam 2002). As Hotopp (2000, p.457) suggests, "recruitment agencies are a diversified and strategically important part of Britain's modern service economy". Today, the industry can be broken into a number of sub-sectors which are identified by Key Note (2000), such as secretarial/clerical, technical/engineering, professional/managerial, financial, computing/IT, hotel/catering, nursing/medical, blue collar, education and drivers. Amongst these sub-sectors, Key Note (2003) suggests the fastest-growing sectors are those handling driving, nursing and medical, and secretarial and clerical appointments.

Throughout the literature, in general, three dimensions can be adopted to categorise the recruitment and employment industry, by length of the employment contract, by skill levels of the "product" offered through the employment agency, and by the functions the agency tends to operate within the triangular relationship of client company, worker and the agency itself.

- By length of employment contracts

  Under this classification, the industry can be distinguished as the permanent recruitment industry and the temporary and contract employment industry.

Once the employment offer is with an open-ended "contract", this could be included as part of the permanent recruitment industry. Other non-permanent, closed-ended appointments can be included in the temporary and contract employment industry.

- By skill levels of the "product" offered through recruitment and employment agencies

It is suggested that the "products" offered by agencies include manpower, skills requested by clients, training, human resource administrations and controls, consultancy and services (Druker and Stanworth 2001). Based on different skill levels required by divergent operations, Hotopp (2000) suggests that there are three distinct types of agency operation:

> ➢ Providing particular skills
> The agency either provides or searches for workers with particular skills or qualification in particular sectors, such as IT, nursing, and education.

> ➢ Providing general skills
> The agency supplies workers of all kinds within their locality. Sectors requesting these general skills are in a broad range, such as secretarial/clerical, financial, hotel/catering, blue collar and drivers, on the basis that "the private recruitment industry spans a wide range of activities and businesses" (Druker and Stanworth 2001, p.75).

> ➢ Providing executive placements
> This type of recruitment agency mainly deals with headhunting, out-placement or information provision. An example of this executive placement is the so-called "head-hunter" company (Hotopp 2000; Purcell and Cam 2002).

- By functions of agency as

  - Intermediary between employment opportunities and job seekers
    This type of the recruitment agency acts as an "information supplier", and a matchmaker between work and workers. Gray (2002, p.656) argues that "agency temp jobs are especially important as an entry route for the unemployed".

  - Intermediary between demand and supply
    The agency actually plays the role as a "labour supplier" to the client company. "The agency is an institution that meets the need for a readily available source of competent help that imposes none of the costs and commitments of permanent or even temporary attachment" (Mangum *et al.* 1985, p.604 cited Forde 1998, p.24).

  - Outsourcing partnerships
    Client organisations outsource certain functions to employment agencies, and therefore, associated partner relationships between agencies and clients are formed. According to Ward *et al.* (2001), the relationships are not only regulated by contracts, but also are negotiated and manipulated between these two parties, i.e. the agencies and the client companies, on a daily, weekly and monthly basis. The researchers also suggest the existence of these ongoing partnerships, within which the client organisations work with the agencies to increase both the volume and quality of workers the agencies can supply.

Amongst these three categorisations, interestingly, much of the literature notes that recruitment agencies deal with open-end, full-time, and normally higher-skilled jobs, when employment agencies often deal with temporary, part-time, and relatively lower or semi-skilled works. However, the agency's main task is as an intermediary between workers/job seekers and clients/employers. Within this division, it seems that the temporal classification may not always be appropriate as a boundary between recruitment and employment agencies.

Peck and Theodore (1998, cited in Druker and Stanworth 2001), suggest that the industry is moving toward polar positions. On the one hand, the industry is seeking partnerships, based on long-term relationships, with client companies. On the other hand, it is pointing to cost-based competition in the day-labour market. This indicates that there is an increasing tendency of partnerships between client companies and the recruitment and employment industry.

In conjunction with distancing flexibility strategies and with special reference to employment agencies in this study, the next section illustrates issues with respect to the products and services provided by such agencies.

2.6.2 Products and services provided by employment agencies

Purcell and Cam (2002) argue that it is difficult to establish a general overall description about the size and structure of the recruitment industry due to the diversity and inherent heterogeneity of activities involved, such as permanent recruitment, temporary staff hire, personal management and representation of third parties, and provision of job vacancy information.

"Unlike most other European countries, UK employment agencies can place both permanent and temporary staff within the same office, place workers in any category of employment and fix their own levels of commission" (Purcell and Cam 2002, p.6). The employment agencies in this study refer to the agencies which serve as an intermediary between workers and client companies, and as a match-maker to assist both sides to find each other for the purpose of doing work or getting work done. From this definition, two broad products provided by the employment agencies include labour supply and employment services.

2.6.2.1 Labour supply

Hotopp (2000, p.457) suggests three typical agency operations, in terms of supplying or finding workers with particular skills in particular sectors, general operators supplying workers of all kinds within their locality and specialist agencies dealing with head-hunting, outplacement or information provision. These three operations all involve supplying suitable labour to the workplace. Hotopp (2000) also argues that most staff supplied by employment agencies are male, although there are substantial variations between professions. For instance, in the building and construction industry, more than 90% of agency workers are male, while around 50% of agency workers in the hotel and catering sector are male. Furthermore, "some 25 per cent of female agency temps work as secretarial, clerical and junior office staff compared with 4 per cent of male agency temps" (Hotopp 2000, p.460).

Ward *et al.* (2001) note that, "at the end of the 1990s, temporary agency work had become the most common form of temporary working in all occupational groups (about 16% of all temporary jobs in 1999)" (p.5). Furthermore, Rankin (2004) suggests that there were some 600,000 temps working as agency staff in 2003. He also argues that "working as a temp presents opportunities for both the client employer and the individual to get to know each other, and for the temp to gain job-relevant skills and knowledge" (Rankin 2004, p.45).

Heery (2004, p. 435) notes that "about one million workers (4 per cent) are placed in work each week through agencies in the UK and indices point to growth in the number of workers placed and the proportion of employers using agency labour". This indicates that agency workers are becoming a relatively larger proportion of the UK's temporary labour force.

2.6.2.2 Employment services

According to Jones (2002, p.23), as outsourcing human resources management and other functions gain prominence as cost-effective and high quality solutions for companies to deal with non-core business functions, many staffing firms have also expanded services. The services offered by employment agencies include employee screening, third-party testing and evaluations payroll and benefits administration, training, outplacement, resume development, and leasing of full-service office suites (Jones 2002, p.23). Increasingly, clients are purchasing testing, training and other expertise from staffing firms in addition to full staffing services (Jones 2002, p.23).

According to the REC (2004), employment agencies not only provide short-term and intermediary solutions, but there is also a tendency towards providing longer temporary assignments. In other words, employment agencies are supplying staff on a long-term basis and agency temps do not only work as temporary staff. Further details of this long term staff supply system are considered in Section 2.6.5.1.

In practice, employment agencies are responsible for document checking and verifying the qualifications of agency staff they provide to clients. Forde (2001) argues a tendency that agencies provide an individualised service to their clients. These individualised services include an out-of-hours telephone number (to give clients access to an agency contact outside office hours), and regular visits to clients' premises (to form a closer relationship with clients).

In summary, employment agencies provide both manpower (tangible products) and human resource related services (intangible products). As noted in the literature, a tendency in establishing a longer supply relationship, even partnership, between employment agencies and clients is evident (Purcell and Cam 2002; REC 2004). A more detailed discussion regarding this trend is included in Section 2.6.5.1. In addition, this more extended cooperation extends the scope of services provided by employment agencies (Forde 2001; Jones 2002).

The next section addresses practical issues and selection factors considered in the literature to organisations in choosing their partner employment agencies.

2.6.3 Factors that influence the choice of agency

In Key Note (2003, p.36), it is argued that personal recommendations or a personal introduction play an important role on the choice of an employment agency, as well as a further six influential factors.

- How well does the agency understand the client's industry?
- The quality of the service offered – does it include the management of payroll or training?
- The cost – the cost will vary according to the services.
- Rapport – the recruitment market revolves around people, and the relationship between clients and the personnel in the recruitment companies is important. There is a large element of trust in the relationship – the client is trusting the recruitment firm to make important decisions on their behalf, while the recruitment firm might be responsible for developing a list of candidates for the client to meet.
- Who will legally be the employer of the temporary worker? Increasingly, clients prefer the "employer" to be the recruitment agency, rather than themselves.
- Is there a testing facility? Although tests might only be required for particular jobs or by certain clients, a recruitment agency that provides this facility is better positioned in the market.

Rankin (2004, p.46) also suggests problems which may occur while using agencies and alerts client companies to avoid using such problematic agencies.

- Customer focus: agencies giving insufficient attention to the customer by failing to ensure continuity of staff handling the account, and not giving time and attention to understanding the employer's requirements; being unreceptive to feedback on their performance; giving more priority to agency sales targets than meeting customer needs.

- Candidates suitability: sending temps or potential recruits who do not meet the specification; insufficient candidates; substituting quantity for quality in terms of the potential recruits sent for interview.
- Understanding: failing to understand the employer's requirements; failing to impart these details and background information on the employer to jobseekers.
- Timeliness: delays in supplying staff; not meeting agreed deadlines; not being flexible and responsive when urgent staffing needs arise.
- Costs: inaccurate billing; overcharging; disputes over transfer fees.
- Poaching: recruiting the client employer's own staff as agency temps or on behalf of other employers.

These potential problematic issues in agency selection provide an insight for practitioners when choosing their partner agencies. In the supply chain literature (see Chapter 3), it is also noted that three traditional measures, in terms of price, delivery, and quality, are used for determining supplier performance (Lemke *et al.* 2003). Among these three deciding factors, price used to be the most important one. However, its importance has declined and organisations tend to put more emphases on quality, delivery, and strategic capabilities to contribute to product development (Lemke *et al.* 2003).

In conclusion, among the agency selection factors noted in what is a limited literature, it seems that understanding the client's business, suitable quality of labour provided, reasonable costs charged and flexibility in delivering agency services are important. These factors share the same theoretical ground as that noted in the supply chain literature, which provides a strong linkage between distancing flexibility and supply chain management.

In the next section, some of the advantages and disadvantages of using employment agencies and agency staff are discussed.

2.6.4 Pros and cons of hiring agency temps

"Uncertainty" is the main reason why the activity levels of the recruitment industry are an economic barometer (Jones 2002). Whenever there are questions of possible economic fluctuation, either downturn or upward, companies tend to be cautious about making long-term commitments, i.e. hiring permanent staff. By using temporary staff or agency workers, client companies can adjust the level of staffing with ease.

Gray (2002, p.661) suggests that the advantages to employers of hiring agency labour include "perhaps even greater numerical flexibility, opportunities to use loopholes in legislation about employment rights, and opportunities to erode trade union bargaining power". However, recruiting through employment agencies can be a dilemma to clients' organisations. This practice has its pros and cons. In this section, reasons why companies use employment agencies and potential drawbacks of such utilisation are discussed.

2.6.4.1 Why use employment agencies and staff

According to Key Note (2003, p.35), there are several reasons for organisations to recruit temporary and contract staff, in terms of:

- The need to fill a full-time position on a temporary basis.
- To fill a short-term position that has been created by a short-term project.
- The requirement to replace a permanent member of staff on a temporary basis for reasons such as maternity leave, sabbatical leave or illness.
- High staff turnover.
- To develop new skills quickly.
- To acquire some skills and expertise on a short-term basis.

As a consequence, Key Note (2003) further suggests that employers use recruitment agencies to make temporary or contract appointments for the following reasons:

- If the employer does not have the skills or resources to select temporary and contract workers.
- If the recruitment agency is able to deliver a recruitment and selection service faster and cheaper than the employer can.
- If the recruitment agency has a more modern view of the market for temporary and contract workers than the employer.
- If the recruitment agency takes on the responsibility of managing all the administration of the temporary workers taken on by the employer (the administrative service will vary between agencies).

To sum up, these suggested reasons and circumstances imply three main grounds of using employment agencies:

- Companies face the problem of skills and labour shortages.
- Companies tend to cover the skills shortage on a temporary and short-term basis.
- Employment agencies can meet companies' skills shortages in a faster and cheaper way, that is, a cost-effectiveness concern.

In addition, previous studies also suggest further motivating factors which are consistent with the above reasons (see Table 2.6.4.1).

Table 2.6.4.1 Motivations of using employment agencies

Motivating factors	Skills and labour shortages	Preference to use temporary and short-term cover for the labour shortages	Cost-effectiveness concern
Ward *et al.* 2001	The need to respond to changes in external labour market conditions	The desire for greater numerical flexibility due to increased uncertainty associated with technological change and new forms of competition	• Corporate level pressure to reduce labour costs • The provision of a cheap screening process to assist recruitment and selection procedures
Purcell and Cam 2002 (based on WERS survey)	• Short-term cover for staff absence and vacancies (60%) • Unable to fill vacancies (19%) • Obtain specialist skills (12%)	• Matching staff to peaks in demand (38%) • Cover for maternity leave or annual leave (16%) • Freeze on permanent staff numbers (11%)	
Abraham 1990 (cited in Forde 1998)	• Special projects • Special expertise • Fill a vacancy until a regular worker is hired	• Seasonal needs • Buffer against changes in demand • Prefer not to use regular employees • Fill in for absent regular employee • Identify good candidates for regular jobs	

Among suggested motivations for the use of agency staff in the literature, it is noted that labour cost reduction strategies (i.e. cost effectiveness) are the most prominent and traditional concern while recruiting via external labour suppliers, employment agencies. By using agency staff, the client company reduces labour costs through avoiding having to pay fringe benefits, such as sickness cover, pension contributions and holiday entitlement, despite having to pay an agency fee on top of the agency worker's hourly rate (Purcell and Purcell 1998; Ward *et al.* 2001; Druker and Stanworth 2001; Forde 2001).

By reviewing these possible reasons to hire agency temps proposed in the literature, it is possible to categorize them into six dimensions:

- **Hiring agency staff to complete special projects or a one-off task**
  When the project is only scheduled within a limited time period, such as 6 months or a year, client companies can buy-in ready-made manpower from recruitment agencies or contractors, instead of hiring and training their own workforce. This arrangement could be one kind of "disposal" employment relationship.

- **Hiring agency staff to acquire special skills from agency professionals**
  The recruitment agency serves a wide range of businesses and provides broad skills levels in the organisational hierarchy. For example client companies may need special skills, such as legal services, management consultancy and engineering design. These exclusive skills are not firm-specific competences which have to be processed inside the organisation. In this case, the companies can consider hiring special expertise from agencies rather than keeping these specialists in house.

- **Hiring agency staff to meet fluctuation in demand**
  Seasonality and the fluctuation between demand and supply are very common obstacles in the business world. These pressures are more severe when there is a concern about inventory perishability and the lead-time between demand and supply is relatively short. When products provided in the industry do not keep for a long time, organisations have to make a more precise forecast of possible demand to reduce the waste of excess inventory. Also, when the lead-time is short, companies have to respond rapidly to prevent customer dissatisfaction. In this case, the recruitment industry can act as an external labour "pool" to client companies. Agencies offer numerical flexibility to their clients. It is evident that the use of agency labour assists organisations in "responding more quickly to variations in demand for their product" (Wright and Lund 2003, p.144).

To a certain extent, agency staff are treated as a "commodity" (Gray 2002) within the triangular relationship between clients, employment agencies, and staff. In many cases, companies do not "put all the eggs in one basket" and try to maintain a balance, in terms of the number of employees, between companies' own permanent staff and agency workers. Therefore, agency staff act as a buffer for managers in client companies to pursue greater labour flexibility.

- **Hiring agency staff to fill in for temporary absence, such as sick leave or maternity leave**
  The original intention for firms to hire via employment agencies was just as a temporary fill-in. About two decades ago before the propensity for non-standard employment, full-time work was the norm. Temporary staff from external sources simply acted as spare or worked on an *ad hoc* basis for client companies to keep their daily functions running smoothly.

- **Hiring agency staff to trial and error test new prospective staff**
  Ward *et al.* (2001) and Forde (2001) show that agency work can establish an important new port of entry into the workforce in a number of industries. This screen test allows each organisation to externalise the function of recruitment and grants them some allegiance if the agency workers fail to work adequately. Due to the nature of recruitment agency work arrangements, there is no mutual contractual relationship between agency workers and the client company. In fact, the recruitment agency provides a pool of possible staff to its clients and partially takes over the function of recruitment and selection from the organisations' human resources departments. According to Jones (2002, p.23), "the intention of (the client companies) is to convert 'ideal-fits' to full-time staff – once they are confident of their business' future. These employers are hedging their bets by trying before buying".

- **Hiring agency staff to reduce labour costs**
  Allan (2000) and Gray (2002) suggest that by utilizing non-standard employment, such as part-time, casual and agency workers, a range of cost savings can be achieved. This practice can result in direct expenditure savings

as labour is paid only as and when required. Indeed, nominally speaking, hiring agency staff is one employment strategy for successful cost reduction or cost-effectiveness.

With the adoption of agency workers, the client company reduces labour costs through avoiding so-called fringe benefits, in terms of sickness cover, pension contributions, maternity leave payment and holiday entitlement. Moreover, the human resource (HR) expenditures, which are associated with new hires, such as recruitment advertisements, selection costs and training and orientation expenses, can be transferred to recruitment agencies and thus reduce HR related disbursement.

Apart from these practical reasons for using agency staff or atypical workers, Druker and Stanworth (2001, p.77) note that " the increased use of non-standard or contingent labour has been identified as an important component in wider debates about the changing nature of work and employment, particularly the diminished importance of internal labour markets".

These reasons why an organisation uses employment agencies provide a picture of the advantages which may be result from using agencies. Some of the disadvantages of hiring agency workers are discussed in the next section.

2.6.4.2 Disadvantages of hiring agency workers

Section 2.6.4.1 suggests that a relatively important motivator in recruiting agency staff is cost savings. However, is it true that using agency "temps" is an effective cost reduction strategy, especially when taking quality issues into considerations? Some researchers propose different conclusions about the cost-effectiveness that results from adopting agency staff. For example, Atkinson *et al.* (1996) argue that, in fact, high cost is one of the major disadvantages of the temporary help service firm. Furthermore, according to Cully *et al.* (1999), the reasons why the recruitment industry is attractive to client companies as a temporary labour supplier are not based primarily on cost savings (Druker and Stanworth 2001, p.77). Bringing external agency staff into the workplace can cause new sources of tension, such as employee morale issues, friction, high labour turnover and performance consistency problems. These concerns will weaken the advantages proposed in Section 2.6.4.1 for hiring agency staff.

Based on a case study of the utilisation of a non-standard workforce in a not-for-profit hospital in Australia by Allan (2000), there are some organisational disadvantages of a more flexible workforce. These issues are less commonly discussed, although they are not less real. In summary, the disadvantages of adopting atypical workers include:

- **Higher administrative costs**
  By hiring more staff to cover full-time staff workloads on a part-time basis or flex-time principle, more administrative activities may be needed, in terms of record maintenance, payroll calculation, supervision, training and recruitment.
- **Higher turnover rate**
  According to Ward *et al.* (2001), there is a propensity for the utilisation of temporary agency workers tends to be accompanied by high worker turnover. Geary (1992) argues the level of turnover of agency staff can be as high as 47 per cent. "The turnover rate for atypical workers is generally higher than that for standard employees (Lee and Hoon 1993, p.77, cited Allan 2000, p.189)".
- **Higher capital costs**
  With larger number of employees under flexible working arrangement, companies need to invest in the provision of space and equipment.
- **Less workers' time commitment and psychological commitment**
- **Skill retention problems**
- **Possible organisational animosity**
  According to Ward *et al.* (2001, p.11), workplace managers were frustrated at having to manage the difficult relationship with its temporary work agency and the poor staff morale that resulted from high turnover. They found there

is a divergence between permanent employees and agency staff. "It was a bit of a them-and-us situation" (Ward *et al.* 2001, p.15). Hiring through external agencies to adjust the fluctuation between demand and supply may threaten those full-time, permanent staff as to whether the organisation will keep them or not. To a certain extent, flexible strategies will highlight concerns for job security of either permanent staff or temporaries. On the one hand, full-time staff worry about being replaced by a flexible workforce. On the other hand, without mutual contractual relationships between agency workers and the client company, these flexible workers suffer a great deal of job insecurity within the client organisation.

There are not only this "them-and-us" division problem, but also the dilemma of fairness. "Friction and a sense of injustice are often accentuated where the same jobs are linked to different hourly rates and with different social benefits" (Ward *et al.* 2001, p.14).

Rankin (2004, p.45) also argues several shortcomings to using agency staff, such as temps and candidates may not meet the brief given to the agency, agencies charge fees which may seem too high and staff records may not be well documented.

Interestingly, the pros and cons of using employment agencies, to a certain extent, contradict each other. For example, some studies suggest that using agency staff benefits a company in saving labour costs, however other researchers note that such cost-effectiveness may not be achieved. In addition, some researchers argue that employment agencies can provide a suitable quality of staff to client companies. In contrast, other studies suggest that a poor quality of staff is found due to inconsistent staff training provided. These contradictions seem to result from studies which have been conducted from a holistic perspective and are intended to apply universally. Therefore, more specific studies in particular industry sectors are needed and will provide more detailed findings which can be applied to that particular industry.

In the next section, issues in relation to the triangular relationships between agencies, client companies and agency staff are introduced. This section assists in understanding the interactions between these three actors and common practices within supply relationships.

2.6.5 Triangular relationships amongst agencies, clients companies and agency staff

According to Key Note (2003, p.3), "usually, the worker is employed by the recruitment company. The client will often be charged on an hourly basis for the services of the workers and will be sent an invoice on a weekly or monthly basis". This suggests implications with respect to the theoretical labour supply chain proposed in Chapter 3. In general, the workers who are being transferred within the labour supply chain work under the supervision, direction and control of the client, although the labour suppliers may well take an active role in briefing and supervising the workers. It depends on the general agreements negotiated by the employment agencies and the clients.

2.6.5.1 Length of working relationships between clients and agencies

According to the definition provided by Key Note (2002, p.2),

> "a temporary worker is one who is employed on a temporary basis, which may mean that, in practice, they work for a number of weeks or months. Contract workers' assignments are longer than those of temporary workers. The contract worker will be taken on for a fixed duration, which may run to 6 months or even a year".

This raises an argument regarding the temporary help service industry, which is how " temporary" is short enough to be categorized as temporary work? Or should the debate be concerned with how "lengthy" must the contractual arrangement be for it to be classified as non-temporary employment? Temporary work could be defined as closed-end contractual work. In other words, the work has been offered for a short term, perhaps 6 months or a year, within a given time span. This type of "contract" working is a so-called "fix-term" contract.

Furthermore, temporary work can also refer to when the employment acts either as a flexibility strategy to respond to the fluctuating nature of business or as a trial period/probation while employing new staff. Ward *et al.* (2001) provides an example of a proper duration of an agency workers' contract. They argue that client companies attempt to keep temporary agency workers at the workplace for at least six months. The management regard this 6 months as a vital period, for if agency workers remain beyond three to six months they were likely to remain on-site for 18 to 24 months (Ward *et al.* 2001, p.15). Purcell and Cam (2002, p.3) also confirm this assertion as they argue "there has undoubtedly been increasing use by employers of temporary work as an unofficial probationary period for more highly-skilled labour market entrants". Furthermore, according to Gray's (2002, p.664) study, agency work "is not necessarily short-term, although most agency workers have no guarantee of continued employment. Several agencies said they could offer a worker a continuous stream of assignments for a long period".

However, it may no longer be appropriate to use the term, "temporary", to describe agency placements, according to Purcell and Purcell's (1998) argument. They observe the trend that "all the major UK labour contract companies such as Manpower, The Corporate Services Group, Adecco Alfred Marks, Reed and Office Angels are focusing on long-term supply contracts with major clients" (Purcell and Purcell 1998, p.50).

A similar argument, which indicates that employers tend to use agency staff on a permanent basis, is identified in Forde's (2001) work. He argues that, to both clients and employment agencies, using agency labour on a permanent basis (or providing "repeat" workers to clients) can avoid many of the costs and risks associated with the use of temporary labour (Forde 2001, p.637).

2.6.5.2 Labour suppliers and partners

MacKenzie (2002, p.603) raises an interesting issue, "if intermediaries (i.e. employment agencies) are introduced to regulate the employment relationship, there remains a need for mechanisms by which to govern the relationship between the patron and the intermediary". As a result, it is essential to discuss the issue of cooperation and relationships between cooperating partners.

In Section 2.6.1, it is suggested that flexible long-term relationships, even partnerships, between client companies and employment agencies are evident in practice, as well as being important to both parties.

As argued in Section 3.1.2, long-term relationships do not automatically make the buyer/supplier relationships become partnerships. According to Lemke *et al.* (2003), five attributes can be identified to differentiate partnerships from the basic form of buyer/supplier relationships. These five attributes include personal business relationship, special product, new product development, relationship maintenance, and location nearby.

In Forde's (1998, 2001) research, it is noted that clients (buyers) dominate the triangular relationships among agency, worker, and client. He also notes that "in practice, (agency has to) secure a 'stock' of available temps to ensure that changing client demands for temporary labour could be met" (Forde 2001, p.633). However, to those companies which hire a considerable number of agency staff or use them on a permanent basis, Forde (2001) highlights an increasing dependence of organisations on agency staff.

In seeking to review the practices and the interactions between three actors in similar studies, the literature with respect to the relationships between agencies and their clients is relatively limited. It is commonly suggested that labour client/supplier relationships do exist between employment agencies and client companies (Forde 1998; MacKenzie 2002). However, this relationship tends to develop towards partnerships between the two parties (Peck and Theodore 1998; Druker and Stanworth 2001). The tendency to establish a longer relationship indicates that company receives more benefits after considering the disadvantages resulting from using agency staff. Furthermore, the development towards partnerships brings closer liaison between client companies and agencies. This also indicates that the user companies tend to adopt the practice of employing agency staff on a strategic basis, rather than on an *ad hoc* basis. In addition, this allows the possibility to introduce a systemic approach to promote agency practices, instead of seeing them as short-term and temporary solutions in reacting to demand fluctuations.

2.7 Conclusion

In the flexibility literature, "flexibility" seems to be a panacea for organisations when there are fluctuations in demand. The major debate is initiated from, arguably, the most influential flexibility model, namely Atkinson's (1984) flexible firm model. Early research in relation to labour flexibility issues focuses on defining its meaning and definition, articulating its types of strategies available, and suggesting its possible implementation advantages and disadvantages. Consequently, two main forms of flexibility strategies can be identified, in terms of functional and numerical flexibility. Within the two broad segments, it can further be divided into a two-by-two matrix as adding the consideration of the source of flexible labour (i.e. external or internal labour). Hence, the typologies of labour flexibility suggested in the literature are based on three factors, in terms of qualifying labour skills, quantifying labour utilisation and sourcing labour supply.

As for the motivators of labour flexibility, the literature notes that it is inevitable for organisations to adopt labour flexibility in coping with both macro- and micro-economic influence factors. These factors suggest that the nature of labour flexibility is predominately based on *ad hoc* criteria and as a reaction in response to fluctuating demand and changing business environments. Atkinson's (1984) flexible firm model postulates a strategy to be efficient. However, after two decades' development in relation to flexibility, it seems that relevant studies still focus on this response to emergency nature, rather than from a more strategic and systematic perspective.

In the literature, labour flexibility is not a new topic, and it provokes considerable debate with respect to its categorisation, benefits of use as a strategy to be competitive, and drawbacks of flexibility utilisation. However, much of the literature puts these discussions in the general context of business as a whole, but is not focused on the use of a particular labour flexibility strategy or in a specific industry. Different labour flexibility strategies (e.g. functional, numerical and distancing flexibility) require variations in the labour force, such as full-time employees, part-timers, casuals, temporary workers and agency staff. The utilisation of various flexibility strategies is triggered by different motivations. Because most previous studies discuss flexibility issues on a holistic basis, this could, in part, explain aspects of the complexity and confusion within the flexibility literature.

The literature has relatively little empirical work to support it or provide a theoretical underpinning. Hence, a holistic approach results in unanswered questions with respect to the management of flexible strategies and labour. In what circumstances, for example, will firms consider adopting flexibility? How do organisations choose between different flexibility alternatives? How do companies manage their labour force to work flexibly, both internally and externally? These issues remain unresolved in existing flexibility studies.

Due to insufficiently systematic approaches adopted in most flexibility studies, therefore, those which discuss the use of a particular flexibility strategy in a specific industry will make a contribution in providing a building block to assist in providing an understanding of the utilisation of labour flexibility. The literature does discuss flexibility utilisation from an *ad hoc* perceptive, but not from a strategic perceptive as advocated by Atkinson, (1984). While recognising the possible benefits of using flexibility as noted in the literature, there is a need to extend and develop a more consistent approach in order to gain claimed advantages instead of just using as required in emergency situations.

In addition to those flexibility studies which are not focused on a particular type of flexibility strategy, some researchers have started to look into a more specific type of flexible labour, temporary agency workers for example. Many of them conduct their research across several industry sectors, as well as concentrating relatively more on company-agency staff relationships, addressing issues such as why an organisation hires agency staff, advantages and disadvantages of using agency staff, and the working conditions of agency staff in client companies. It seems that detailed discussion of company-employment agency relationships are lacking in the existing literature. Issues, such as how company manage their partner agencies to assist meeting company needs, what are the criteria in selecting partner agencies, and how the relationship between clients and agencies can be improved, are still underdeveloped.

In order to build up a systematic approach to the development of flexibility, distancing flexibility with special reference to employment agencies, as well as considering its close relation to demand patterns, other management strategies which are also associated with demand-side models, such as supply chain management (SCM) and just-in-time management (JIT), may be seen to be useful. The next chapter discusses the concepts and models of SCM and JIT. Within this, flexibility serves as one important element in achieving efficiency in the use of the SCM and JIT models. Then, in the following chapters, attention will be paid specifically to the issues in relation to demand and supply models and an emergent labour supply chain which bridges the two "pillar" literatures within this thesis, labour flexibility and supply chain management.

CHAPTER 3 FROM SUPPLY CHAIN MANAGEMENT AND JUST-IN-TIME MANAGEMENT TO A HOTEL LABOUR SUPPLY CHAIN

In this chapter, in order to postulate a possible labour supply chain in the hotel sector, issues relating to labour supply chains, such as demand and supply factors, just-in-time systems, and a theoretical labour supply chain model for the hotel sector, are considered.

3.1 Demand and supply

As discussed in Chapter 2, labour flexibility acts as buffer capacity to enable companies to react to fluctuations in demands. "Where product demand fluctuated, the effect on the demand for labour depended on the use of techniques to smooth production (for example, the use of stocks or the movement of services over time)" (Casey *et al.* 1997, p.150). What is implied here is that if there were no fluctuations in demand, then labour flexibility would not be needed in organisations. Demand and supply are correlative of each other. Because the demand (for both tangible products and intangible services) varies across the day, the week, the year or even years, companies have to adjust their supplies, in terms of product production and service delivery, accordingly.

Within most sectors of the economy, accurate demand prediction plays an essential part. Without reasonable predictability, most business operations, whether in services or elsewhere, would face major operational and labour scheduling problems. This need for accurate demand forecasting influences industries, especially in sectors which have very short lead-times (in other words, the gap of time-scale between the demand and the supply of products and services is short), the hospitality industry for example. Guerrier and Lockwood (1989b, p.411) note that "the nature of the demand for hotel accommodation and associated services is very difficult to predict and suffers from wide variations in volume and type".

In conjunction with the above three factors, in terms of the demand fluctuations, unstable demand forecasts, and the need to act quickly in line with various demands, a smooth streamline of production of both tangible products and intangible services is essential to organisations. As a consequence, production line analysis and the associated supply chain management for delivering "raw material", both material-wise and manpower-wise, are required to make the streamlined operation run efficiently and smoothly. The concept of this production line analysis is explained in the next section.

3.1.1 Production line analysis

Production line analysis originates from the manufacturing industry and it is chiefly applied in this sector. A question hereby raised is whether this production line analysis can be applied in the service industry, where the main products are intangible in nature? As an answer to this question, Levitt (1972) proposed a novel technique, the production-line approach, to improve service quality and efficiency in service industries. This approach is well developed, particularly in the fast food sector, which uses manufacturing techniques to achieve targets in relation to service quality and service delivery (Levitt 1972; Mehra and Inman 1990; Schroeder 1993; Ritzer 1998; Bowen and Youngdahl 1998). Canel *et al.* (2000, p.51) also argue that "services are much like manufacturing, in that both employ processes that add value to the basic inputs used to create the final product".

Schmenner (1986, p.24) argues that "services are better classified by using both the degree of labour intensity and the degree to which (1) the customer interacts with the services and (2) the service is customised for the customer". This two-by-two matrix is illustrated in Table 3.1.1.1.

Table 3.1.1.1 Service matrix

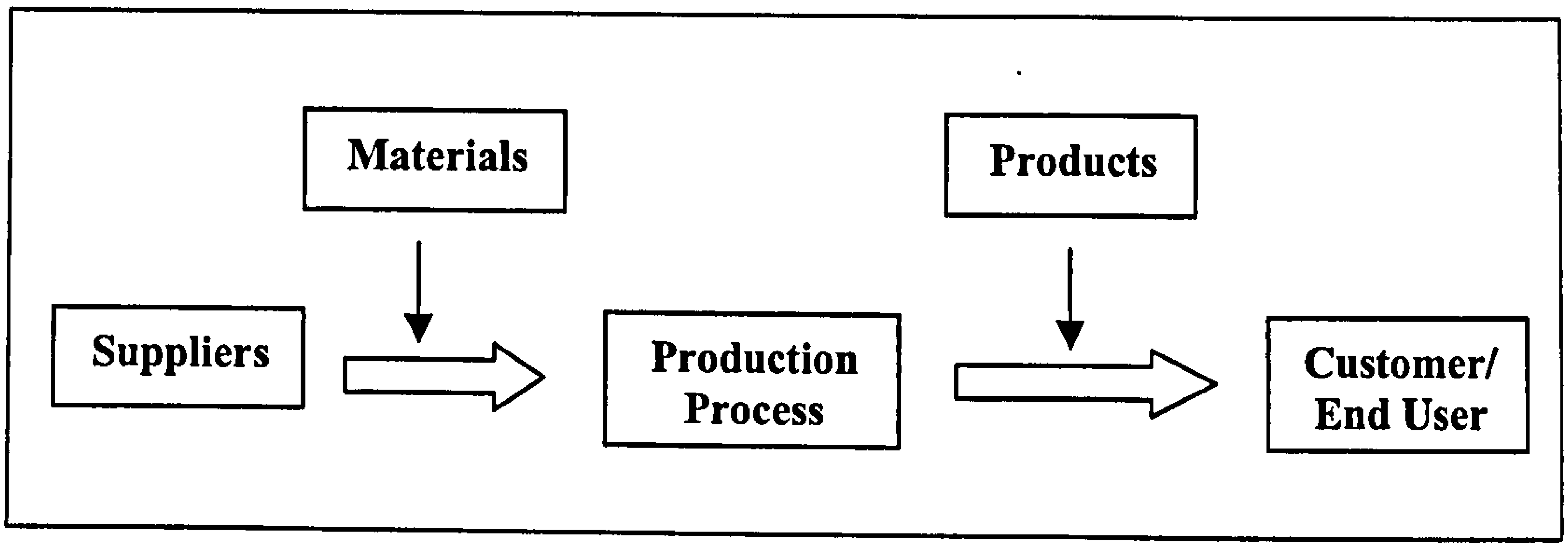
Degree of labour intensity	Degree of interaction and customisation	
	Low	High
Low	**Service factory:** Airlines Trucking Hotels Resorts & Recreation	**Service shop:** Hospitals Auto Repair Other Repair services
High	**Mass service:** Retailing Wholesaling Schools Retail aspects of commercial banking	**Professional service:** Doctors Lawyers Accountants Architects

Source: Schmenner (1986, p.25)

According to Schmenner (1986), by categorising service operations into quadrants, over time, the development of strategies for different service business can be evaluated. This service matrix verifies Levitt's (1972) service production-line approach, especially for service factory type industries, such as airlines, trucking, hotels and resorts and recreation sectors. In other words, these service factories can share the same techniques normally utilised in their manufacturing counterparts, in terms of labour demand scheduling, and plant and equipment arrangement.

According to Bowen and Youngdahl (1998), the manufacturing-driven logic provoked widespread debate ranging from perceptions that it is ideal to totally inappropriate in the service industry. However, they suggest that "service business need not abandon production-line thinking, but they must shift their production-line paradigm (to a lean-production service approach) as has occurred in much of manufacturing, itself" (Bowen and Youngdahl 1998, p.207). They also illustrate a successful lean approach to human resource management in the Taco Bell fast food restaurant which results in increased customer service focus and quality.

Figure 3.1.1.1 Assembly line model



To some extent, an assembly line model (see Figure 3.1.1.1), which has five components within the production flow including suppliers, materials, the production process, product distribution and customer/end users, can be applied in the hospitality industry. Guerrier and Adib (2001) argue that hospitality work consists of the production and servicing of accommodation as an activity. For instance, in the hotel housekeeping department, the housekeeping team produce clean and tidy guest rooms on a daily basis. In the restaurant, the main product offered is food and the chef "manufactures" and "assembles" raw materials into final meals which are served to guests. However, the products offered in the hotel sector do not only have tangible dimensions, but are also intangible in terms of service delivery and it is this combination which creates many of the challenges relating to work within the sector. Tangible products are those elements which can be touched and felt, in terms of beds, food, drinks and meeting facilities. The intangible services provided by hotel operations cannot be touched and received, but are enjoyed in terms of the "experience", which the customer encounters during the service delivery process. The architecture and atmosphere, creating "ambience" in a restaurant's interior design, the smile from the receptionist in a hotel, the warm greeting in a "Mom and Pop" Bed and Breakfast, and the consistency and predictability of chain hotels' service may be included as intangible hospitality products.

In answering the question posed at the beginning of this section in relation to the appropriateness of using production-line analysis in the service industry, it seems that the literature does confirm this as a possible approach. Following successful analysis in the fast-food industry (Ritzer 1998; Bowen and Youngdahl 1998), both the production-line analysis (Levitt 1972) and the service matrix (Schmenner 1986) have provided sound support with respect to merging manufacturing management concepts into service operations.

As noted in the previous chapter, the model of demand and supply can serve as a central concept in linking the two different theories, namely labour flexibility and supply chain management. In the next section, issues in relation to supply chain management are examined in detail, in terms of definition, applications models, links to lean and flexible organisations, and buyer/supplier relationships.

3.1.2 Supply chain management

Definition

There are various definitions of supply chain management.

> "At its simplest the buyer wishes to exchange primarily money (although not exclusively) for goods and/or services and the supplier wishes to receive money (although not exclusively) for return" (Cox 2004a, p.412).

> "A system whose constituent parts include material suppliers, production facilities, distribution services and customers linked together via the feedforward flow of materials and the feedback flow of information" (Towill 1996, p.15).

According to Duclos *et al.* (2003, p.448), a further definition of the supply chain and supply chain management is summarised as follow:

> "The supply chain – a term now commonly used internationally – encompasses every effort involved in producing and delivering a final product or service, from the supplier's supplier to the customer's customer. Supply chain management includes managing supply and demand, sourcing raw materials and parts, manufacturing and assembly, warehousing and

inventory tracking, order entry and order management, distribution across all channels, and delivery to the customer".

With the development from the simplest buyer/supplier form to a more complicated model which incorporates all actors involved within a supply chain, this management concept draws heavily upon the management of "flow", in terms of material, cash, and information flows. The next section introduces a supply chain model which is based on process and flow management.

The supply chain model

The assembly model illustrated in Figure 3.1.1.1 explains the simplest model of the production process in an organisation. While building the supply chain context into business, from suppliers to manufacturers to end customers, the whole process starts from raw material generation to final product distribution (Cox 1997; New 1997; Duclos *et al.* 2003; Cante *et al.* 2004). Three main phases can be categorized within the flow, namely supply, assembly and distribution. Hanna and Newman (2001, p.49) define supply chain management as "the configuration, coordination, and improvement of a set of sequentially related operations". "Configuration" involves determining what the nature of product/service is and which ingredients would be incorporated within the chain. The challenge of "coordination" is to ensure the smooth running of the chain by communication among players, in terms of supplier, manufacturer and customer. Finally, "improvement" is the mechanism to adjust configuration and associated coordination, in order to enhance the overall performance of the supply chain.

New (1997, p.20) argues that by adopting supply chain management, organisations should be able to achieve "efficiency", doing better with the same or less investment of resources, due to "the claimed (and, indeed, demonstrated) advantages of the associated practices including lower costs, improved quality, more effective technological development and reduced lead times".

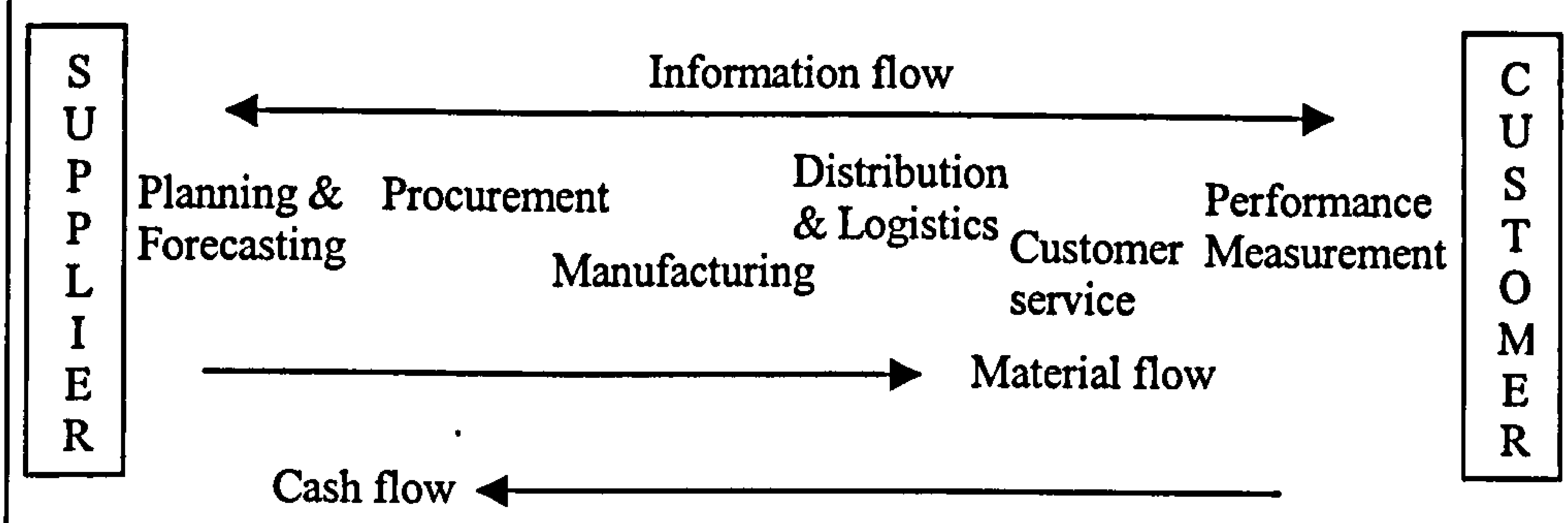
Spekman *et al.* (1998, p.54) argue that the traditional view of supply chain management is to leverage the supply chain to achieve the lowest initial purchase prices while assuring supply. Supply chain management has gradually been developed and given a new definition as a process for designing, developing, optimising and managing the internal and external components of the supply system, including material supply, transforming materials and distributing finished products or services to customers, that is consistent with overall objectives and strategies. Figure 3.1.2.1 shows the components involved and the flow of the supply chain.

Spekman *et al.* (1998) also argue that, at its origin, the initial assumption in supply chain management was that trading partners are interchangeable and that they will seek to take advantage of their position if they become too important. However, under more recent analysis, this assumption is relatively more focused on understanding the elements of sourcing strategy, in formation flows (internal and external), new product co-ordination, concurrent procurement, teaming arrangements, commodity/component strategies, long-term requirements planning, industry collaboration and staff development. This assertion is consistent with Duclos *et al.*'s (2003) statement of the third level of strategic imperative development. They argue that there are three main strategic imperatives that emerged in this century, in terms of low cost, high quality, and improved responsiveness (both delivery time and flexibility of product delivery).

Cost efficiency was driven by Henry Ford's mass production paradigm, which was based on the presumption that larger production volumes provide lower cost per unit. The second imperative originated through the efforts of W. Edwards Deming and Joseph M. Juran in Japan, in a total quality management context. Organisations valued production efficiency and low cost, but began to emphasize the quality of products and services in the product purchasing decision. As a result of increased global competition in the 1970s, buyers became more sophisticated, demanding more customization and shorter product life cycles. Manufacturers found they could no longer maintain the large volumes of production and cost efficiency of their production processes with these higher levels of change and uncertainty. Therefore, companies concentrated on reducing the cycle time and solving the tradeoffs between efficiency and flexibility. As a consequence,

> "by the 1990s, firms recognized the necessity of looking beyond the borders of their own firm to their suppliers, suppliers' suppliers, and customers to improve overall customer and customer value. This movement, entitled supply chain management or demand chain management, changed companies' focus from internal management of business processes to managing across enterprises" (Duclos *et al.* 2003, p.447).

Figure 3.1.2.1 Supply chain model



(Source: Spekman *et al.* 1998, p.55)

Effective supply chain management in the new competitive environment suggests seeking close, long-time working relationships with one or two partners (both suppliers and customers) who depend on one another for much of their business; developing interactive relationships with partners who share information freely, work together when trying to solve common problems when designing new products, who jointly plan for the future, and who make their success interdependent. Over the long-term, the supply chain that forges "virtual firm" relationships in those situations where uncertainty is highest and where the cost of success (or failure) is greatest will prevail (Spekman *et al.* 1998, p.57).

In general, the supply chain includes all players in the entire production process, from raw material to end customer, and its success depends on a total contribution by every component within the chain (New 1997; Spekman *et al.* 1998; Duclos *et al.* 2003; Wright and Lund 2003; Cox 2004). This also implies a necessary development of partnerships within the supply chain, due to the close relationships and the total contribution required. Furthermore, with its focus on flow management and demand/supply model, these relationships need to be flexible when there is fluctuation in demand. Related issues are discussed in the next section.

Lean, agile and flexible

McMurran and Butler (2004) argue that one of the most important attributes of a successful supply network in today's global economy is agility. The term, agility, is defined as "the ability of an organisation to thrive in a continuously changing, unpredictable business environment" and "a set of abilities for meeting widely varied customer requirements for price, specification, quality, and delivery" (McMurran and Butler 2004, p.528). Agility, by its nominal meaning, is the ability to move quickly and easily. Therefore, this term often links with "lean" production in the literature of supply chain management. Cox (2004) argues that this assertion is backed up in a range of writing. And this brings the benefits of Japanese long-term collaborative sourcing approaches to western companies – especially the benefits associated with outsourcing, lean production and supply as practiced in the automotive sector. It is argued that "both 'lean' and 'agile' have similar management philosophies, based on long-term collaboration, trust and commitment" (Ireland 2004, p.373).

The pursuit of agility within the supply chain is related to another school of thought, supply chain flexibility. Duclos *et al.* (2003, p.450) argue that supply chain flexibility includes

> "the flexibility dimensions required by all the participants in the supply chain to successfully meet customer demand. Flexibility in the supply chain adds the requirements of flexibility within and between all partners in the chain,

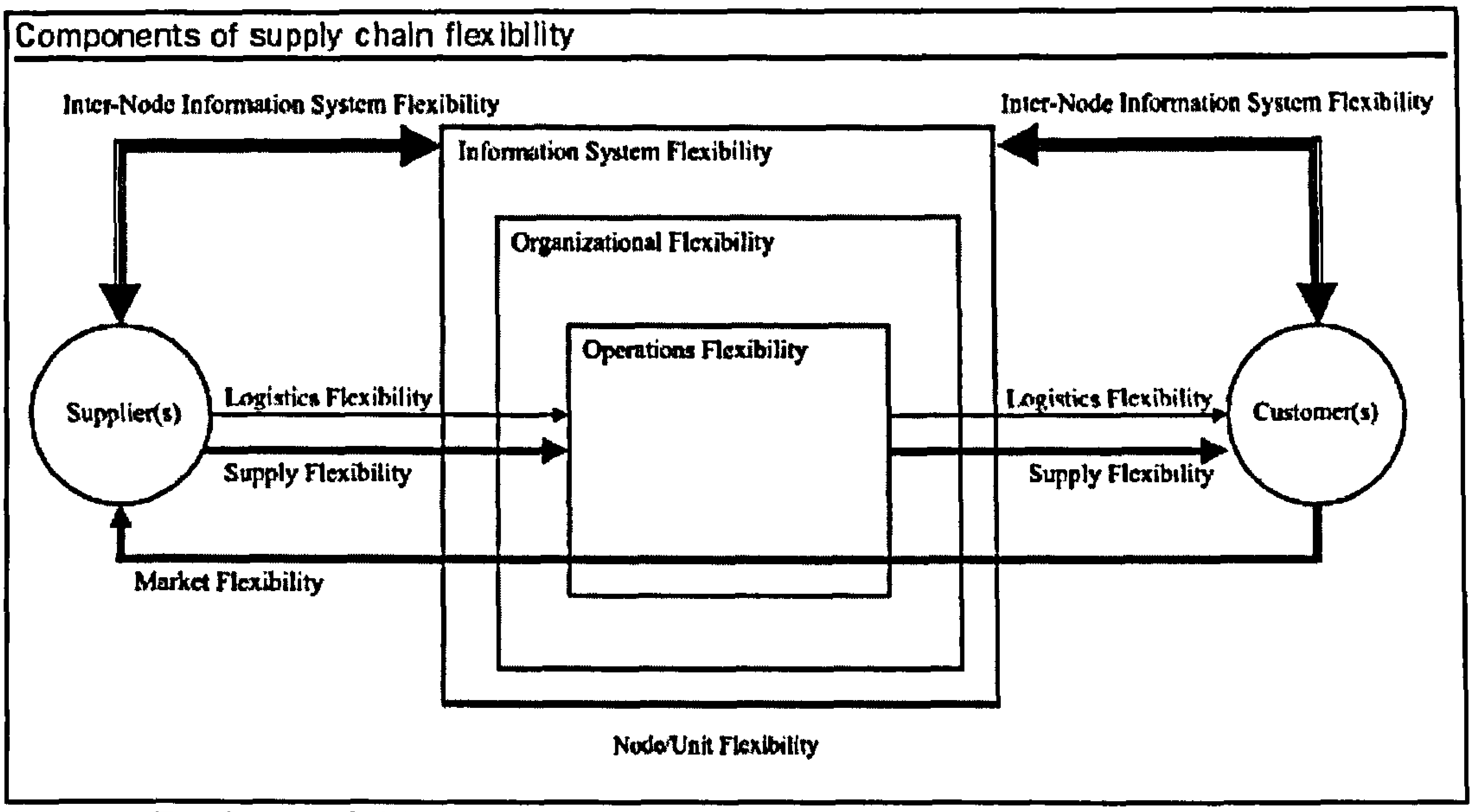
including departments within an organisation, and the external partners, including suppliers, carriers, third-party companies, and information systems providers. It includes the flexibility to gather information on market demand and exchange information between organisations".

In other words, supply chain flexibility is aimed at achieving flexibility in each stage within the flow of the supply chain, as well as for participators in the chain to be lean and agile under fluctuating circumstances.

Drawing on the literature on manufacturing flexibility, strategic flexibility and limited work on supply chain flexibility, Duclos *et al.* (2003, p.450) identify six components of supply chain flexibility (see Figure 3.1.2.2 for the structural detail):

1. Operations system flexibility (both manufacturing and service) – ability to configure assets and operations to react to emerging customer trends (product changes, volume, mix) at each node of the supply chain.
2. Market flexibility – ability to mass customize and build close relationships with customers, including designing and modifying new and existing products.
3. Logistics flexibility – ability to cost effectively, receive and deliver products as sources of supply and customers change (customer location changes, globalization, postponement).
4. Supply flexibility – ability to reconfigure the supply chain, altering the supply of product in line with customer demand.
5. Organisational flexibility – the ability to align labour force skills to the needs of the supply chain to meet customer service/demand requirements.
6. Information systems flexibility – the ability to align information system architecture and systems with the changing information needs of the organisation as it responds to changing customer demand.

Figure 3.1.2.2 Components of supply chain flexibility



(Source: Duclos *et al.* 2003, p.451)

In the supply chain model literature, it seems that being flexible and agile is a requirement for each component within the chain. As a consequence, a review with respect to buyer/supplier relationships is presented in the next section in order to establish an efficient and flexible supply chain.

Buyer/supplier relationships

Lemke *et al.* (2003, p.12) argue that "studies of the supply chain have traditionally looked at the physical flow of materials and products but increasingly they are focusing on the relationships between the different organisations involved". In addition, a growing need for establishing "partnerships" has been widely recognised in the literature, especially in the practitioner literature (Lemke *et al.* 2003; Wright and Lund 2003).

Spekman *et al.* (1998) argue that, in the supply chain, buyers seek supply chain partners with the criteria of being trustworthy, having integrity, and who have knowledge of their business. However, reputation, improvement in market position, and support of customer service are less important to buyers than sellers (Spekman *et* *al.* 1998, p.61). Kannan and Tan (2004, p.279) argue that supply chain partner criteria include: quality, cost, product/process technology, capability, buyer-supplier compatibility, business history and the cultural and strategic fit with the buyer, as well as less quantifiable criteria such as the size, relative power and financial stability of the supplier. This argument is similar to Rainnie's (1991, p.355) assertion that "although price is still a predominant factor in purchasing departments' choice of suppliers, other factors are important, including: ability to react to changed circumstances and customer needs, consistency and quality of production, and flexibility of delivery".

Within the supply chain, Emiliani (2003, p.108) offers two broad classifications to categorise the relationships between buyers and sellers, namely power-based bargaining and collaborative problem solving. While power-based bargaining is commonly adopted in the business context and leads to ongoing conflicts amongst players in the supply chain, collaborative problem solving tends to be relatively rare. The former often operates on an *ad hoc* basis, but the latter needs a more sophisticated approach to make the supply chain run smoothly.

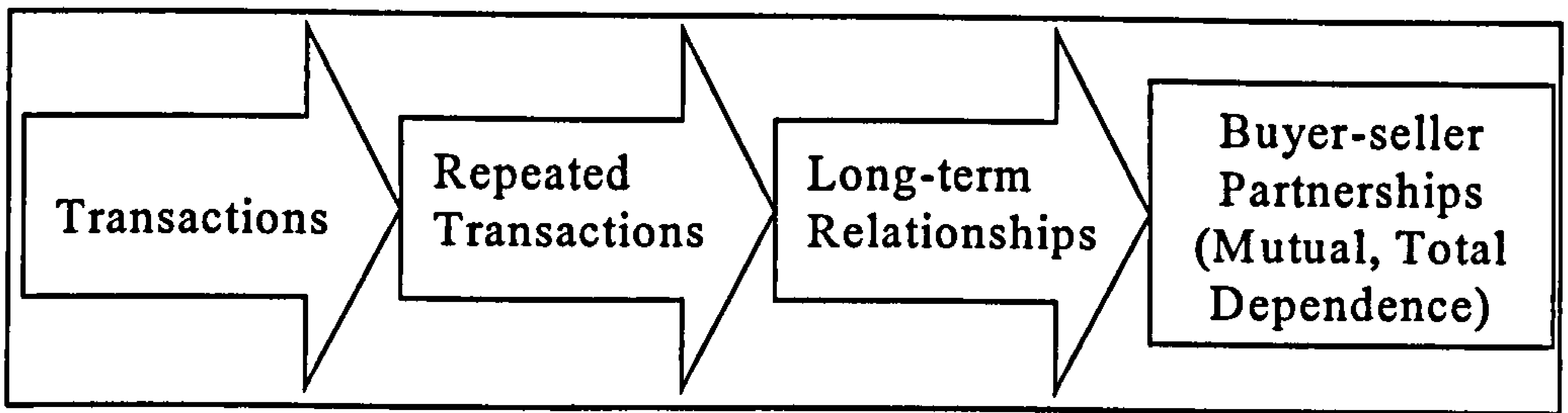
However, Cox (2004) suggests that the appropriateness of which category a buyer should take depends on their power and leverage circumstances. "In other words, there is no single way of managing business relationships for a buyer that is always appropriate in all circumstances" (Cox 2004, p.346). The term, appropriateness, is defined as "understanding what actually confront us, and choosing wisely, from amongst the universe of possible things that might be done. Then doing those things which have a realistic chance of successful implementation" (Cox 1997, p.224).

Lemke *et al.* (2003) also classify business relationships into two subsets, buyer-supplier relationships and supplier partnerships. They argue that buyer-supplier relationships mean that "one party exchanges some 'value package' (e.g. consisting of products, services, knowledge, mutual goals, trust), which the other side finds it worthwhile to compensate in the form of some other 'value package' (e.g. monetary compensation, long-term relationship, share of business)" (Lemke *et al.* 2003, p.14).

On the contrary, the supplier partnerships are "characterised by a high level of commitment, mutual dependency, trust, and a long-term orientation where the sharing of information as well as risks and rewards are typical" (p.16).

Lemke *et al.* (2003) suggest a progressive link between various supplier relationships in Figure 3.1.2.3. An important suggestion in this model is "partnerships are a special form of supplier-manufacturer relationship; they are much closer than other forms and a deeper analysis than that of simply the time dimension" (Lemke *et al.* 2003, p.17). That is, long-term supply relationships are not guaranteed to form supplier partnerships between buyers and suppliers, but other attributes, such as commitment, dependency, resource exchange, sharing of information, trust, and focus on continuous improvement (Lemke *et al.* 2003).

Figure 3.1.2.3 The range of supplier relationships

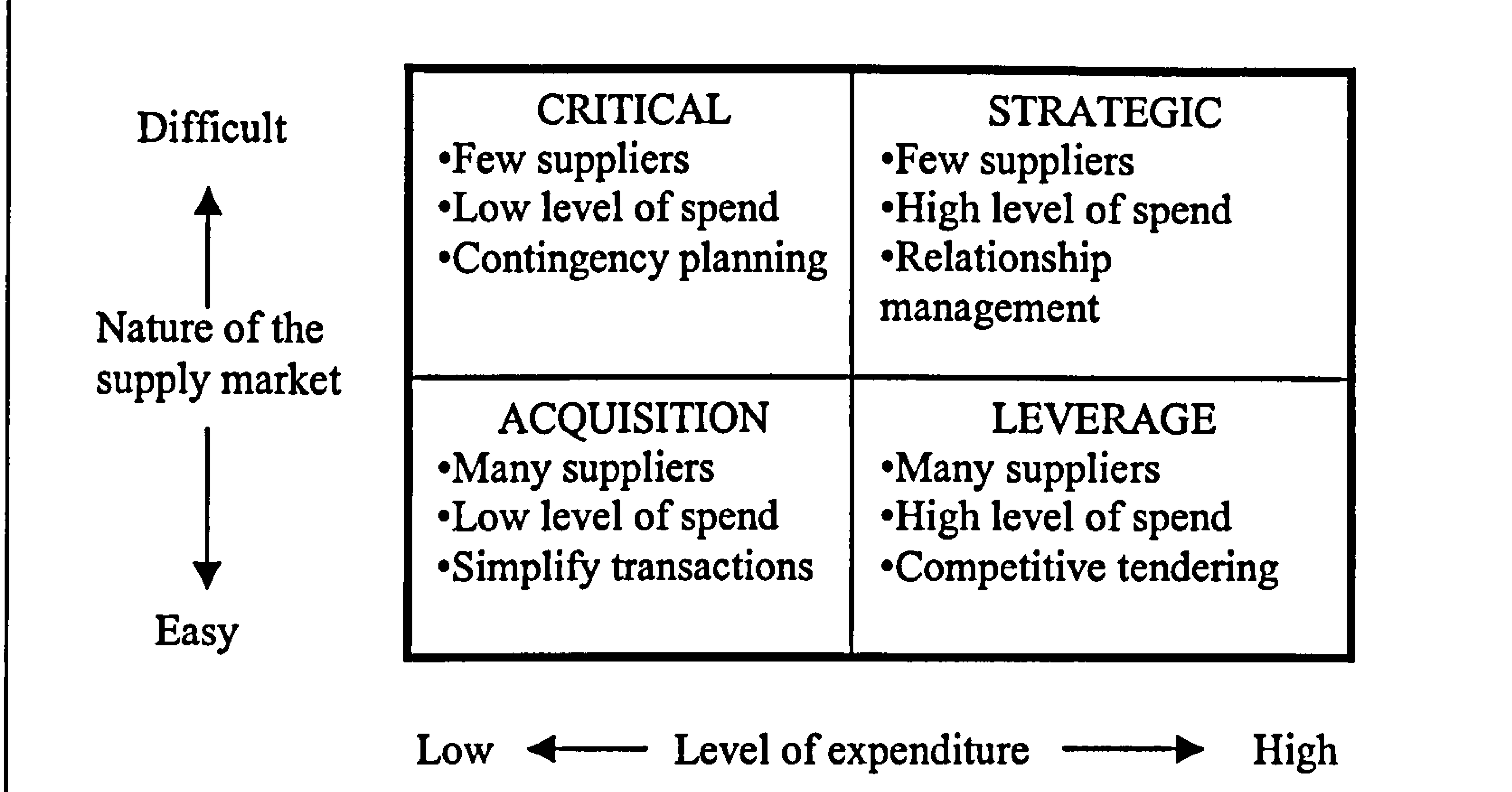


(Source: Lemke *et al.* 2003, p.17)

Wagner *et al.*'s (2002) empirical case study (in the context of implementing partnering in the supply chain between an alcohol manufacturer and its packaging supplier) suggests that supply chain partnering relationships can be implemented successfully. The initial targets, such as cost reduction, improved flexibility in response to customer requirements and long-term security of supply, have been achieved in both organisations. From the perspective of the supplier side, this supply chain partnering assists them to secure their status as being a principal packaging supplier, i.e. a "tied-in" relationship with its major customer. As for the demand perspective, in this case an alcohol manufacturer, this newly improved relationship helped them to reduce purchasing costs, and improve the communication between purchaser and supplier for greater flexibility in responding to changes. This supply chain partnering has been shown to be beneficial for both parties involved in the supply chain. To implement supply chain partnering successfully, several elements including businesses processes, technology, structure, people, culture, and power, need to be examined with care.

Lemke *et al.* (2003, p.24) argue that "buyers dominate the relationship with their suppliers, since they select suppliers and place orders". Cox (1997) discusses a Purchasing Portfolio Analysis matrix (see Figure 3.1.2.4), which was first developed by Kraljic (1983). The matrix correlates the level of purchasing spend with the degree of market difficulty in the supply markets in which an organisation is operating. It segments the style of supply chain, illustrates the power composition between buyers and suppliers, and serves as a guideline for companies' operational action.

Figure 3.1.2.4 Purchasing portfolio analysis



(Source: Cox 1997, p.271)

Within this matrix model, four dimensions of the supply chain are identified as follow:

- Acquisition: the supply market is characterised by a large number of suppliers, each of whom is mutually interchangeable, and the level of spend in the buying company is low. Therefore, the buying company should simplify their transactions by reducing the number of suppliers the organisation deals with. Furthermore, because the level of the buying company expenditure is low and the number of substitutable suppliers is high, the buyers can control their costs by standardising with fewer existing suppliers.

- Leverage: the supply market consists of a large number of suppliers, each of whom is mutually interchangeable, but the level of buying company expenditure is high. It is suggested that the buyers should use their buying power to leverage the supply market aggressively. Because of the large number of alternative suppliers in the market and the relatively large size of business, an aggressive negotiation for significant improvement in cost or quality is possible.

- Critical: the supply market has only a few suppliers and the demand from buying companies is relatively small in size. As a consequence, it is not easy to replace the suppliers, and the buyers have relatively low buying power in relation to their suppliers. It is suggested that the buyers develop contingency plans, in case the supply of what may be essential products or services is disrupted.

- Strategic: the supply market is made up of a few not-so-easy-replaceable suppliers, and buying companies with high demand from their suppliers. Often, the products or services bought are of strategic importance to the buyers, and, therefore, a close and collaborative relationships must be developed with the suppliers.

Cox (1997, p.275) criticises the Purchasing Portfolio Analysis as "a poor guide to operational action, because it fails to recognise that sustainable business success is, ultimately, about creating the conditions for the effective and flexible leverage of any, and all, supply chain resources, under as many conditions and circumstances as possible". However, the matrix itself still provides a descriptive, reactive and, market-based analysis of the supply chain management as a whole.

In conclusion, the relationships between buyers and suppliers have developed from a simple exchange form towards more complex combination and integration within the supply flow. It is suggested that there is no simple rule to fit all types of supply relationships. The literature notes that appropriateness, which suits the mutual needs of buyers and suppliers, is the keyword to maintain their circumstances with respect to a balance between power and leverage. Purchasing Portfolio Analysis (Kraljic 1983) provides a basic foundation in identifying the power relationships between buyers and suppliers. Power depends on two factors, namely the number of substitutable suppliers and the amount of expenditure. The more suppliers in the market and the higher level of spending, the higher power will be granted to buyers. On the other hand, fewer suppliers and lower expenditure will invoke a situation where suppliers have greater power over their buyers.

However, with the tendency towards developing supply partnerships, this power division will be diluted, due to increasing dependence between buyers and suppliers. This closer partnership improves the efficiency of various flows that are circulating in a supply chain. It can be achieved by a well-established relationship through repeat orders, rapport, commitment, and most importantly, trust.

The next section discusses another manufacturing concept which also aims to pursue efficiency within operational activities, thus sharing aspects in common with flow management.

3.2 Just-in-time system

Within the supply chain management literature, the just-in-time (JIT) system is often quoted as an approach for firms to achieve the target of being lean and agile within the network (Towill 1996; Cox 1997; Canel *et al.* 2000). JIT management consists of several techniques to improve the production process and reduce associated costs (Jewitt 1992; Schroeder 1993; Power and Sohal 2000). Originating from the Toyota Company in Japan, JIT management has developed into a total management system from marketing through to product delivery (Harrison 1992; Duclos *et al.* 1995; Hutchins 1999). Stimulated by the oil crisis shock in the 1970s (Harrison 1992), Duclos *et al.* (1995, p.44) confirm that JIT is motivated by the wish to react to insufficient resources within industries. They argue that "improving the timing and quantity of resource allocations for performing a process to avoid employing human and material resources when they are not needed is another facet of JIT".

Schroeder (1993, p.662) defines JIT as "an approach which seeks to eliminate all sources of waste, anything which does not add value, in production activities by providing the right part at the right place at the right time". The American Production and Inventory Control Society (APICS) defines JIT as:

> "A philosophy of manufacturing based on planed elimination of all waste and continuous improvement of productivity. It encompasses the successful execution of all manufacturing activities required to produce a final product, from design engineering to delivery and including all stages of conversion from raw material onward. The primary elements include having only the required inventory when needed; to improve quality to zero defects; to reduce lead time by reducing set-up time, queue lengths and lot sizes; to incrementally revise the operations themselves; and to accomplish these things at minimum cost" (APICS 1992, p.1).

In general, JIT is a philosophy of continuous improvement in which non-value adding activities (or waste) are identified and removed for the purposes of reducing cost, improving quality, improving performance, improving delivery, adding flexibility, and increasing innovativeness (http://www.inventorysolutions.org/def_jit.htm [Accessed 21 January 2002]).

With its origins in the automotive industry, JIT was, as a consequence, often applied in manufacturing industries. However, it has now become established in a wider range of industries such as food and drink (Jewitt 1992; Mehra and Inman 1990; Harrison 1992; Hutchins 1999; Canel *et al.* 2000). "Because both service firms and manufacturing firms employ processes to create an end product or service, JIT techniques should be applicable to both environments" (Duclos *et al.* 1995, p.37). Canel *et al.* (2000, p.55) argue that service organizations have a *better* chance of successful applications of JIT because of the lack of work-in-process and finished goods inventories in pure service environments. They also suggest that JIT approaches could be adopted in the service industry to simplify production processes, to reduce inventories of supplies and to focus on the quality of service provided.

3.2.1 JIT concepts

Waste control

Duclos *et al.* (1995, p.37) postulate a simplified version of the JIT definition as "essentially a process-oriented waste-elimination philosophy". Waste is defined as anything other than the minimum amount of equipment, materials, parts, space and worker's time, which are absolutely essential to add value to the product (Jewitt 1992; Mehra and Inman 1990; Schroeder 1993; Waters-Fuller 1995; Canel *et al.* 2000). In other words, industry should try to utilize resources to a minimum extent consistent with the most efficient way to produce.

There are two kinds of activities in production, value added and non-value added activities. Within a production process, for five per cent of its time the process involves a value adding whilst ninety-five per cent of the time involves picking up costs (Jewitt 1992). The non-value adding activities include storage, quality inspection, material movement, and rework. While much of Western management tended to focus on improving the control of value added activities, the JIT system concentrated on eliminating the 95 % of non-value added activities. The concept of waste applies equally well to administration and service departments as it does to production. Each department defines its core tasks, who are its suppliers and customers for each task, and conducts an activity value analysis of the way in which they are carried out (Jewitt 1992).

Based on research conducted by Ramarapu *et al.* (1995), the researchers conclude that the elimination of waste and production strategy are the most specific critical factors of JIT implementation. Other researchers also agree with this assertion (Schroeder 1993; Hutchins 1999; Canel *et al.* 2000).

Low inventory

Inventory control is another important issue in the JIT system. High inventory levels tend to hide quality problems, in terms of scrap, machine down time and late deliveries, and production problems, such as equipment breakdowns, lengthy set-up times and large batch size, and poor coordination between processes (Harrison 1992). This also incurs some other costs, such as warehouse rental fees, capital interest, and inventory handling costs. Buffer stock will be unnecessary if there is no delay between inputs and outputs of production. It is argued that the principal goal of JIT is to achieve zero inventory, not just within the confines of a single organization, but ultimately throughout the entire supply chain (Hutchins 1999; Schroeder 1993; Waters-Fuller 1995; Canel *et al.* 2000).

This argument is supported by Hutchins (1999) in that the types of production can be considered to have two dimensions, in terms of "produce on demand" (pull system) and "produce to forecasts of demand" or "make to stock" (push system). For example, some companies have a policy of not producing anything until a customer is found. At the other extreme, in other companies products may be made in large quantities in the hope that supply and demand can be matched by advertising and by giving high visibility to the product, as in the case of domestic products sold in supermarkets (Hutchins 1999, p.42). In the JIT literature, the pull system (to match market demand) is commonly adopted (Schroeder 1993; Kinnie *et al.* 1998; Bowen and Youngdahl 1998; Hutchins 1999; Taylor 2002).

Due to the "kanban" system, a pull scheduling technique used in the JIT system, JIT components are produced to meet exact demand. Each daily production quantity will correspond to the exact amount of daily demand. In this way, there will be no inventory left in the production cycle. With the demand-pull system, nothing is produced by a supplier workstation until a signal arrives from a user station authorizing production (Duclos *et al.* 1995, p.49). Producing more than is needed by the next process causes scheduling problems, double handling, lead time delays, extra space requirements, and lack of responsibility for quality as well as extra work-in-progress (WIP) (Harrison 1992; Hutchins 1999). As a consequence, the JIT system is not only beneficial to the manufacturing industry, but every business, especially for those sectors, which have intangible inventory or which try to avoid high inventory cost problems, for example, the hospitality industry, the retail industry, and the logistics industry.

Total Commitment

> "JIT is not just stock control or quality circles – to succeed it requires the commitment and enthusiasm of all employees" (Hutchins 1999, p.236).

JIT tends to reduce set-up time and the lot size of production. This approach reduces the lead-time of production while batch size is downsized to one unit. Consequently, this reduction of batch size is seen to draw more commitment from employees. Due to small lot size, defective products can easily to be identified by foremen in the work group. Peer-pressure, therefore, forces every employee to concentrate on product quality. Furthermore, JIT management insists on quality control at all stages within the production line from receiving raw material to completing final products. Every work group is responsible for the quality of work-in-progress (WIP). Therefore, the defect rate will be reduced dramatically, because products will have been inspected several times from the start to the end of the production process (Bowen and Youngdahl 1998).

Continuous improvement is the philosophy of JIT and therefore it requires commitment and participation by everyone involved in the entire system. This system not only operates in the production department, but also in other supporting departments, such as ordering, purchasing, operations, distribution, sales and accounting. Apart from coordination amongst departments internally within a company, JIT requires cooperations from external organisations as well (Rainnie 1991; Schroeder 1993). Hutchins (1999, p.23) notes that "there is already an impression that many British and other western manufacturers believe that JIT is something we do to our suppliers. JIT is not something we do to our suppliers; it is something we involve them in".

However, it is argued that this total commitment required from the supplier side in the JIT system acts as an approach to transfer risks from the principle to its suppliers. In order to have less inventory and operate just-in-time production, the producer company has to order essential raw material in small batches and expects its supplier to deliver as and when needed or at least more frequently than for mass production. The literature argues that JIT is highly vulnerable to breakdown and relies, to a large extent, on pushing responsibility for quality control down the line to sub-contractors. As a consequence, a complex process that relies on a long term perspective and high trust relationships are essential (Rainnie 1991; Mehra and Inman 1990; Waters-Fuller 1995).

Schroeder (1993) suggests that in the JIT system, suppliers are often treated as internal work centres to the producing company, and therefore, a local supplier with a short lead time is preferred. Furthermore, a single or few suppliers are required in JIT in order to establish long-term relationships between principles and suppliers (Mehra and Inman 1990; Rainnie 1991; Schroeder 1993; Waters-Fuller 1995; Hutchins 1999).

With its main concepts, in terms of waste elimination, process control and total commitment, JIT management is suitable for organisations searching for leanness and agility. Compared with supply chain management (SCM), JIT management focuses more on the inner circle of production within a company. On the other hand, SCM makes efforts to address a wider perspective of the production process which incorporates activities from raw material to end process. However, the two management systems offer similar concepts to organisations, particularly to encourage them to maintain good relationships with their suppliers.

Acting as a bridge to accommodate differing concepts within the demand/supply model, the next section integrates the three theories, namely JIT, SCM and flexibility. This provides a theoretical grounding for the proposed labour supply chain in this study.

The integration of JIT, SCM and Flexibility

A flexible workplace is a requirement while implementing JIT (Cheng and Podolsky 1993; Schniederjans 1993; Schroeder 1993). Managements need to have the ability to adjust production according to demand in order to achieve the requirements set by the JIT system, in terms of low inventory and waste elimination. Consequently, workers in the JIT production system have to be flexible to deal with this demand fluctuation. Much of the literature suggests firms seek functional labour flexibility, such as multi-skilling, cross-training, and flexible working hours, while applying JIT management (Harrison 1992; Cheng and Podolsky 1993; Schniederjans 1993; Schroeder 1993). According to Harrison (1992), all jobs should be expanded as much as possible, to the extent of employees' capabilities. True flexibility is only gained over time as a result of a consistent, long-term programme of training people in new skills. The benefits are greatly enhanced flexibility of the facility as a whole.

As stated in Chapter 2, labour flexibility includes functional, numerical, and distancing flexibility. This categorisation is based on skill requirements, working hours and schedule, and whether the recruitment body is the same as the workplace organisation. According to Harrison and Kelly (1993), functional flexibility refers to the efforts of managers to redefine work tasks, to redeploy resources, and to reconfigure relationships with suppliers (as in the "just-in-time" system of delivery of parts and goods-in-process to manufacturing assembly plants).

While implementing JIT concepts in a company, the optimum JIT operation is producing the right items of the right quality and quantity in the right place and at the right time (Cheng and Podolsky 1993; Canel *et al.* 2000). However, when applying JIT in the service industry, the above description should add an additional dimension which is delivery by the right person. This indicates the importance of human resources in JIT management. The philosophy of JIT is a series of process controls. Every Work-In-Process (WIP) has to be monitored and investigated carefully and thoroughly to eliminate waste to a maximum extent. Therefore, obtaining support and agreement from all individuals involved in the achievement of organisational goals is a fundamental *sine qua non* for JIT success (Cheng and Podolsky 1993).

The focus on JIT and total involvement might result in the tendency to implement functional flexibility in the JIT system. According to Power and Sohal (2000, p.933), "the human dynamics of the organisation in a JIT environment are altered, with different skills and abilities required and control processes re-assessed". Furthermore, functional flexibility is normally applied to core, permanent staff in companies (Atkinson 1984, 1985). These permanent staff have relatively higher commitment to organisations than those so-called peripheral workers, in terms of casual, agency, and temporary staff. To achieve functional flexibility, training is essential. Without cross-departmental training or multi-functional skill enhancement, it is difficult to conduct functional flexibility as well as to apply JIT.

However, is it necessary to conduct only functional flexibility in the JIT system, as the literature suggests? In other words, are other labour force flexibilities in terms of numerical and distancing flexible strategies, relevant to JIT management as well? Numerical flexibility allows management to adjust employment quickly in line with fluctuations in business demand, and to improve the competitiveness of firms. Normally, numerical flexibility applies among peripheral employees, in terms of part-time, casual, and temporary staff. This type of flexibility contributes small batches of inputs to the JIT production process. The human resource inputs per production unit can be limited to the minimum under two circumstances. One is the reliable prediction of demand and the other is a stable labour supply of skills required.

Supply chain management (SCM) and the just-in-time (JIT) system are similar in nature. First, both sets of management systems (or strategies) focus on process control within the network which ranges from raw material suppliers to end customers. SCM, by its nominative meaning, looks at the supply chain including all participators within the supply network. To achieve JIT objectives, a company should not only focus on production control within its premises, but also acquire external cooperation from participants within the network. One of the main JIT concepts, total commitment, is required from both the internal team (i.e. employees in all departments) and external groups (i.e. suppliers and logistics helper).

Second, good relationships between buyers/producers and sellers/suppliers are essential for implementing both SCM and JIT. Some researchers argue that the buyers/producers within the SCM and/or JIT system shift the risk of having idle stock on the premises to their partner sellers/suppliers. Just-in-time production results in relatively small order batches. Suppliers in the supply chain have to be flexible enough to provide products and services just-in-time for production. This is crucial to the suppliers because of the cooperation requested by their clients. On the other hand, the company cannot afford to lose this collaboration from its suppliers once the supply relationships have been established and are stable. Buying companies are also taking risks by relying on a single or a few suppliers (Waters-Fuller 1995). In many cases, they are "putting all their eggs in one basket". This type of close relationship can be categorised as a Japanese teamwork concept, Keiretsu, which roughly translates into the English word "group". A keiretsu is a large group of related companies that share common interests, common banks, and interlocking boards of directors and cross-equity-participation. These groups resemble cartels in that they tend to restrict sourcing and other business interactions to their group (Burt and Doyle 1993).

Third, both systems are heavily built beyond the demand/supply model, especially under the pull system. That is, the demand pulls and stimulates supply. If there were no demand, supply would be halted. Therefore, process control is focused by both SCM and JIT techniques. To gain seamless production is the goal for both systems.

Fourth, because of the strong dependency on the demand/supply model, both strategies need to add in a certain degree of flexibility, such as production flexibility, flexibility specification, and labour flexibility.

Fifth, both strategies have tended to be adopted in the manufacturing sector, due to their origin in the Toyota Company in Japan. However, several researchers argue the possibility of implementing the two in industries other than manufacturing. Canel *et al.* (2000) argue that it is possible to implement the JIT system in the service industry, especially in areas such as employee training, technology development, operation layout and reengineering, total quality management, and product process standardisation.

Because the majority of studies still focus on the adoption and implementation of these concepts in manufacturing, research which discusses the implementation of these two management strategies, SCM and JIT, in the service industry is worthwhile.

Much of labour flexibility literature focuses on the structure of human resources within an organisation. For example, the flexible firm model (Atkinson 1984) postulates three types of labour flexibilities (functional, numerical, and distancing) by employing three levels of labour, namely core, peripheral, and external staff, respectively. It is suggested that with these three levels of staff, a company can respond to demand fluctuations efficiently, as well as in a cost-effective manner. On the other hand, SCM and JIT concentrate more on production processes and flow controls with co-operation between buyer companies and suppliers.

As mentioned previously, the optimum operational model in the service industry could be described as producing the right items of the right quality and quantity in the right place at the right time and delivered by the right person. This matches the goals set in the JIT system and in supply chain management. However, the "raw material" featuring in the entire supply chain or in the production process often means something material, and storable.

This discussion prompts a number of questions. Is it possible to consider workers who contribute their manpower, time and efforts in the production line as a part of "raw material" in the supply chain? Can a labour supply chain be established in businesses between service demanders and labour suppliers (i.e. recruitment and employment agencies)? Is there any opportunity to build up a "keiretsu" amongst organisations within labour supply?

Through amalgamation of the above three main theoretical concepts, a possible labour supply chain in the hotel sector is demonstrated in the next section.

3.3 Labour supply chains in the hotel sector

As the majority of supply chain literature points to the management of a flow of "raw material" within the supplying network, relatively few researchers argue a possibility of circulating labour and manpower as an ingredient in the production process of products and services. In this section, issues such as demand for hospitality labour, recruitment in the hotel sector, and an as yet unidentified hotel labour supply chain, are discussed.

3.3.1 Demand for hotel labour

Section 3.1 suggests a close relationship between demand and supply. In the hotel industry, products provided have two dimensions, namely tangible products (e.g. hotel rooms, restaurant meals and pub drinks) and intangible services (e.g. warm greeting, rapid speed, and outlet atmosphere). A further discussion of the operation and products provided in the hotel sector can be found in Chapter 4. Here, in this section, the focus is on the demand of labour and manpower in order to meet demand for hospitality services and products by customers.

Fluctuating market demand

In addition to its service sector characteristics discussed in Chapter 4, variability in demand is a feature of the hospitality sector which exerts considerable influence on its labour market characteristics (Guerrier and Lockwood 1989b; Baum 1995). Unlike most other service businesses, hospitality can be operational 24/7/12/365 and this, in itself, impacts upon the availability of labour, scheduling and rostering, remuneration, conditions and welfare. Of course, not all hospitality businesses operate to this extreme schedule but operations such as airport hotels must be prepared to offer their full range of services on a round the clock basis. However, the reality of hospitality work is that much of it is required at times when other people are at leisure, in other words at essentially antisocial times.

However, within this 24/7/365 delivery model, demand is extremely variable and, frequently, unpredictable and this is a defining characteristic of the sector. Demand variability is at its most extreme in the form of seasonal variation (Baum and Lundtorp 2000) and managing this characteristic of the sector in many parts of the world has been the focus of considerable policy debate. Its labour market impact is upon matters such as employment sustainability, skills development and the delivery of consistent quality. Demand variability also exists at a more micro level within the sector in terms of, for example, differences between mid-week and weekend occupancy in business operations and between breakfast and lunch service in many hotels. Such variation has social as well as practical consequences and, historically has been the justification of split shifts within the sector, itself an alleged cause of alcoholism among hospitality employees (Wood 1997). The sector also caters for extremes in demand in areas such as banqueting where it may be occasional or erratic and where the management response is generally to employ an "army" of casual or agency staff as and when demand dictates. Some demand may also be unpredictable as in the case of cancelled flights where an airport hotel may be required to cater for an additional 200 guests at very short notice or "chance" guests seeking accommodation or meals without prior reservation. As a consequence, hospitality employees frequently face demands on their personal time, in the interests of their customers, which take them beyond contractual or, indeed, legal norms.

With this highly fluctuating demand from its customers, it is difficult to predict and schedule a proper "production plan". Hospitality operations need to predict how many room attendants they will require on a daily basis; how much fresh food ingredients to purchase; and how many banqueting staff to schedule. In many respects, there is little difference between requirements across these categories of demand prediction. The demand pattern in the sector can fluctuate at very short notice. In the restaurant, peak hours may be during mealtimes, in terms of breakfast (7 a.m. – 10 a.m.), lunch (12 noon – 2 p.m.) and dinner (7 p.m. – 10 p.m.). In lodging businesses, the demand pattern is influenced heavily by seasonality. There may be high occupancy rates in the summer in beach resorts and high demand for ski chalets during the winter season. The demand variation influences the nature of the supply side for both commodity supplies and for labour.

Demand fluctuation in the hotel sector highlights the importance and appropriateness of utilising labour flexibility in this industry. The next section discusses the characteristics of hotel labour that contribute to achieving the goal of being flexible within organisations.

Characteristics of labour in the hotel sector

Labour intensity is a widely attributed feature of the hospitality sector although changes with respect to product, service expectations and technology have altered this picture to some degree in recent years (Kelliher and Johnson 1987; Baum and Odgers 2001). With the development of various forms of support technology, the hotel operations system has been improved towards the development of more efficient and cost-saving practices. For example, central reservation systems, employing effective yield management, benefit the industry in terms of forecasting sales, and managing good customer relationship marketing and after-sales service. Moreover, the introduction of labour saving technology provides the industry with opportunities to improve the quality of much soul-destroying work so accurately described by writers from Orwell (1933) through to Gabriel (1988). All these new technologies make the hotel sector more efficient and responsive to customers' expectation. However, there are some functions which cannot be substituted by technology, such as room cleaning, table serving, door greeting and other personal services. The new technology brings out better "tools" for the operations to manage, but not for them to entirely replace, routine work. In a people-oriented or labour-intensive industry, labour still plays an important part in the production procedures. However, as Guerrier and Adib (2001) point out, the duty of the hospitality worker is to manage the "dirty" and to keep it away from the guest as far as is possible.

Furthermore, it is commonly suggested in the literature that hospitality work has several unpleasant characteristics, such as long working and unsocial hours, relatively poor pay, low social status, shift working and arbitrary supervision (Riley 1991; Lucas 1995; Wood 1997; Baum *et al.* 1997; Jameson 2000; Kelliher and Perrett 2001; Guerrier and Adib 2001).

In addition to labour intensity, these and other characteristics of hospitality work such as a perception of low skills demands have been well documented (Mars and Nicod 1984; Gabriel 1988; Baum 1995; and Wood 1997). Some of these features are culture and location-specific as in the case of the skills demands of the sector (Baum 2002) but, in combination, they create a working environment and culture within which management seeks to minimise cost and pursue productivity enhancement strategies while, at the same time, recognising the competitive value of maintaining quality. These may not be compatible objectives.

Due to the labour intensity and low skill requirements of the hotel sector, these two labour characteristics, to a certain extent, ensure that some hotel labour can be identified as peripheral in terms of the flexible firm model (Atkinson 1984, 1985).

Hence, low skill requirements increase the chance that hotel labour can be substituted by the use of external sources of labour. The next section presents the pressures on the hotel sector to achieve flexibility.

Need for flexibility

One response of managers in hospitality to the challenge of demand variation and the characteristics of the labour market within the sector has been to seek greater flexibility in the workplace. For hospitality managers, "flexibility" seems to be a popular solution to fluctuation and demand variability. However, to what extent can flexible management strategies be effectively utilised in hospitality? This discussion within hospitality originated with the work of Guerrier and Lockwood (1989a; 1989b). It is argued that "in order to use flexibility to cope with changes in levels of demand across various departments or 'product lines', there is an obvious need for accurate forecasts" (Guerrier and Lockwood 1989b, p.411). With synchronousness, one of the service characteristics discussed in Chapter 4, the time-scale between the hospitality service demand and supply is relatively short. Therefore, this means that the nature of flexibility pursued in the industry generally is on an *ad hoc* basis rather than with advance planning.

As suggested in Chapter 2, flexibility strategies for an organisation include functional, numerical, and distancing flexibilities. Guerrier and Lockwood (1989b, p.416) argue that "hotels seem to manage demand fluctuations through the use of part-time and casual workers rather than through 'functional' flexibility strategies". Furthermore, Walsh's (1991, p.113) argument that labour can be purchased almost on an "as needed" or "just-in-time" basis extends the potential of flexibility models within hospitality.

In Guerrier and Lockwood's (1989b) discussion, it is found that many hotels make extensive use of "distancing" strategies in several operational functions, such as contracting out the cleaning of hotel public areas, the chambermaiding operation, laundry and the management of leisure facilities. Wood (1999, p.2) argues "the concept of outsourcing has become accepted as part of the fabric of hotel operations". He also indicates the two most popular areas for external servicing as the laundry and housekeeping departments. By doing so,

> "across a hotel, the outsourcing of many functions can be more economic (because both the number and competitiveness of specialist companies servicing such needs have grown allowing purchasers to achieve cost savings); release management time for other customer-oriented activities; and displace risk" (Wood 1999, p.2).

Outsourcing means employing an outside contractor to take over the in-house function under the roof of a client company. For instance, the Travelodge Hotel group frequently outsource their food and beverage functions to Little Chef restaurants.

However, Purcell and Purcell (1998) point to another flexibility strategy, in-sourcing, which can be applied to supply chain management in the hotel sector. In-sourcing implies use of the supply of labour from employment agencies to fill temporary vacancies. In other words, by employing agency staff in clients' premises and under their in-house supervision, agency staff work in client companies while hotels retain control of the workers who work under their roof. The only difference between agency and company staff relates to payroll. Permanent staff are on the payroll system, but agency staff are paid by the agency that contracted them for the work.

In general, the need for flexibility in the hotel sector can be concluded by Reilly's (1998) argument.

> "Employers are seeking a better match between labour inputs and work outputs. They can achieve this through variation in working hours or in numbers employed. They can extend it further into improved employee deployment across tasks, choice of work location, or change of employer. In

> these ways costs can be minimized, service enhanced, and greater efficiency achieved" (Reilly 1998, p.16).

He, then, further asserts that the use of just-in-time approaches strengthens the need for flexible working options. In conclusion, the need to achieve flexibility in the hotel sector is confirmed in the literature. However, there is no general rule that guides the sector which type of flexibility strategies to adopt as their best option. The next section demonstrates hotel recruitment practices and is intended to illustrate how this sector employs its staff.

3.3.2 Recruitment in the hotel sector

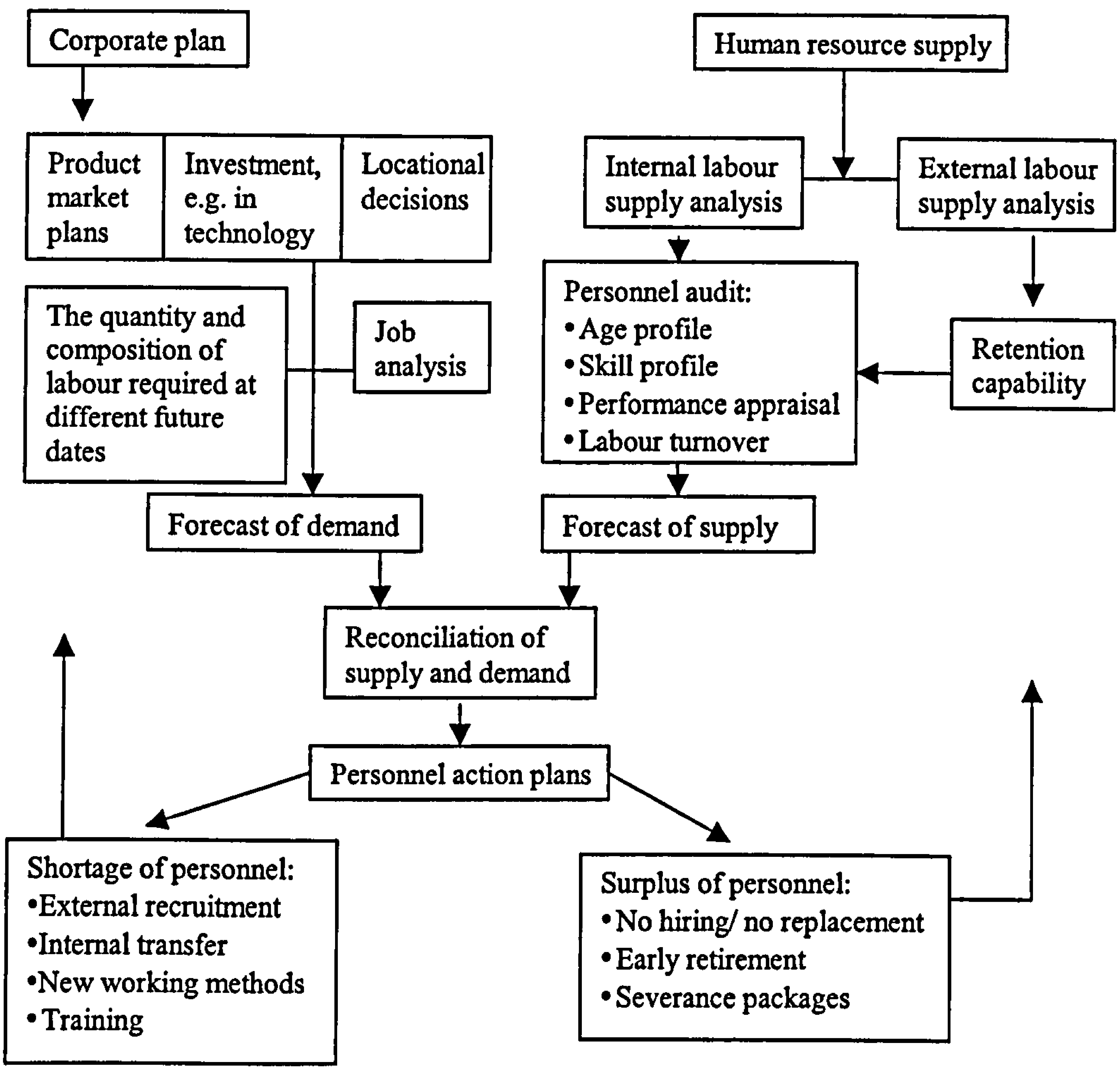
> "The function of management is to transform the potential level of physical and/or intellectual labour into actual value-added labour. Significantly, HRM is about the narrowing of the gap between employees' potential and their actual performance" (Sheridan and Conway 2001, p.5).

From the human resource management (HRM) literature, the main practices include human resource planning, staffing, appraising, compensating, training, and labour relations developing (Storey and Sisson 1993; McGunnigle and Jameson 2000; Kelliher and Perrett 2001). In general, all HRM practices aim at ensuring the right people (with the right working attitude) are in the right place at the right time (Carroll *et al.* 1999; Sisson and Storey 2000; McGunnigle and Jameson 2000).

Human resource planning

Storey and Sisson (1993) argue an ideal Human Resource Planning (HRP) model (Figure 3.3.2.1) which suggests several steps in order to ensure an adequate supply of the "right people" for an organisation. This HRP model indicates the close relationship between demand and supply as suggested in Section 3.1. The model includes the forecast of future organisational demand for labour and the supply of labour (either internally or externally), comparing the two profiles, and making action plans to "reconcile" them. Before recruiting and selection staff, well-designed human resource planning is essential to implement human resource management in an organisation.

Figure 3.3.2.1 An idealized HRP model



Source: Storey and Sisson (1993, p.113)

Recruitment types

Recruitment of suitable people to work in an organisation can be categorised into two broad dimensions, namely internal recruitment and external recruitment. This also appears in the HRP model (Figure 3.3.2.1). It is suggested that internal recruitment (i.e. employ from the internal labour market within the organisation) involves transferring existing staff from one position to another. In contrast, external recruitment involves recruiting a labour force from the external labour market. As a consequence, this external approach indicates an injection of new blood into an organisation, whereas in internal recruitment, the company maintains the same workforce (Riley 1991; Storey and Sisson 1993; Sisson and Storey 2000).

Sisson and Storey (2000, p.90) argue a recent emphasis on "external flexibility, i.e. the ability of the organisation to vary its commitments through reductions in the number of employees or changes in their status (for example from permanent to temporary) or through subcontracting". Searching for external flexibility means organisations fill their labour demand from the external labour market. In other words, firms implement external recruitment. The difference between utilising externality flexibility and adopting external recruitment depends on who the employer is. In most cases, using external flexibility means organisations contracting out certain operations to external subcontractors or in-sourcing external staff from employment agencies to perform tasks. By contrast, conducting external recruitment in an organisation can only indicate the source of labour supply which is from the external labour market, but does not identify the staff's actual employers.

Recruitment methods

According to McGunnigle and Jameson (2000, p.406), "within the hotel-specific research into HRM and personnel practices, recruitment and selection and training and development are identified as the primary functions of the personnel or human resource manager". Researchers argue that getting recruitment and selection right first time can assist companies to overcome the problem of skills shortages and associated labour turnover rates (Sisson and Storey 2000).

Approaches adopted for internal recruitment include word-of-mouth recommendations, notice board advertisements, staff appraisals and career development reviews, which provide much information about the internal labour market. To recruit externally, various methods can be utilised, such as advertising, using employment agencies and job centres, registers, selection consultants, introductions by existing staff, people who have left the organisation, people applied on previous occasions and casual callers and respondents (Storey and Sisson 1993).

Apart from the approaches suggested while conducting both internal and external recruitments, another classification can be applied. It is argued that it is possible to define recruitment methods into two categories, in terms of formal recruitment methods – including press advertisements, use of jobcentres and other agencies and informal approaches, such as word-of-mouth, recommendations from existing staff (Carroll *et al.* 1999; Jameson 2000; Kelliher and Perrett 2001).

Carroll *et al.* (1999, p.238) argue that amongst informal and formal methods, "while it (the informal method) was the most popular method for recruiting managers and manual workers, more formal methods tended to be adopted for recruiting clerical and technical employees". This assertion is confirmed by Jameson's (2000) research which points out that the informal method, especially the word-of-mouth technique, has been adopted more commonly than formal recruitment approaches in the hotel and catering industry. This is supported by the work of Kelliher and Perrett (2001, p.429), who note that "candidates for operational posts were sourced through advertising, word of mouth, internally and by recommendation". These research findings show the importance of informal means of recruiting.

In conclusion to this section, recruitment in the hotel sector initiates from carefully designed human resource planning, in terms of the number of staff required, forecasts of labour supply, the source of staff, and, finally, the actual recruitment plan. Several recruitment methods are identified with the tendency to use external recruitment and informal recruitment methods in the sector. Much of the literature suggests the important role that word-of-mouth techniques play amongst informal recruitment methods.

By incorporating the need for flexibility and the tendency to use external labour in the hotel sector, the next section postulates a hotel labour supply chain which bridges two main theories, namely labour flexibility and supply chain management.

3.3.3 The hotel labour supply chain

Riley and Lockwood (1997) argue that there is a need for constant manipulation of labour supply to match labour demand, i.e. a continual rebalancing of labour supply in the production line, is evident in the fast food operations such as Burger King. However, can this concept be applied in the hotel sector which has relatively more complicated components in their products and services?

As noted in Section 3.3.1, it is common for hotels to contract out or search for distancing or external flexibility in certain departments, such as housekeeping, laundry and banqueting and catering departments (Guerrier and Lockwood 1989b; Purcell and Purcell 1998; Wood 1999). Within the literature on recruitment and selection, the concept of a theoretical labour supply chain in the hotel sector has not yet been developed, although the practice of using external labour suppliers, i.e. employment agencies, to provide manpower within the hotel sector has been utilised for decades. A detailed description of employment agencies is included in Chapter 2.

Several reasons are suggested in the literature for using agency workers. These include the need to complete special projects or a one-off tasks; to acquire special skills from agency professionals; to meet fluctuation in demand; to fill in temporary absences, such as sick leave or maternity leave; to test via "trial and error" prospective new staff; and to reduce labour costs (Hotopp 2000; Purcell and Cam 2002; Forde 1998; Ward *et al.* 2001; Jones 2002; Allan 2000; Timo 2001). Pressures resulting from seasonality and demand fluctuation are more severe when there is a concern about inventory perishability and the lead-time between demand and supply is relatively short. Moreover, when the lead-time is short, companies have to respond rapidly to prevent customer dissatisfaction. In this case, temporary staff from external sources simply acted as a "spare tyre" or work on an *ad hoc* basis for client companies to keep their daily functions running smoothly.

Rawstron (1999) argues that, in many cities within the UK and particularly in London, there is a continual shortage of housekeeping attendants and hotels utilise agency workers to fill gaps. Flexibility and cost effectiveness are another advantages of agency staff arrangements. Rawstron (1999) also confirms this benefit to hotel operations. However, he indicates several drawbacks to using agencies, in terms of additional costs, low levels of training, low levels of motivation, lack of loyalty to the hotel, and loss of productivity.

Some hotels use agencies as a back-up (or "buffer stock" as suggested in Chapter 2) as and when needed. "From a commercial perspective the labour supply bureau (i.e. employment agency) contributes to the management of the employment relationships by servicing client organisations, providing appropriate skills at the point when they are needed" (Druker and Stanworth 2001, p78). Timo (2001, p.300) argues that the practice of using agency staff has origins in "the need to create a ready pool of useful labour which is both reliable and able to be called upon on a 'just-in time' reflecting changes in hotel workload". He also suggests the utilisation of this ready pool is an on-going assignment with no specific work duration indicated, especially in departments such as kitchens, restaurants and housekeeping. Already, there are some hotels that are increasingly dependent on the services and labour provided by employment agencies. Agency workers make up a considerable portion of total staff employed in the organisation. At the extreme, some hotels, especially newly built premises, were designed to use employment agencies as their partner or outsourcing contractor from the beginning of their operations (Lai and Baum 2005).

According to Cante *et al.* (2004, p.232), "conceptualising a supply chain for a service company can be more difficult than for a product industry, with the product industry's flow of raw material through finished goods". Unlike its counterpart manufacturing industry, the service industry provides two sets of "merchandises", namely tangible products and intangible services. Each of these goods shares short lead-time between "ordering" and "manufacturing" in nature. As a consequence, a proposed labour supply chain model has to be flexible enough to react to any expected and unexpected circumstances. Apart from the difficulty argued by Cante *et al.* (2004) in forming a supply chain between employment agencies and client companies, they confirm the assertion of considering the employment agency industry as a service supply chain from the "raw material" of job-seeking candidates to the "end clients" of companies in search of a labour force.

However, Guerrier and Lockwood (1989b) caution against a possible drawback of using the external staff from employment agencies, as they may have less commitment to the client organisation and therefore lower output and standards of service performed. They then suggest a need to bring external staff into closer contact with the client company in order to make best use of the workforce. This gives attention to building up the labour supply chain in the hotel sector.

Cox *et al.* (2004, p.358) argue that, within the supply chain, "buyers are normally satisfied if they receive the basic functionality expected at the cost negotiated. Conversely, if buyers do not receive basic functionality and/or costs increase unexpectedly then buyers are dissatisfied". Cox (2004, p.350) also suggests that "if it is possible for the buyer and suppliers in a supply chain network to develop proactive long-term collaborative relationships, and if these relationships can be directed towards constant innovation on functionality and cost, then this must be the most advantageous proposition for a buyer at the end of the chain". These quotes show three elements in an effective supply chain, in terms of functionality expectation, negotiated cost, and proactive long-term collaborative relationships. A question, therefore, raised, whether these circumstances apply in the proposed theoretical labour supply chain in the hotel sector?

3.4 Conclusion

In this chapter, a central concept, the model of demand and supply, which can be linked with three different theories, namely labour flexibility, supply chain management (SCM) and just-in-time management (JIT), is discussed. Originating as management techniques adopted in the manufacturing industry, SCM and JIT can be seen as successful from previous studies. However, the literature with respect to studies addressing the possibility of implementing these manufacturing management systems in the service sector is limited.

Indeed, several difficulties might be faced in transposing models developed for the manufacturing sector to services through, for example, the production-line analysis (Levitt 1972). These difficulties include the unpredictable nature of customer behaviour in their demand for services, and the inappropriateness of regarding service employees as robots (Bowen and Youngdahl 1998). However, with evidence from previous successful implementation of production-line analysis in the service industry, there is justification for SCM and JIT to be applied elsewhere and confirms that manufacturing management systems can be adapted for use in the service industry.

In SCM and JIT management, process control is the key in connecting these two systems. JIT focuses on management in the production flow and process, while SCM focuses on management of the material flow and aims to incorporate an extended range of suppliers. In fact, JIT and SCM overlap to a considerable extent, in terms of management techniques, philosophies, and total commitment objectives. The integration of all components involved in the chain (from raw material to end products delivery) is set out as one of the aims and requirements in both SCM and JIT. Consequently, a prolonged and close relationship between buyers and suppliers is essential in achieving the goals which underpin SCM and JIT management.

In analysing the demand pattern of hotel operations and the characteristics of the hotel labour force, it is evident that the hotel sector is in need of flexibility. No general rule is suggested in the literature in choosing an appropriate labour flexibility strategy. However, a tendency to use external flexibility is found in the literature.

As mentioned in Chapter 2, a systematic approach in implementing labour flexibility is needed, in order to achieve the goal of being flexible and responding to fluctuations efficiently. Using external flexibility seems to be a relatively common practice in the hotel sector, because the risk of having idle manpower is thereby shifted to external labour suppliers. With the implementation of SCM and JIT theories in the management of external labour supply, an organisation is better able to achieve the goal of being flexible.

In order to verify the possibility of building up a labour supply chain in the hotel sector, the next chapter introduces issues with respect to hotel operations, such as the nature of hotel "products" and the structure of hotel operations, with a focus on hotel housekeeping departments in particular. It should offer further understanding of the research context that underpins this study.

CHAPTER 4 HOTEL OPERATIONS

This chapter discusses issues relating to hotel operations, in terms of the nature of hotel and hospitality services, hotel organisational structure and operations, in particular, the hotel housekeeping department. Examining these hotel operational issues provides further understanding of the context of this empirical study.

4.1 The nature of hotel and hospitality services

The hospitality industry is often taken to be as synonymous with the tourism industry. This similarity and overlap is a matter of some debate but, for the purpose of this study, is broadly accepted. In this section, the definition of the hospitality industry and its characteristics of service will be discussed.

4.1.1 The definition of hospitality industry

According to Yu (1999), the international tourism and hospitality industry is defined as the spatial movement of travellers, and the reception and entertainment of travellers away from their home countries. This complex and diverse industry can be divided into three distinctive yet mutually inclusive components: (1) originating market (2) international transportation, and (3) receiving destination (Yu 1999). The field of hospitality usually overlaps with the so-called tourism industry. The latter has been defined to include travel on business as well as for leisure purposes, along with another category known as visiting friends and relatives.

The boundaries between tourism, travel, leisure and accommodation are not easy to define since they blend into or overlap with each other. Brotherton (1989, cited in Brotherton 1999, p.165) poses a question of where the boundaries of hospitality are drawn in relation to its counterparts, such as tourism and leisure. He also challenges fundamental questions regard the nature of "hospitality", whether it should be conceived as a product, a process, an experience, or all three?

The term, hospitality, by its semantic meaning, is defined as "friendly behaviour towards visitors" (Longman Contemporary English 2001, p.691), or "friendly and generous reception and entertainment of guests or strangers" (Oxford Quick Reference Dictionary 1996, p.424). From an historical perspective of the hospitality industry, the focus was originally on domestic activities offered to strangers in the form of a shelter or a roof while away from home, or the provision by the aristocratic classes of domestic service while visiting others of their kind. From the ethnographic descriptions of social systems, hospitality offers some conversions, "strangers into familiars, enemies into friends, friends into better friends, outsiders into insiders, and non-kin into kin" (Selwyn 2001, p.19). Therefore, the industry involves human interactions and encounters with hospitable behaviour included. In other words, it consists of all those business operations which provide for their customers any combination of the three core services of food, drink and accommodation (Knowles 1998).

The hospitality industry offers "a home away from home" to travellers with various travelling purposes. There are various versions of the definition of the hospitality industry (see Brotherton and Wood 2001; Telfer 2001; Darke and Gurney 2001; Lashley 2001). In general, these definitions from different researchers mainly define hospitality by applying a demand/supply model, or a two-way exchange process between hospitaller (host) and hospitator (guest) (Brotherton and Wood 2001). The intermediaries within this relationship are mainly within the consumer's basic requirements of eating, drinking and sleeping and the clearing up after those activities (Guerrier and Adib 2001). Based on this exchange process, suppliers provide hospitality to satisfy demand, in either domestic or commercial form. However, to what extent can suppliers offer these hospitable acts to the customer within the boundary or limitation of tangible products and intangible services? This is the issue of sustainable hospitality.

To sum up, the hospitality industry can be defined involving commercial organizations which provide essential human requests, in terms of food, drink, accommodation and entertainment, and delivers these (either in tangible- or intangible-form) in a friendly, considerate and professional way through the reciprocity and exchange process between the industry and the customer, travellers away from home in returns for payment. Consumers of hospitality, by this definition, include not only international or domestic tourists, but also local people who require such services and products in their own locality.

4.1.2 The nature of hospitality products and services

> "It is impossible to understand HRM in service work – the policies pursued, the meaning ascribed by management and the workforce to those policies, and therefore their likely success or failure – without first understanding the nature of service work" (Korczynski 2002, p.15)

Korczynski (2002), among others, identifies five key attributes of services – intangibility, perishability, variability, simultaneous production and consumption, and inseparability. Baum (1995) recognises these as key features but elaborates upon them to provide the following extension in considering the characteristics of personal service sectors such as hospitality:

- Hospitality services cannot be centrally provided, inspected, stockpiled or warehoused – the issue of perishability is of particular salience in this sector.
- Hospitality services cannot be demonstrated nor can a sample be sent for customer approval in advance of purchase although use of both e-reality and standardisation of product and service are partial attempts to bridge this gap.
- Hospitality experiences are individual and a common shared experience does not necessarily engender the same outcomes among those individuals who participate.
- Hospitality service delivery generally requires some degree of human contact – the receiver and the deliverer frequently come together in a relatively personal way through emotional dimensions within the labour process (Hochschild 1983).

- Hospitality services are difficult to standardise at the quality end of the market and, some would argue, any such standardisation or McDonaldisation (Ritzer 1996; 1998) is undesirable.

These characteristics create a high level of integration between, on the one hand, the operational delivery, marketing and the financial viability of hospitality services and, on the other, the human resources that are employed within the service delivery process. Perishability, for example, drives marketing, pricing and distribution systems within the hospitality sector. This, in turn, influences human behaviour at the boundary where front-line staff are required to manage the frequently stressful consequences of this attribute – handling the consequences of over-booking, for example.

Likewise, the lack of central production capability, creating Levitt's (1976) "factories of the field", produces very different organisational hierarchies within hospitality services firms to those found in more centralised manufacturing operations, demanding significant autonomy (or, even, empowerment) in terms of operational decision making at small unit level within organisations. Such autonomy places considerable demands on individuals but also on the human resource support structures that are put in place within organisations.

Knowles (1998) notes that the hospitality sector consists of a complex blend of tangible and intangible elements of both products and services, such as food, drink, accommodation, entertainment, leisure, atmosphere and images. Tangible products are those elements which can be touched and felt, in terms of bed, food, drinks and meeting facilities. The intangible services provided by the hospitality operations cannot be touched and received, but are experienced in terms of the "experience", which the customer encounters during the service delivery process. The architecture and atmosphere in a restaurant's interior design, the smile from receptionist in a hotel, the warm greeting in a "Mom and Pop's" bed and breakfast, and the consistency and predictability of McDonalds' service may be included as intangible hospitality products.

Furthermore, it is this intangibility which creates a distinction between the service industry and its counterpart, the manufacturing sector. Schroeder (1993) argues that because of this characteristic of having intangible services as main products, the service industry cannot store their "products" as the manufacturing industry does. He further suggests a comparison of difference between these two industrial sectors (see Table 4.1.2.1).

Table 4.1.2.1 Differences between manufacturing and service

Manufacturing	Service
The product is tangible	The service is intangible
Ownership is transferred at the time of purchase	Ownership is generally not transferred
The product can be resold	No resale is possible
The product can be demonstrated before purchase	The product does not exist before purchase
The product can be stored in inventory	The product cannot be stored
Production precedes consumption	Production and consumption are simultaneous
Production and consumption can be spatially separated	Production and consumption must occur at the same location
The product can be transported	The product cannot be transported (though producers can be)
The seller produces	The buyer takes part directly in the production process and can indeed perform part of the production
Indirect contact is possible between the company and the customer	In most cases direct contact is needed
The product can be exported	The service cannot normally be exported, but the service delivery system can be
Business is organized by functions, with sales and production separated	Sales and production cannot be separated functionally

(Source: Schroeder 1993, p.192)

With regard to the above noted differences between manufacturing and service industries, it is not suggested that the service industry does not involve any manufacturing related operational techniques. Therefore it is not always possible to draw a clear line between the two. Many literature sources suggest the possibility of using manufacturing concepts or techniques in the service industry (for example:

Levitt 1972; Levitt 1976; Mehra and Inman 1990; Bowen and Youngdahl 1998; Kinnie *et al.* 1998; Canel *et al.* 2000; Lockwood and Jones 2001; Guerrier and Adib 2001). As Lockwood and Jones (2001, p.157) argue, "all hospitality operations require a combination of manufacturing expertise and service skills in a business that operates around the clock, 365 days a year, and is busiest when most other businesses are not". Arguments regarding the service production-line approach and the adoption of manufacturing concepts in the service industry have been discussed in Chapter 3.

In conclusion, the nature of hotel and hospitality service has complexities, in terms of varying customer behaviour and demand for services, short lead-time between ordering and delivering and a considerable level of human contact between service providers and customers. These characteristics meet the fundamental motivations for labour flexibility and just-in-time (JIT) management noted previously, which are reactive to demand fluctuation and deal with short-lead times through lean production systems.

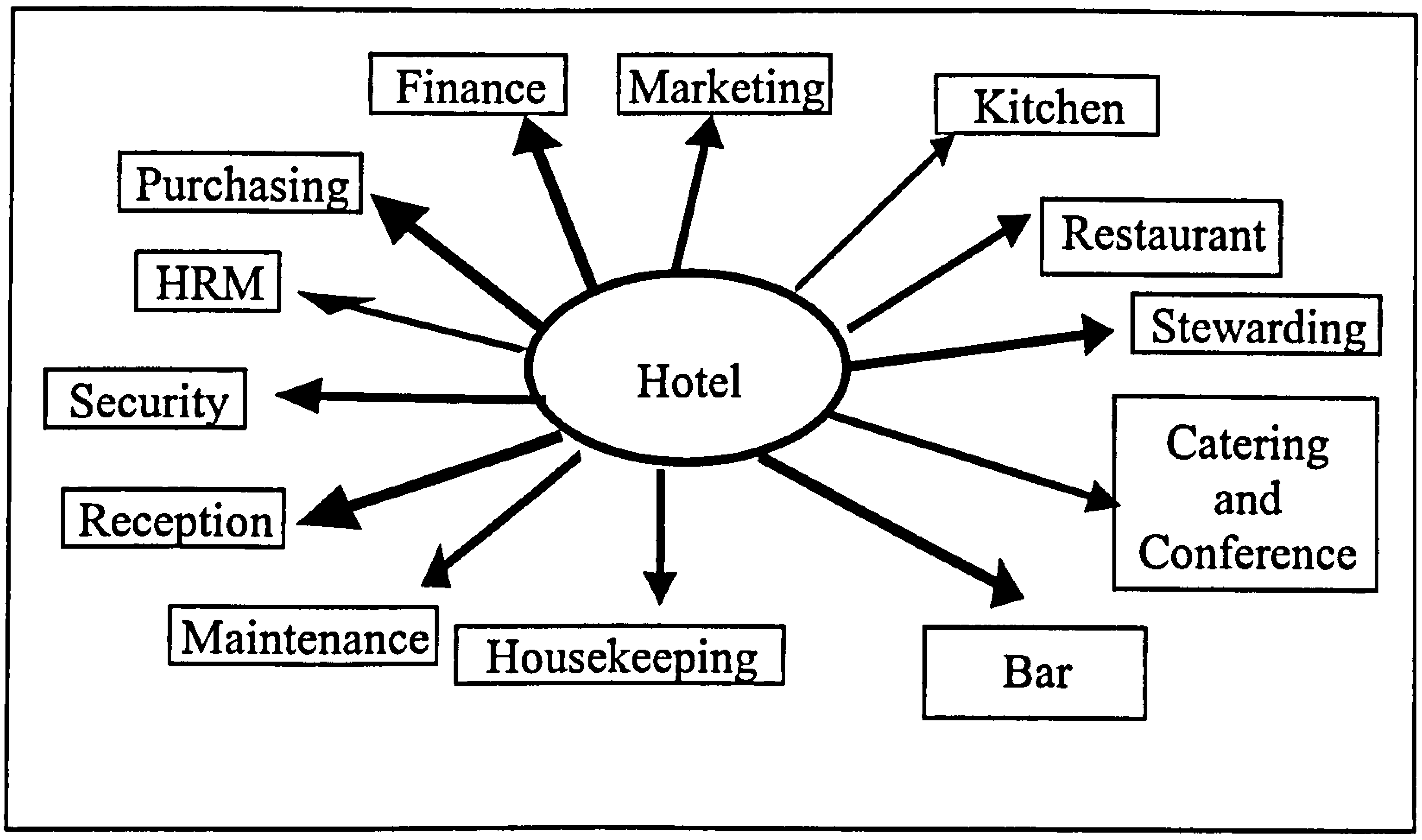
Although some hospitality management literature suggests the inappropriateness for adopting manufacturing management techniques in the service industry, others note the possibility with proven successful studies in the fast-food industry (see Section 3.1). The next section illustrates the organisational structure and operations generally practiced in the hotel sector. It provides a context descriptor to support the notion of adapting manufacture management techniques for use in this sector.

4.2 Hotel organisational structure and operations

The hospitality industry involves human interactions or encounters within which hospitable behaviour is included as a core element. In general, the hospitality industry consists of all those business operations which provide for their customers any combination of the three core services of food, drink and accommodation (Knowles 1998; Lashley 2001). Within the hospitality industry, the hotel sector is the most significant component and offers the whole range of products described above in addition to others such as leisure, and a "home away from home" environment for travellers.

Different hotels have different management units to run the entire business, depending on the hotels' size, grading level and types of product provided. Some small or budget hotels do not provide food service, but concentrate on accommodation only. Some small to medium size hotels (i.e. hotels with less than 300 bedrooms) may not have separate conference and banqueting departments, but the Food and Beverage manager is also in charge of these functional tasks. Furthermore, their housekeeping department might need to take care of maintenance work as well, due to the lack of a specialist maintenance department. Figure 4.2.1.1 presents a typical hotel's management unit as a whole, including reception, housekeeping, restaurants, marketing and sales.

Figure 4.2.1.1 Examples of management units in a hotel



Within a hotel, departments can be categorised into two subsets, in terms of front of house and back of house. The front of house areas include departments which have greater or lesser direct contact with hotel guests, such as Reception, Food and Beverage, Concierge, Security, Sales and Marketing, and Banqueting and

Conferences. The other division, back of house, includes units providing support services to those working front of house. Purchasing, Housekeeping, Maintenance, Kitchen and Human Resource Management (HRM) departments can be included in this sector.

Alternatively, the hotel can be categorised, by means of the main products provided in each management unit, into Rooms Division, Food and Beverage (F& B) Division and administrative departments. As a consequence, a two by two matrix (see Table 4.2.1.1) can be drawn to illustrate these two dimensions, the frequency of guest contact and departmental products.

Table 4.2.1.1 Hotel departments

<table>
<tr><th rowspan="2">Division by products</th><th colspan="2">Frequency of guest contact</th></tr>
<tr><th>Front of house (higher frequency)</th><th>Back of house (lower frequency)</th></tr>
<tr><td>Room</td><td>• Reception
• Concierge/Porter
• Guest relation officer</td><td>• Housekeeping
• Maintenance</td></tr>
<tr><td>Food and Beverage (F&B)</td><td>• Restaurant
• Pub/Bar
• Catering and Conference</td><td>• Chef
• Kitchen
• Stewarding</td></tr>
<tr><td>Administrative</td><td>• Security
• Marketing and sales</td><td>• HRM
• Purchasing
• Finance and Accounting</td></tr>
</table>

As explained in Section 3.3.1, the demand for hotel products is varied and fluctuates on a daily, weekly, monthly or even *ad hoc* basis. Table 4.2.1.2 shows examples of these variations.

Table 4.2.1.2 Demand variations in the hotel

	Examples of hotel demands variability
Daily	• Morning rush hour guest check-out and evening guest check-in • Peek demands for restaurant services during meal time: breakfast (7 – 10 a.m.), lunch (12 – 2 p.m.) and dinner (7 – 10 p.m.)
Weekly	• High occupancy during mid-week for business hotels, but low in weekends • More restaurant reservations at weekends
Seasonal	• Winter closure of beach resorts • High occupancy rate in ski chalets during the winter
Ad hoc	• Flight cancellation leading to unpredictable demands for hotel rooms and meal services • "Chance" guest bookings

(Source: Lai and Baum 2005, p.89)

Due to the service characteristics noted in Section 4.1.2, the above demand variations impact on hotel staffing strategies to a considerable extent, especially on rooms division and food and beverage departments. It is apparent that labour flexibility strategies (see Chapter 2) are important to ease possible negative influences on service delivery resulting from fluctuation in demand patterns.

The next section addresses the hotel housekeeping department because it is the biggest department, in terms of the number of employees, in a hotel. Moreover, the operations in this department are influenced by demand fluctuation to a great extent, because housekeeping supports the core product of a hotel, guest bedrooms.

4.3 The hotel housekeeping department

> "Housekeeping is the heart of the lodging industry. Hotels, motels, and inns around the world can succeed without ballrooms, meeting rooms, swimming pools, or even restaurants. But the one thing every successful lodging establishment must have, regardless of its size, location, or industry segment, is clean rooms. Without a well-managed housekeeping department, there would be no rooms to sell" (Schneider *et al.* 1999, p.3).

The above shows the important role played by hotel housekeeping departments. In this section, issues, such as operations in housekeeping departments, the housekeeping production line, housekeeping labour supply, and external contractors, are discussed.

4.3.1 Operations in housekeeping departments

Housekeeping is perhaps the most important front of house support department, and has more personnel than other rooms division units (Knowles 1998, p.147-8). Hatfield and Winter (1986, p. 16) confirm the importance of housekeeping by stating that "until there are machines to make beds and clean toilets, do the dusting and polishing and any other cleaning, then there will always be a need for a housekeeping department".

Weller (1951, p.1) notes that hotel housekeepers are "directly responsible to the management for making the guests comfortable during their stay". Branson and Lennox (1988, p.9) also state that

> "it had been said that an hotel is as good as its staff, and the housekeeper who has the ability and personality to make guests feel welcome, to inspire confidence, to smooth over difficulties and to train staff in her ways is a great asset to any hotel".

Jones (1986, p.4) lists the responsibilities of the hotel Executive Housekeeper (i.e. head of housekeeping department) as:

- Liaison with other departments.
- Checking and reporting on the cleanliness and maintenance of all areas of the establishment.
- Staff selection and training, supervision, and duty roster.
- Guest comfort and welfare.
- Control and maintenance of linen stocks.

- Promotion of safe practice and working conditions; provision of first aid to guests and staff.
- Provision of first aid to guest and staff.
- Control and maintenance of housekeeping stores and equipment.
- The promotion of clean, pleasant premises and the provision of floral decorations.

Branson and Lennox (1988, p.4) add several supplementary tasks allocated to the housekeeping department, including:

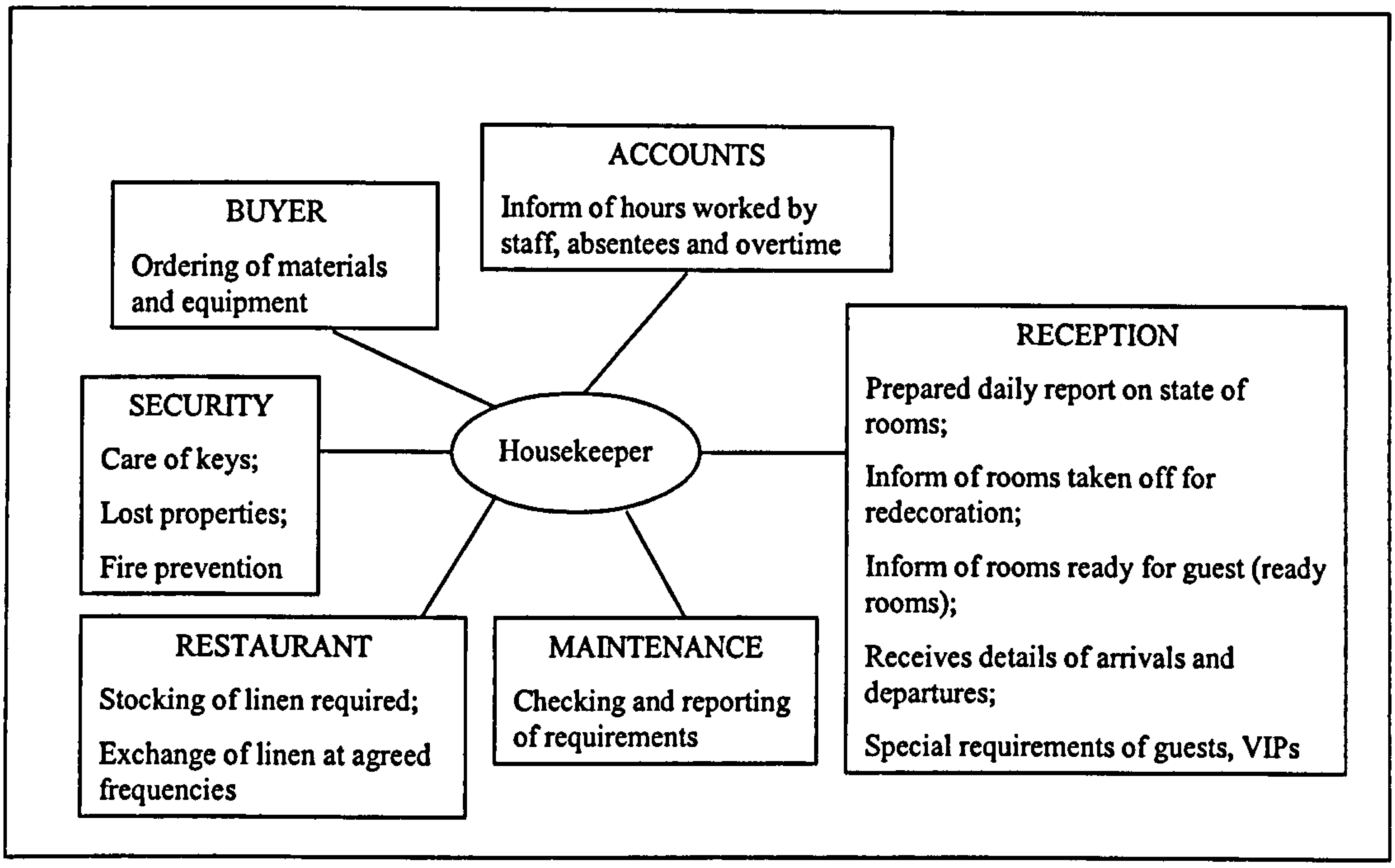
- Dealing with lost property.
- Control of all keys in the department.
- Contributing to profitability, reputation and smooth running of the establishment.
- Being willing to advise on the interior design of the rooms, cleaning and associated contracts, pest control.
- Keeping inventories and records of equipment, redecoration and any other relevant details of the department.

In addition, Hatfield and Winter (1986, p.1) suggest other functions which housekeeping managers have to fulfil, in terms of:

- Organising the domestic services of the establishment and to be aware of the legal obligations and requirements imposed by central and local government legislation related to his/her field of operations.
- Controlling the financial, material and human resources within his/her scope, on a cost effective basis to the benefit of the organisation.

As for liaison with other departments in a hotel, Allen (1983, p.18) illustrates the tasks that housekeeping department need to complete (see Figure 4.3.1.1).

Figure 4.3.1.1 Duties of a housekeeper involving other departments



(Source: Allen 1983, p.18)

These suggested assignments show a high level of complexity in housekeeping operations. Furthermore, Weller (1951, p.1) notes that "the main part of the house, lounges, cloakrooms, offices, corridors, staircases, bedrooms and staff-quarters, are all the direct concern of the housekeeper".

Branson and Lennox (1988) summarise the main responsibilities for each member of staff who work under an executive housekeepers' supervision in housekeeping departments in Table 4.3.1.1.

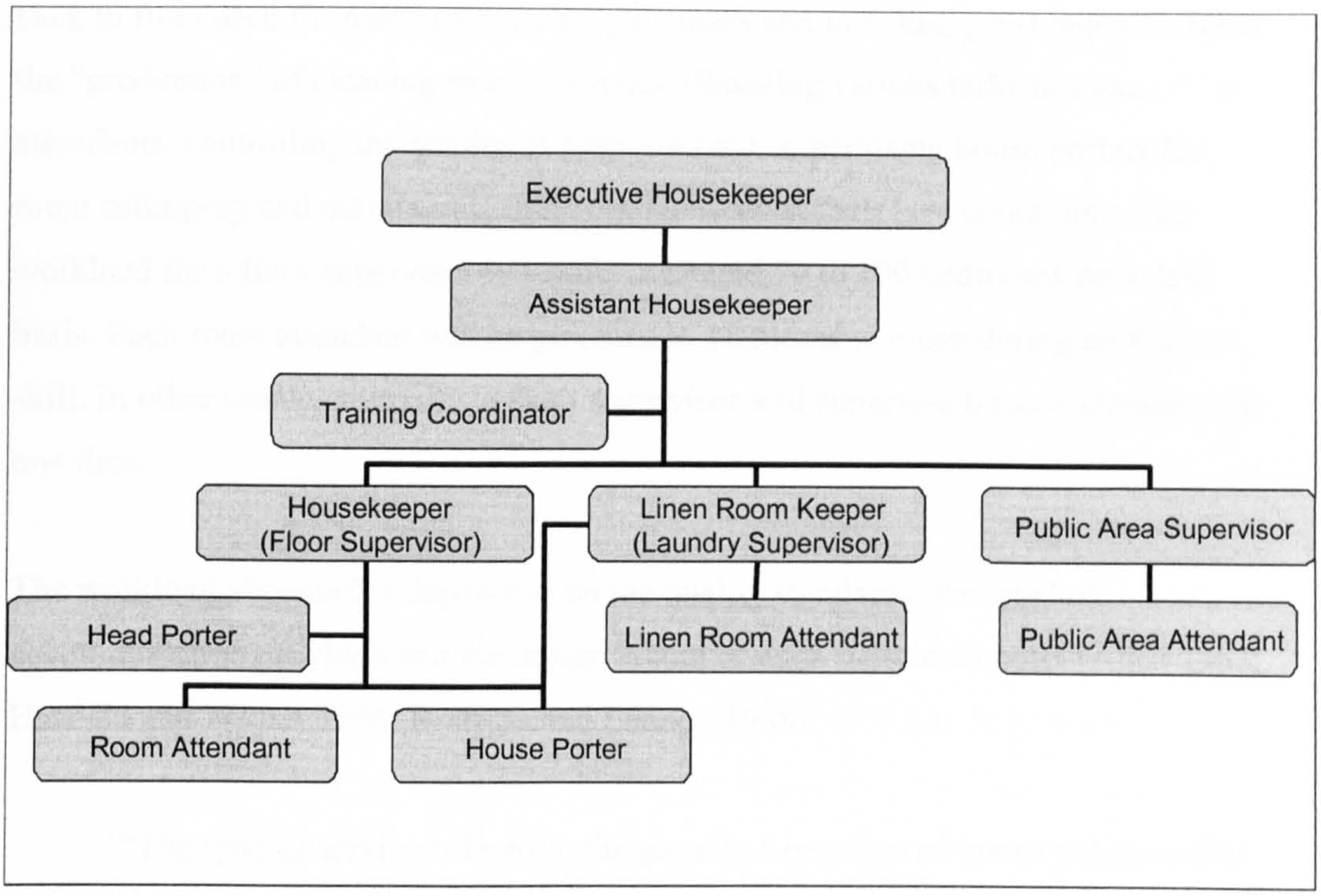
Table 4.3.1.1 Housekeeping staff responsibility

Job title	Responsibility
Assistant housekeeper	Acts as deputy to the executive housekeeper, and her delegated duties may be the allocation of maids, the compiling of duty rosters, holiday lists and details of hours worked for wage calculations
Floor supervisor	Supervise the maids and carry out work delegated by the executive housekeeper.
Linen room keeper	Supervise the work of the linen room and who may have several linen maids to assist him/her in providing clean, presentable linen throughout the house.
Room attendant	Responsible for the servicing of the guest' bedrooms, private sitting rooms and private bathroom.
House porter	Whose work consists of the removal of rubbish, the shifting of furniture, heavy vacuum cleaning and other odd jobs.
Valets	Responsible for the valeting of the clothes of the guests and may combine this with some of the less dirty jobs of the house porter.

(Source: Branson and Lennox 1988, p.7)

The main tasks performed by this operational unit include: inspecting rooms for sale, cleaning the occupied and vacant guest rooms, co-ordinating rooms status with the front desk, and keeping public area clean and tidy. Efficiently managed housekeeping departments ensure the cleanliness, maintenance and aesthetic appeal of any hotel property (Knowles 1998, p.153). In other words, the housekeeping department acts as a production centre in the hotel sector concentrated on product (i.e. saleable room) "manufacturing" and quality control. A common organisation structure for housekeeping departments is illustrated in Figure 4.3.1.2.

Figure 4.3.1.2 Hotel housekeeping department



4.3.2 The housekeeping production line

Brigham (1955, p. xiii) argues that the housekeeping department is

> "a production phase of the business. Rooms are the products to be sold and are expected to yield 40 to 60 per cent of income. … Whether there are 50, 500 or 2000 rooms, management expects the housekeeper to run her department with the highest degree of efficiency at the lowest possible cost and to satisfy the guest as well".

This assertion shows that the production-line approach (Levitt 1972) may fitted into hotel housekeeping departments.

According to the housekeeping organisational structure (Figure 4.3.1.2), three main operational areas are suggested, namely bedrooms (floors), public areas and the linen room. Housekeepers (or floor supervisors), as the name suggests, are responsible for the "production" of clean hotel bedrooms including corridors, handing clean rooms back to front desk for reselling to overnight guests and fulfilling guest requests. Here, the "production" of cleaning rooms includes allocating various tasks to room attendants, controlling the quality of room cleaned, supervising house porters for room setting-up and maintaining bedroom facilities at their best conditions. The workload for a floor supervisor to handle is around 70 to 100 bedrooms on a daily basis. Each room attendant will be given 12 to 16 rooms to clean during an 8 hours shift. In other words, normally, a floor supervisor will supervise 6 room attendants at one time.

The workload allocated is dependent on the quality standards, the level of accommodation provided and the design layout of each individual hotel (Allen 1983; Hatfield and Winter 1986; Branson and Lennox 1988).

> "The type of service offered to the guest is a question of house policy and/or economics, and the housekeeping department must be geared to meet the demands made on it" (Branson and Lennox 1988, p.28).

Different hotels, in terms of hotel grading, have different products to supply. Hotel rooms in 3-star hotels will be very different from 5-star hotels' products, in terms of room size, layout, furniture, guest amenities and personal services, even though the main purposes of these two different settings are both to provide a comfortable sleeping environment to hotel guests. Some housekeeping services, like turndown and butler services, are exclusively offered in 5-star hotels. Therefore, the housekeeper develops performance standards by deciding what must be done and how it must be done in order to clean or maintain the major items within an area (Knowles 1998, p.156). In general, the higher quality grading (star rating) a hotel is, the fewer rooms each chambermaid and supervisor have to look after. That is, a room attendant who works in five-star hotel cleans 12 or 13 rooms per day whereas a chambermaid in 3- or 4-star establishments is scheduled for 15 to 16 rooms as her daily task.

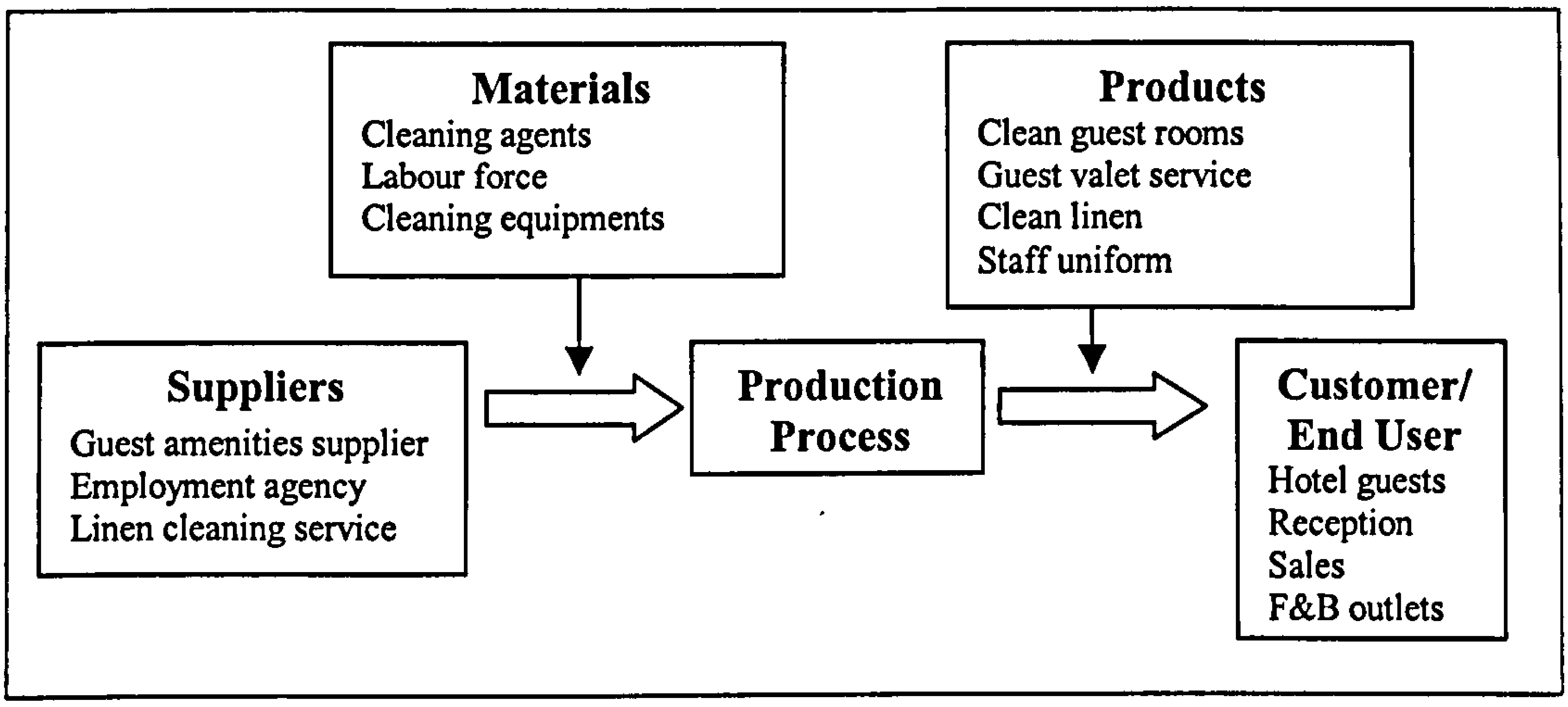
Within this room cleaning process, room attendants constitute the major workforce to complete the servicing of rooms. House porters may be responsible for delivering linen and guest amenities from the housekeeping office to each floor, keeping floor corridors clean and tidy, cleaning windows, changing net curtains and delivering heavy items, baby cots and roller beds for example, to guest rooms upon special request. Therefore, the workload for each house porter can vary from 2 floors to 5 floors depending on the size of each floor they have to look after. Apart from house porters and room attendants, there are two other entry-level staff, linen room attendants and public area attendants, who are responsible of linen handling and valeting, and keeping public area clean and tidy respectively.

Productivity standards serve as guideline for housekeeping managers when considering staffing. For example, in a 500-room hotel with a 80% predicted occupancy rate and where room attendants clean 16 rooms per shift, the total staff required for the day will be 25 (= 500 x 80% ÷ 16) chambermaids. An experienced head housekeeper may try to add one or two maids as a buffer to react to any absences or emergency situations. Due to the characteristics of hotel operations, such as demand fluctuation, seasonality and other forms of unpredictability, it is very difficult for housekeepers to operate an accurate and predictive staffing plan. As a consequence, the manager has to search for labour flexibility, which is defined as the ability to adjust manpower levels in an organisation under fluctuating and uncertain circumstances (see Section 2.1), to make operations run smoothly (Branson and Lennox 1988, p.76).

It is suggested that the housekeeping payroll may be as much as 75%, or even 90% of housekeeping operational costs (Hatfield and Winter 1986; Branson and Lennox 1988). Within housekeeping staffing practices, the number of room attendants needed every day varies according to hotel occupancy (Branson and Lennox 1988). The higher occupancy a hotel had the night before, the more room attendants are needed today. Vice versa, the lower the occupancy is, the fewer chambermaids are required. By contrast, the variation in the daily number of house porters, linen room attendants, and public area attendants is relatively insignificant. The demands of the areas where they serve, i.e. the hotel building, will not dramatically change even with a fluctuation in guest occupancy. An exception to this is during low season when hotels may close down one or two floors. As a consequence, hotel managers will need fewer house porters or linen room attendants for this temporary closure.

In housekeeping departments, based on the assembly line model (see Figure 3.1.1.1), a simple production line can be identified, as illustrated in Figure 4.3.2.1.

Figure 4.3.2.1 Housekeeping assembly line



In producing a hotel's main products, clean and comfortable bedrooms, housekeeping departments set standards in terms of the quality of rooms and the procedures for room cleaning. Housekeeping services can be standardised and consistent in a hotel or hotels within the same hotel group. This standardisation promotes the utilisation of Levitt's (1972) production-line analysis in housekeeping departments. The literature in relation to the service production-line analysis neglects possible utilisation in hotel housekeeping departments which also share the same characteristics of standardisation as the fast-food industry.

As illustrated in the proposed housekeeping assembly line (Figure 4.3.2.1), the labour force is considered as a part of input material within the assembly line. The next section explores issues in relation to supplying labour to housekeeping departments.

4.3.3 Housekeeping labour suppliers

As suggested in Figure 4.3.2.1, the "raw material" being inputted into the housekeeping operation process includes cleaning agents (i.e. detergent, washing liquid and disinfectant), cleaning equipment (for example, vacuum cleaner, mop and brush) and the labour force. It may be somewhat contentious to identify the labour force as part of the raw material in the production process. However, as argued in Section 3.3.1, to a certain extent, workers are treated on a disposable basis, so that there may be no significant difference to other raw materials as both are inputted as and when needed (Guerrier and Lockwood 1989b; Walsh 1991; Reilly 1998; Purcell and Purcell 1998).

In considering the housekeeping work force as "raw material" (in a broadly defined term), it is necessary to discuss the supplier of this material, the recruitment and employment agencies. Based on an online salary survey (Table 4.3.3.1) conducted by the UK Housekeeping Association (UKHA) in November, 2000, over 50% of housekeeping departments in the hotel sector, no matter which product category (i.e. star grading) they belong to, use agency staff. Within the budget hotel sector, nearly 100% of respondents recruited their housekeeping staff via agencies. Even for those high quality providers, i.e. exclusive hotel category (5-star and Superior Independent hotel), 87.5% hire agency staff to cover staff shortages.

Table 4.3.3.1 Online salary survey by UKHA (2000)

	% of hotel which use agency staff	% of total staff who are agency staff	Reasons Cited
Budget/ 3* and Under	100%	N/A	• I can't get enough English staff in my area • Staff sickness or shortages
Middle Range/ 4* and 4* Deluxe	50 %	30%	• Flexibility and cost effectiveness • Cover for sickness and holidays • Staff shortages
Exclusive/ 5* and Superior Independent	87.5%	12.5%	• Emergency only • Cover for sickness and holidays • Staff shortages and lack of manpower

(Source: http://www.ukha.co.uk/researchfindings.htm on 23/11/2003)

This survey shows the important role played by employment agencies and their function as labour suppliers to housekeeping departments to meet staffing requirements, as well as providing flexibility and cost effectiveness. A detailed description of the employment industry has been given in Chapter 2.

Much of the literature with respect to employment agency utilisation suggests it as means of covering for staff shortages and achieving cost effectiveness. These motivations are confirmed by the above UKHA survey. However, the reasons given from housekeeping mangers for employing agency staff in the UKHA survey point to a lack of systematic approach in the utilisation of agencies. The managers adopt agencies as an emergency cover, rather than as a long-term plan and strategy.

In addition to agency utilisation, the next section demonstrates the utilisation of another distancing flexibility strategy noted in the flexible firm model (Atkinson 1984), external contractors (i.e. outsourcing), in housekeeping departments.

4.3.4 External contractors

Section 4.3.3 argues an "in-sourcing" (Purcell and Purcell 1998) approach by using employment agencies (external labour supplier) to meet labour demands in housekeeping departments. In contrast, Branson and Lennox (1988) outline a possible advantageous alternative for housekeeping management to contract out part of their operations to external contractors, contract cleaning firms as an example.

In housekeeping departments, it is common to see contract cleaning companies take over night cleaning jobs or linen and laundry services. Allen (1983, p.62) suggests that contract cleaning companies can provide a wide range of services, including all or any of the following:

- Carpet cleaning
- Equipment servicing and maintenance
- Exterior cleaning
- Floor maintenance
- Floral arrangements
- Ground and garden services
- High-level cleaning
- Interior or exterior decoration
- Laundry
- Linen rental
- Pest control
- Soft-furnishing cleaning
- Uniform rental
- Wall washing
- Window cleaning

Branson and Lennox (1988, p.50) define contracts as "made with some firms for the provision of certain services and for the hire of some articles". The main points for hotel housekeeping managers to consider is whether using contracting-out service provides benefits in terms of cost, service and convenience.

Branson and Lennox (1988, p.51) further suggest that the main advantages of contract labour to the client are:

- There is no capital outlay for equipment so money is available for investment or other purposes.
- There is no equipment lying idle (particularly specialized equipment).
- There is no buying or hiring of specialized equipment.
- The difficulty of finding, training, organizing and supervising the cleaning staff is passed to the contractor; extra work may be carried out at certain times without increasing the basic staff.
- The exact cost of cleaning is known for a given period.

On the other side of the coin, possible disadvantages of contracting services include:

- Loss of flexibility to effect changes; the executive housekeeper no longer controls the operation.
- Loss of proprietary interest. The cleaners do not belong to, i.e. do not work for, the establishment and may not have the same pride in their work or job satisfaction.
- Problems regarding security.
- Problems regarding liaison and co-operation between departments.
- Deterioration in the quality of the work. One of the reasons for this may be the great growth of contract cleaning firms, resulting in cut-price tenders being offered and accepted (clients almost always accept the lowest price), which do not enable contractors to employ a sufficient number of employees or employees of the right calibre to do the job properly. Supervision is important and the right supervisor is essential; good workers should be the result of good supervision.

Allen (1983, p.63) compares the pros and cons of employing contract services in housekeeping departments in Table 4.3.4.1. In summary, the main advantages of contracting out part of operational functions to external contractors are: (1) cost-effectiveness on equipment investment (e.g. lifting machine for window cleaning, laundry machine and heavy duty carpet shampoo machine) and odd shift labour allocation (e.g. late night cleaning shift); (2) emergency cover for labour shortages (e.g. cover for sickness and maternity leave) and/or lack of specialized labour (e.g. exterior window cleaner and machine maintenance mechanics); and (3) fixed and known budget for contract-out services. However, the main disadvantages that might worry housekeeping managers include: (1) the quality of contractor may not as good as expected; (2) rigidity and lack of flexibility on possible changing the contracting service which indicated clearly in the contract signed with a short notice; and (3) lack of control on the running of contracted operations, e.g. staff supervision and liaison with other departments.

Table 4.3.4.1 Advantages and disadvantages of contract services

Advantages	Disadvantages
• Contractors are specialists who can provide through training and use the correct equipment • Managers are relieved of the problems of the housekeeping/domestic management department • Risk and hazard to direct labour is reduced, e.g. exterior window-cleaning • Extra work may be undertaken without permanent staff increases • Emergency cleaning services may be provided at short notice • Reduces the need for capital investment in specialized equipment • The contractor, rather than management, deals with problems and industrial relations matters	• As the setting up of a contract cleaning and maintenance firm is not subject to any regulations, some contractors may not be specialists • Some elements of control are removed from management • Contract staff may have divided loyalties – to the contractor and to the client • A contract may limit flexibility and so not cater for frequently changing conditions • Minimal effort may be used to achieve the maximum profit • The lowest tendered contract price is often accepted, and this may lead to a deterioration may be reduced • There may be security problems

(Source: Allen 1983, p.63)

Branson and Lennox (1988) suggest some pointers to make contracting out operations run successfully, such as:

- Specifications for the contractor should be similar to ones drawn up for in-house labour doing the same jobs.
- The contract itself will state the duration of contract, the price for the job (often expressed as cost per sq. m.) and whether an initial clean is required before the contract comes into operation.
- It should also give provision for a regular review of the specification and for information to be given to the client regarding operating costs.
- It is preferred that the contractor is paid for the costs of the job (e.g. cost of wages for operators and supervisors, equipment, agents and supplies, and overheads) and given a fixed fee rather than the contract agreed on a unit cost basis. In this case, there is no point in his cutting his cost because he has a guaranteed profit.
- A one-year contract basis is thought to be unsatisfactory; a three or five-year contract is better and the costs should escalate over the period.

Furthermore, Allen (1983, p.63) notes some suggestions on essential factors for housekeeping managers while choosing their contractors, such as:

- Availability of reference accounts
- The contractor's experience in the type of service required
- Financial references
- Professional qualifications of the contractors
- Personnel policies
- Methods of supervision and quality control
- Type of contract available and method of payment

To a certain extent, it may be inevitable and relatively more profitable to contract out part of housekeeping operations to external contractors in exchange for better quality and/or special services. Rawstron (1999, p.117) suggests that managing housekeeping operations includes "the complexities of managing such a range of staff with different contracts, as well as ensuring that there are always enough staff to service the business, reinforces the need for a truly effective human resource plan". Smooth running of housekeeping departments and careful control of contractors' services will be yet another complicated task for housekeeping management to undertake.

4.4 Conclusion

This chapter discusses issues relating to hotel operations, housekeeping operations in particular, in order to address the main context of this research. Through its five service characteristics – intangibility, perishability, variability, simultaneous production and consumption, and inseparability, the hotel sector is in need of careful planning in its service production and delivery. Seamless, prompt and flexible services are essential to the hotel sector. These requirements are similar to the attributes sought in the Just-in-Time system, in terms of low waste, low inventory, and quality control (see Chapter 2). Production-line analysis (Levitt 1972) provides a justification for using manufacturing management techniques in the service industry, the hotel sector for example.

The description with respect to hotel operations and housekeeping department management provides an understanding of the context of this study. It also assists in developing a housekeeping assembly line model. Housekeeping operations, departmental staffing in particular, rely heavily on demand/supply patterns. Lower hotel occupancy results in fewer housekeeping staff being required. On the other hand, higher occupancy rates mean more housekeeping staff are needed. Productivity standards serve as staffing guidelines for housekeeping managers. Hence, it also raises the possibility of considering housekeeping staff as part of the circulation within the assembly line.

CHAPTER 5 RESEARCH METHODOLOGY

This chapter describes the research methods employed in this empirical study in searching for the answers of the research questions proposed in Chapter 1, followed by explanations of methodological and theoretical underpinnings behind the approaches adopted.

5.1 Theoretical philosophy of the research methodology employed

In this section, methodological issues, in terms of the purpose and the typology of research, are reviewed. This review, as a consequence, serves as the theoretical underpinning for the design of the study.

5.1.1 The purpose of research

Research is defined as "a tool of science and that its purpose is to advance human knowledge" (Veal 1992, p.1). The first and the original aim of research is noted as "to describe and analyse a pattern of relationships" (Miles and Huberman 1994, p.17). Robson (1993, p.42) classifies the purposes of an enquiry or research into three dimensions, in terms of exploratory, descriptive and explanatory, as shown in Table 5.1.1.1.

Table 5.1.1.1 Purposes of enquiry

Dimension	Purposes of enquiry
Exploratory	• To find out what is happening • To seek new insights • To ask questions • To assess phenomena in a new light • Usually, but not necessarily, qualitative
Descriptive	• To portray an accurate profile of persons, events or situations • Requires extensive previous knowledge of the situation etc. To be researched or described, so that you know appropriate aspects on which to gather information • May be qualitative and/or quantitative
Explanatory	• Seeks an explanation of a situation or problem, usually in the form of casual relationships • May be qualitative and/or quantitative

(Source: Robson 1993, p.42)

It is suggested that research is a well-designed and rigorous answer-finding plan in order to solve research questions and understand unknown puzzles in a study (Robson 1993; Hussey and Hussey 1997; Creswell 1998; Kerssens-van Drongelen 2001; Sommer and Sommer 2002). Miles and Huberman (1994, p.23) explain research questions as representing

> "the facets of an empirical domain that the researcher most wants to explore...research questions may be general or particular, descriptive to explanatory. They may be formulated at the outset or later on, and may be refined or reformulated in the course of fieldwork".

There are various purposes that a research study pursues. In general, all purposes have as a fundamental basis, knowledge creation and contribution (Hussey and Hussey 1997; Clark *et al.* 1998;Creswell 1998; Melnyk and Handfield 1998).

As outlined in Chapter 1, the aim and purpose of this research is how to effectively adopt labour force flexibility strategies in the hotel sector, with a special reference to the employment industry as a source of labour supply. Due to a relatively limited literature of relevance to general employment agency practices in the recruitment and employment industry, especially in the hotel sector, this research focuses on understanding the phenomenon of agency operations in hotels. In other words, the purpose of the study is to explore the practices of agencies and client hotels, in terms of labour supply and relationship maintenance. The objective is to develop a labour supply chain model and to stimulate further research.

In order to explore and describe agency operations in supplying a labour force to hotels in a comprehensive and systematic manner, the researcher proposes a labour supply chain model in Figure 5.1.1.1.

Figure 5.1.1.1 Labour supply chain in the hotel

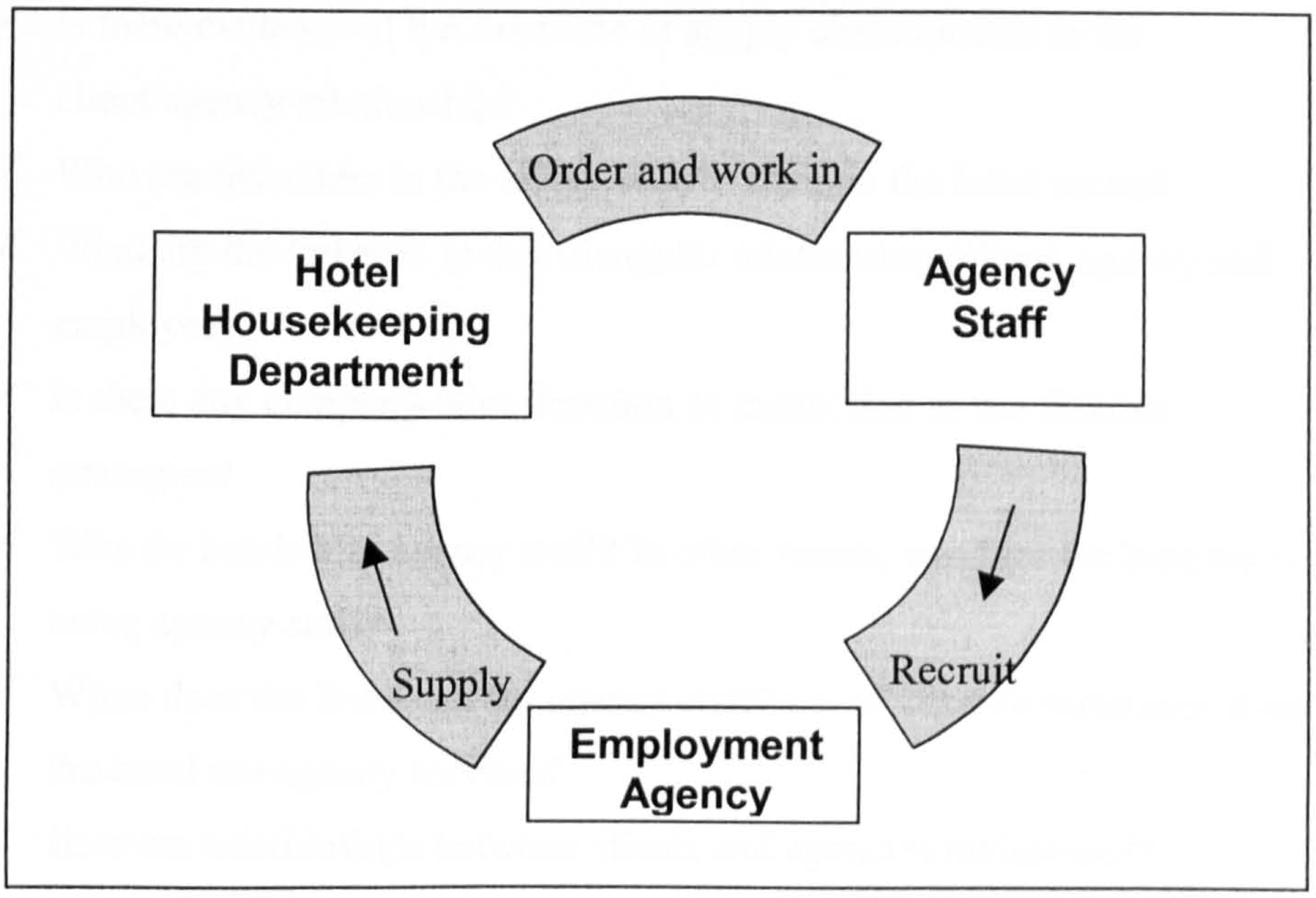


Figure 5.1.1.1 shows a basic exchange flow between hotels and agencies. Employment agencies recruit workers and supply them (e.g. agency staff) to work in client hotels in accordance with clients' requirements.

The main research questions raised in this empirical study are wide-ranging in an attempt to gain a better understanding of the dynamics of the labour supply chain within the hotel sector.

- **What is the nature of the recruitment and employment industry?**
  - ✓ What is the definition of the recruitment and employment industry?
  - ✓ What is the nature of the hospitality recruitment and employment agency sector?
  - ✓ What services/products do hospitality employment agencies provide?
  - ✓ How do agencies promote and increase their market shares and where do they target potential markets?

- **What is the relationship between the agency and its clients?**
  - ✓ Is there evidence of the existence of supply chain models in the client/agency relationship?
  - ✓ Who are the actors in the labour supply chain in the hotel sector?
  - ✓ What are the linkages in this triangular relationship (client, agency and employee)?
  - ✓ Is there any company-wise direction or instruction to use flexible strategies?
  - ✓ Why do hotels hire agency staff? In other words, what are the benefits of using agency staff?
  - ✓ When does the hotel call for agency staff? i.e. in what circumstance does the hotel use agency services?
  - ✓ How are relationships between clients and agencies maintained?
  - ✓ How are people recruited to work within agency agreements?

- **Can concepts of Supply Chain Management (SCM) and Just-in-Time (JIT) management be applied to an analysis of the labour supply chain between agencies and their client hotels?**
  - ✓ How can JIT management be applied in the client/agency relationship?
  - ✓ Is the use of agency staff cost-effective?

- ✓ Can one agency be the sole labour supplier to a hotel?
- ✓ Is maintaining agency workers' loyalty important to both agencies and clients? If it is, how is this undertaken?
- ✓ How can agency staff be managed?
- ✓ How to tackle the emergency situation, i.e. unexpected request or cancellation?
- ✓ How can the agency be an effective labour supplier to the hotel sector?

5.1.2 Types of research

Research can be labelled according to its purpose, process, logic and outcome. Hussey and Hussey (1997) summarise a research typology and, further, explain each type of research in detail, in terms of definition, aim and focus, and research techniques applied (see Table 5.1.2.1 for detail).

Table 5.1.2.1 Types of research

Types of research	Definition	Aim and focus	Research techniques	Possible outcome
Exploratory research	Conducted into a research problem or issue when there are very few or no earlier studies to which we can refer for information about the issue or problem.	To look for patterns, ideas or hypotheses, rather than testing or confirming a hypothesis. To gain insights and familiarity with the subject area for more rigorous investigation at a later stage.	Case studies, observation, and historical analysis which can provide both quantitative and qualitative data.	Rarely provides conclusive answers to problems or issues, but gives guidance on what future research, if any, should be conducted.
Descriptive research	Describes phenomena as they exist.	To identify and obtain information on the characteristics of a particular problem or issue.	Often quantitative and statistical techniques are usually used to summarise the information.	Goes further in examining a problem than exploratory research, since it is undertaken to ascertain and describe the characteristics of the pertinent issues.
Analytical research (Explanatory research)	Goes beyond merely describing the characteristics, to analysing and explaining why or how it is happening.	To understand phenomena by discovering and measuring casual relations among them.		Identifying and, possibly, controlling the variables in the research activities, since this permits the critical variables or the casual links between the characteristics to be better explained.
Predictive research	Establishes an explanation for what is happening in a particular situation.	To generalise from the analysis by predicting certain phenomena on the basis of hypothesised, general relationships.		Provides "how", "why" and "where" answers to current events and also to similar events in the future. It is also helpful in situations where "what if" questions are being asked.
Quantitative research	An objective approach which concentrates on measuring phenomena.		Involves collecting and analysing numerical data and applying statistical tests.	

Qualitative research	A subjective approach which involves examining and reflecting on perception.	To gain an understanding of social and human activities.		
Deductive research	A study in which a conceptual and theoretical structure is developed and then tested by empirical observation; thus particular instances are deduced from general inferences.	To move from the general to the particular.		
Inductive research	A study in which theory is developed from the observation of empirical reality; thus general inferences are induced from particular instances, which is the reverse of the deductive method.	To move from the specific to the general.		
Applied research	A research which has been designed to apply its findings to solving a specific, existing problem.	To solve a specific, existing problem.		
Basic research (Pure research)	A study which is intended to lead to theoretical developments; there may, or may not, be any practical implications (Easterby-Smith *et al.*, 1991).	To make a contribution to knowledge, usually for the general good, rather than to solve a specific problem for one organisation.		

(Source: Hussey and Hussey 1997)

Table 5.1.2.1 provides a detailed explanation of various types of research. According to the suggested division of different research types in Table 5.1.2.1, this research can be categorised as:

- **Exploratory research:** focusing on employment agency operations in the hotel sector because there are relatively few earlier studies to which the researcher can refer for information about the issue.
- **Qualitative research:** in order to gain an understanding of social and human activities, a subjective approach which includes investigating and reflecting on perceptions from different "actors" involved in the research phenomenon is appropriate.
- **Inductive research:** from the observation of empirical reality, general inferences are consequently induced from particular instances. The researcher generates and develops possible theory from the phenomenon. In other words, this theory-building process moves from the specific to the general.
- **Applied research:** research which has been designed to apply its findings to solving a specific, existing problem in the context of the hotel industry and its partner employment agencies.

However, it is difficult to define a general accepted rule for good research, because "research means different things to different people" (Hussey and Hussey 1997, p.1). Good research is conducted with a rigorous research design which depends on the nature of the research topic and questions. A further discussion of research design and process is explained in Section 5.2.

Marshall and Rossman (1989) suggest a set of study strategies in conducting different types of research projects. These are listed in Table 5.1.2.2. The authors further define research strategy as "a road map, an overall plan for engaging the phenomenon of interest in systematic inquiry" (p.76).

Table 5.1.2.2 Research strategies

Purpose of the study	Research questions	Research strategy	Data-collection method
Exploratory: • To investigate little understood phenomena • To identify/discover important variables • To generate hypothesis for further research	What is happening in this social program? What are the salient themes, patterns, and categories in participants' meaning structures? How are these patterns linked with one another?	Case study Field study	Participant observation In-depth interviewing Elite interviewing
Explanatory: • To explain the forces causing the phenomena in question • To identify plausible causal networks shaping the phenomena	What events, beliefs, attitudes, policies are shaping this phenomena? How do these forces interact to result in the phenomena?	Multi-site case study History Field study Ethnography	Participant observation In-depth interviewing Survey questionnaire Document analysis
Descriptive: • To document the phenomena of interest	What are the salient behaviours, events, beliefs, attitudes, structures, and processes occurring in these phenomena?	Field study Case study Ethnography	Participant observation In-depth interviewing Document analysis Unobtrusive measures Survey questionnaire

(Source: Marshall and Rossman 1989, p.78)

Based on the suggested research strategy in Table 5.1.2.2, Marshall and Rossman (1989) note two possible research strategies for implementing exploratory research, namely field studies and case studies. A field study means that research takes place in a "field" and describes the activities occurring in the particular research locale over the medium to long term (Bechhofer and Paterson 2000). The most common research methods employed in a field study are observations and interviews (Bloor 1997; Bechhofer and Paterson 2000).

A case study is defined as a research strategy which focuses on investigating a dynamic phenomenon within a single setting or bounded unit of analysis, and can employ a variety of evidence sources, such as documents, artefacts, interviews, and observations (Eisenhardt 1989; Yin 1994). This description implies that the nature of case study research is based on two or more data collection methods, whereas other research strategies rely primarily on a single type of evidence. Hence, this characteristic, potentially, makes case studies overlap with virtually all other research designs, offering their combined and complementary strengths (Hakim 1987).

However, Hakim (1987) also cautions some practical difficulties in implementing case study research, such as the diversity and large quantity of data collected that may challenge research constraints (time and budget), and suggests the need for more skilled research staff to collect the various evidence sources. Another practical problem noted is in relation to the analysis and presentation of case study data. In this regard, Hakim notes that more skills are required when compared with other approaches based on a single type of evidence. She further points out that two common errors are

> "to present an indigestible mass of detailed evidence in the report, or to report only the researcher's conclusions, instead of presenting carefully selected robust and central items of data in combination with the various questions and issues addressed by the study" (p.74).

These potential problems should, then, be considered in designing research.

Incorporating suggested research methods for an exploratory study and recognising the possible problems, the next section puts forward the research design and research paradigm adopted in this study.

5.2 Research design and process

As defined in Section 5.1.1, research is a carefully-designed and rigorous answer-finding process intended to solve research questions and understand unknown puzzles in a study. Yin (1994, p.19) argues that a research design is

> "an action plan for getting from 'here' to 'there', where 'here' may be defined as the initial set of questions to be answered, and 'there' as a set of conclusions (answers) to these questions. Between 'here' and 'there', there are a number of major steps, including the collection and analysis of relevant data".

In general, a research design is the overall configuration of a research study, which indicates the type of evidence, from where the evidence is gathered, and how the evidence is interpreted in order to provide good answers to fundamental research questions (Easterby-Smith *et al.* 1991).

Hussey and Hussey (1997, p.15) propose a six-stage research process, which includes:

1. Identify research topic.
2. Define research problem.
3. Determine how to conduct research.
4. Collect research data.
5. Analyse and interpret research data.
6. Write dissertation/thesis.

The first two steps aim to narrow down research interests, identify any research gap within the relevant literature and/or pervious studies, and set up research questions. Once research questions are identified, the next step is to determine how to conduct the research based on the researcher's general approach to the study, which is commonly known as "research paradigm". The term paradigm refers to the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge (Hussey and Hussey 1997). In other words, it is an approach to social research about what the social world is like and how it is possible to understand phenomena in the social world (Denscombe 2002). Furthermore, a paradigm offers "a framework comprising an accepted set of theories, methods and ways of defining data" (Hussey and Hussey 1997, p.47).

5.2.1 Research paradigm

Two main research paradigms can be identified, in terms of positivism (quantitative) and phenomenology (interpretivism or qualitative). In the positivist paradigm, the researcher sees

> "people as phenomena to be studied from the outside, with behaviour to be explained on the basis of facts and observations gathered by the researcher and theories and models developed by the researcher" (Veal 1992, p.22).

Easterby-Smith *et al.* (1991, p.22) suggest the key idea of positivism is that the social world exists externally, and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. In other words, positivists argue that reality is objectively determined and use as data only that which can be directly observed or collected. As a result, they tend to apply quantitative approaches and seek to keep a certain distance from studied objects.

By contrast, interpretative (qualitative) researchers try to "get 'inside' the minds of subjects and see the world from their point of view" (Veal 1992, p.22). Van Maanen (1983, p.9) defines phenomenological (qualitative) study as

> "an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world".

Therefore, the word "qualitative" implies an emphasis on processes and meanings that are not rigorously examined or measured, in terms of quantity, intensity, or frequency. Qualitative researchers, as Denzin and Lincoln (1994) point out, stress the value-laden nature of inquiry and seek answers to questions that stress how social experience is created and given meaning.

The interpretivist paradigm, as a consequence, leads to a relatively less formalised approach to data collection and is generally an inductive approach. Easterby-Smith *et al.* (1991, p.24) argue that from the phenomenological point of view, "reality is socially constructed rather than objectively determined". They also suggest researchers should therefore "try to understand and explain why people have different experiences, rather than search for external causes and fundamental laws to explain their behaviour" (Easterby-Smith *et al.* 1991, p.24).

Creswell (1994) summarised the two paradigms as well as their theoretical assumptions in Table 5.2.1.1.

Table 5.2.1.1 Assumptions of positivist and interpretivist paradigm

Assumption	Question	Positivist (Quantitative)	Interprestivist (Qualitative)
Ontological	What is the nature of reality?	Reality is objective and singular, apart from the researcher	Reality is subjective and multiple as seen by participants in a study
Epistemological	What is the relationship of the researcher to that researched?	Researcher is independent from that being researched	Researcher interacts with that being researched
Axiological	What is the role of value?	Value-free and unbiased	Value-laden and biased
Rhetorical	What is the language of research?	Formal Based on set definitions Impersonal voice Use of accepted quantitative words	Informal Evolving decisions Personal voice Use of accepted qualitative words
Methodological	What is the process of research?	Deductive process Cause and effect Static design – categories isolated before study Context-free Generalisations leading to prediction, explanation and understanding Accurate and reliable through validity and reliability	Inductive process Mutual simultaneous shaping of factors Emergent design – categories identified during research process Context-bound Patterns, theories developed for understanding Accurate and reliable through verification

(Source: Creswell 1994, p.5)

After identifying the research paradigm for a study, the researcher accordingly, makes decisions on the implementation processes, such as data collection, data analysis and data reporting. As stated in Table 5.2.1.1, different paradigms lead to different research methodologies. Using a method to collect data on the frequency of a phenomenon or variable will result in obtaining quantitative data. By contrast, collecting data on the meaning of a phenomenon will result in obtaining qualitative data. Hussey and Hussey (1997, p.136) explain the research methodology as "the approach to the entire process of a research study". They further suggest that the main qualitative data collection methods may include critical incident technique, diaries, focus groups, interviews, observation, protocol analysis and questionnaires. The authors then conclude that a positivist approach suggests structured and closed questions which have been prepared beforehand, whereas an interpretivist approach suggests unstructured question without detailed structured advanced preparation.

In light of the above arguments and having compared the two approaches, this empirical study adopts the interpretivist paradigm and aims to look at the phenomenon (e.g. the relationships and operational practices between hotels and their partner employment agencies) from these two participants' point of view within the labour supply chain in the hotel industry.

The next section explains the approach adopted in this study to collect empirical data using an interpretivist paradigm.

5.3 Data collection – the qualitative approach

Remenyi *et al.* (1998, p.285) note that research methodology is "the procedural framework within which the research is conducted", that "describes an approach to a problem which may be operationalised into a research programme or process". As suggested in the methodological literature, the selection of research methods should be driven by the research questions a researcher is seeking to answer, and also has to be moderated by what is feasible in terms of time and other resources (Easterby-Smith *et al.* 1991; Veal 1992; Robson 1993; Kerssens-van Drongelen 2001; Sommer and Sommer 2002).

Hakim (1994) postulates several strengths in conducting qualitative research, such as the validity of the data obtained (see Section 5.5.1 for the explanation of validity) and appropriateness for the study of motivations and other connections between factors. Suitability of qualitative research for exploratory studies is another advantage of this approach. However, compared with quantitative research, Hakim further suggests the main weakness of qualitative research as the non-representative, often small number of respondents chosen for inclusion in the study. In addition, Strauss and Corbin (1994) note the absence of rigid experimental control as another drawback of qualitative research.

According to the research questions proposed for this study (see Section 5.1.1) and the overall aim to investigate issues in relation to supply relationships from participants' perspective, qualitative approach seems to be appropriate in order to collect "rich" information about relatively few people rather than more limited information about a large number of people (Veal 1992). In addition, the qualitative method permits a researcher to get close to participants, understand their realities and interpret their perceptions (Walsh 2003).

Research into labour supply chain practices involves the study of the behaviour and activities of human beings. Sommer and Sommer (2002) argue that many methods are available to researchers in the context of behavioural studies, and "four techniques – observation, experiment, questionnaire, and interview – account for most of the articles in behavioural science journals" (p.5). The authors point out that observation is suitable for discovering people's behaviour in public. Experiment is a powerful technique for deciding between alternative explanations of a phenomenon, but less useful for studying natural behaviour or opinions. As for researching opinions and attitudes, questionnaires and interviews seem to be efficient approaches. Guidelines for choosing between research techniques are illustrated in Table 5.3.1.

Table 5.3.1 Choosing among research techniques

Problem	Approach	Research technique
To obtain reliable information under controlled conditions	Test people in a laboratory	Laboratory experiment, Simulation
To find out how people behave in public	Watch them	Systematic observation
To find out how people behave in private	Ask them to keep diaries	Personal documents
To learn what people think	Ask them	Interview, Questionnaire, Attitude scale
To identify personality traits or asses mental abilities	Administer a standardized test	Psychological testing
To find patterns in written or visual material	Systematic tabulation	Content analysis
To understand an unusual event	Detailed and lengthy investigation	Case study
To find out what people have done in the past	Check public records	Archival research

(Sommer and Sommer 2002, p.6)

First, amongst these alternatives, the qualitative method that is widely used in the collection of primary data and one that is a widely adopted method in social sciences research, is the interview (Hartman and Hedblom 1979; Easterby-Smith *et al.* 1991; Veal 1992; Robson 1993; Denzin and Lincoln 1994; Mason 1996; May 1997; Johns and Lee-Ross 1998; Burns 2000; Payne 2000; Sommer and Sommer 2002). It is suggested that in-depth interviews provide opportunities for researchers

> "to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience" (Burgess 1982, p.107).

Other advantages are also noted in the literature, such as dealing with topics in depth, gaining valuable insights, requiring only simple equipments, producing data based on priorities, opinions and ideas, flexibility, validity, high response rate, and finally being therapeutic (Denscombe, 1998).

However, some disadvantages of using interviews are also noted in the literature. A fundamental problematic issue is

> "what people say is not always what they do. The information obtained in interviews is limited to the spoken content and to inferences made by the interviewer" (Sommer and Sommer 2002, p.129).

Therefore, the interviewer may encourage or discourage respondent to express particular facts and opinions without the intention to interfere. In addition, the interviewer must have good listening skills and be skilful in building rapport with the interviewee. Moreover, "volumes of data may be obtained through interviewing, but such data may be difficult to manipulate" (Marshall and Rossman 1989, p.82).

Secondly, observation is argued as an ideal method for studying public nonverbal behaviour, such as gestures, postures or work flow in a context within which the observed objects may not be consciously aware of how they are acting (Sommer and Sommer 2002). In qualitative studies, observation often means participant observation or ethnography, that is, the observer becomes part of the studied events. As argued by May (2001), participant observation, an approach to "muddying the water" (p.151), is the most personally demanding and analytically difficult method in social research. Observation as a method has merit in finding out what people do, however with limitations in terms of finding out what they think (Sommer and Sommer 2002). In addition, gaining access and permission to work in the research field and privately managed space and situations may also be problematic (Bryman and Bell 2003).

Thirdly, another suggested research technique, experimental design, is "rare in business and management research, mainly because of the problems of achieving the requisite level of control when dealing with organisational behaviour" (Bryman and Bell 2003, p.39). However, implementing experiments assists in understanding causal relationships, that is, "to find out what causes what – how events or behaviours affect other events or behaviours" (Sommer and Sommer 2002). In this approach, the concept of variables (the elements that are manipulated, compared, and controlled) is fundamental.

Fourthly, the survey method is one of the most important data collection methods in the social sciences to empirically study the properties and interrelations of sociological variables and, as such, it is used extensively to collect information on numerous subjects (Roberts 1999; Oppenheim 2000). It is argued that surveys are usually conducted on a fairly large scale, more coverage for the population being sampled, "naturally occurring" variation between variables and is high in external validity by contrast with laboratory experiments, which tend to be more intensive but on a smaller scale (Roberts 1999; Oppenheim 2000). According to Nachmias and Nachmias (1997), social science researchers can choose between two methods of gathering data with surveys, namely questionnaires (self-completion) and interviews (face-to-face or telephone). In this, questionnaires are identified as "a series of written questions on a topic about which the respondent's opinions are sought" (Sommer and Sommer 2002).

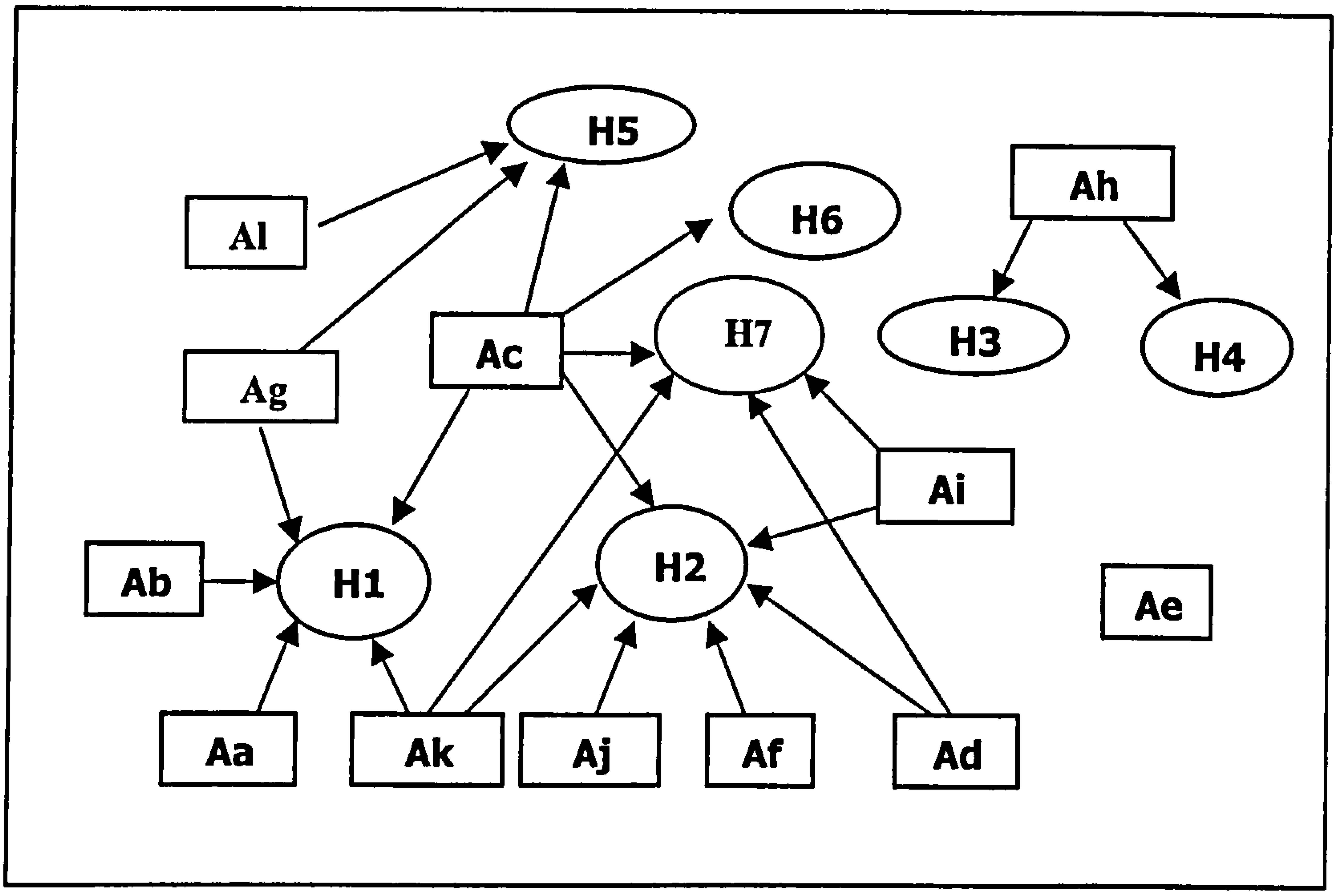
Conducting self-completion questionnaires is efficient in time and effort. However, it requires clear instructions and a very careful wording of questions (Sommer and Sommer 2002). Further, it is mainly criticised on two grounds in terms of poor response rate and quality of responses (Kerlinger 1986).

In light of the above suggestions with respect to research strategies and methods for exploratory qualitative research and the research objectives, the in-depth interview method is selected over other methods as the research design for this study.

5.3.1 Interview respondent profiles

In this empirical study, data were collected from two interviewee groups, in terms of hotels and employment agencies, which represent clients and suppliers in labour supply chain relationships. Each survey hotel uses varying numbers of employment agencies. In some hotels, only one partner agency is employed; but the other hotels use up to 6 employment agencies. The study includes 7 hotel housekeeping departments and their partner employment agencies (labour suppliers). As a result of some overlap in the supply of labour to different hotels from one employment agency, 11 employment agencies, in total, are identified as labour suppliers to these 7 survey hotels. The supply relationships are illustrated in Figure 5.3.1.1.

Figure 5.3.1.1 Face-to-face interview survey of hotels and their partner agencies



(Key: H – Hotel informants; A – Agency informants)

However, not all partner employment agencies listed in Figure 5.3.1.1 agreed to participate in the study. The final informants who contributed to the research are housekeeping managers or managing directors from 7 survey hotels (Housekeeping Manager H1, H2, H3, H4, H5, H6, and H7) and their 7 partner agencies (Agency Manager Aa, Ab, Ac, Ad, Af, Ag, and Ah), as well as one agency director (Agency Manager Ae) who serves as a hospitality division leader in an agency representative association. Although Agency Manager Ae does not supply staff to the case hotels, her position as a representative of the hospitality employment agencies was thought to be an important data source for the study. A list of participants in this case study research is outlined in Table 5.3.1.1.

Table 5.3.1.1 Interview informants profiles

Hotel	Agency
H1	Aa, Ab, Ac and Ag
H2	Ac, Ad and Af
H3	Ah
H4	Ah
H5	Ac and Ag
H6	Ac
H7	Ac
--	Ae

All the survey hotels are located in the Greater London area, and rated as either 4- or 5-star. The main recourse to limit cases to one geographical area was to eliminate possible variance caused by different locations and the influence of local labour markets. Furthermore, by limiting samples to four- and five-star hotels, the researcher tried to narrow down possible impacts of different human resource requirements due to different quality level of products and services provided by each property.

Several reasons can be identified to explain the choice to focus on hotel housekeeping departments in this study, including:

- A housekeeping department is normally the biggest department in a hotel in terms of the number of staff required on a daily basis.
- The core products and services provided in the hotel sector are hotel bedrooms. However, the operation of producing clean bedrooms, i.e., the management of housekeeping departments has been neglected in the literature to considerable degree.
- Compared to other rooms division departments, such as reception, reservations, and concierge, the housekeeping department has relatively less guest encounters as well as relatively standardised (or even routine)

operations processes. Therefore, a production line approach to producing clean and resalable bedrooms is relatively more appropriate in a housekeeping department.

- The skills level required for housekeeping staff normally is between low- and semi-skilled, as well as being transferable.
- Housekeeping operations occur on a daily basis. Consequently this provides a good basis for developing a continuous labour supply chain in housekeeping departments.

In the methodological literature, there are two general ways of sampling: probability (representative) sampling and nonprobability sampling (Hussey and Hussey 1997; Sommer and Sommer 2002).

> "Probability samples are more representative and therefore allow greater generalization to the population from which they are drawn" (Sommer and Sommer 2002, p.239).

In general, probability samples are normally associated with quantitative studies and randomly selected from the population as a whole or within different stratified categories of the population.

On the other side of the continuum, nonprobability sampling is defined as "samples in which the likelihood of selection is not actually known" (Sommer and Sommer 2002, p.238). There are three general types: quota samples, purposive samples, and convenience samples. Quota sampling describes the situation where the investigator deliberately sets sample proportions that are different from those existing in the population. These proportions are specified according to the goals of the investigation, such as an inclusion of 20 men under the age of 21 and 35 women over 50, etc. (Hussey and Hussey 1997; Sommer and Sommer 2002).

> "A purposive sample targets the individuals thought to be most central to the research question. A special type of purposive sample is the snowball sample

where the researcher asks respondents for other persons to contact. This technique is useful when studying particular groups where membership may be obvious or where access to members may be difficult" (Sommer and Sommer 2002, p.238).

Hussey and Hussey (1997, p.147) suggest that snowball sampling is often associated with phenomenological studies where it is essential to include people with experience of the phenomena being studied in the sample. Another noprobability sampling technique, convenience sampling is taking whatsoever a researcher can access. For example, a volunteer sample, comprised of people who are willing to participate in a research project, is a convenience sample (Sommer and Sommer 2002).

As for the sample construction process in this study, nonprobability sampling techniques were adopted in selecting sample cases, in terms of snowball sampling and convenience sampling. The study was started with an in-depth interview with Housekeeping Manager H1, who serves as a Regional Executive Housekeepers of an international hotel group. The researcher asked Housekeeping Manager H1 to recommend other potentially valuable informants as well as the hotel's partner agencies. After arranging other in-depth interviews with suggested informants, again and repeatedly, the snowball sampling was applied in search of participants for the study.

In the study, the main sampling strategies used were snowball sampling and convenience sampling which might cause bias on the selection of sample cases. However, these two techniques were essential and inevitable in this study. In general, hospitality employment agencies are categorised as small business in a competitive market, and they are extremely busy due to the ratio of a relatively small number of office staff to the amount of operations and business handled. Therefore, gaining access to employment agencies was difficult even through recommendation. In choosing case hotels, a careful selection from suggested informants was used to build upon a mixture of chain hotels (one UK domestic hotel chain and three international hotel groups) and independent hotels. Basic background information of each interviewee in the empirical study is provided in Appendix A.

5.3.2 Data collection – in-depth interviews

The data collection ran from October 2003 until April 2004. 15 in-depth interviews were conducted and each informant was interviewed for from one hour to two hours..

Payne (2000, p.89) categorized interviews into three types:

- Unstructured interview: the interviewer approaches the interview with no clear agenda or list of questions but just aims to enable the person to talk generally about issues.
- Semi-structured interview: involves predefining a range of questions or topics to be addressed in the interview but is flexible enough to allow the respondent to initiate new topics or expand on relevant issues.
- Structured interview: based on the same rational as the psychological experiment, in that there is a strict order of presentation of questions which are usually pre-coded in limited response formats.

Sommer and Sommer (2002, p.116) argue that

> "semi-structured interview may be more suitable for obtaining in-depth information where the interviewer does not want to be restricted by a prescribed question order but would like the advantage of having asked the same questions of all respondents".

As a consequence, semi-structured interviews were conducted in the empirical study. For each set of informants (i.e., hotel managers and agency managers), different interview schedules were used. The questions asked during interviews included four main parts, in terms of hotel or agency operations background; the relationship between agency and client hotel, issues regarding hotel or agency and agency workers, and agency as a labour supplier to client hotels. Even though different interview schedules were used, questions were similar. Asking identical questions of both sets of managers was intended to identify any conflict in perspective between hotel managers (receivers) and agency managers (suppliers) in the supply chain. These two sets of interview schedules are listed in Appendix B.

The next section considers the process of data analysis adopted in this study.

5.4 Data analysis

An overview of approaches suggested in the literature to analyse qualitative data is provided in this section, followed by a report of the process of data analysis employed in this study.

5.4.1 Overview of qualitative data analysis

According to Hussey and Hussey (1997, p.249), there is no clear guideline for analysing qualitative data (also see, Robson 1993; Morse and Richards 2002). Four main challenges of qualitative data analyse can be identified as: reducing the data, structuring the data, anticipatory data reduction, and detextualising the data. In general, how to condense voluminous raw data, collected from fieldwork, into systematic information and display them in diagrams and illustrations, is the main task for qualitative researchers. By coding, categorising, and theming the qualitative data, these raw data will be converged into manageable information. Hussey and Hussey (1997) generalise several approaches to analysing qualitative data in Table 5.4.1.1.

Table 5.4.1.1 Main methods of analysing qualitative data

Quantifying Methods	Non- quantifying methods
Informal methods Formal methods: Content analysis Repertory grid	General analytical procedure Cognitive mapping Data displays Grounded theory Quasi-judicial methods

(Source: Hussey & Hussey 1997, p.249)

Among these approaches, content analysis represents a formal method to qualitative data analysis, and is recommended as a diagnostic tool for qualitative researchers while dealing with a large volume of open-ended material (Hussey and Hussey 1997). Content analysis is normally used for analysing newspapers or advertisements in order to quantify the data, in terms of the frequency of certain words or themes the researcher had identified at the early stage of data analysis, or the placing of certain items and the duration for audio or filmed communications. Due to the coding that is given at the early stage of data analysis, there is a drawback of content analysis which is that the richness of data might be lost during the data analysing process. Coffey and Atkinson (1996) argue that a number of computer software, such as The Ethnograph, NUD.IST (now NVivo), askSAM, ETHNO, and InfoSelect, can be used for the coding and retrieval of data segments.

Apart from the quantification methods, non-quantification approaches can be more useful to researchers who adopt a phenomenological approach (Hussey and Hussey 1997). They also suggest a general analytical procedure for data analysis (see Table 5.4.2.2 for further detail).

5.4.2 Qualitative data analysis process

Creswell (1998, p.140) argues an initial step in conducting analysis of voluminous qualitative data as "reading through all collected information to obtain a sense of the overall data". This argument is supported by Agar's (1980, cited Creswell 1998, p.143) suggestion for researchers to read entire transcripts several times, in order to get a sense of the interview as a whole before breaking it into parts and immerse themselves in the detail. After the initial review of "raw data", the next essential approach in the data analysis is to develop codes or categories and to sort data into these categories.

Creswell (1998) develops a "data analysis spiral" (illustrated in Table 5.4.2.1) for conceptualising the procedures of qualitative data analysis, especially for case study research. There are five loops within this data analysis approach, in terms of data collection, data management, reading and taking memo, describing, classifying and interpreting, and representing and visualizing.

Table 5.4.2.1 Data analysis spiral in a case study research

Data Analysis	Case Study Research
Data managing	• Create and organize files for data
Reading Memoing	• Read through text • Make margin notes • Form initial codes
Describing	• Describe the case and its context
Classifying	• Use categorical aggregation • Establish patterns of categories
Interpreting	• Use direct interpretation • Develop naturalistic generalizations
Representing Visualizing	• Present narrative augmented by tables, and figures

(Source: Creswell 1998, p.148)

Miles and Huberman (1984) consider that an analysis consists of three concurrent flows of activities: data reduction, data display, and conclusion drawing/verification. Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the "raw" data that appears in written-up field notes. Also, data reduction is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that "final" conclusions can be drawn and verified. Data displays refer to using many types of matrices, graphs, and charts.

> "All are designed to assemble organised information in an immediately accessible, compact form, so that the analyst can see what is happening and

either draw justified conclusions or move on to the next-step analysis the display suggests may be useful" (Miles and Huberman 1984, p.22).

The third part of data analysis includes conclusion drawing and verification. According to Miles and Huberman (1984, p.22),

> "from the beginning of data collection, the qualitative analyst is beginning to decide what things mean, and is noting regularities, patterns, explanations, possible configurations, causal flows, and propositions. The competent researcher holds these conclusions lightly, maintaining openness and scepticism, but the conclusions are still there, inchoate and vague at first, then increasingly explicit and grounded".

In general, Miles and Huberman suggest qualitative researchers employ several techniques while conducting data analysis, in terms of contact summary sheet, document summary form, codes and coding, pattern coding, memoing, site analysis meeting, interim site summary, and data accounting sheet. The proposed flow of data analysis is displayed in Table 5.4.2.2.

According to Kwortnik (2003, p.125), the data analysis process "begins with the researcher rereading the transcribed interview several times to become as familiar as possible with the informant's perspective of the discussion". This interpretive process essentially involves the "naming" or "open coding" of data using labels that reflect the meaning of the text (Kwortnik 2003, p.125). Coding of interview data often nets several dozen or more conceptual labels. The next step in the analytic process is to re-examine the interviews and combine labels that were used to describe the same types of data, while being careful not to lose the subtle but important distinctions those concepts were chosen to represent. Category development involves grouping concepts based on similarities and differences in the properties suggested by each concept (Kwortnik 2003, p.127). It also includes constructing systematic, hierarchical relationships amongst the categories (Coffey and Atkinson 1996, p.142).

Open coding involves breaking down qualitative data to mine for underlying meanings, while interpretation involves building up and integrating the data into emergent categories and mapping relationships among those explanatory abstractions to develop a coherent model, theory, or essential understanding. In other words, interpretation involves looking for patterns and themes that help to explain and unify the experiences of informants (Kwortnik 2003, p.128).

In summarising data analysis procedures from related literature, a comparison is made and illustrated in Table 5.4.2.2.

In general, as explained in Table 5.4.2.2, the four main steps in qualitative data analysis can be summarised as,

1. Data managing – to process "raw data", such as interview transcripts, audio and video tapes, and field notes, into written form.
2. Data coding and classifying – to create several codes and/or categories and to sort the processed data into these "bins" after reviewing the data many times until researchers have made sense of it.
3. Data interpreting – to interpret the meaning of the data in each code and category.
4. Data displaying and presenting – write up the report for the purpose of presenting the research.

Table 5.4.2.2 Comparison of data analysis process

Data analysis - Miles and Huberman (1984)	**General analytical procedure - Hussey and Hussey (1997, p.258)**	**Data processing - Kumar (1999, p.201)**	**Data Analysis in Case Study Research - Creswell (1998)**	
Data reduction: Processing raw data into "write-up"	Convert rough field notes into written record Properly reference data	Editing	Data managing	Create and organize files for data
Data analysis methods: Contact summary sheet Document summary form Codes and coding Pattern coding Memoing Site analysis meeting Interim site summary Data accounting sheet	Coding the data Grouping the codes into smaller categories according to patterns or themes which emerge	Coding: Developing a code book Pre-testing the code book Coding the data Verifying the coded data	Reading Memoing	Read through text Make margin notes Form initial codes
			Describing	Describe the case and its context
			Classifying	Use categorical aggregation Establish patterns of categories
	Writing summaries of findings Constructing generalisations or a new theory Repeating construction of theory until satisfied	Analysis: Developing a frame of analysis Analysis	Interpreting	Use direct interpretation Develop naturalistic generalizations
Data display Conclusion drawing and verification		Displaying data	Representing Visualizing	Present narrative augmented by tables, and figures

The researcher followed the above four stages of data analysis in order to analyse qualitative data which was collected from case studies. The first step was transcribing audiotapes, which were recorded during in-depth interviews, word by word. In order not to lose any data while transcribing audiotapes, a verbatim transcription was the most appropriate option in the proposed study. All but one of the in-depth interviews were processed into a computerised form, as well as field notes gathered while on site. The interview which the researcher did not transcribe data in a verbatim manner was because interviewee (Agency Manager Ag) refused permission to record the interview. However, the field note was computerised immediately after completing the interview.

Secondly, the researcher read through each transcription and field notes several times and wrote down various codes according to their thematic meaning beside the processed data. Due to the nature of the study as exploratory research, the initial codes developed from in-depth interview transcriptions were categorised based on the labour supply model outlined in Figure 5.1.1.1 in order to answer the questions raised in Section 5.1.1.

Thirdly, the researcher started to review and interpret the meanings behind transcriptions in each category developed in the second stage of the data analysis. This was a process of making sense of the data. Then, the researcher followed the labour supplying model (see Figure 5.1.1.1) to write-up a report of empirical findings from this exploratory study. The findings are presented in Chapter 6, which covers issues listed in Table 5.4.2.3, followed by discussion of the issues that emerged from the study in order to gain a holistic view of the research phenomena.

In the data analysis process, the use of computer software in qualitative data analysis was considered. As Coffey and Atkinson (1996, p.169) noted, "it is vital to identify ones' analytic goals and interests and to use computer software accordingly. There is no one software package that will do the analysis in itself". They suggest software, such as The Ethnograph and NUD.IST, are probably the most widely adopted and well known for coding and retrieving data. However, due to the number of interviews conducted in the study, the data gathered remained manageable in a manual approach. In addition, a computer-assisted programme requires the researcher to define what analytical issues are to be explored, what ideas are important, and what modes of representation are most appropriate prior to it can run the analysis. Therefore, it was decided to analyse data manually with the generic word processing software (e.g. Microsoft Word) in this study.

Table 5.4.2.3 Codebook of the empirical data

Code	Description	Section
Issues relating to Labour Supply Chain (LSC) in the hotel		6.1
LSC-CS	How does the hotel choose its labour supplier?	6.1.1
PROD	Which type of products and services are exchanged in the labour supply chain?	6.1.2
LSC-ORD	How does the hotel requisition staff within the labour supply chain?	6.1.3
LSC-MANG	How is the labour supply chain managed by the hotel and its partner labour suppliers?	6.1.4
LSC-PAY	Issues relating to payments occurring in the labour supply chain	6.1.5
LSC-REL	What is the relationship between the hotel and its labour supplier?	6.1.6
LSC-IMP	What does the hotel suggest to improve the labour supply chain?	6.1.7
WHY	Why the hotel wants to use agency services and staff?	6.1.8
Employment agency management, in terms of operations management and staff recruitment		6.2
AG-ADV	Marketing and advertisement	6.2.1
AG-NUM	The number of Agency office executives	6.2.2
LSC-REC	Agency staff recruitment	6.2.3
Issues regarding agency staff, such as background of agency staff, how to manage agency staff, criteria of staff, and the relationship with agency staff		6.3
AS-BG	Background of agency staff	6.3.1
AS-WHY	Reasons why they are agency staff	6.3.2
AS-MANG	How to manage agency staff	6.3.3
AS-PROD	Criteria of staff selection	6.3.4
AS-REL	Relationship with agency staff	6.3.5
The perception of managers toward the labour supply chain, in terms of problems of agency operation, drawbacks of using agency and the overall satisfaction of the labour supply chain		6.4
LSC-PRO	Problems of agency operations	6.4.1
LSC-DIS	Drawbacks of using agencies	6.4.2
LSC-SAT	Overall satisfaction of the labour supply chain	6.4.3
Future trends in labour supply chain development proposed by both managers of hotels and employment agencies		6.5
TRE	Continuing with supply of housekeeping staff	6.5.1
OUT	Outsourcing and contracting out	6.5.2

5.5 Quality of research and the research limitations

This section discusses issues of how to determine the quality of research and the limitations that this study encountered.

5.5.1 Quality of research

In general, the quality of research can be examined from three dimensions, in terms of reliability, validity, and generalsability.

Reliability refers to the degree of consistency in research findings or whether similar category labels and interpretation can be made by different observers or by the same observer on different occasions (Yin 1994; Hussey and Hussey 1997; Payne 2000). In other words, "reliability refers to the repeatability or replicability of findings" (Sommer and Sommer 2002, p.4). Denscombe (2002, p. 100) argues, "reliability relates to the methods of data collection and the concern that they should be consistent and not distort the findings. Generally it entails an evaluation of the methods and techniques used to collect the data". It is noted that reliability is an important contributor to validity. However, a study that is repeated or replicated can be reliable but not valid (Sommer and Sommer 2002).

Hussey and Hussey (1997, p.57) define validity as "the extent to which the research findings accurately represent what is really happening in the situation". Denscombe (2002, p. 100) further explains that,

> "validity concerns the accuracy of the questions asked, the data collected and the explanations offered. Generally it relates to the data and the analysis used in the research".

Voss *et al.* (2002) argue that research validity can be increased further through multiple means of data collection. This assertion is similar to Payne's (2000) suggestion of using triangulation and respondent validation to improve validity in qualitative research.

Validity can be classified as internal validity and external validity. Yin (1994, p.35) argues internal validity as "the extent to which we can establish a casual relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships". Furthermore, "internal validity is the degree to which a procedure measures what it is supposed to measure. External validity refers to the generalisability of the findings" (Sommer and Sommer 2002, p.4). Hussey and Hussey (1997, p.58) define, "generalisation is concerned with the application of research results to cases or situations beyond those examined in the study".

These three quality dimensions can help to improve the accuracy and accountability of a research study. However, in phenomenological research, reliability is relatively more difficult to achieve when compared with positivist research. Due to the subjective nature of phenomenological research, repetition of the same research by different researchers with the similar results and interpretation rarely occurs.

Compared with positivist research, phenomenological studies generally construct higher validity in data gathered, because of the richness of the data. This is confirmed by Voss *et al.*'s (2002, p.211) argument, "qualitative data often provide a good understanding of the why, a key to establishing internal validity – what is the theoretical relationship and why this happens".

As for generalisation in research, it is suggested that qualitative studies are generalisable to theoretical propositions, not to statistical populations as quantitative studies normally aim to achieve (Eisenhardt 1989; Miles and Huberman 1994; Coffey and Atkinson 1996; Hussey and Hussey 1997; Gummesson 2000; Burns 2000; Sommer and Sommer 2002). In a phenomenological study, it is noted that generalisation can be achieved with very few instances or even a single instance, if the researcher has captured the interactions and characteristics of the studied phenomena (Hussey and Hussey 1997; Gummesson 2000).

In this study, these three dimensions in improving the quality of the research were considered. Reliability is difficult to achieve in qualitative studies (Sommer and Sommer 2002). However, by gathering data from both agencies and hotels with similar sets of interview schedules, the validity of the data in this study was established. In addition, a degree of generalisability is achieved through the depth of understanding gained with respect to participants within the labour supply chains.

5.5.2 Research limitations

In general, qualitative study research allows researchers to gather data in a deeper sense by using different techniques to collect data in any forms. The data provides a better understanding in relation to the situation and creates a holistic picture. Creswell (1998, p.24) summarises qualitative study as being

> "complex, involving fieldwork for prolonged periods of time, collecting words and pictures, analysing this information inductively while focusing on participant views, and writing about the process using expressive and persuasive language".

This points to some of the difficulties that were faced in conducting this empirical study, in terms of time consumption, interview skills the researcher requires, accessibility and sample selection.

Two main limitations can be identified in the study. First, the survey interviewees were confined to management within hotel housekeeping departments and their partner employment agencies. Therefore, the findings may not be generalisable to all areas of hotel operations. The study also did not investigate the perceptions of senior, general management within hotels and it is likely that these may have varied from those presented here which reflect an operational management perspective. However, the findings do provide an insight of a potential labour supply chain which may be applied within the wider hotel sector.

Second, the sampling techniques adopted were mainly by snowball sampling and convenience sampling. As stated in Section 5.3.1, these two sampling techniques were inevitable, due to the difficulty of gaining access faced in the field study. This might cause bias in the sample selection as well as result in a preference for using agency services amongst those nominated informants in the findings.

Bearing in mind these two possible limitations to the study, this empirical research claims to contribute insights of the supply chain practices of hotels and employment agencies. It is not intended to be generalisable to the whole population, but attempts are made to generalise a theory (e.g., a hotel labour supply chain) within the hotel sector. The choice not to interview agency housekeeping staff may also be seen as a limitation but it was not feasible to extend the study to include this dimension.

5.6 Conclusion

This chapter has outlined the research methodology and the methods used for collecting data for the study. The semi-structured, in-depth interview was the major data collection instrument, and it was chosen to explore the operations and relationships between hotels and agencies in the context of labour supply and demand.

Easterby-Smith *et al.* (1991, p.115) postulate several dilemmas in conducting qualitative research, as:

> "the problem of public access to private experiences, and the difficulty of deciding how and when to impose any interpretive frameworks on this. There is the questions of how accurate one's information is, and how 'accurate' it needs to be, or can be. And there is the continual tension underneath the research process between creating meanings and counting frequencies".

All these noted problems were faced and considered in the study. After collecting, managing, coding, categorising, and theming the empirical data, the next step is to present the data and the information derived from the data. Consequently, the research findings and the discussion of emergent issues from the findings are presented in the next chapter (Chapter 6). Chapter 7, then, presents an overview of the findings and considers the way forward in light of the main issues that emerged from the study to better understand the phenomenon of the labour supply chain in order to benefit all organisational stakeholders.

CHAPTER 6 RESEARCH FINDINGS, DISCUSSION, AND EMERGENT ISSUES

This chapter discusses the findings gathered from the empirical study. The research was based on a labour supply chain model between two parties, namely hotels and employment agencies (see Figure 5.1.1.1). In between the labour supply chain, agency staff serve as an exchange device, moving from the agencies to hotel housekeeping departments within this demand/supply relationship.

The flow of the thematic analysis in the study is discussed in Section 5.4.2 (see Table 5.4.2.3 for details). Each emerging issue is illustrated based on the model as shown in Figure 5.1.1.1, followed by a table[1] which indicates significant factors that emerged from the empirical study.

Furthermore, this chapter presents not only emergent issues which are generated by this study but also postulates the linkages between the empirical findings and the relevant literature discussed in Chapters 2, 3, and 4.

6.1 Labour supply chain in the hotel

In this section, general issues in relation to the hotel labour supply chain are illustrated, including the choice of criteria for labour suppliers, types of products and services exchanged in the supply chain, approaches used to requisition labour, relationship management, payments that occur within the chain, and motivations for using agency staff.

6.1.1 How does the hotel choose its labour supplier?

[1] When an issue mainly contains information in relation to hotel operations only or apply in agency practices only, the table index column is shown as H1, H2, H3...or Aa, Ab, Ac... respectively. HX indicates each survey hotels in the study, from H1 to H7. AX represents the hotels' partner agencies, from Aa to Ah. The list of survey hotels and their partner employment agencies is illustrated in Table 6.3.1.1.

Throughout the study, three approaches for a hotel to choose its labour suppliers can be identified, in terms of adopting company policy, continuing previous working relationships, and trying out a new agency (Table 6.1.1.1).

Table 6.1.1.1 Labour suppliers criteria for choice

LSC-CS	Company policy	Previous working relationship	Trial and error method	Agency charge rates
H1		✓		
H2	✓	✓		✗
H3	✓	✓		
H4	✓			
H5		✓		✗
H6		✓		
H7			✓	✓

In addition to these three criteria, it is important to note that agency service charge rates are not the main concern for housekeeping managers when choosing their partner agencies.

6.1.1.1 Company policy

Hotels H2 and H3 are both part of the same large international hotel group. The headquarters of the chain provides a "nominated supplier list" for all hotels within the group when choosing their labour supplier.

> "*The agencies we use are all the nominated suppliers. There is a list from the head office of agencies that we are allowed to use, which is the nominated supplier list*" (Housekeeping Manager H3).
>
> "*We can only use those agencies which are nominated by our head office*" (Housekeeping Manager H2).

The list recommends 15 or 16 employment agencies. Some nominated agencies only supply staff within the central London area. Hotel H3 is located in the suburbs of London, about half an hour by express train or one-hour drive by car from the city centre. The agency used by this hotel supplies staff nationwide and arranges staff transportation from central London to the hotel.

Housekeeping Manager H2 also noted that she has to obey company policy in choosing nominated agencies, according to the reference list. All agencies used in Hotel H2, Agencies Ac, Ad and Af, are on that list. However, housekeeping managers amongst this hotel group can request special approval if their desired employment agency was not on the list.

> "*Unless there is someone we really want to use, we go to the head office and say we would like to use this agency. For example, we need housekeepers from agency. Not all the agencies that we use provide agency housekeepers. So, we actually went to our head office and said that we want that agency because they provide good housekeepers. They will nominate agencies for us. We cannot just go and just sort of pick any agency on the street. They have to be nominated by head office*" (Housekeeping Manager H2).

In Hotel H4, the housekeeping manager also has to follow company policy in selecting the hotel's partner agencies. Hotel H4 is not part of the same group as Hotels H2 and H3, but operates under another international chain group as a franchised property. Agency Ah is the main employment agency that supplies almost all housekeeping departments (15 hotels) within the franchised group to which Hotel H4 belongs. This cooperation started from one single hotel five years ago, and it has been expanded gradually to the all sister hotels within the franchised group.

> "*Whenever a new hotel opens up, we don't need to contact a new agency. They will automatically come and cover*" (Housekeeping Manager H4).

There was no exception for Hotel H4. In that, its sole partner, Agency Ah, set up a housekeeping team prior to the hotel's opening in May 2003.

6.1.1.2 Previous working relationships

Almost all partner agencies employed by Hotel H1 have been operating in the industry for a long time, at least 6 years. The major agency used in Hotel H1, Agency Aa, has serviced Hotel H1 for nearly a decade. Housekeeping Manager H1 does not look for new labour suppliers, but maintains the hotel's existing team of supply agencies to meet its labour demand.

In Hotel H2, the manager noted that apart from company policy regulations to use nominated employment agencies only, previous working relationships were another approach for her when selecting partner agencies. Two agencies the hotel used in this study, Agencies Ac and Af, have been in the operation for over 10 years.

Housekeeping Manager H3 did not look for a new employment agency, but selected and kept existing partner agencies. And the main agency she uses at the moment has supplied staff to the hotel for 20 years.

> "*They (agencies) were already in here when I started*" (Housekeeping Manager H3).

In Hotel H5, the manager has a tendency to use the agency she already knows, instead of testing a new company. To the manager, "*to know who is on the other side of the phone; to know whom you speak to*" (Housekeeping Manager H5) was essential while building up a working relationship between two parties, the hotel and the agencies. In this hotel, the working relationships with the partner agencies had been in place for over three years. The manager noted that she started using agency services by trying two or three room attendants from each agency. And that was how the relationship was built up from scratch. Once the demand/supply pattern had been settled, both parties try to keep it as stable as possible.

Housekeeping Manager H6 is relatively satisfied with his sole partner agency, Agency Ac. Therefore the management will not seek another employment agency because of the existence of good working relationships between the hotel and the agency.

From the agency point of view with respect to the criteria the hotel uses to choose agencies, Agency Managers Ah and Ad noted the importance of previous working experience in the hotel sector and a full understanding of hotel operations.

> *"If you don't have a hotel background, you won't understand what they want rather than sitting there and waiting for them to tell you. Because when they need to tell you, it is probably too late already"* (Agency Manager Ah).
> *"They just know me. And words of mouth from lots of people is import"* (Agency Manager Ad).

This implies that agencies try to understand what their client hotels want and need before the hotels seek staff. To achieve this, agency executives have to be able to understand the "language" and practices used in the hotel sector. There is no doubt that almost all agency managers surveyed in this study held previous positions in housekeeping departments or the hotel sector. Agency Manager Ah, in fact, worked as the head housekeeper in Hotel H3 before he joined the agency in 2001.

Moreover, Agency Ad supplies 2 hotels in this study, Hotels H2 and H7, and it has operated since 2001. Even though the company does not have a long operating history, it is very import that the agency director used to work as a hotel executive housekeeper. Therefore, the selection factor of previous working experience results from the agency executives' personal networks within the hotel sector.

6.1.1.3 The trial and error method

Compared with counterparts within the study, Housekeeping Manager H7 is more willing to try out new agencies and to build up new working relationships.

> "*What I do is that I see them, listen to them, and I take one person of each agency, and make sure we are all speaking the same language*" (Housekeeping Manager H7).

To the manager, understanding her requirements and being able to deliver requested services are important criteria when deciding her partner agencies. Housekeeping Manager H7 shows the potential partner agencies the required standards and tries out their staff and service, in order to find good partners and make sure that "*we (hotel and agency) are all speaking the same language*". After this trial process, if the staff are good, the manager will book the same staff to work in the hotel weekly on a permanent basis. With this approach, Housekeeping Manager H7 is creating a group of partner agencies, who understand the hotel's standards and staff preferences, and also spreading out departmental labour demand across a group of partner agencies.

6.1.1.4 Agency charge rates

Housekeeping Manager H2 admitted that agency charge rates played an important role as one of the hotel's choice criteria in selecting agencies. However, the hotel does not use this criterion any more, because of minimum wage regulations. Also, she suggests that there is not much difference between agencies.

> "*It used to be the cheapest agency.... Most of agencies are pretty much alike, aren't they?*" (Housekeeping Manager H2).

This implies the similarity of agency services in the market, as well as comparable agency charge rates.

Instead of seeking the cheapest agencies, Housekeeping Managers H2 and H6 suggest that the most important agency selection criteria for them is the quality of agency staff.

> "*It is about them providing me with good girls that I am looking for*" (Housekeeping Manager H2).
>
> "*Really my only concern with the agency is if they supply me the right people, that we got people who are interested in what they are doing. As long as they supply good staff, then we are happy, and that's the most important thing*" (Housekeeping Manager H6).

In Hotel H5, the manager also noted that agency charge rates were not significantly important to her when choosing partner agencies.

> "*Because no matter how cheap they are, they increase the price every year anyway*" (Housekeeping Manager H5).

Therefore, the agency charge rate was not the first consideration, but the quality of agency services and good working relationships are criteria the manager took into consideration.

In Hotel H7, the manager perceives this annual increase of agency charge rates from a different angle.

> "*Sometime their (agencies') inflation rate will be higher than your inflation for your permanent. That's why it becomes a problem*" (Housekeeping Manager H7).

According to Housekeeping Manager H7, it is acceptable that the agencies reflect their increasing operational costs, due to the rise of minimum wage level and inflation if applicable, by increasing agency charge rates to a reasonable level. For example, one partner agency wanted to increase charges to H7 from £8 per hour to £9 per hour for agency floor supervisors. Housekeeping Manager H7 refused what was seen as an unreasonable rise and asked the agency to withdraw their staff, because the hotel could not afford this higher charge rate. In the end, the agency agreed to revise its charge rates to an acceptable level.

From agencies' point of view, cutting their service charge does not always win the contract.

> *"Our operation toward our clients is very rarely to lose our clients. We only lose clients, basically if we get on cutting rate, and then we lose in that way"* (Agency Manager Ab).
>
> *"We are not going to supply hotels which ask us to reduce our rates"* (Agency Manager Ac).

Apart from the above criteria, Agency Manager Ah also noted another selection criteria, job security, which was sensitive in nature to hotel housekeeping managers.

> *"Housekeepers don't want to feel their position threatened. Housekeepers would want to feel that everybody would like their services and still make them necessary"* (Agency Manager Ah).

When hotels use agency services, instead of contracting out the whole housekeeping department, housekeeping managers feel more secure of their positions in the hotel. Because if the whole department is contracted out to an outside contractor, the department head will have less control over departmental operations, or even there may be no need to keep the manager anymore.

In summary, the evidence shows that, to the hotel managers, a previous working relationship plays a relatively more important role than other approaches, when choosing their partner agencies. Many hotel managers keep their existing partner agencies, because the working relationships have been settled for a long time. The most extended example is the working relationship between Hotel H3 and Agency Ah, which has lasted for over two decades. Moreover, using agencies with which you have a previous working relationship enhances the continuity of services and operations in both sectors, the employment agency industry and the hotel sector. This confirms the importance placed in the literature on "rapport" (Key Note 2003) as a selection criterion. The hotel managers feel reluctant to change their partner agencies, if the service and staff provided are acceptable and meet standards required. Only Housekeeping Manager H7 is relatively more adventurous in using trial and error approaches to find suitable partner agencies.

One agency selection criterion for hotel managers is based on company policy. Two survey hotels, Hotels H2 and H3, were only allowed to use nominated agencies which were recommended by their headquarters. Another survey hotel, Hotel H4, had no choice on agency selection, because its partner agency, Agency Ah, came to assist with pre-opening set up, according to a continuing partnership cooperation with other hotels within the group. The group headquarters allocated the agency to work with Hotel H4 without consulting Housekeeping Manager H4.

One of the reasons why hotels use agency services and staff is cost effectiveness. However, agency charge rates are not the main concern for the hotels when choosing partner agencies. Agency charge rates are not as critical as the literature (Purcell and Purcell 1998; Spekman *et al.* 1998; Allan 2000; Ward *et al.* 2001) suggests. In other words, it is not the case that the cheaper the charge rates are, the higher the chances to get a contract. Hotel managers do not consider a few pence more or less on the agency hourly charge rate as the main selection criteria, but rather depend on the quality of services and products provided by agencies. Most housekeeping managers are standards-led and concerned about quality issues rather than the cost factors alone. This may be because agencies, commonly, increase the charge rates every year according to inflation and changes in minimum wage regulations.

The supply chain management literature suggests that three main imperatives in choosing suppliers are low cost, high quality, and improved responsiveness (both delivery time and flexibility of product delivery) (Spekman *et al.* 1998; Duclos *et al.* 2003; Lemke *et al.* 2003; Kannan and Tan 2004). In the study, it is confirmed that quality and improved responsiveness seem to be more important than low cost when hotels chose their labour suppliers. This argument also confirms Rainnie's (1991) assertion.

In conclusion, amongst four selection criteria noted from the data, previous working relationships seem to be the most important factor in choosing a hotel's partner agencies. Agency charge rates have less impact on a hotel's decision, provided the rates are reasonable. Hence, more and more hotel groups centralise the agency selection process and provide a list of preferred agencies for individual hotels. This company policy shows companies' concerns for service quality provided by employment agencies, as well as indicating an entry constraint for some agencies. This enhances the competition between agencies, especially for those new agencies which have no previous working relationships with the hotels. Therefore, it is recommended that agencies should focus more on service quality in order to establish the company's goodwill, rather than reduce their charge rates to gain market share.

6.1.2 Which type of products and services are exchanged in the labour supply chain?

The study noted a range of different services provided by agencies to their partner hotels (Table 6.1.2.1), depending on the hotels' requirements. These packages can be identified in three categories, namely basic, advanced and premium service packages.

Table 6.1.2.1 Agency service packages

Service items	Basic service package	Advanced service package	Premium service package
Housekeeping staff	✓	✓	✓
Staff documentation checking and maintenance	✓	✓	✓
Interviewing and recruiting	✓	✓	✓
Human resource management support	✓	✓	✓
Long-term labour supplying	✓	✓	✓
In-house training		✓	✓
Regular personal contact		✓	✓
Staff scheduling			✓
Language translation support			✓
Staff transportation			✓
Frequent personal contact			✓
Fixed operation costs			✓
Quality control assistance			✓
Non-housekeeping assistance			✓
On-site coordinator			✓

The three package options were all adopted by survey hotels although the basic service package was the one most commonly utilised (Table 6.1.2.2).

Table 6.1.2.2 Service packages in the labour supply chain

PROD	Basic service package	Advanced service package	Premium service package
H1		✓	
H2	✓		
H3			✓
H4			✓
H5	✓		
H6	✓		
H7	✓		

The basic service package includes product and service, such as housekeeping staff, staff documentation checking and maintenance, interviewing and recruiting, human resource management support, and long-term labour supply.

Housekeeping staff

Most agencies studied supply the entire range of housekeeping staff, from housekeeping managers to entry level staff, such as room attendants and house porters. However, the majority of staff supplied in the market are room attendants. A detailed description in relation to the type of work offered to agency staff is presented in Section 6.1.3.1.

Staff documentation checking and maintenance

According to the terms and regulations generally agreed between hotels and the agencies, the agencies have to make sure the staff they supply have proper and legal working documents. Apart from checking this documentation, the agencies also create and maintain staff files which contain staff personnel data, work papers and documentation, training records, and other essential information, in their offices. Further detailed discussion is presented in Section 6.3.3.2.

Interviewing and recruiting

The main products provided by agencies are housekeeping staff. As a consequence, agencies also provide the service of recruiting and interviewing new staff (see Section 6.3.3.2).

Human resource management support

In general, employment agencies act like an external human resource (HR) department to their client hotels. The HR roles include recruiting and interviewing new candidates, checking staff work status, and preparing staff files which contain all the necessary paper work.

> "*The agency does the human resources role, such as doing interviewing, checking paper work, and making sure everything is produced*" (Agency Manager Ac).
>
> "*We offer the proper staff training; we give ID cards to our staff; we have things like a computerised log-in system for our guys working on the night shift*" (Agency Manager Ah).

Long-term labour supplying

Most survey managers noted that they use agency staff on a permanent basis (from the hotel's point of view) and attempt to send staff to work for the same client (from agency's point of view). This long-term labour supply is further discussed in Section 6.1.3.3 and Section 6.1.4.1.

Secondly, the advanced package includes the basic services plus additional service items, in terms of in-house training, and regular personal contact.

In-house training

Amongst the survey hotels, not all hotel managers noted that their partner agencies provide agency trainers for them. Issues in relation to staff training are noted in Section 6.3.3.3.

Regular personal contact

Almost all employment agencies in this study contact their hotel clients in the morning through telephone calls, and the main purpose is to check that the staff booked for the day have reported to the hotels or are absent. Apart from this daily phone call, agencies also send their agency executives to do regular personal hotel visits. A detailed description with respect to this personal contact is presented in Section 6.1.4.2.

The premium service package is the most comprehensive one amongst the three programmes, and adds on more services, such as staff plan scheduling, language translation support, staff transportation, frequent personal contact, bedrooms cleaned at a fixed operational cost, quality control mechanisms, non-housekeeping assistance, and on-site coordination.

Staff scheduling

Two types of staff scheduling were found, namely in-house booking and booking through agencies. The details of booking procedures are illustrated in Section 6.1.3.2.

Language translation support

Due to language barriers, Agency Ah provides its own trainer to hotels to train its own new staff. In the agency, the majority of staff provided are Vietnamese or East European. The agency offers translation services with respect to the hotel's training manual, and provides a translator while the managers are doing departmental on-the-job training or at staff meetings.

Staff transportation

In Hotels H3 and H4, because of the relatively remote locations of the hotels, the partner agency provides a minibus service to transport their staff between the hotels and central London. This also helps staff to come to work on time.

> "*They put them on a minibus. Then they drive them down each morning, and they transport them back at the end of the day. The minibus belongs to the agency. Staff don't live around here, but this is where they work*" (Housekeeping Manager H3).
>
> "*The reason those hotels use agencies is because they cannot find staff from the local area. So, obviously if they cannot find staff in the local area, that means we cannot find the staff as well.... Rather than you get accommodation from hotel, we need to work out some thing. So, we have got seven minibuses to take staff there*" (Agency Manager Ah).

Frequent personal contact

The survey employment agencies use the telephone as the most common communication device to contact the client hotels. Personal hotel visits by the agencies are relatively rare throughout the study. In some survey hotels, perhaps once or twice per year, the agencies visit their client hotels. For the premium service package, the agencies visit hotels more frequently than the normal practice of the basic service package.

Fixed operation costs

Within the study, the majority of employment agencies charge their clients an hourly rate. The more hours agency staff work in the hotels, the higher the invoice charged to the hotels' account. Two agencies in the study, Agencies Ag and Ah, charge their clients by the total number of rooms cleaned. For agency Ah in particular, pricing policy is to charge its services based on the number of rooms cleaned daily. The more rooms that are cleaned by agency staff, the more the hotel has to pay the agency, and vice versa.

> "*Regardless of staffing level, regardless of business level, regardless of any outside factor, we charge them a fixed amount per room cleaned.... All we have is the fixed cost per room, regardless of anything that happens, regardless of sickness, absences, holidays, business levels, or whatever. We guarantee them the standard of the rooms. We guarantee the cost per rooms, and that's the way we go. And that's why a lot of companies are considering to do that now, especially for those who prefer to have fixed revenue coming in*" (Agency Manager Ah).

Under this "pay-as-you-clean" charge method, the hotel can control the room cleaning costs at a predetermined level, linked directly to how many or few rooms were used the night before. The hotel can then budget their operational costs at an exact level.

Quality control assistance

An agency-led quality control score system is provided in the premium service package. Details are presented in Section 6.1.4.4.

Non-housekeeping assistance

Agency Ah is a hospitality agency with a major focus on housekeeping work or cleaning-related jobs. The food and beverage department in Hotel H3 occasionally requests banqueting waiting staff from the agency, especially when the catering manager is desperate for staff. The agency manager admitted that supplying waiting staff is not where they are specialised and the main reason for him to make such staff are available is to keep a good relationship with the client hotel company, especially this survey hotel. The agency not only supplies to the housekeeping department, but also provides kitchen porters and night cleaning. The agency cannot afford to lose this specific account or those of other hotels in the same group.

> "*We only provide silver service to a few of those hotels, because the reason why is we feel responsible for assisting them in many aspects.... It is nice to do that. It is not all about the profit. It is about maintaining a good relationship*" (Agency Manager Ah).

The same situation occurs in Hotel H4. Housekeeping Manager H4 noted that Agency Ah was able to support his operations in a wider sense. For example, in Hotel H4, the head housekeeper is also in charge of hotel maintenance. There was one occasion when he had to arrange air-conditioner filter cleaning and maintenance. Agency Ah sent two staff and helped him to complete the task. This was not on the agreed agency service list, but the agency still made an effort to assist with as many aspects as they could.

<u>On-site coordinator</u>

Hotel H3 uses about 50 agency housekeeping staff on a daily basis, and 99% of them are supplied by Agency Ah. Due to this huge demand for daily staff, the agency appoints one staff as an on-site charge hand in the hotel to control and supervise agency staff, in terms of training, scheduling staff rosters, and mediating between the client hotel and the agency. The same employment agency also supplies staff to Hotel H4, but it does not provide an on-site coordinator on the premises. However, the agency allocates two personal contacts to deal with finance issues, such as accounting and invoicing matters, and operational issues respectively, for Hotel H4.

> "*We have one personal contact for operational issues. And we have second personal contact for invoice and account issues... They are available to us 24 hours a day*" (Housekeeping Manager H4).

"He is the supervisor for all the staff supplied by that agency. He is the one who tells who is working the following day, and who does a lot of training for them. And he is the supervisor and controller for that group of room attendants. He is on-site" (Housekeeping Manager H3).

"He (charge hand) works for those guys, but he will be guaranteed a full-time arrangement. He also look after another hotel nearby, and he is on a 40 hours contract" (Agency Manager Ah).

To sum up, in this study, most survey hotels purchased basic service packages from their partner agencies, such as Hotels H2, H5, H6 and H7. Hotel H1 operates an advanced package because of the add-on services, such as in-house training and language translation service. Hotels H3 and H4 have the most intense package which includes many other services illustrated previously, such as staff scheduling, regular personal contacts, staff transportation, frequent personal contacts, cleaning bedroom with fixed operation costs, quality control assistance, non-housekeeping assistance, and on-site coordination.

The literature suggests the most common products serviced in the employment industry are as listed in the basic and advanced packages (Hotopp 2000; Druker and Stanworth 2001; Jones 2002). The difficulty in providing a general description of agency structures and services is also noted (Purcell and Cam 2002).

According to the above classification of the three service packages, the main difference between advanced and basic service package is whether the agencies provide staff training in the hotel or not. Agencies Aa, Ac, Ad, Ag, and Ah noted that they have an in-house trainer to train their new staff in the hotels. As a consequence, all survey hotels should have the advanced service package, if it is not the premium service package, provided by their partner agencies. This discrepancy shows that there is a gap between what the agencies had promised and the real product being delivered.

In conclusion, different service packages indicate the complexity and the flexibility of considerations that need to be considered by both hotels and agencies in negotiating their relationships. An informal relationship is, generally, found between hotels and agencies (see Section 6.1.6.1). This informal relationship is based on mutual understanding and it helps both parties to avoid being too restricted. However, this flexibility makes the supply relationship more complicated to manage.

6.1.3 How does the hotel requisition labour within its supply chain?

The whole labour supply chain by which human resources are supplied via employment agencies to client hotels is based on a demand and supply model. In practice, depending on hotel occupancy forecasts, hotels require or book a certain number of agency staff from employment agencies on a weekly or fortnightly basis. This booking procedure can be done with agencies or through hotel managers, depending on the agreement between hotels and agencies. In this section, five issues relating to the management of the labour supply chain are discussed, in terms of type of work offered to agency staff, bookings, demands for new agency staff, discrepancies between demand and supply, and seasonality.

6.1.3.1 Types of work offered to agency staff

The evidence shows that all but one survey hotel employs agency staff at all levels, including entry-level staff (e.g. room attendants and house porters) and supervisory level (Table 6.1.3.1).

Table 6.1.3.1 Types of work offered in the hotel labour supply chain

LSC-ORD	Entry-level staff	Entry-level staff and floor supervisors
H1		✓
H2		✓
H3	✓	
H4		✓
H5		✓
H6		✓
H7		✓

Amongst the survey hotels, only Hotel H3 does not use agency floor supervisors to inspect hotel bedrooms. The manager is trying to maintain their own housekeeping supervisory team and uses agency staff as their entry-level staff only. In other words, the hotel only employs room attendants, house porters, and linen room attendants from employment agencies. Housekeeping Manager H3 noted that the majority of their agency staff are room attendants and the hotel has only 3 permanent room attendants to service 791 bedrooms with an 85% Average Occupancy Rate (AOR). Therefore, the hotel uses many agency room attendants to fill the gap.

All other hotels apart from Hotel H3 use agency staff in a wide range of levels, that is, from floor supervisors downwards to entry-level workforce. However, the demand for floor supervisors is far less than for entry-level staff. This practice may be explained by the hotels' concern regarding the quality performed by agency staff. All managers, both hotel and agency, noted that room attendants are the main position hotels would offer to agency staff. This confirms Atkinson's (1984) argument in relation to the use of external sources to supply semi-skilled staff.

Furthermore, the number of agency floor supervisors used in each survey hotel is relatively few, when compared with the ratio of agency/permanent room attendants in each department. Many of them only use 1 or 2 agency floor supervisors. Amongst these hotels, Hotel H4 has a relatively different practice than its counterparts. The agency supervisors used in Hotel H4 are complimentary and included in their premium service package.

6.1.3.2 Bookings

Booking procedures vary between hotels and their partner agencies (see Table 6.1.3.2).

Table 6.1.3.2 Bookings in the labour supply chain

LSC-ORD	In-house booking	Book through agency
H1	✓	
H2	✓	
H3		✓
H4		✓
H5	✓	
H6	✓	
H7	✓	

Two types of booking procedures were found in the study, namely booking through agencies (e.g. Hotels H3 and H4) and in-house booking (e.g. Hotels H1, H2, H5, H6 and H7).

> "*I don't write the rota for them. I know how many I have got in total.... But until the day before, I don't know exactly which members of staff will be on duty*" (Housekeeping Manager H3).

In Hotel H3, their partner agency (Agency Ah) allocates 1 charge hand in the department to control the staff roster. The manger advises the agency charge hand roughly how many staff will be needed for the following week. The actual number will be finalised the day before. What the manager controls is the total daily number of agency staff used, but she does not control which staff actually come into work.

For the rest of the survey hotels, the housekeeping managers admit that they act like a "mini-agency" in the hotels.

"*We do actually 90% of work here in the office. We do all the booking here, and the agency don't really get involved in that. We speak to all the girls. The thing we don't do is actually handing the pay*" (Housekeeping Manager H2).
"*I do my own booking, and ring them (the agencies) up at the end of the week and give them the bookings... So the agencies just wait for me to say 'Joe Bloggs is working Tuesday, Wednesday, Thursday and Friday'. So they actually do nothing*" (Housekeeping Manager H7).
"*A lot of hotels do their own booking now, because they have the same girl in week after week after week. They make their own reservation. 70% of our hotel, they have the same girls in and they do their own booking*" (Agency Manager Ac).

In summary, the practice of a "mini-agency" in the hotel was commonly found in the study. In other words, the hotel managers book directly with the agency staff who regularly work on their premises. Only Hotels H3 and H4 do not requisition staff through the managers themselves. Instead, their partner agency will arrange the staff rota for the hotels. The booking process is similar to the pull system suggested in the just-in-time management literature (Schroeder 1993; Kinnie *et al.* 1998; Bowen and Youngdahl 1998; Hutchins 1999; Taylor 2002).

Some hotel managers do not object to this practice of "mini-agency" (Housekeeping managers H1, H2, H5 and H6). The managers consider that in such cases, they can control their bookings more directly and have a quicker response from the agency staff themselves. However, Housekeeping manager H7 complained that her partner agencies overcharge the hotel, because they just introduce agency staff to the premises, and are not involved much in the management of agency staff, for example bookings.

6.1.3.3 Demands for new agency staff

Almost all hotel managers in this study noted that they use agency staff on a permanent basis (Table 6.1.3.3). As a consequence, the demands for new agency staff, in general, are as replacements for those agency staff who resign for whatever reasons.

Table 6.1.3.3 Demands for new agency staff

LSC-ORD	Stable labour force
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

> "*On the whole, we are very stable. It is very rare, maybe in one month, (that) we have one or two new start agency staff*" (Housekeeping Manager H2).
> "*We are very stable with the agency that we use*" (Housekeeping Manager H5).
> "*We don't see many changes. Occasionally, we will need to take 1 or 2 who have not been here before. But we try to avoid it*" (Housekeeping Manager H6).
> "*If we have people leave for whatever reasons, then we have to look for replace*" (Housekeeping Manager H3).

Furthermore, in Hotel H3, staff turnover is very low. The manager even has agency staff who have been working in the hotel for over 15 yeas.

All survey hotel managers noted that it was relatively rare for them to request new agency staff from their partner agencies. The hotels retain a regular agency staff team and request new staff only when staff resign or as a result of extra foreseeable demand. In general, the workforces in the survey hotels are stable, and the turnover is about one or two staff per month. This relatively low staff turnover seems to be in contradiction with the argument of possible high labour turnover rates within the flexibility literature (Geary 1992; Allan 2000; Druker and Stanworth 2001; Ward *et al.* 2001).

The retaining of a regular agency staff team confirms a trend to build long-term cooperative relationships between clients and agencies (Purcell and Purcell 1998; Ward *et al.* 2001; Purcell and Cam 2002).

6.1.3.4 Discrepancy between demand and supply

As for the number of staff required from employment agencies, in practice, the housekeeping managers look at the hotel occupancy forecasts in advance and make up the staff rota accordingly, on a weekly basis. After this weekly staff rota has been agreed, the managers check hotel reservations data on a daily basis as well (Table 6.1.3.4).

Table 6.1.3.4 Discrepancy between demand and supply checking

LSC-ORD	Check daily
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

Because of the nature of occupancy patterns in the hotel sector, occupancy can change dramatically within a short period. As a consequence, the managers check hotel reservations daily, in order to adjust departmental manpower utilisation to a more suitable level.

> "*They (the agency) supply us a rota, and who is going to be here on those days. They check twice a day. They check in the morning to make sure we have enough people for that day, and they also check in the afternoon, around 4:30 pm or 5pm, to make sure that the following day is covered*" (Housekeeping Manager H4).
>
> "*Everyday we check the occupancy to see if we need more or need to cancel*" (Housekeeping Manager H6).

Once this daily checking of any possible discrepancy between demand and supply has been done, the hotel managers have to react to the situation of either staff excess or shortage. If the hotels book more staff than required, the managers will cancel the excess staff by calling their partner agencies and/or telling the booked agency staff directly while they are on duty. In contrast, when the hotel needs more staff than have been booked, the agencies will try to find more staff by either asking staff to cancel their days off or by moving staff from other hotels to support this emergency situation.

> "*If there is any discrepancy, like too many people coming in, we phone them up to say can we cancel two people. If we need extra, again, we phone up and say we need 2 more staff*" (Housekeeping Manager H4).
>
> "*We always try to make sure that we are a little bit understaffed. So asking people to work more rather than cancelling people*" (Housekeeping Manager H2).
>
> "*There are always people here waiting. We are always prepared. ... We have backup supply in the office. People always want to work whether they are on their day off or they move people, there is always people sitting in the office, expect Sunday morning when our office is closed*" (Agency Manager Ad).

In general, the hotels requisition their labour requirements on a weekly or biweekly basis, and check daily reservations data to confirm any possible discrepancy between demand and supply. This checking is done on a daily basis, from both ends of the labour supply chain, hotels and agencies. The agencies check that their staff have arrived for work every morning, and the hotels check their reservations database to make sure the next (few) days will be covered by enough staff.

One of the reasons for the hotels to use agency staff is to gain flexibility to act in response to occupancy fluctuations (see Section 6.1.8.1). The literature argues that it is difficult to predict the exact demand in the hotel sector (Guerrier and Lockwood 1989b). In the study, some hotel managers noted that they do their requisitioning at a slightly understaffed level. That is, they make the number of agency staff requested a little bit lower than it should be according to demand. The managers noted that it was easier and they felt more comfortable to ask agency staff to do extra work, rather than cancel them if the hotels requisition too much labour. This points to two issues. First, the agency staff tend to take more work than the hotels' permanent members of staff. Second, using agency workers is more flexible for the hotel managers to adjust their labour demand in conjunction with requirements.

Despite daily checking for discrepancies between demand and supply, staff shortages and the need for emergency cover still occur commonly in the hotel sector. A number of survey agency managers noted this situation, whereby they have to find a substitute as soon as possible. Agency Manager Ad used a more proactive approach to anticipate this potential labour request. There are always staff, who are on their days-off, waiting in the agency's office for any possible call from hotel clients asking for extra staff or emergency replacements. When supplying housekeeping staff, the agencies are competing with time and trying to provide staff on time.

6.1.3.5 Seasonality

Most survey hotels, specifically Hotels H1, H2, H5 and H7, have a high occupancy rate during the summer and have relatively lower demand in the winter, especially during the Christmas and New Year holidays (Table 6.1.3.5).

Table 6.1.3.5 Demand seasonality

LSC-ORD	High demands in the summer and low occupancy in the winter	Busy all year round	High demands in the weekdays and low occupancy in the weekends	High demands in the special event
H1	✓			
H2	✓			
H3		✓		
H4				✓
H5	✓			
H6			✓	
H7	✓			

Seasonal occupancy variation has a great influence on hotel operations strategies, for example:

> "*We are very very quite at January, February, March, and into half of April and will get three floors closed down that means 103 rooms on one side of the hotel (will be closed)*" (Housekeeping Manager H5).
>
> "*Two weeks leading up to Christmas, our occupancy is dead, down to about 40% or 50%*" (Housekeeping Manager H2).
>
> "*January is very very quite.... The busiest periods usually are during June, July, August and September, and after 12th of December starts to go back down again*" (Housekeeping Manager H7).

Hotels H1, H2, H5 and H7 are all in central London, and their target markets are both leisure and business travellers. During the festive season of Christmas and New Year and bank holidays, the demand from business travellers is low. In addition, the leisure market is low in the British winter in London. As a consequence, during winter the demand for agency staff is low. However, in Hotel H6, there is a slightly different pattern. The hotel targets, as its major market, business travellers. Therefore, occupancy fluctuation is also significantly different between weekdays and weekends. The average occupancy rates are roughly about 90% and 50% during the week and at weekends respectively.

In Hotels H3 and H4, business performances depend, to a great extent, on the nearby airport and exhibition centre respectively. When the neighbouring exhibition centre hosts events or exhibitions, Hotel H4 is often full. But when there is no event, the demand for rooms drops dramatically, from 100% occupancy to 60%, for example. To Hotel H3, the airport, to which the hotel attached, is busy all year round. Therefore, Housekeeping Manager H3 noted that the hotel occupancy rate has no significant fluctuation between seasons.

It is evident that seasonal fluctuations make the strategy of using agency staff prevalent and sensible. This assertion also confirms the findings in the labour flexibility literature (Mouriki 1994; Casey *et al.* 1997; Tregaskis *et al.* 1998; Rawstron 1999; Purcell and Cam 2002). The most important reason why hotels employ agency service and staff found in the study is to have flexibility with respect to occupancy fluctuations. The detail of this response is discussed in Section 6.1.8.1.

The approach that hotels adopt to requisition labour from their supply chains is similar among all survey hotels. Most hotels request entry-level and semi-skilled staff and make the booking by themselves based on hotels' demand for manpower. In order to get a response and confirmation in relation to the bookings promptly, hotels prefer in-house requisition. Although some hotel managers complain that they cover some work which is supposed to be completed by agencies, it seems that hotels appreciate the flexibility resulting from in-house booking. Hence, this practice is likely to continue. However, agencies need to be aware and be careful about possible negative impressions with respect to their lack of involvement in staff booking.

It is evident that most hotels confront the impact of demand variation to a considerable extent. This demand fluctuation contributes to the prevalence of using agency staff in hotel housekeeping departments. Interestingly, the survey hotels noted that they do not request new agency staff often and, therefore, have a relatively stable labour force in their departments. This shows that hotels use agency staff from a strategic point of view, rather than merely as an emergency cover for staff shortages.

6.1.4 How is the labour supply chain managed by the hotel and its partner labour suppliers?

This section discusses several issues regarding the management of the labour supply chain between employment agencies and hotels, such as long-term tenure of agency staff, communications used between hotel and labour supplier, problem solving mechanisms, the number of suppliers, and quality concerns and control.

6.1.4.1 Long-term tenure of agency staff used

All survey hotels suggested that the approach they practice in using agency staff involves retaining them permanently and without a pre-fixed duration of tenure (Table 6.1.4.1).

Table 6.1.4.1 Tenure of agency staff in the labour supply chain

LSC-MANG	"Permanent" tenure
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

In general, hotel managers want to retain the same agency staff in their hotels.

> "*If we had loads of different girls coming here every week, obviously this would have a downside, because they would not be committed themselves to the hotel. So our maids and our customers would not benefit in that sense. So, that's why we are very careful that we don't do that*" (Housekeeping Manager H2).
>
> "*I wouldn't use it (i.e. agency services) if I have strangers every day, because in this case, you have no standards, you have no continuity, you have no training, and you would have somebody who doesn't know the building. It is not worth it*" (Housekeeping Manager H3).
>
> "*Although they are agency staff, they work permanently here*" (Housekeeping Manager H5).
>
> "*In theory we are a temporary agency but we provide people on a long-term basis. We don't do this sort of temporary staff thing*" (Agency Manager Ah).
>
> "*Those hotels which use the agency as an emergency cover to deal with problems, they don't get the benefit of agency staff at all. Because they have got no track record, they won't get somebody who has necessarily been there before*" (Agency Manager Ab).

All survey hotel managers noted that they use agency staff on a permanent basis. This provides evidence that agency housekeeping staff are not necessarily temporary workers only, even though technically, they are temps as indicated by their work category. Housekeeping Manager H5 named her agency staff as being as like the hotel's furniture, i.e. they work stably and consistently on the premises for a long time.

This stability is welcomed by all agency managers. Managers noted that using agency staff on a permanent basis enhances the continuity of service delivered, from both the agency and the hotel point of views. This long-term use of agency staff provides evidence of an on-going element within the labour supply chain between hotels and agencies. In this labour supply chain, those seeking the labour keep pulling (the request) and the suppliers continue pushing (the goods). As a consequence, the labour supply chain is not a one-off event, but an active business flow, especially under pressure from both ends of the chain, hotels and agencies.

The literature suggests that when a company uses numerical labour flexibility, it is often in association with using temporary labour from temporary help service providers to meet staff shortages (Gooderham and Nordhaug 1997; Ruiz-Mercarder *et al.* 2001). However, the fact that survey hotels use their agency workers on a permanent basis seems to provide a contradiction in terms this argument in relation to temporary workers.

The long-term assignment identified within this study confirms the assertion of the tendency towards continuing supply relationships, even partnerships (Section 2.6.5.1). The study also confirms the importance of retaining regular labour supply relationships between clients and agencies (Purcell and Purcell 1998; Ward *et al.* 2001; Forde 2001; Purcell and Cam 2002; Gray 2002).

6.1.4.2 The communication between hotel and supplier

The most common instruments used by hotel managers to communicate with their partner employment agencies is through telephone calls and personal discussion (Table 6.1.4.2).

Table 6.1.4.2 Communication approaches in the labour supply chain

LSC-MANG	Daily courtesy phone checking	Monthly hotel visit	Semi-annually hotel visit
H1	✓		✓
H2	✓		✓
H3	✓	✓	
H4	✓	✓	
H5	✓		✓
H6	✓		✓
H7	✓		✓

The pattern of communication is illustrated by the following examples:

> "*We will phone our clients every morning to know who is absent or late for work today. Also in the afternoon around 1 or 2pm, we will phone to know if there is any need for extra maids. This is after the morning briefing in the hotel and after acquiring a new forecast report*" (Agency Manager Aa).
> "*We ensure that the daily contact, weekly contact are always visible*" (Agency Manager Ab).
> "*We call every client hotel every day to make sure everything is all right*" (Agency Manager Ag).

All survey managers noted that a daily courtesy phone call is made by the agencies to confirm that staff requested turn up in the workplace on time and as scheduled. This serves as a device to check the daily routine operation, whether is on the right track or not. It also gives agencies opportunities to realise how efficient their services are.

In addition to this daily phone conversation, the agencies do visit their clients in person. However, the frequency of hotel visiting varies amongst survey hotels. In Hotels H3 and H4, their partner agencies visit hotels very frequently, at least twice a month. In the rest of the survey hotels, employment agencies visit the hotels not on a monthly basis, but visit every other month, once every 6 months or annually.

> "*Once a year, maybe they come, or twice a year to do spot-checking on uniforms and room... However, they are so often tied up taking calls, trying to get another person in, trying to go on visits to hotels to get business. They never come back*" (Housekeeping Manager H7).
>
> "*We go to hotels and discuss with managers about the quality of staff work, and issues and discuss how to improve things*" (Agency Manager Ag).
>
> "*Many of aspects can be dealt with by going in, instead of rather sitting by and waiting for a phone call. Again, most of them (hotels) are where we worked before, and we probably work for years as well. So we know how the work is, and you can develop your work relationship and they will give you more frequent and more critical feedback*" (Agency Manager Ah).

The above quotes confirm the importance of personal contact as better than communicating by telephone.

Agency Manager Ah also points out that sometimes it is too late to wait for their client hotels to report any unsatisfactory matters which may occur. The agency must act more proactively rather than passively.

> "*Some of them I have known for 10 years would be very frank with me. And some of them I have known for a couple of weeks, they probably will say 'everything is fine', but they don't really mean that. Some of them I have known for years would do a lot of complaining. And it is not a serious complaint. They are telling you because they feel more comfortable to tell you, and give you opportunity to correct that*" (Agency Manager Ah).
>
> "*The techniques of keeping good relationships are monitoring service the agency provides regularly and contacting clients often and regularly*" (Agency Manager Ag).

Two hotel managers, Housekeeping Managers H5 and H6, noted that telephone communication was good enough for them and their partner agencies did no need to visit them in person. The reason behind this preference was because, in both hotels, their partner agencies had provided services to the hotels for a long time. Therefore, the hotel managers did not need to see agency representatives in person, and suggested that they can deal with issues by telephone. However, the rest of survey hotel managers had different perspective than them.

Almost all agency managers noted the importance of communication, especially personal hotel visits. However, not all agencies can afford to visit their client hotels on a monthly basis. Agency Manager Ah noted a vicious circle, which contributed to the practice of infrequent hotel visits paid by employment agencies. In general, the agency charges its clients by way of surplus over costs. And in order to remain in the market, the agency has to generate volume. To generate a volume indicates that the agency is busy. Being busy means that the agency has less time to talk.

In the study, only two hotels, Hotels H3 and H4, noted that their partner agency had visited them very regularly, once or twice a month at least. However, other survey hotels noted that the frequency of this agency visit to their premises was once or twice per year. As previously stated, some hotel managers did not mind such infrequent visits, due to the existence of long-term working relationships. But for those new agencies which are just starting to supply staff to clients, it is recommended that contact with their client is as frequent as possible, as personal hotel visits have more weight than telephone communication.

As stated in Section 3.3.3, close working relationships and total commitment from each participant within the labour supply chain are essential while building up the chain (Cox 2004; Cox *et al.* 2004). In this study, frequent communications through telephone were commonly conducted, but personal contacts carry more weight in terms of giving relatively direct feedback to both clients and suppliers.

6.1.4.3 The number of suppliers

Throughout the study, the number of agencies used by each survey hotel varied greatly. Three categories can be identified, namely small, medium and large supplier teams (Table 6.1.4.3).

Table 6.1.4.3 The size of supplier team

LSC-MANG	Small supplier team (1 – 2)	Medium supplier team (3 – 4)	Large supplier team (5 – 6)
H1			✓
H2			✓
H3	✓		
H4	✓		
H5		✓	
H6	✓		
H7		✓	

The small supplier team means less than two labour suppliers to a single client hotel. Most small supplier team hotels, Hotels H3, H4 and H6 in this study, have just one single employment agency to meet their labour demand.

> "*When I started here, there were actually five different agencies, and it was just like a nightmare*" (Housekeeping Manager H3).

According to Housekeeping Manager H3, the fewer employment agencies the department uses, the less hassle this will cause. The manager noted that the hotel "*puts all their eggs in one basket*", but she is satisfied with this kind of arrangement.

Hotel H4 uses one single labour supplier to provide 98% of total housekeeping staff on the premises. Housekeeping Manager H6 is also in favour of having a small number of partner agencies.

> "*When I first came in to this hotel, it was very sceptical about having agency staff for the whole thing. I will never go back to the hotel where I employ my own staff on top of agency staff. I will outsource everything. It is far easier, far easier*" (Housekeeping Manager H4).

"*We use only one because it keeps it easier, particular because of the paper work.... (Using agency) makes it more straightforward to control the cost, and to get the right people*" (Housekeeping Manager H6).

In contrast, the medium supplier team includes 3 to 4 labour suppliers as a group for service. Hotels H5 and H7 represent the practice of using this medium supplier team. Therefore, the hotels use 3 and 4 employment agencies respectively.

"*At the moment, I have got 4, which I am happy with. It is a lot of paper work, but it gives you choice. You should never have only one agency. Don't put all your eggs in one basket, because it will be a disaster*" (Housekeeping Manager H7).

"*We can't have only one agency; we have three. If one let us down, we have the other two. Never use only one agency. Don't put all your eggs in one basket. I have three baskets and share the eggs. And you will never get into a mess*" (Housekeeping Manager H5).

The third type of supplier team is the large one which includes more than five labour suppliers within the team. Hotel H1 and Hotel H2 have 5 and 6 partner employment agencies respectively.

"*What I like to do is to have different sources. I don't want all of the maids from the same (agency). It is the case of not putting all your eggs in one basket*" (Housekeeping Manager H2).

Housekeeping Manager H2 noted that if she was looking for quality staff, she would ask for staff from a small agency she works with. However, when a large amount of staff were needed, then she would turn to her bigger agencies, which have a pool of agency staff from other hotels, in order to obtain staff rapidly.

In summary, three forms of labour supplier teams can be identified in the study, namely small, medium and large supplier groups. Three hotel managers, Housekeeping Managers H3, H4 and H6, noted their preference to have less than two, even just a single labour supplier in order to reduce quotations and paper work which may occur within the labour supply chain.

To those managers who use more than one labour supplier, such as Housekeeping Managers H1, H2, H5 and H7, using different agencies gives them more confidence to control their labour utilisation on their premises. "*Do not put all your eggs in one basket*" is the main motivation for hotels to use medium and large supplier teams. As a result, the hotels can spread the risk among their suppliers. However, in each hotel, it is not always the case that they requisition staff from their partner agencies evenly. That is, most hotels still have their major labour suppliers and the rest of the supplier team act as alternatives for the hotels. For instance, Hotel H7 uses Agency Ac as their major labour supplier to supply 75% of agency staff the hotel regularly requires. Agency Aa serves as Hotel H1's major agency to supply about 50% of agency staff in the hotel. Only Hotel H5 appears to employ staff equally from their three partner agencies.

Hotel H2 uses the most partner agencies, 6 in total, in the study. However, it is not the biggest hotel in terms of the number of hotel rooms. Housekeeping Manager H2 adopts a large supplier team not only for the reason of risk sharing, but also to hire agency staff from different sources based on the hotel's needs from time to time.

As noted in the literature relating to supply chain management (SCM), having fewer suppliers is recommended in the SCM, in order to build up a flexible and closely cooperative supply chain system. In this empirical study, less than half of the cases studied agree with the practice of recruiting a single labour supplier. However, for the rest of hotel managers, although they are not in favour of a single supplier for risk-sharing reasons, a preference of having a medium size supply environment (less than 4 suppliers) is evident.

6.1.4.4 Quality concerns and control

The quality control mechanism over agency staff and their performance can be categorised into two approaches, in terms of hotel-led and agency-led quality control devices (Table 6.1.4.4).

Table 6.1.4.4 Quality concerns and control in the labour supply chain

LSC-MANG	Hotel-led quality control	Agency-led quality control
H1	✓	
H2	✓	
H3	✓	
H4		✓
H5	✓	
H6	✓	
H7	✓	

Most survey hotel managers noted that the hotels should handle the quality of staff performance and take responsibility accordingly. For example, in Hotel H1, the manger did not worry about the quality of staff excessively, because the hotel had floor supervisors to do room checking and control the quality based on their standards.

> "*In terms of the quality, an agency maid or a permanent maid is as good as the supervisor they have. If the floor housekeeper is not good enough, then the maid is not going to be good enough. You can train any maid to your standards if she is interested to work with you*" (Housekeeping Manager H5).
> "*You should do it yourself. ... If I have to wait for two weeks until someone comes in and tells me that something has gone wrong. It wastes your time*" (Housekeeping Manager H7).
> "*What I am doing here, really it is about standards, about commitment. It is what the department is about, really*" (Housekeeping Manager H2).

In Hotel H7, the hotel manager agreed that the hotel management should take responsibility for quality control. The same perspective is identified in Hotel H2.

Housekeeping Manager H3 noted that, unavoidably, on some days, the main aim is to cover excess rooms because there are not enough staff for the day. At such times, the manager does not put quality as her first priority. "*One day, someone doing a quick job, it is not ideal, but it is manageable*" (Housekeeping Manager H3). However, the manager also advises that this is not the norm. Still the management has to be careful about taking agency staff "*who just want to do lots of rooms, but don't care about the standard at all*" (Housekeeping Manager H3).

In Hotel H3, the housekeeping manager uses floor supervisors as the hotel's quality controllers.

> "*Supervisors are the ones who are checking them on a daily basis*" (Housekeeping Manager H3).

This is also the reason why the manger focuses on using agency staff permanently in order to get the consistency of outputs and continuity of performance.

As for the efforts made by the agencies to strengthen the quality of their staff and services, most agencies use hotel visiting and spot-checking staff performance as their quality control devices. In addition to this common technique, Agency Ag is also registered with ISO 9002, in order to maintain their quality assurance standards. Apart from going to client hotels and discussing with the managers about the quality of staff work and related issues, the agencies send annual performance and quality surveys to their clients in order to find out how clients perceive the service and how it can be improved.

Agency Manager Ah raised a question regarding quality standards.

> "*What is the standard, I need to see what is clean; what is dirty; how clean is clean; how unacceptable is unacceptable; and the level of dirtiness. It is very subjective*" (Agency Manager Ah).

The agency formalises an internal audit checklist as the agency's performance measurement mechanism. The check list items include tasks like venting vacuums, health and safety training, room standards, room maintenance, specialised training chart to make sure everything is done. The list will serve as an evidence of how well the agency performs and also relates to payment of agency staff as well.

> *"With our own 100 points check list, you need to achieve at least 60 points on average. If you set the standards like that, then it is very obvious, you know how well we are achieving"* (Agency Manager Ah).

In this study, only in Hotel H4, is the quality control relatively agency oriented. It is because the hotel purchases a premium service package from its single labour supplier, Agency Ah. The price paid by the hotel includes the inspection of rooms cleaned. Therefore, the hotel expects its partner agency to prepare ready-made and quality-proved bedrooms. This does not mean that Hotel H4 is not concerned about the quality of the bedrooms serviced by its partner agency, Agency Ah. Rather, because the agency also supplies staff to other sister hotels within the same group Hotel H4 belongs to, there is a mutual understanding about the quality standards and expectation between the hotel and the agency. Moreover, Hotel H4 is part of an international hotel chain with high standardisation of their products and facilities. This enhances mutual understanding as well.

In summary, when quality control is hotel-led, there is a tendency to rely heavily on floor supervisors. The managers noted that it was floor supervisors' responsibility to be the quality controller in the hotels. They are, relatively speaking, not concerned about the quality of agency room attendants, in terms of staff backgrounds and previous working experience, because the hotels have their floor supervisors as the guarantors of quality and standards. This also explains why these hotels feel more reluctant to use agency floor supervisors, compared to their utilisation of room attendants.

To the hotels, agency staff should be well trained in the hotels, and it is management's duty to make sure all staff working in the hotels are equipped with enough knowledge to perform their jobs. This can relate to the practice of most hotels availing of service packages, which exclude in-house training conducted by their partner agencies.

As noted in the literature, one of the drawbacks of using employment agencies (i.e. labour suppliers) is less commitment from agency staff and as a consequence a possibility of low quality performance (Allan 2000; Timo 2001; Rankin 2004). In this study, the quality of the staff performance is relatively less important because hotels have their own quality controllers, i.e. floor supervisors, to maintain the quality standards. This can be seen as further evidence of treating staff as part of commodities circulated within the hotel labour supply chain.

Labour supply chains between agencies and hotels are managed on a long-term basis due to the requisitioning of de-facto permanent agency staff. Hotels tend to avoid working with a large group of agencies and prefer a small to medium size team of partner agencies (i.e. from 1 to 4 agencies). Smaller supplier teams helps hotels to spread their demand for labour to the supply team but still allows them to hold associated essential administrative work to a minimum. It can also assist in keeping close relationships between hotels and agencies. The most common communication approach adopted in between these two parties is telephone. However, agencies could beneficially increase the frequency of hotel visits in order to enhance existing relationships.

6.1.5 Issues related to payments occurring in the labour supply chain

In the labour supply chain, payments made by client hotels to their partner agencies in exchange for agency staff and services are higher than the actual wages paid to agency staff. This is because employment agencies take a certain proportion of the payment by clients as their fee to cover agency operational costs. This section will discuss the five issues related to payments which occur in the labour supply chain, in terms of payment from hotels, temp-to-perm fees, payment to agency staff, training period payments, and charges by agencies.

6.1.5.1 Payment by hotels

There are two types of charging rate practices in the hotel sector, in terms of hourly rates and flat room charges (Table 6.1.5.1.1). Most survey hotels, apart from Hotels H3 and H4, pay for agency services by total hours worked by agency staff.

Table 6.1.5.1.1 Approach of charge rate in the labour supply chain

LSC-PAY	Charge by hour	Charge by room
H1	✓	
H2	✓	
H3		✓
H4		✓
H5	✓	
H6	✓	
H7	✓	

According to Housekeeping Manager H3, the hotel "*doesn't pay an hourly rate. We just pay for a ready room. Our room attendants are paid per room, and the rate is £3.13 per room*". Therefore, the hotel actually pays their agency staff at about £6.26 per hour (i.e. £3.13 x 2= £6.26).

Hotel H4 also pays for agency services under this pay structure, that is, pays for ready rooms which includes cleaning and inspection.

> "*Whatever is used is what we pay for. If the room is not occupied, we are not paying for staff sitting there and doing nothing*" (Housekeeping Manager H4).

Table 6.1.5.1.2 Charging rates in the labour supply chain

Agency staff pay rate from hotel (per hour)	Number of rooms	Room attendants	House porters	Housekeepers
H1	910	£5.20 - £6.20	£5.20 - £6.20	£7.50
H2	450	£6	£6	£8
H3	791	£6.26 (=£3.13/room x 2)	£5.50 (= £44/8 hrs)	N/A
H4	210	£7.70 (includes inspection)	£5.50 (= £44/8 hrs)	Inclusive
H5	280	£5.60 - £6.45	£5.60 - £6.45	£7 - £7.58
H6	267	£6.45	£6.45	£7.58
H7	272	£6 - £6.45	£6 - £6.45	£8

Table 6.1.5.1.2 indicates that, on average, hotels pay agencies for using agency entry-level staff, such as room attendants and house porters, at a rate of £6 per hour, and pay £7.80 per hour for hiring an agency floor supervisor. There is no significant difference in this agency staff charge amongst survey hotels. However, the bigger the hotel is, the cheaper price it can negotiate with its labour suppliers. Hotel H1 is the biggest hotel in this study, and it pays the lowest rate amongst its counterparts.

Apart from the payment for either total staff working hours or for each room cleaned, the hotels also provide agency staff with meals while on duty, uniform and uniform laundry, Christmas gifts, and an annual staff party. These are fringe benefits provided to staff who work in the hotel, both permanent and agency staff. The hotels will not provide agency staff with holiday pay, sick pay, maternity leave or pension contributions. These benefits are the responsibilities of employers of agency staff, the employment agencies.

6.1.5.2 Temp-to-perm fee

In general terms and conditions agreements between agency and client, if the client want to take agency staff as permanent staff, the agency can ask the client to pay from 7.5% to 17.5% of the annual salary of this staff member as an introductory, "temp-to-perm" fee.

Table 6.1.5.2 Temp-to-perm fee charged in the labour supply chain

LSC-PAY	Would pay the fee	Would not pay the fee	Not applicable
H1		✓	✓
H2		✓	
H3		✓	
H4			✓
H5			✓
H6			✓
H7	✓		✓

Such payments were evident in the study but only one hotel manager, Housekeeping Manager H7, said they would pay this charge (Table 6.1.5.2).

> "*The agency says you cannot buy him, but you pay a fee. And that's what I did. I wanted him (the staff), so ...*" (Housekeeping Manager H7).

Other managers would not pay this "temp-to-perm" fee, for three reasons. One is that it is too expensive to pay this charge for entry-level staff.

> "*For some agencies, they try to charge us for £1,000, which, for a maid, is quite a lot. It is not actually worth for us to spend this. This is not the recruitment fee we really need to spend. Because, obviously, we can just go down to the Job Centre, and recruit maids*" (Housekeeping Manager H2).

The second reason is the hotel managers have strong buying power against agencies and can request staff they prefer without paying the fee.

> "*I will not pay 'temp-to-perm' fee. They will charge that to other hotels, but not to me*" (Housekeeping Manager H1).
> "*Some of our agencies are very good. They say they have such a good working relationship with us, and they actually don't charge us*" (Housekeeping Manager H2).

"*I can negotiate with them and ask them to pay7.5% or use another person. I supply another temporary worker in that hotel. In that case, I don't lose anything*" (Agency Manager Ad).
"*We do charge 10%. But you cannot charge your good clients*" (Agency Manager Af).

The third reason is that the option is not normally applicable, because the hotels do not hire permanent staff but only use agency staff permanently instead.

"*It is very rare, because if there is one agency maid who desperately wants to be permanent, a lot of hotels in London are looking for chambermaids. So, it is not often that someone who works for an agency and decides later that she wants to become permanent. It is very rare for that to happen*" (Housekeeping Manager H2).
"*We don't take permanent staff, not any more. ... We are not allowed to recruit*" (Housekeeping Manager H5).
"*I am not really going to have permanent maids. I will never see myself taking another permanent maid again*" (Housekeeping Manager H7).

"Temp-to-perm" fee is as an introductory fee charged by employment agencies to their clients, when agency staff transfer their status as the hotels' permanent member of staff. In general, this charge rarely occurs within the labour supply chain. Hotels feel reluctant to pay the fee, and also agencies are afraid to charge their clients as it may damage the working relationships between two parties. Furthermore, most hotels have no intention of employing permanent housekeeping staff, but use agency staff instead to meet the hotels' labour requirements. Therefore, this "temp-to-perm" fee is a relatively unimportant issue.

However, the lack of "temp-to-perm" practices provides evidence that hotels seem to consider their partner agencies as labour suppliers to supply workers, instead of as introducers of job candidate. In the literature, it is argued that agencies also supply job candidates to clients on a "trial and error" basis, and this acts like a probation period for a potential permanent member of staff (Ward *et al.* 2001; Jones 2002). The evidence shows that the role of an agency as a job introducer for permanent placements is not significant in the context of this study. This further reinforces the appropriateness of the labour supply chain model in the hotel sector.

6.1.5.3 Payment to agency staff

The minimum wage for an adult worker at the time of the research was £4.50 per hour. Throughout the study, all agency managers noted that they pay their staff, at least, the minimum wage (Table 6.1.5.3.1).

Table 6.1.5.3.1 Payment to agency staff

Agency staff pay rate from agency (per hour)	Room attendants	House porters	Housekeepers
Aa	£4.50	£4.50	£6.00 - £6.50
Ab	£4.50 plus	£4.50 plus	£4.50 - £6.50
Ac	£4.50	£4.50	£5.50 - £6.00
Ad	Minimum wage	Minimum wage	Minimum wage
Ae	£4.50 - £5.00	£4.50 - £5.00	£4.50 - £5.00
Af	£4.50 - £6.50	£4.50 - £6.50	£5.30 - £7.00
Ag	Minimum wage	Minimum wage	Minimum wage
Ah	£4.50 - £5.50	£4.50 - £5.50	£4.50 - £5.50

The variation in payment for the same post results from the level of experience a member of staff has, the location where the client is and the rate of service charge negotiated with the clients.

> "*We pay anything from £4.50 up to £6.50, depending on experience, and what's negotiated*" (Agency Manager Ab).
> "*A chambermaid supplied to this hotel might be paid more than a chambermaid to the other hotel, because if our pay rate from the hotel is higher, then we will pay our staff more*" (Agency Manager Ab).
> "*Different clients offer different things. Some clients are paying much more than the other. We are trying to pay in line with what they pay. At the*

moment, housekeeping is anything from £4.50 to £5 an hour" (Agency Manager Ae).

"*The payment for agency staff is different based on the level of staff, and hotels they work for, and the experience they have got*" (Agency Manager Ag).

"*The guys in central London, you tend to pay them a little bit more, because there is more competition, and there are more jobs in central London. So, you've obviously got to pay them a little bit more*" (Agency Manager Ah).

As for the fringe benefit entitlements of agency staff, several benefits were identified in this study, such as holiday pay, sick pay, and miscellaneous benefits in terms of flexibility, Christmas gifts, monthly awards and long service awards (Table 6.1.5.3.2).

Table 6.1.5.3.2 Fringe benefits to agency staff

Fringe benefits	Holiday pay	Statutory sick pay	Miscellaneous benefits
Aa	✓	✗	
Ab	✓	✗	Flexibility
Ac	✓	✓	Confidence of working
Ad	✓		Christmas gift
Ae	✓	✓	Flexibility; Diversity of working; The employee of the month
Af	✓		Christmas bonus
Ag	✓	✓	Promotion and appraisal; Long services award; The employee of the month
Ah	✓	✗	

All survey agencies pay holiday pay to their staff. However, not all agencies noted that they offer sick pay. Agencies Aa, Ab and Ah noted that they did not pay sick pay to their staff.

> *"If we are not going to pay for sick pay, that problem has disappeared. ... They don't get sick. If you got sick, you don't get your wages. That's very simple. It sounds harsh, but..."* (Agency Manager Ah).
> *"To be perfectly honest, they don't normally go sick. It is the big difference between agency staff and permanent staff. Agency staff don't get colds and flu, and go missing for 4 or 6 days. It doesn't happen"* (Agency Manager Ab).
> *"If they want sick pay, they must get the doctor's advice. Most of our girl cannot afford to be off from the work"* (Agency Manager Ac).

Regarding the miscellaneous benefits which are given to agency staff for working as a temp, the following were noted:

> *"They have all their Christmas gift. When they come in, they got coffee, heat, sweet, chocolate. And our staff, we treat them as human beings. Plus when they go to the hotel, they are treated like permanent staff"* (Agency Manager Ad).
> *"Flexibility, that's the key benefits. 'I cannot work this week. I can do next week. I can't work in the morning. Next week, I can't do afternoons'. That's OK. That's flexibility. By temping, you can often get much more experience much more quickly. You work in different places, you get to learn so much. (That is) diversity, if someone like working in different places"* (Agency Manager Ae).

The evidence indicates that agency staff are paid at an hourly rate at the exact or slightly above the minimum wage limit, which was £4.50 per hour from 1st of October, 2003[2]. All survey agency managers noted that they follow the regulations and pay their staff at least £4.50 an hour plus staff holiday entitlements. The hourly wage paid to staff may vary because of their work experience and their workplace. If a hotel pays a higher rate to its partner agency, then the staff who work in the hotel can receive a higher hourly rate. However, in general, there is no significant difference in payment to the staff within one agency, or between agencies.

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[2] Since revised upwards to £4.85 per hour for an adult worker from 1st of October 2004.

Because hotels only pay for the total hours or rooms serviced by agency staff, the agencies also pay their staff based on their working hours or the number of rooms serviced. No work, no payment. This is the rule commonly practiced in the agency industry. It also explains why not all survey agencies pay sick pay to their staff. If they pay, it is according to the statutory sick pay regulations. Two managers, Agency Managers Ab and Ah, noted that they do not pay staff sick pay and as they pay this benefit, their staff take less time off work and do not get sick as often as the hotels' permanent member of staff.

As the empirical data suggests, the benefit entitlements of agency staff are not equivalent to their permanent counterparts who work in the same hotel. However, the managers noted that they do enjoy other non-material benefits, such as flexibility, diversity of working experience, and confidence to work. This suggestion may be used as a justification for lesser entitlements for agency staff. However, this is also the nature of agency work. The more agency staff work, the higher their reimbursements.

6.1.5.4 Training period payment

All survey hotel managers noted that the hotels did not pay for the initial training days when a new agency staff member started work in the department (Table 6.1.5.4). During this training period, the agencies did not pay new staff for anything from the first couple of days up to three to four weeks, depending on the progress of staff training.

Table 6.1.5.4 Payment during the training period

LSC-PAY	No charge by agency
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

The norm is that agencies do not charge clients for the first two days of training and do not pay staff while training as well. After this initial training period, the agency will start charging the hotels for the number of rooms the new staff member services. That is, if the staff member cleans four rooms on the third day, then the hotel would be billed for these four rooms or for an agreed daily charge.

> "*For the first two days, we won't pay. After that we come to an arrangement, and depends on how good the maid is*" (Housekeeping Manager H2).
> "*The first two days, they give them to you for free, and it is very normal. And then after that, they are paid per room until they reach 16 rooms*" (Housekeeping Manager H7).
> "*They (staff) don't get pay for training. In some cases, they do. If we know they are willing to try, I will pay them anyway. Because I know this is a kind of investment for me later*" (Agency Manager Ad).
> "*If they (staff) have no pay from the hotel, there is no pay. Nothing at all. They do gain experience. It is for their own benefit*" (Agency Manager Af).

Consequently, the "no work no payment" principle can be applied during staff training periods. The hotels do not pay for the first two days when new agency staff are in training on their premises. As a consequence, the agencies do not pay the staff for these two training days either.

6.1.5.5 Charges by agencies

Employment agencies provide different types of service packages to their clients, in terms of basic, advanced and premium services, and different service packages have varied charge rates. In addition, the charge rates also depend on the number of staff hotels request from agencies (Table 6.1.5.5).

Table 6.1.5.5 Agency charges in the labour supply chain

LSC-PAY	Various charges to different clients	Volume sales
Aa	✓	✓
Ab	✓	✓
Ac	✓	
Ad	✓	✓
Ae	✓	
Af	✓	✓
Ag	✓	✓
Ah	✓	✓

The practice of charging different rates to various hotels results from different service packages requested and different specification in the product requirement.

> "*It depends -- some hotels expect certain types and minimum staffing levels, some hotels specify certain types of housekeepers* " (Agency Manager Ah).

Agency Manager Ah noted that some clients request the agency to pay floor supervisors £22,000 annually instead of the average salary of £17,000 per year. As a result, the agency has to raise the charge rate per room cleaned to cover their operational costs. Moreover, Agency Ah supplies staff to both Hotels H3 and H4, in this study. Hotel H3 has its own supervisory team and does not request a full package from the agency. What the hotel "orders" from the agency is the basic package, labour that comes into the hotel and clean rooms. This is different from Hotel H4, which also purchases Agency Ah's services but for a full package which includes room cleaning and inspection. The pay rate charged to Hotel H3 is £0.72 (i.e. £3.85-£3.13) cheaper than the price which Hotel H4 pays per room cleaned. And this £0.72 difference is equivalent to hiring a housekeeper at the rate of £6.75 (i.e. £0.72 x 75 rooms ÷ 8 hours) an hour.

Most agencies earn their income by volume sales. The more bedrooms the hotel has, the lower charge rate that can be negotiated.

> "*It all depends on the amount hotels are taking from me. It also depends on what you can negotiate in the meeting*" (Agency Manager Ad).
> "*The more we supply, we can cut down. Because it is the volume we are looking for to meet the margin. We cannot get the margin, if we are only to supply one or two*" (Agency Manager Af).

Furthermore, most survey agency managers noted strong competition within the employment agency industry.

> "*It all depends. Depends on the hotels, if they are very competitive, we must stay with the others*" (Agency Manager Af).
> "*The charge for different positions in the hotel varies because of different hotels. The rate is negotiable*" (Agency Manager Ag).
> "*A lot of hotels only want to use one company to supply their staff. But unfortunately, what happens then, we had a situation where 8 companies offered different rates. If your rate is too high, it does not matter what calibre staff you sent in, they use the cheaper agency. Because now in London, it is all about saving money not spending money*" (Agency Manager Ac).

However, a few agency managers noted that it was not wise to play pricing games in the agency industry.

> "*It is not necessary they (hotels) are buying cheaply, because they are big. They are buying cheaply, because every agency wants to be in there. So, it doesn't matter whether some agency will do it just for a little bit, just for the cash flow. They would make 5% of £10,000, rather than 20% of nothing. We don't work that way. If it is not economically valuable enough for decent*

working margin, then we won't do it, because it is pointless. We are just killing ourselves for the sake of it" (Agency Manager Ab).
"*I won't go too cheap really. As I said, I still have to pay holiday pay, national insurance, and lots of costs in here. So I won't get too low as I said, but I wont get too high either. I don't want to put ourselves out of the market, because there are agencies will going much cheaper. I don't send any illegal staff*" (Agency Manager Ad).

In general, the agency charge rates vary within the market. It is based on the combined effect of different clients and different specifications of staff requisitioned to determine the charge rates. The higher the level of staff qualifications requested by a hotel, the higher the rate the hotel is charged.

The agency managers noted that their profits are derived from volume of sales. The bigger a hotel is, the cheaper the rate that can be negotiated. However, some agency managers also suggest that it is dangerous and worthless to keep reducing the price for the sake of getting into the business or gaining marketing share. Furthermore, there is no evidence to show that the cheaper the charge rates are, the more chances there are for an agency to attract more client hotels. On the contrary, when selecting partner agencies, hotels prefer to consider the quality of staff provided and previous working relationships with the agencies. This supports the argument that there is little benefit in playing a pricing game within the agency industry.

The payments that occur in the labour supply chain, in terms of the agency charge rates and the payment that agencies pay to their staff, are similar across the different agencies. This is due to competition within the agency industry. Agencies have to compete with each other in order to keep their current market share. Therefore, the profit margins gained in most agencies appear to be similar as well. Agency staff are entitled to receive employee benefits (e.g. holiday pay and sick pay), which are, to some extent, similar to those received by a hotel's permanent full-time staff. This increases agencies' operational costs, but it can also help agencies to retain their staff.

Furthermore, the rule, "no work, no payment", is practiced in the supply chain. If there is no booking and no payment from client hotels, no wage will be paid to agency staff from agencies. The fact that agencies do not pay staff when they are in training provides evidence of this rule, because the agencies do not receive payment from hotels for this non-productive training period.

One interesting issue was found in this study, which is that the "term-to-perm" payment seldom occurs in the supply chains. It is generally not applicable in these supply relationships due to hotel's lack of willingness to employ permanent staff. Most of the hotels showed a preference to use agency staff. This implies that using agency staff is beneficial to hotels.

6.1.6 What is the relationship between the hotel and its labour supplier?

In this section, the type of relationship between the hotel and its partner employment agencies and the approach to enhance this working relationship is discussed.

6.1.6.1 Contractual relationships

All survey hotel managers noted that no contracts were signed between the departments and associated agencies (Table 6.1.6.1). However, mutual understandings, i.e. terms and conditions, which are, in Hotels H2, H3 and H4, controlled by the hotels' financial controllers regarding agency charge rates and certain listed agencies services, do exist.

Table 6.1.6.1 Contractual relationships in the labour supply chain

LSC-REL	No contract signed
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

According to Agency Manager Ah, the mutual understanding that does exist relates to "*a degree of financial rewards*". That is, the terms and conditions listed illustrate an agreed price, and an agreed pricing structure.

> "*We can only use those agencies which are nominated by our head office. And then they help to negotiate the rate and the contract between head office and agencies for this hotel*" (Housekeeping Manager H2).
>
> "*There is no contractual bind between the agency and the hotel*" (Housekeeping Manager H5).
>
> "*You sign one kind of form which tells you certain rules... It is not a signed contract. ... It is conditions rather than sort of formal. It is just like reading what they are selling you, how much their liabilities are, and their terms and conditions for working*" (Housekeeping Manager H7).

In practice, hotels do not feel the need to be tied up contractually with their employment agencies.

> "*It is not binding at all. ... If tomorrow I don't want to use them, I don't have to use them. ... There is nothing they can do if I move to another agency*" (Housekeeping Manager H7).
>
> "*It is reviewed on an annual basis. The reason why it is done on an annual basis is because there are seven hotels which use agencies to do the work for them. If the agency mess up with one of them, we don't want the other 6 hotels to be tied to one company*" (Housekeeping Manager H4).

The agency managers also noted that when the agreement is less formal than a binding contract, their clients tend to be more tolerant regarding some minor misconduct issues that happen occasionally. It is more flexible for both hotels and agencies.

> "*Some hotels have their own business in mind, and would want a contract to be secure from their side. But we don't hold on to that until we don't have many options. It is risky from our side. But the risk is minimised in that we provide the service according to that. ... We don't need a contract, and we haven't got the contract and working relationship in words. The thing won't work*" (Agency Manager Ah).
>
> "*Who knows what is going to happen? For now, we don't have any contract with any of our clients. Everything is done in words. ... We have terms and conditions. They have to apply that. But, we don't sign contracts with our clients. We don't work on that basis. It is because we get a lot of hassle. Sometimes on contract, they can't be get used to it. Especially when you are contracted to supply, it doesn't necessary mean that you will still supply them for the following day. It is on the companies. We don't want that. And our clients are happy with that*" (Agency Manager Ac).
>
> "*There is no contract as such. We supply staff, but we don't have contracts. There is no written agreement at all. This is like a gamble. But like I said, my products are good staff, so it doesn't matter*" (Agency Manager Ad).
>
> "*Really, contractual agreements, they mean nothing. Clients will use the agency who has the most reliable staff*" (Agency Manager Ae).

The contractual relationships between hotels and agencies are relatively informal. This is contradictory to the existence of signed contracts between clients and agencies as noted in the literature (Ward *et al.* 2001). In this study, there are no signed contracts between these two parties and therefore, no mutual obligations on how many staff the hotels have to take and how many staff the agencies need to provide. The hotels can stop using their partner agencies' service at any time without paying penalties for breaching an agreement. It is evident that the hotels like to be flexible in both adjusting the number of agency staff requisitioned and shifting partner agencies freely.

From the agency point of view, the signed binding contracts plays a relatively unimportant role in enhancing the relationships between themselves and their clients. Indeed, the agencies consider that formal contracts may scare their clients away from using their services. In the study, oral agreements are accepted more commonly than those in written form.

Therefore, the relationships between agencies and hotels are informal, but the partners are strongly bound to each other by gentlemen's agreements. As stated in Section 6.1.1 on and Section 6.1.4.1, two factors, previous working relationships and long-term tenure of agency staff, show that once the agencies have established good relationships with their clients and have provided good quality staff to the hotels, the agreements between the two become relatively stable. This also suggests evidence for the superior standing of oral agreements over formal binding contracts.

6.1.6.2 Partnership or labour supplier

The employment agencies play two roles in the relationships between them and clients as labour suppliers and partners as well. All survey hotel managers agreed that their partner agencies act as their labour supplier. Some of them thought that their agencies act as more than just a labour supplier, but as a partner to them (Table 6.1.6.2).

Table 6.1.6.2 Relationships between hotels and agencies

LSC-REL	Labour supplier	Partner and Labour supplier
H1	✓	
H2	✓	
H3		✓
H4		✓
H5	✓	
H6		✓
H7		✓

Housekeeping Manager H1 noted that the relationship between her agencies and the department is based on the supply and demand relationship, and the agencies were the hotel's labour suppliers. They use oral agreements, and if the department needs manpower, the manager will call agencies to supply. The same perspective applies to Hotels H2 and H5.

> "*I see them as a supplier on a permanent basis….I can't say they are partners, because they don't have any share, any strong signature or contract with the hotel. So, we can't really see them as a partner*" (Housekeeping Manager H5).

In Hotel H2, a five-star, 500 bedrooms chain hotel with 80% average occupancy rate, the housekeeping manager mentioned her labour utilisation strategy as keeping a mix of permanent and agency staff at a 40:60 ratio. That is, when staffing, she will firstly allocate work to her permanent staff (40% of her regular workforce), and the rest of uncovered tasks will be assigned to her so-called "agency pool". Therefore, the employment agencies are acting like the labour suppliers to the hotel.

In Hotel H3, the manager treats her employment agency as both labour supplier and partner. Due to the fact that they source over 50% of the total housekeeping workforce from external agencies, the head housekeeper admits that the agency is definitely her labour supplier. However, with this large proportion of agency staff (using approximately 50 agency staff on a daily basis), the manager relies on the agency's services to a considerable extent. Therefore, to make the departmental operations efficient, the agency needs to act more than just as a labour supplier to the hotel. As a result, in order to receive continuity and commitment from agency staff, a close relationship, even partnership, between hotels and agencies is essential.

> "*If they (the agency) are just a supplier, they will have no loyalty and commitment to you, and they can let you down, and we can't afford that to happen*" (Housekeeping Manager H3).
> "*We contact them whenever we need any help. And they supply*" (Housekeeping Manager H4).

The above quote shows that the relationship of labour demand/supply exists in Hotel H4, and also its partner agency, Agency Ah, acts as their group labour supplier as well. That is, hotels in the franchise group, of which Hotel H4 is a member, use the same agency to supply housekeeping staff. "*It always supplies services to all the xxx hotels. Whenever a new hotel opens up, we don't need to contact a new agency. They will automatically come and cover*" (Housekeeping Manager H4). However, the interaction between the agency and the hotel is that "*we speak to our (agency) contact on an everyday basis. Nothing is a problem. If there is a problem, they sort it out immediately*" (Housekeeping Manager H4). This type of relationship is more than that of a supplier, but is akin to that of a partner.

From the agencies' point of view, many see themselves as a labour supplier to their clients.

> "*I am the supplier*" (Agency Manager Ab).
> "*It is more like a supplier, but a bit more personal, just a supplier*" (Agency Manager Ad).
> "*Agencies weren't designed to be a client's partner*" (Agency Manager Af).
> "*We are providing room attendants. We supply them going into a hotel on a regular basis as their full-time team*" (Agency Manager Ah).

Agency Ah has many long-term working relationships with hotel accounts, especially with big international hotel chains. Recently, the agency has started to supply staff and services to a budget hotel chain group. When any new property within this budget chain opens in the UK, the agency will assist with pre-opening set up in their housekeeping department. As a result, the agency acts like a partner to this hotel group. However, there is no contract in writing which indicates that the hotel chain will ask the agency for their services on a long-term basis. Therefore, technically, no formal partnership can be said to exist between these hotels and agencies. The relationship is in-between, closer than a demand/supply liaison, and more of an unofficial partnership.

As the supply chain management literature suggests, the relationship between hotel and agency can be identified as a labour supply relationship based on the basic definition of the supply chain (Towill 1996; Cox 1997; New 1997; Duclos, Vokurka and Lummus 2003; Cante *et al.* 2004; Cox 2004a). In this study, all agencies serve as labour suppliers to client hotels.

However, understanding the position of agencies as partners to hotels, is more ambiguous and confusing. The literature suggests a tendency to manage the process within the whole supply chain, as well as cooperation by all parties involved in the entire processing line (Spekman *et al.*1998; Forde 1998; Hanna and Newman 2001; MacKenzie 2002). It further notes a growing need for establishing partnerships between clients and suppliers (Peck and Theodore 1998; Druker and Stanworth 2001; Lemke *et al.* 2003; Wright and Lund 2003). Due to a lack of formal contracts signed between these two parties, the partnership can hardly be formally recognised. However, psychological partnerships or unofficial partnerships do exist in the hotel sector. Four survey hotel managers noted that their partner agencies mean more than a partner to them, due to the facts of firm relationships, frequent contact, stable labour supply, and mutual assistance.

The survey agency managers are relatively more pessimistic than the hotel managers on the issue of whether they are labour suppliers or partners to their clients. They tend to consider themselves as labour suppliers to hotel clients. The device to bind themselves to clients is through providing good service and quality staff, but not through formal contracts.

6.1.6.3 Buying power

Amongst the relationships between agencies and hotels, in most survey hotels, the hotels possess strong buying power over their labour suppliers (Table 6.1.6.3).

Table 6.1.6.3 Buying power in the labour supply chain

LSC-REL	Strong hotel buying power	Depending on agency service
H1	✓	
H2	✓	
H3	✓	✓
H4	✓ (Group-wise)	✓
H5	✓	
H6		✓
H7	✓	

This buying power was represented in a number of respondent comments.

> "*If they are small ones, and obviously we are their biggest client. They sort of treat us like God*" (Housekeeping Manager H2).
> "*That's in their interests as well to maintain a good relationship, especially with a hotel this size, because we employ so many of their staff*" (Housekeeping Manager H3).
> "*I think the agency is loyal to the hotel, to the company and to me. If you are taking three thousand pounds a week from me, you are not going to upset me, are you? There are plenty of people down the road want to take my three thousand pounds a week*" (Housekeeping Manager H5).

However, in some survey hotels, hotels have relatively strong buying power over their partner agencies, and, at the same time, the hotels rely on the agencies' services as well.

> "*We do rely on the agency very heavily* " (Housekeeping Manager H6).
> "*We rely on the agency to supply our staff, so, we don't want to damage our relationships*" (Housekeeping Manager H3).

In general, hotels have considerable buying power over their partner agencies. Most hotel managers noted that their agencies are loyal to them and try to maintain good relationships with them. Making client hotels satisfied in as many aspects as possible is undoubtedly an important challenge for the agencies.

However, three survey hotel managers noted that they also depend on agency services as well. Hotel H3 has a strong buying power relationship with its partner agency, Agency Ah, due to a large demand for staff from the agency in both housekeeping and stewarding departments. On the other hand, the hotel depends on Agency Ah's service to a great extent, because of the large group of staff required and the remote area in which the hotel is located. The agency imports staff from central London to the hotel, because the hotel faces difficulties in recruiting staff from the local labour market. Hotel H4 enjoys a strong buying power at a group level, because the whole franchised group that the hotel belongs to subscribes to services from Agency Ah. In total, Agency Ah supplies staff to 15 hotels within the group. Nevertheless, Housekeeping Manager H4 noted that the hotel relies on the agency's service, because of the amount of housekeeping staff they demand from them. In fact, the whole housekeeping department has only three permanent hotel-recruited members of staff. Housekeeping Manager H6 also noted that they rely on the agency heavily because it was their single labour supplier to the department and supplied 10 staff daily and consistently.

In practice, with stronger buying power over the agencies, hotels can be demanding on their partner agencies. However, through observation, most survey hotel managers seem not to be too aggressive with their agencies, especially for those hotels which use a single supplier. The more suppliers a hotel uses, the hotel manager appears to feel more control and buying power over partner agencies (see Spekman *et al.* 1998; Forde 1998 and 2001; Emiliani 2003). However, it is suggested in the literature that there is no common rule that the buyer should have more power over the seller (i.e. power-based bargaining), but only the appropriateness negotiated by two parties (i.e. collaborative problem solving) (Cox 1997; Emiliani 2003; Lemke *et al.* 2003; Cox 2004).

6.1.6.4 Relationship enhancement techniques

Five attributes to enhance the supply relationship emerged from both hotels' and agencies' perspectives (Table 6.1.6.4).

Table 6.1.6.4 Relationship enhancement techniques

LSC-REL	Communication	Being honest/ Not overselling	Supplying good staff	Supportive and friendly	Understanding the business
Aa	✓	✓			
Ab	✓	✓		✓	✓
Ac	✓	✓	✓	✓	
Ad	✓	✓	✓		
Ae	✓	✓	✓		
Af	✓			✓	✓
Ag	✓		✓		
Ah	✓	✓	✓	✓	✓
H1	✓				
H2	✓	✓			
H3	✓		✓		
H4	✓			✓	
H5	✓			✓	
H6			✓		
H7	✓	✓			

One of the interview questions related to techniques used to keep good relationships with client hotels or partner agencies. From the agency point of view, Agency Manager Ah replied *"No. No, I can say it very quickly, because it is a very personal* *thing*". The manager advised that the approach of relationship enhancement is to "*try to be as caring as possible*" (Agency Manager Ah).

The most vital *modus operandi* is communication. Almost all survey managers noted its importance. However, as stated in Section 6.1.4.2, it seems that the agencies have to put more effort into communication with their clients, especially through personal hotel visits. By regular visiting and contact with their clients, an agency diagnoses problems and issues in a more proactive approach, rather than passively waiting for comments and complaints from client hotels.

Being honest and not overselling is another approach to improve relationships. Most agency managers noted that being honest and letting their clients know their availability, especially when it was in a situation of an unexpected event, were essential. Housekeeping Manager H7 recalled an example when one of her previous partner agencies exaggerated the number of staff the agency had. It claimed that they had 10 staff, but, in fact, they had only 2 staff. This dishonesty was intolerable to the manager.

> "*Being honest is absolutely vital on the agency side. There is no point to say you can do something but you cannot do it. It is pointless. We tend to say to them straight away. 'Oh! That will be difficult'. Or 'Yep, no problem. That should be fine'. So, our clients immediately get an understanding*" (Agency Manager Ab).
>
> "*If in the morning they say they want staff, if I can't supply, I tell them I can't supply*" (Agency Manager Ad).
>
> "*You need to have a very good, open, honest relationship with your client, and not sell, (but), educate the client*" (Agency Manager Ae).
>
> "*If you asked and we cannot do what you asked and we cannot do what we promised, we walk away*" (Agency Manager Ah).

The third method is to supply good staff. The major products exchanged within the labour supplier chain are agency staff. Over half of survey agency managers noted this importance, and the views of hotel managers are discussed in Section 6.1.7 and Section 6.1.8.5. In general, there is not a tendency for hotel managers to change their current labour suppliers if they continually supply good services and staff to hotels.

> "*We supply good staff, so that's all right*" (Agency Manager Ad).
> "*We build a very strong relationship with our clients. We provide good service*" (Agency Manager Ae).
> "*Because they deliver the standards to the guests. Guests don't know who are agency staff. As long as someone comes to the corridor and delivers something to their rooms, they are not going to care to find the details of who actually pays the salary. They are hotel employees, and they expect the same standards from one and the other*" (Housekeeping Manager H3).
> "*We know they are good at that, so it makes it more straightforward to control the cost, and to get the right people*" (Housekeeping Manager H6).

Another approach is being supportive and friendly within the labour supply chain. More agency managers noted this technique than hotel managers. This may be related to the relatively stronger buying power the hotels possess. It seems that hotel managers expect their partner agencies to maintain a good relationship with them as a purchaser within the chain.

> "*We also tend to be quite friendly with them. We talk to them as managers working in the different departments within the hotel. It is almost like they are talking to their HR department or whatever. Rather than saying you are one company and we are the other. We tend to work as close as we can*" (Agency Manager Ab).
> "*We always make sure they are happy. Because once they are happy, they won't go to another agency. A lot of hard work, but we always make sure they stay happy. It is a good client to have, so that is the first thing you have to do*" (Agency Manager Ab).

> "*The manager you are helping today, may be in different hotel tomorrow, or in a different department. That's how our business works, by looking after them today, you get different rewards tomorrow*" (Agency Manager Ah).

Three agency managers noted that understanding the business and hotel operations was important to improve relationships. It is suggested that agency managers should know the nature of hotel operations in order to assist their clients in as many aspects as possible. This understanding also explains why most agency managers have previous working experience in the hotel sector. Without this knowledge of housekeeping operations, it is relatively difficult for the agencies to offer good service to their housekeeping clients.

> "*We have good understanding of our clients business. And we work closely with them. And that builds a loyal and good relationship as well*" (Agency Manager Ab).
>
> "*You also have to understand their situation and you meet half way. That's the only way to keep it*" (Agency Manager Af).
>
> "*If you don't have hotel background, you won't understand what they want*" (Agency Manager Ah).

In summary, techniques emerged from the study which can enhance the working relationships between hotels and agencies, these include communications, being honest/not overselling, supplying good staff, being supportive and friendly, and understanding the business. These emergent techniques are similar to the attributes of relationship improvement which are generated in the literature (Rainnie 1991; Wagner *et al.* 2002; Lemke *et al.* 2003).

Relationships between hotels and agencies are close and operate on a long-term basis. To hotels, agencies act as more than just labour suppliers. But they are not hotels' official partners due to an absence of written binding contracts. Although the literature suggests that long-term supply relationship do not necessarily result in a supply partnership, most hotel managers note the existence of psychological partnerships between them and their agencies. Interestingly, both hotels and agencies are not keen on signing binding contracts. It can be understood that hotels do not want to be bound since they have already got strong buying power over agencies. However, agencies also do not want to be bound to their clients. In general, both parties are satisfied with the existing relationships between them. This confirms the appropriateness of the picture given of buyer/supplier relationships in the literature.

Furthermore, techniques suggested for improving the buyer/supplier relationships indicate that agencies should have knowledge about the hotel business and its operations and try to be supportive and friendly in many respects to their clients. Supplying good quality staff is essential within supply chains. Above all, communication and being honest with each other are two important considerations. Hotels use agencies' services in order to acquire labour in a flexible manner. As a consequence, they expect their agencies to be able to supply labour based on this demand for flexibility. Mutual understanding and trust assist in the development of the buyer/supplier relationships between hotels and agencies.

6.1.7 What does the hotel suggest to improve the labour supply chain?

Most survey hotel managers were satisfied with the service provided by their labour suppliers. The detail of this satisfaction is discussed in Section 6.4.3. As far as any possible improvement within the labour supply chain is concerned (Table 6.1.7), four survey hotels, namely Hotels H1, H4, H5, and H6, noted that no further improvement was needed. In Hotels H2 and H3, the hotel managers suggested the need to improve the quality of staff supplied by their agencies.

Table 6.1.7 Suggestions from hotels to agencies in the labour supply chain

LSC-IMP	Staff quality	More hotel visits in person	No need
H1			✓
H2	✓	✓	
H3	✓		
H4			✓
H5			✓
H6			✓
H7		✓	

In Hotel H2, Housekeeping Manager H2 noted that "*what do I want from the agency is actually to put things back to what it should be, a maid who actually know how to clean a room*". The manager does not want her associated agencies just to provide staff, but a person who can do the job well and is willing to do the job as well. The manager has introduced some control interfaces, such as new agency staff interviews, to serve as a pre-screen test and to control the quality of staff. However, this technique is conducted from a hotel perspective. If the agency can provide the hotel with the right quality staff, the hotel manger does not need to conduct this pre-screen test.

Housekeeping Managers H2 and H7 noted that more hotel visits in person were required. Housekeeping Manager H2 suggested that agencies "*used to spend a lot of time with their staff in the building. And they used to provide much better trained staff*". The agencies tend to promise a lot while selling their services to the hotel, but do not always keep their promises. The manager would like to see a more complete package, which includes quality staff, proper training, and after-sales support.

In Hotel H7, the hotel manager noted that agencies "*could get more involved sometimes*" (Housekeeping Manager H7). And the agencies tend to become bureaucratic. They could give hotels more support, rather than just call the hotel manger to ask for timesheet information.

> "*They should have someone that always available to come to the hotel when you need help, not only phone... Be a HR, and show us why we actually*

giving you money, not just because your booking and the staff you provided" (Housekeeping Manager H7).

The manger also commented that agencies should be more available for problem solving. If any issues or problems occurred in the hotel, the agency should be able to sort things out in person.

Furthermore, Housekeeping Manager H3 noted that improving the quality of agency staff was important, but this applied to permanent staff as well.

> "*You can always hope for higher standards and a higher level of consistency. Consistency in any operations in the hotel is the key thing*" (Housekeeping Manager H3).

Therefore, continuity and maintaining standards is very important, and it should apply to not only to the agency staff but also the hotel's permanent members of staff. The manager treats her staff, both agency and permanent staff no differently, in terms of training and supervision. As for the quality of agency staff, the manager only complained about their English skills.

> "*It will make things a lot easier if they all speak better English*" (Housekeeping Manager H3).

However, it has not yet caused real dissatisfaction with agency services. If the agency can improve this minor problem, this will be better for the hotel managers in performing their jobs, but is not a make or break issue.

The other improvement required is increasing the frequency of personal hotel visits. The detail of personal hotel visit can be found in Section 6.1.4.2.

In summary, over half of survey hotel managers noted that they were satisfied with their agencies and no further improvements were needed. Three survey head housekeepers suggested that the agencies can improve the quality of staff provided and the frequency of personal hotel visits. In general, the hotels want staff who are capable in the post. That is, a room attendant should be able to do the job, and a floor supervisor should know how to be a housekeeper. This criteria implies two issues: one is the lack of staff training which is conducted by agency itself, and the other is the gap between what agencies promised before sending staff and the products and services delivered by the agencies. The issue relating to staff training is discussed in Section 6.3.3.3. As for the discrepancy between what hotels expect and what agencies deliver, there is a need for caution on its possible impact. Not all the hotels have noticed this discrepancy. There were just two hotels, Hotels H2 and H7, where this comment was evident. As stated in Section 6.1.6.4, it is essential for agencies to be honest and do not oversell their products. Otherwise it may damage relationships within the labour supply chain.

Overall, hotels are satisfied with their partner agencies. As a consequence, long-term working relationships are formed between hotels and agencies. Few suggestions were made from hotel managers in order to improve agencies' services. This also verifies the overall satisfaction levels that exist within hotel labour supply chains.

6.1.8 Why the hotel wants to use agency services and staff?

Various reasons for the hotels to use employment agencies, such as flexibility towards occupancy fluctuation, cost effectiveness, easy dismissal, recruiting difficulties, good quality agency services and staff, no recruitment, and outsourcing prevention were found in this study (Table 6.1.8).

Table 6.1.8 Reasons why hotels use agency service

WHY	Flexibility	Cost effectiveness	Easy dismissal	Recruiting difficulties	Good quality agency services and staff	Company policy	Outsourcing prevention
H1	✓	✓	✓			✓	
H2	✓	✓	✓		✓		✓
H3	✓	✓	✓	✓			
H4	✓	✓	✓		✓	✓	
H5	✓	✓	✓		✓	✓	
H6	✓			✓			
H7	✓	✓	✓	✓			✓

6.1.8.1 Flexibility during occupancy fluctuation

In Table 6.1.8, all survey managers note that flexibility is the most common reason for them to use agency staff.

In this regard, in Hotel H3, due to the hotel's location, occupancy depends very much on the nearby airport. Therefore, demand fluctuation happens frequently and unpredictably. Agency Ah provides the hotel with a regular pool of staff and also the staff themselves are willing to take on extra work as well. These two factors assist the hotel manger to adjust between daily work coverage and labour demand/supply. When the manager senses excessive booking for the next shift workforce, she can easily cancel without paying any cancellation charge. Vice versa, when she needs more staff to cover unexpected workloads, the agency staff can meet the hotel's requirement quickly.

Housekeeping Manager H2 indicated that the only reason why she uses agency staff was because of "*the fluctuation of the occupancy, completely. That is the only reason*". The manager mentioned that she did not want to make any one of her permanent staff redundant; and by using agency staff, she did not need to worry that potential redundancy might apply to her staff.

> "*Because we don't want any maid to be made redundant, and I don't want to pay for things that if there is no work for them to do. That is how we keep our flexibility. I will never run a department without agency staff, because of the flexibility we need from them*" (Housekeeping Manager H2).

Furthermore, this flexibility not only resulted from the fact that the hotel can book the exact level of manpower based on the hotel's demand, but also from the fact that agency staff tended to do as much work as they can. Therefore, when there is extra work, the manager can ask her agency staff to cover it.

Housekeeping Manager H6 sees the agency as one of the back-up supports to the hotel. According to him, "*agency is all about being flexible, being able to call them, to cancel them or whatever*". Hiring a small group of agency staff helps the manger to adjust their human resources flexibly and freely.

> "*Having a number of agency people, that means you can balance it out. So, you will always get the right number of the room attendants*" (Housekeeping Manager H6).

In Hotel H7, the hotel manager noted that they started using agency services no more than ten years ago. And the hotel was stimulated to use agency services because of the flexibility brought in by the agencies.

> "*Whether there is a major need for maids next week, the next day I will just call up one of four agencies, and say I need maids. You can have flexibility with your own occupancy. Flexibility is everything*" (Housekeeping Manager H7).
>
> "*If we were busy, we get people. If we were quite, we don't get people*" (Housekeeping Manager H4).

Housekeeping Manager H4 also advised that it was dangerous for the hotel to have a large group of permanent staff, when there were so many uncertain events, such as

September 11, foot and mouth disease, and the Iraqi war. The manger noted that it was "*foolish because you are committed to pay all the people, and throw your money away*" (Housekeeping Manager H4). The manager can adjust the number of agency staff to suit the hotel's exact needs without having permanent manpower on the premises.

From the agencies' point of view, this flexibility factor was noted within the study.

> "*The three principal reasons why hotels use agency staff, are flexibility, the lack of skill coming through their own HR teams, and the fact they can build a base of call out staff. They can come at any point of time, but without having to keep recruiting them and losing them*" (Agency Manager Ab).
> "*When things get too quiet, they still have to pay them if they are permanent. From the agency, they can have them when they want. If they just want them for two hours a day, they will have them two hours a day. ... I think it is just an easier thing for the hotels to get their staffing problems sorted, and if they phone me for extra people, I can send people straight away*" (Agency Manager Ad).

The main reason why the hotels use agency services is that this provides flexibility in the event of fluctuations in a hotel's occupancy. As Section 6.1.3.5 noted, most hotels have seasonal occupancy fluctuation, and also it is difficult for the hotel managers to predict the occupancy exactly in order to mange an appropriate staffing in their premises.

The nature of agency work is that client hotels have no obligation to give agency workers 39 hours per week, and they requisition service and staff from their partner agencies as required. It is then the agencies' responsibility to provide staff as and when needed. With the adoption of agency staff, the hotel managers can adjust their staff level based on their fluctuating room occupancies. As a consequence, the chance of having idle or excess staff in the hotels decrease.

From the literature in relation to labour flexibility, it can be seen that the ability for organisations to adjust manpower levels under circumstances of demand fluctuation serves as one major reason for the use of labour flexibility (Guerrier and Lockwood 1989b; Blyton and Morris 1989; Mouriki 1994; Casey *et al.* 1997; Looise *et al.* 1998; Volberda 1998; Reilly 1998). The research findings confirm the importance of labour flexibility in terms of allowing organisations to adjust their levels of human resources when demand fluctuates and is unstable. This also in coincidence with the aim of just-in-time management (Jewitt 1992; Schroeder 1993; Duclos *et al.* 1995; Towill 1996; Cox 1997; Canel *et al.* 2000; Power and Sohal 2000).

6.1.8.2 Cost effectiveness

Noted in Table 6.1.8, cost effectiveness is another common reason for hotels to use agency staff. Housekeeping Manager H1 suggested that hiring agency staff was, in fact, cheaper than employing permanent staff. It could have saved about £2,000 per staff per year, based on the hotel's financial data in 1996. However, the manager estimated that the cost saving in 2003 would be lower at around £1,000 per agency staff used.

Housekeeping Manger H7 also suggested it was cheaper using agency staff than having the hotel's own permanent staff. This is even though, for agency staff, the hotel has to pay a higher premium rate. The manager noted that "w*e worked out, three years ago, between £3,000 to £1,000 cheaper to have agency staff than to have your own member of staff*" (Housekeeping Manager H7).

Survey hotel managers suggested that this cost-effectiveness resulted from saving expenditure on fringe benefits associated with staff entitlements, such as holiday pay, sickness pay, pension schemes, and employer's national insurance contribution.

> "*Financially it is better for hotels to have agency staff*" (Housekeeping Manager H5).

"*We don't pay these people on holiday, which is the huge benefit with it, or sickness*" (Housekeeping Manger H2).
"*If you hire staff to full capacity or full occupancy, you will eventually have to give them holiday or make them to go for holidays. You were paying everything for them, when you don't need them. So, the best way to do is to use an agency. You don't have to pay for the sickness and national insurance*" (Housekeeping Manager H7).

In Hotels H3 and H4, the agency charges the hotel by room cleaned. This pay structure helps the manager to control the departmental labour costs and reflects actual hotel occupancy.

"*If occupancy drops, your payroll automatically drops with it, because they were paying per room*" (Housekeeping Manager H3).
"*Whatever is used is what we pay for*" (Housekeeping Manager H4).

In addition to saving direct employee fringe benefits, the hotels also can save on their human resources expenditure.

"*We have got clients who, basically because of the way we run staffing with that client, they don't need a human resource manager, and they are saving a salary because of that*" (Agency Manager Ab).
"*Hotels can reduce recruitment costs and administrative costs, and they can pay flat rates on what they consume for the labour*" (Agency Manager Ag).
"*Hotels haven't got the time to try to get the staff in. If they do, it is a huge expense to get them in. There is no guarantee the staff will stay. So, when they recruit their own staff, probably 50% of them will leave within the first couple of weeks anyway. Then they have to start recruiting again and again. It is a constant thing. So, why bother with the expense?*" (Agency Manager Ah).

In summary, it is noted that by employing agency staff, hotels can save at least £1,000 per agency staff used per year. When employing a permanent member of staff, hotels have to pay staff a monthly salary and fringe benefits, such as holiday entitlements, sick pay, maternity leave, pension scheme contributions and national insurance contributions. Apart from these direct labour costs, the hotels also have to spend on human resource-related expenditures, such as recruitment and selection costs, training costs, redundancy costs (if any), and document checking and administration expenditures. When the hotels source staff from agencies, the above costs, not counting the monthly salary paid to permanent staff, can be saved and the costs are transferred to their partner agencies (Walsh 1990; Burgess 1997; Purcell and Purcell 1998; Tregaskis *et al.* 1998; Timo 2001).

Compared to the hourly rate hotels normally pay permanent staff, the hourly rate for agency staff appears to be slightly higher. For example, for one permanent housekeeping room attendant, the average annual salary is £12,000 in exchange for 2,028 hours of services (i.e. 39 hours per week and 52 weeks per year). When this annual salary is divided by hours the employee worked, the average hourly rate will be £5.91. This excludes employer's national insurance contribution, as well as other benefits, such as sick pay, pension scheme and maternity leave payments. In the study, agencies charge hotels for one room attendant between £6 and £6.50 per hour. The difference between these two payments is not significant, but hotels have the flexibility of adjusting their labour resources freely and matching demand, which is not possible in the case of permanent staff. It also helps hotels to budget their costs more precisely, and they can control their expenses to the actual units consumed. Therefore, even though the hotels may have to pay a premium to employment agencies, it is still cheaper when compared with the statutory costs required in employing the hotels' permanent members of staff.

Some researchers (Atkinson *et al.* 1996; Allan 2000; Gray 2002; Rankin 2004) show that it is not always cheaper to use agency staff, due to the level of agency charges (direct wage to agency staff plus percentage profit margin to agencies). However, in this study, it is confirmed that using agency staff helps organisations, hotels in particular, to save on their labour costs. This finding also confirms that cost-effectiveness can be one of the advantages of using labour flexibility in an organisation (Pollert 1991; Casey *et al.* 1997; Reilly 1998; Timo 2001; Sheridan and Conway 2001; Amuedo-Dorantes 2001; Storey *et al.* 2002).

6.1.8.3 Ease of dismissal

A noted motivation for hotels to use agencies is ease of dismissal (Table 6.1.8). Compared with hotels' own permanent staff, it is easier to dismiss agency staff. The managers do not need to go through the whole disciplinary process, i.e. oral warning, written warning and investigation. The discharge can be done by one single phone call to partner agencies. There is no need to give agency staff warning in advance. In other words, the whole dismissal process simply involves a call to their agencies to ask them not to send the staff in question to the hotel again. This saves managers a great deal of time and avoids considerable paper work as well.

> "*If they improve, then fine. If they don't, then we just tell the agency that we don't want to book them anymore*" (Housekeeping Manager H2).
> "*You can basically, after few weeks or few months, when something had gone dreadfully wrong, you could get rid of them. I know it is a horrible thing to get rid of a person, but it is true. You don't have to keep that cost and the headaches*"(Housekeeping Manager H7).
> "*As a manager, you don't have to spend your time on investigation work and paperwork*" (Housekeeping Manager H4).
> "*If I have problems with agency maids, then I will just phone the agency and say I don't want this girl back tomorrow. End of story*" (Housekeeping Manager H5).

Agency managers also verified this practice.

> "*They (i.e. hotels) have the choice. If they don't like the staff, we replace them with someone else maybe they do like. Even permanent people go bad after a*

while, so do temporaries. So, they (i.e. agency workers) can be replaced anytime" (Agency Manager Ad).

In general, hotel managers do not normally dismiss agency staff without reason. Housekeeping Manager H2 noted that it depends on how severe the incident is in deciding whether to keep the staff or not. If it involves a minor misconduct, the manager would carry on using the staff. Otherwise, the manager would take the action to lay off the staff without further investigation. Even though the managers do not use this easy form of dismissal very often, to know that they can discharge their agency staff at any point without problem means more than the potential saving on the required dismissal process to the managers. This motivation is in line with the similar argument in the literature (Mouriki 1994; Amuedo-Dorantes 2001).

6.1.8.4 Recruitment difficulties

Three survey hotel managers noted that there were difficulties for them in recruiting permanent staff (Table 6.1.8). Housekeeping Manager H3 noted that it is very difficult for the hotel to recruit housekeeping staff in their local area which is near a busy airport. However, its partner agency, Agency Ah, imports staff to the hotel from Central London by providing a minibus service. The hotel not only has to compete with other hotels in the same area, but also the airport itself. For a cleaning post, a possible candidate will be more interested in working for the airport for a better salary and benefits, rather than working in the hotel. The hotel tried to recruit permanent housekeeping staff, but had no success. The housekeeping manger noted that the department put a job advertisement in the press for several months, but no job seeker applied for the post.

> "*We never really stop recruiting room attendants. ... But we are very rarely successful in recruiting permanent room attendants. So, we just constantly use agency staff, because we never be able to fill it (i.e. the staff shortage). Recruiting room attendants here is very very difficult. The unemployment rate*

here is very low, because of the airport. And recruiting for room attendants is almost impossible" (Housekeeping Manager H3).

According to Housekeeping Manager H3, "*it was never the intention that we have so many agency room attendants*". However, it is difficult to reach her target under the above conditions.

Housekeeping Manager H7 noted that hiring agency staff saves her a great deal of time on recruiting and selecting new housekeeping staff. She used to recruit one housekeeper successfully after interviewing 15 job candidates. It was difficult to recruit a good quality and suitable employee.

"*I am looking for one at the moment. I have interviewed four at the moment, and nothing so far. My last lady whom I got two years ago, very lucky, I had interviewed 15 people. It is sad. It is the thing that is not very clever, and expensive*" (Housekeeping Manager H7).

Housekeeping Manager H6 also noted the difficulty of recruiting the hotel's own staff. The manager advertised for full-time permanent room attendants, but no one applied, not even the agency staff who work regularly in the hotel.

"*At the moment, I have been recruiting from outside, mainly because the agency staff didn't apply*" (Housekeeping Manager H6).

Agency Manager Ab pointed out that this recruitment difficulty also results from a deficiency with human resource executives in hotels.

"*Within London, especially, the HR departments in hotels are just hopeless. Absolutely useless, the HR managers don't have the skill or ability to recruit a large number of staff for their bar, restaurants, banqueting, housekeeping and so on. So, they employ HR managers to do payroll, and be the administrators of the HR function in the hotel*" (Agency Manager Ab).

Agency Manager Ah has the same doubts about the ability of the hotels' HR departments.

> "*Now, hotels haven't got that time, as well as resources, to try to get the staff in*" (Agency Manager Ah).

In summary, three survey hotel managers noted a difficulty in recruiting permanent staff and this resulted in their practice of using agency staff. Housekeeping Manager H3 noted that she had always wanted to hire more permanent members of staff to balance the composition of staff in the department, but with no success, because of the remote location of the hotel and competition with the nearby airport in the local labour market. Therefore, it is inevitable that they use agency staff, because their partner agency is able to import staff from central London to the hotel to meet their labour demand.

The other two hotels are located in the central London area, but still face this difficulty with recruitment to a certain extent. Hotel H7 cannot find a good quality floor supervisor, and also it takes a very long time to recruit their own staff, in terms of advertising, interviewing, and selecting. Hotel H6 also seeks to recruit permanent housekeeping staff, but their regular agency staff do not apply for the posts and make the transfer to hotel-employed full-time staff. Moreover, agency staff are working in the hotel on a permanent basis and always are able to work the same or even more hours than hotel's permanent staff. In these two hotels, recruitment is not an unsolved problem when compared to case of Hotel H3, but it takes longer and costs more in terms of human resource-related expenditure to recruit their own permanent member of staff.

Survey agency managers noted a different viewpoint regarding these recruitment difficulty faced by the hotels. Some argued that the difficulty resulted from inefficiency with respect to hotels' human resource department executives. Many of them have no experience of housekeeping operations, and, as a consequence, they recruit housekeeping staff by job descriptions and the HR manual for recruitment. All survey agency managers noted that one of the approaches they used in recruiting staff is their instinct, which is the result of previous working experience in the housekeeping departments and the hotel sector. This is discussed in Section 6.3.3.2.

The housekeeping department is normally the biggest department, in terms of the number of staff needed. For example, Hotel H1 requires 105 housekeeping staff on a daily basis to service their 910 bedrooms. 60 per cent of this daily workforce are agency staff. If the hotel wanted to replace these posts with permanent staff, it would mean recruiting at least an extra 50 housekeeping staff by the Human Resources Department. In addition to this selection process, the HR department would also need to undertake other tasks, such as staff orientation, training, and staff file maintenance. With the utilisation of agency staff, all these HR costs transfer to their agencies. This, again, verifies the cost effectiveness benefits to hotels.

6.1.8.5 Good quality agency services and staff

Housekeeping Managers H2, H4 and H5 noted that good quality service and staff provided by their partner agencies is one of the rationales why the hotels use them (Table 6.1.8).

In Hotel H4, their partner agency sends and picks up their staff by the agency's minibus every day. This helps the management to control the absences of staff and they can act quickly on staff shortages if there are any staff absent for the day. Furthermore, the quality of staff has been guaranteed.

> "*We only pay for fully qualified maids, and fully qualified porters. Supervisors have to be fully trained. If we get one who is not fully trained, we don't pay for them*" (Housekeeping Manager H4).

Housekeeping Manager H2 suggests that in the department, some of her agency staff are doing double shifts, i.e. morning shift and evening shift. The same tendency of staff's preference to work overtime applied in Hotel H5 as well. This gives the manager a great deal of scope to deal with excess workloads.

> "*When she is here in the morning, our evening maids has turned up here already because she is doing double shift*"(Housekeeping Manager H2).
> "*Agency staff tend to be much keener to do more hours than your permanent staff. And again, that helps us, and they are cross-trained. We actually quite like our agency staff. All of our maids are trained to be day maids, evening maids, and to do public areas. So, even if we have no got enough work for them to do, we can always call them to work across the way*" (Housekeeping Manager H2).
> "*They don't want any days off. So, the hotel benefits from it*" (Housekeeping Manager H5).

This eases the manager's mind to ensure that the evening shift has been covered. This is also one additional reason the manger notes beyond the flexibility factor.

Furthermore, the agencies have the same concern with providing good staff and service to their clients.

> "*Because they can get staff. They ask for something, and they get it*" (Agency Manager Ac).
> "*We have staff who work hard. ... They are all very friendly, and they are all very polite. And they get on (well with) their jobs*" (Agency Manager Ab).
> "*The type of people we give them, we guarantee that our staff are quite good. You know, they are friendly, and they speak English*" (Agency Manager Af).

In the literature, some researchers argue that flexible workers may be more efficient than a company's permanent member of staff (Mouriki 1994; Moshavi and Tergorg 2002). As three survey hotel managers, Housekeeping Managers H2, H4 and H5, noted, they feel secure in using agency staff because of the good quality work they produce and their willingness to take on more work than permanent members of staff. This willingness to take on more work is related to one of the main reasons why agency staff are willing to work for an agency. Because the hotels are allowed to give more work to agency staff without paying them overtime, it is relatively more cost effective to ask agency staff to work extra rather than to pay overtime to the hotels' permanent full-time employees. The more work the agency staff take, the more remuneration they earn. Because hotels have no obligation to give agency staff work, agency staff have to perform well in order to keep such assignments.

6.1.8.6 No recruitment

Another motivation to use agencies is a no-recruitment company policy (Table 6.1.8). In Hotel H1, the department runs a "*no replacement*" policy. The manager does not hire another permanent member of housekeeping staff, after permanent staff leave or retire, and the remaining manpower shortage will be replaced by using agency staff instead. Moreover, a similar policy is practiced in Hotel H5.

> "*It is the policy of the hotels to get a better turnover in wages and keep wages at a level. ... That's why we don't recruit*" (Housekeeping Manager H5).

The hotel's partner agency, Agency Ag, confirmed the hotel's preference in favour of agency service.

> "*We do offer permanent as well, but because hotels aren't taking permanent people, they prefer to employ temporary staff*" (Agency Manager Ag).

In Hotel H4, Housekeeping Manager H4 has no choice with this agency arrangement. Hotel H4 is a brand new property, and the hotel's staffing strategy was set up before Housekeeping Manager H4 joined to the department. This kind of strategy of using agency service also applies to other hotels within the same group as well. Therefore, this is a company-wide policy.

In summary, Housekeeping Managers H1 and H5 noted that they would not recruit permanent housekeeping staff any more. Due to the benefits stated above, the managers will not employ full-time staff, even after the present employees resign or retire. Instead, any labour shortage will be replaced by using agency staff. During the collection of the empirical data, this "no recruitment" policy was commonly observed, even though other survey hotel managers did not indicate a rigid company policy towards this practice. However, it would be a generally accepted approach to use agency staff to replace full-time staff, in light of the benefits which this brings. This practice is in line with Casey *et al.*'s (1997) strategic approach to motivating the use of labour flexibility in an organisation.

6.1.8.7 Outsourcing prevention

Two survey hotel managers, Housekeeping Managers H2 and H7, noted that, using agency service and staff could prevent them from outsourcing the whole department to outside contractors (Table 6.1.8).

Housekeeping Manager H2 suggests that the group head office does not require them to recruit agency staff as preference, like previously stated the case of Hotel H4, or to practice a "*no replacement*" policy. The manager use agency services mainly for financial reasons. However, Housekeeping Manager H2 indicates that this practice also gives her a great deal of control over adjusting labour utilisation in the department.

> "*I am just not in favour of outsourcing*" (Housekeeping Manager H2).
> "*It is a form for me to get the contact with someone (i.e. agencies) to get me what I need, and also for me to be a controller (over my own department)*" (Housekeeping Manager H7).

Compared with outsourcing the whole department or contracting the entire department out to an external contractor, using agency staff gives the manager more control on issues of staff selection, demand, and release deposing. In the case of hiring agency staff, the manager keeps a buyer position with several employment agencies.

> "*With the other way of contracting out, I have no control, and they will tell me what I am going to get. So, I think it is probably control and standards. We will stay at a certain level, because we are in control*" (Housekeeping Manager H7).

The managers are concerned about "*losing control of a lot of things*" under the practices of outsourcing or contracting out. Therefore, Housekeeping Manager H7 believes "*as long as at the end of the year, financially it is good, he (the GM) will not swap unless I (the housekeeping manager) say so*".

Gaining more discretionary power is noted in the literature as one of many motivations for managers to use labour flexibility (Burgess and MacDonald 1990; Walsh 1990; Blyton 1992; Burgess 1997; Ruiz-Mercarder *et al.* 2001; Sheridan and Conway 2001). Two hotel managers, Housekeeping Managers H2 and H7, noted that they were not in favour of the strategy of outsourcing to an external contractor. They felt their positions as head housekeepers might be threatened and wanted to keep control of their departments rather than letting the contractors undertake the operations.

Amongst various motivations for using agency services, the most common reasons are flexibility and cost-effectiveness which hotels gain by utilising agency staff. Compared to the hourly rate hotels normally pay permanent staff, the hourly rate for agency staff appears to be slightly higher. However, this difference between hourly rates is not significant. In addition, hotels can adjust their labour demand to the exact level required.

Apart from some voluntary motivations (e.g. flexibility, cost-effectiveness, easy dismissal, and good quality agency staff), other involuntary motivations can also be identified. These involuntary factors include recruitment difficulties and "no recruitment" company policies. Some hotels face difficulties in recruiting permanent staff, due to the local labour market and their relatively remote locations. This gives hotels fewer choices other than seeking staff from agencies which have a pool of labour to fill their staff shortages.

Interestingly, some managers mentioned that using agencies gives them more control in managing their departments, as well as preventing the departments from being outsourced to external cleaning contractors. This indicates a possible issue relating to outsourcing housekeeping departments in the hotel sector. Hence, issues in relation to the impact of this outsourcing practice on operational managers could influence the tendency of using agencies.

6.2 The management of Employment agencies

In this section, issues with respect to the management of employment agencies, such as the size of agencies and approaches used to recruit both clients and agency staff, are discussed in order to demonstrate how agencies manage themselves within supply chains.

6.2.1 Marketing and advertising

All survey agency managers noted that a major device for marketing and advertising is the "word of mouth" approach (Table 6.2.1).

Table 6.2.1 Marketing and advertisements used in the labour supply chain

AG-MANG	Word of mouth	Association membership	Public media
Aa	✓		
Ab	✓	✓	✓
Ac	✓	✗	
Ad	✓	✗	
Ae	✓	✓	
Af	✓	✓	
Ag	✓	✓	
Ah	✓	✓	

"*A lot of our clients come by word of mouth. Because we are doing a good job, they move down to a new property, and they come back to us*" (Agency Manager Ab).

"*I attend the UK Housekeeper meetings, and know people from there, by word of mouth from lots of people*" (Agency Manager Ad).

"*We don't advertise at all. ... Nothing else is working. ... Our clients help us to recruit clients. I haven't made sales calls in about 2 years. Word of mouth is the only way*" (Agency Manager Ae).

"*We have no sales team. All of our business, basically, has come through word of mouth... We don't need and we don't have a sales team*" (Agency Manager Ah).

Apart from this "word of mouth" technique, many agency managers also join certain associations, such as the Recruitment and Employment Agencies Confederation (REC) and the UK Housekeeping Association (UKHA), as an approach to contact more clients or market the agencies.

"*We are a member of the REC*" (Agency Manager Af).

"*We go the housekeeper association. We are a member of the housekeeper association. So we regularly meet up with our clients as well*" (Agency Manager Ab).

"*The only association we have is with the Housekeeping Association in the UK (UKHA)*" (Agency Manager Ah).

Ag has met the standards of the International Organisation for Standardisation 9002 (ISO 9002), and uses it as the agency's quality assurance mechanism. The ISO 9002 process even checks their stationery, documents, and every single item to make sure of the quality of service provided. The agency is also in the process of registering with the REC.

However, for Agencies Ac and Ad, the managers do not recognise the usefulness of joining the Recruitment and Employment Confederation (REC).

> "*I did start with the FRES (now the REC), but they are really not much help anyway... I pay the membership, but they don't give me any favours, not at all*" (Agency Manager Ad).
>
> "*I used to be registered with the FRES (now the REC). But now, you don't need that. You can operate without that kind of registration*" (Agency Manager Ac).

Amongst survey agencies, not many agencies have put advertisements in the public media. Only Agency Ab is aggressive in promoting itself by using this source.

> "*We are in the Caterer directory, and we are on the HCIA year planner. We advertise at Catering.com for clients, as well as for staff*" (Agency Manager Ab).

In the study, the most frequently used and efficient approach of marketing and advertising an agency is by "word of mouth". The evidence in Section 6.1.1 shows that previous working relationships play an important role on selecting hotels' partner agencies. This also relates to the prominence of the "word of mouth" technique for agencies. Many agency managers noted that their clients bought their services because of the managers' personal networks and their previous performance in supplying staff.

As for the associations the agencies are registered with, not many related organisations exist in the sector. The UK Housekeeping Association (UKHA) and the Recruitment and Employment Agency Confederation (REC) are two bodies which agencies joined most frequently. Some managers noted that the regular meetings organised by the UKHA were opportunities to meet up with their clients and potential clients as well. It also helped them to improve their personal links with hotel executive housekeepers. However, Housekeeping Manager H7 also noted that if her partner agencies did not perform well, she could go to the UKHA meeting and spread information on this inefficiency. Therefore, this demonstrates the power of "word of mouth".

The other body, the REC[3], is exclusive to the recruitment and employment agency industry. It is open to all agencies in different sectors, including catering and hospitality. However, the survey managers did not evaluate this association and noted that it was not beneficial to them to join.

Apart from association membership, the agencies also use public media as an approach of marketing and advertising. The Caterer and Hotelkeeper magazine and Caterer.com were suggested by Agency Manager Ab. However, it seems that agency managers prefer to use "word of mouth" in preference to all other approaches.

6.2.2 The number of agency office administrators

Most survey agencies are relatively small in terms of the size of office staff employed in their agencies. Four or five agency executives was the most common reported size within the study (Table 6.2.2).

In the study, most survey agencies have less than 5 office administrators, including the agency directors, to deal with hundreds of agency staff. This confirms the dominance of small and medium-sized enterprises in the employment industry (Hotopp 2000; Purcell and Cam 2002; Key Note 2003). Not all of the agencies employ their office staff on a full-time basis. Three agencies noted that they also

[3] During the data collection period, the researcher participated in the REC annual meeting in 2003. It was surprising that none of the hospitality agency members attended the meeting, even though the REC has over 60 members in the hospitality section. Furthermore, at the other annual REC hospitality agency quarterly meeting that the researcher attended, only five hospitality members were present at the meeting. This observation shows that the REC may need to make more effort with regards to its own recognition as an association to assist all members within the organisation. The REC was established on 2000, and was a merger of two bodies, the Federation of Recruitment and Employment Services (FRES) and the Institute of Employment Consultants (IEC). For the agencies, it is not compulsory to register with the REC. This could be an explanation of the low meeting attendance, but still, the association needs to improve on their member services to attract more hospitality agencies members.

employed freelance or part-time staff to meet their operational needs, such as payroll, new staff training, and bookings.

Table 6.2.2 The size of employment agencies

AG-MANG	Number	Less than 5	6-9	Over 10
Aa	5 + 2		✓	
Ab	5	✓		
Ac	4	✓		
Ad	4 + 1	✓		
Ae	5	✓		
Af	3 + 1	✓		
Ag	7		✓	
Ah	10			✓

The biggest agency, in terms of the number of registered staff, in the study is Agency Ah, and it also employs the most office executives to handle their 90 clients and 1,200 registered agency workers. For the rest of the relatively smaller size agencies, the number of clients served is from 15 to 50. Generally speaking, it is very busy and challenging for agency administrator in the offices, considering the ratio of their operational activities to the number of administrators employed in the agency.

The operational activities involved in the labour supply chain include staff recruitment, training, allocating to various assignments, daily courtesy phone checking to clients, hotel visiting, complaints handling, and marketing for future sales. It is inevitable that the agencies have limited time to visit hotels in person. Some hotel managers noted that their partner agencies promised too much at the start of their working relationships and could not deliver the guaranteed services fully.

Previous working experience and "word of mouth" techniques are the most prominent approaches for hotels to choose their partner agencies and for the agencies to market themselves respectively. If the agencies can service their existing clients effectively, the goodwill of the agencies can be established and it will be rather easier for them to be recommended by their clients to other new clients.

6.2.3 Agency staff recruitment

Few agencies use public media and job centres to attract job seekers. However, it is suggested that "word of mouth" approach worked the best for agencies while recruiting job candidates (Table 6.2.3).

Table 6.2.3 Approaches used to recruit agency staff

LSC-REC	Word of mouth	Public media	Job centres	Sector based scheme
Aa	✓			
Ab	✓	✓		
Ac	✓			
Ad	✓			
Ae	✓	✓		
Af	✓	✓	✓	
Ag	✓	✓	✓	
Ah	✓			✓

> "*Word of mouth, and we advertise a lot in universities, colleges, catering colleges and so on. Local papers, we do a lot of advertisements in local newspapers*" (Agency Manager Ab).
>
> "*Clients and candidates, we all recruit through word of month. If you look after people nicely, they tell people. So, our candidates help us to recruit candidates*" (Agency Manager Ae).
>
> "*Mainly by word of mouth; advertisement in Metro and local newspapers; putting posters outside agency windows and also from Job centres. But the response from Job centres is poor, because some people just want to get the experience of interviews*" (Agency Manager Ag).
>
> "*All by word of mouth...for the 12 months work permits issues arise, we have to advertise in the UK for certain days. For 28 days if we are not getting staff of a decent calibre, then we can say 'we advertised for 28 days, all we got was not good, and now we need to go for workers from abroad'. So, only when we have done that, we satisfy the criteria by doing that, and then we can go. Apart from that, we don't do anything else*" (Agency Manager Ah).

The same approach, "word of mouth", is used to recruit staff to work for agencies. All survey agency managers noted that this approach is the most commonly used and the most useful way to recruit new staff. Four agencies have put job-wanted advertisements in the public media, such as local newspapers, Caterer and Hotelkeeper magazine and agencies' own websites on the Internet. Two agencies also noted a practice of recruiting job seekers through Job Centres. However, "word of mouth" is still the most recommended approach reported in the study. In general, the approaches which are used by agencies in recruiting their workers are similar to those suggested in the literature (Carroll *et al.* 1999; Jameson 2000; Kelliher and Perrett 2001).

A relatively new approach to recruiting agency staff was noted by Agency Ah, that is, through a short working scheme named the sector based scheme. This scheme allows workers from outside the European Economic Area (EEA) to enter the UK to take short-term or casual jobs. The jobs permitted in this scheme are within two sectors, namely the hospitality industry (hotel and catering work) and the food manufacturing industries (meat and fish processing and mushroom production only). Agency Ah recruited a group of workers from Russia under this scheme and their normal duration of work lasted for 12 months. This is a relatively new and not commonly used practice amongst the agencies. It will be interesting to see whether this scheme becomes popular in the agency industry. Furthermore, as 10 new countries joined the European Union on May 2004, the trend of a possible foreign labour flow from new accession states needs to be monitored.

The management approaches adopted by agencies are similar. The most common and effective approach to recruit both clients and staff is through word-of-mouth. This informal technique indicates that agencies consider their service quality as an important factor to both clients and job candidates. Good service quality in supplying manpower to clients and in allocating suitable work for job candidates helps agencies to survive in the employment agency market.

Furthermore, agencies employed by survey hotels are generally small in terms of the number of their office executives. The nature of being small businesses allows agencies to be flexible in reacting to client demand. This could possibly explain why none of survey agencies belongs to large agency group chains. The relationships between agencies and hotels are confirmed to be close and responsive. In addition, they are commonly built upon previous working relationships and, to some extent, on personal contacts. Furthermore, this trend reflects agencies' attitudes towards joining their professional association. It is noted that association membership plays a limited role in supporting advertising and recruitment of both clients and job candidates.

6.3 Issues regarding agency staff, such as background of agency staff, how to manage agency staff, criteria of staff, and the relationship with agency staff

Issues with respect to agency staff background, staff management, selection criteria for staff, and the relationship between staff, hotels and agencies are illustrated in this section.

6.3.1 Background of agency staff

In the study, most survey hotels noted that the majority of their agency staff are Eastern European as well as predominately female (Table 6.3.1).

Table 6.3.1 Agency staff background

AS	Eastern European countries	Predominately female	Full time agency staff
H1	✓	✓	✓
H2	✓	✓	✓
H3			✓
H4			✓
H5	✓	✓	✓
H6	✓	✓	✓
H7	✓	✓	✓

The nationalities of agency staff who were employed in survey hotels are diverse, but, recently, there is a tendency for more East European, such as Russians, Lithuanians, Polish, and Ukrainians, to work in the industry (Table 6.3.1).

> "*Six years ago, there were no Ukrainian maids. The majority of my maids now are from Poland, Ukraine...etc. East European, they are just flooding in*" (Housekeeping Manager H5).
> "*It used to be African maids only, four years or three years ago. And then they changed to a very mixed culture of Portuguese. And now it is purely Eastern Europeans. Every single maid I get is either Russian, Latvian, Lithuanian, or all of that kind of culture*" (Housekeeping Manager H7).
> "*95% of our staff at the moment are Ukrainians or Russian. We have two Mongolian girls, two African girls, and few other eastern Europeans*" (Agency Manager Ac).
> "*We have got a mixture of everything. I would say 20 or 30 % are from EU countries; 60% are Eastern European, Lithuanian and Russians, and others*" (Agency Manager Ad).

However, in Hotels H3 and H4, their major labour supplier, Agency Ah, supplies Vietnamese staff in particular.

> "*99.9% of them are Vietnamese. I have got one Spanish person*" (Housekeeping Manager H4).

As for staff's gender, the majority of agency housekeeping staff are female. In the study, only Hotels H3 and H4 have a relatively more balanced combination in the workforce.

> "*It is spilt, about 50/50 spilt between male and female*" (Housekeeping Manager H4).
> "*All females. Very few males supplied*" (Housekeeping Manager H7).

"You know the majority of chambermaids are females. We put males as house porters" (Agency Manager Af).

Furthermore, in most survey hotels, agency staff were working in the hotel as full-time staff, and only a few of them have student status.

"They are full-time, and no students hired as agency staff" (Housekeeping Manager H3).
"Students, a small proportion of overseas students these days. But there is no UK student. The vast majority are overseas students" (Agency Manager Ab).
"We don't recruit students. ... Hotels don't want people who can only work 20 hours a week. They want people who can do full- time. Hotels will not train students, if they are not going to work there long. They are not wasting their money for the person who can only do 20 hours a week" (Agency Manager Ac).

To sum up, in the study, the evidence shows that, in many hotels, agency staff are mainly from Eastern European countries, such as Russia, Lithuania, Poland, and Ukraine. It seems that in most survey hotels, Eastern European workers are a predominant group in their workforce. However, Hotels H3 and H4 reported that their agency staff are mainly from Vietnam. Even though working with a Vietnamese workforce in Hotel H3, the manager noted that their agency is sending more and more Eastern European workers to the hotel. This is a result of the sector-based scheme noted in Section 6.2.3.

The majority of agency staff working in the survey hotels are female. As noted in Section 6.1.3, the work offered to agency staff is predominantly entry-level positions, especially room attendants. In general, room attendants are female workers, due to the domestic nature of the job itself. Therefore, it is not surprising that most hotel managers reported female workers as a majority in their workforce. However, Hotels H3 and H4 have different workforce compositions to their counterparts. In their hotels, the gender of the staff is not predominantly female and they also have a significant group of male agency staff.

As for staff status, all survey hotel managers noted that they used agency staff on a permanent basis and would give them full-time working hours if possible. This permanent utilisation of agency staff is discussed in Section 6.3.3.1.

One interesting issue was noted in the study. It seems that it is relatively rare for hotels to recruit student workers. They prefer to have people who can be flexible in their working time and are willing to take as much work as they can if needed. As a consequence, the agencies have noticed this preference and rarely recruit student workers to work as agency housekeeping staff.

6.3.2 Reasons for working as agency staff

In the study, survey managers mentioned a number of reasons why their agency staff accept work as agency workers, such as freedom and flexibility in accepting job offers, more opportunities to work overtime, variety of work experience, and difficulties in finding permanent jobs (Table 6.3.2).

Table 6.3.2 Reasons for being agency staff

AS	Freedom and flexibility	Possible to work overtime	Variety of work experience	Difficulties of finding permanent jobs
H1	✓	✓		✓
H2	✓	✓		✓
H3	✓	✓		✓
H4	✓	✓	✓	✓
H5	✓	✓	✓	✓
H6	✓		✓	✓
H7	✓	✓	✓	✓

6.3.2.1 Freedom and flexibility

All survey managers noted that freedom and flexibility are prominent reasons for agency staff to work as agency temps. By using agency staff, not only can the hotels match their labour demand and supply requirements, but the agency staff can choose to work on an assignment or not. Because they are not the hotels' permanent employees, the hotels have no obligation to give them 39 working hours work per week. On the other hand, agency staff have the right to choose not to work 39 hours in one week and to work on their preferred days as they choose.

> "*They know if they don't like it here, they don't have to come here anymore. They can go to another place*" (Housekeeping Manager H6).
>
> "*Most of the staff are happy to work for the agency. They are working here on a full-time basis anyway. But they prefer the flexibility of working for the agency, because they can pick their own days off as they like*" (Housekeeping Manager H3).
>
> "*Being a temporary worker, they have the freedom to go anywhere they want*" (Housekeeping Manager H5).
>
> "*Temping is part of life, and a fact of life here. Staff like temping because it is flexible. They can come and go as they please. They don't have to put up with a dodgy manager or a dodge hotel, and poor supervisors who are too aggressive. If they go to a job and they don't like it, they just come back to us and ask us not to send them again to that job*" (Agency Manager Ab).

Agency staff can also take long holiday periods when they wish to visit their home countries. In permanent full-time employment, staff normally do not have the freedom to take holidays for longer than 4 weeks. But being agency temps, staff are allowed to leave their work at any time.

> "*If anyone of them are leaving, maybe to go back to their own country. They speak to the agency and they go back for two months or three months. And they maybe come back again. It is much* easier" (Housekeeping Manager H5).

Furthermore, some agency staff have family obligations other than work. Being agency temps suits their needs in balancing their various commitments.

> "*We give our staff a lot of flexibility to allow them to go to school, and enjoy their social life and work life at the same time*" (Agency Manager Ab).
> "*Sometimes, they work on and off. I remember there is one chambermaid. She had a baby, and she just worked for two days a week. Now the baby is in school, so she works four days a week. People change, depends on their needs*" (Agency Manager Ac).
> "*People are either looking for permanent work or are sick of permanent working and just want to be temporary for a while. Or people who just finish university and want to travel for a year*" (Agency Manager Ae).

The literature notes some driving factors for the expansion in labour flexibility from the employees' points of view including choice of working time to address the demands of other activities outside employment, such as education, training, domestic responsibilities and leisure (Mouriki 1994; Reilly 1998). This assertion is confirmed in the study.

6.3.2.2 Working overtime

Agency staff cannot only work to the schedule of their choice, but also are able to work as much as they want if the hotels' room occupancy demands this. A number of the survey hotel managers noted that their agency staff like to work 7 days a week or worked double shifts on one day. Hotel managers are generally in favour of this willingness to work overtime when the hotels wish them to do so.

> "*Most of our girls want to work minimum 6 days a week, and they want to have additional shift on top of that*" (Housekeeping Manager H2).
> "*The agency staff can earn more money, because the agency staff can work 7 days. Our own staff are only allowed to work five days*" (Housekeeping Manager H5).

"*Those guys who work in the airport hotel are supposed to clean 15 rooms, but they will clean 20 rooms or 25 rooms if they have to. They take pay by the room, so the more they work, the more they can be paid*" (Agency Manager Ah).

Furthermore, Agency Manager Ad noted that there were always staff waiting in the agency's office on their days-off for a potential call for emergency cover from hotels.

"*They know it is gamble; they know it is their day off. If they are here and they hear the phone call, they will do it. They need the job*" (Agency Manager Ad).

This gives evidence that staff are eager to take more work if possible. Normally, the hotels feel reluctant to ask their full-time staff to work overtime in order to avoid paying overtime, especially when the hotels can request help from their partner agency without paying extra overtime charges. If they were the hotels' own permanent staff, the agency staff would have little chance to work as much as they wish.

Limited discussion in the literature notes this issue of being able to work overtime and the consequence, that agency workers can earn additional income unavailable for their counterpart permanent colleagues. However, Reilly (1998) suggests that being flexible workers allows extra income to be earned and, at the same time, to meet personal obligations other than work.

6.3.2.3 Variety of work experience

A number of survey managers noted that another motivation for staff to work for an agency was that they could gain more varied work experiences before they have found the job or the workplace which suited them the best. Agency Manager Ab suggested that the staff did not need to put up with the assignments which they did not like, as the agency would allocate them into another post.

"*Another reason is they have opportunity to see more than one job. So, they can see a number of clients, before deciding which career path they want to follow. With us, they can have an opportunity to look at the whole range of different types of catering. So they can see which one suits them, and which one doesn't*" (Agency Manager Ab).
"*By temping, you can often get much more experience much more quickly. You work in different places, you get to learn so much*" (Agency Manager Ae).

In the literature, the benefit of gaining wider working experience and skills (Reilly 1998) is rarely noted, and this is also the case in these empirical findings. This can perhaps be explained by the practice of using agency workers on a permanent basis, and by the fact that most agency staff who work for the survey hotels do so on a relatively stable and consistent basis.

6.3.2.4 Difficulties of finding permanent jobs

Apart from the above voluntary reasons of working as agency staff, all survey agency managers noted another non-voluntary reason, which is, the difficulty in finding permanent jobs in the hotel sector or other industries. Many agency staff come from foreign countries and are new to the UK with limited English skills. It is difficult for them to find jobs in other industries where language skills are a requirement.

"*A lot of them come over here for their first time, and they don't have much experience, and they cannot do office work. And that's what it is all about. They come to find the work they know they can do*" (Agency Manager Ac).
"*The majority of agency staff tend to be from abroad, and their English is limited, and that's why they do the job they do. If they can speak English well, they will get a job elsewhere. As a matter of fact, it is a fact*" (Agency Manager Ag).

Furthermore, hotels are unlikely to increase the number of permanent members of staff in their housekeeping departments. This, as a consequence, makes it more difficult for job seekers to find permanent jobs in the hotel sector.

> "*We do offer permanent as well, but because hotels aren't taking permanent people, they prefer to employ temporary staff. Hotels are not allowed to (hire permanents). That's all this all about*" (Agency Manager Ad).

In relation to the reasons why agency staff work for agencies, the study identify motives, such as freedom and flexibility, possibility to work overtime and earn extra money, variety of work experience gained through agency work, and difficulties in finding permanent jobs. Issues in relation to how important these attributes are, unfortunately, cannot be estimated in this study, due to the absence of agency staff' opinions. However, the study suggests that working as agency staff is not necessarily worse than being a permanent member of staff. The long-term tenure of agency staff found in this study provides evidence for this assertion.

6.3.3 How to manage agency staff

In order to understand how agency staff are managed within the labour supply chain, this section discusses issues, such as hotel procurement procedures, recruitment procedures practised in agencies, staff training, fair treatment between agencies and permanent staff, and staff retention.

6.3.3.1 Procedures for staff procurement

The procedures of procurement in the labour supply chain are normally referred to as "bookings" amongst clients (i.e. hotels) and suppliers (i.e. agencies). As stated in Section 6.1.3.2, most survey hotels do the daily bookings on their premises and claim that they actually acted as a "mini-agency" in the hotels (Table 6.3.3.1).

Table 6.3.3.1 Procurement procedures in the labour supply chain

AS-MANG	"Permanent" agency staff	Screen test and pre-interview	No emergency cover
H1	✓		
H2	✓	✓	✓
H3	✓		✓
H4	✓		✓
H5	✓		
H6	✓		
H7	✓		

All survey hotel managers noted that they take agency staff on a permanent basis. That is, agency staff work in the hotels permanently if the hotel occupancy permits and if the staff wish.

> "*We more or less kept all of our own staff. There have been very few changes*" (Housekeeping Manager H4).
> "*For me, my agency maids, they work here like on a permanent basis*" (Housekeeping Manager H5).
> "*Unless I need or I see there is a need for me to hire a few more*" (Housekeeping Manager H7).

Three survey managers noted that it was not wise for hotels to request emergency cover from their partner agencies, because the hotels do not obtain benefits, such as flexibility and continuity, as a result of their agency partnerships.

> "*They, (agency staff), it wasn't necessary for them to know the hotel; they weren't to be trained in that hotel; they weren't to know the standards; they weren't necessarily in the right uniform. I don't think that works*" (Housekeeping Manager H3).
> "*Those hotels who use an agency as an emergency cover to deal with problems, they don't get the benefit of agency staff at all*" (Agency Manager Ab).

"We try to get our clients to understand that the more notice they give us, the more suitable people we can come up with. Of course, however, we are still here for 'I need help tonight'. But we try to educate our clients to get the best out of us" (Agency Manager Ae).

When a hotel only wants an emergency booking from an agency for one- or two-day cover, the agency will send any person available without a 100 percent guarantee about the quality of staff. Furthermore, it is difficult to gain staff commitment when using them only on an emergency basis. All parties involved in the labour supply chain, in terms of hotels, agencies, and staff, prefer to have more stable relationships within the supply chain. This argument can be shown by the hotel managers' preference in using agency staff permanently, a stable labour force in housekeeping departments (stated in Section 6.1.3.3), and the long-term tenure of agency staff working in hotels.

Furthermore, the hotels try to keep the "pool" of staff as stable as possible, that is, no emergency calls for staff, who have not been trained in the premises, if possible.

"We have a pool of around 40 to 50 people depending on what we need. We don't have people who haven't been trained to work for us" (Housekeeping Manager H2).
"We don't use the agency to phone them in the morning and say we need more people, because they need to get somebody who does know the building, who does know the standards. The people I have are the people who work in this hotel permanently" (Housekeeping Manager H3).

Most commonly, the hotel managers request staff from their partner agency and rely on the expertise of the agencies with staff selection. However, Housekeeping Manager H2 is introducing a new policy to interview new agency staff prior to their starting work in the hotel. This helps the hotel to control the quality of new staff, and also helps their associated agencies to be aware of their required standards of staff.

"We now interview any new agency maid before they start working in this hotel" (Housekeeping Manager H2).

This was a new initiative among survey hotels. One of the benefits of using agency services noted by survey managers was the saving on human resources costs including the time the manager had to spend on interviews with new staff. However, Housekeeping Manager H2 did this pre-screen test on her new agency staff in order to communicate with her partner agencies regarding her expectations of staff selection criteria. This also shows a real concern about the hotel's quality standards from the manager's perspective.

In conclusion, the procurement for labour is an on-going activity in the sense of using the same group of agency staff continually. As a consequence, it benefits hotels more if they adopt agency staff as part of their permanent working team. This confirms the notion that there are benefits to using agency staff strategically, rather than as emergency cover.

6.3.3.2 Procedures for recruitment

The recruitment of new agency staff in each survey agency is relatively similar in terms of procedure (Table 6.3.3.2). In most survey agencies, the recruitment starts with an initial interview to fill in a job application form and an explanation of job conditions and requirements, followed by work documentation and reference checking. All survey agency managers noted that they rely heavily on their instincts while selecting job candidates. Once the candidate had been accepted, the agencies arrange for job placement and conduct any required training, either by the agencies or by their client hotels. Details of staff training are illustrated in Section 6.3.3.3.

Table 6.3.3.2 Agency staff recruitment procedures

AS-MANG	Initial interview	Document and reference checking	In-house training	Recruit by agency manager's instinct
Aa	✓	✓	✓	✓
Ab	✓	✓	✓ (F&B staff)	✓
Ac	✓	✓	✓ (On negotiation)	✓
Ad	✓	✓	✓	✓
Ae	✓	✓		✓
Af	✓	✓		✓
Ag	✓	✓	✓	✓
Ah	✓	✓	✓ (On negotiation)	✓

The initial interview of job candidates serves as the first contact between the agencies and potential staff. The job candidates know the agencies either through the recommendation of the existing agency staff or by advertisements in the public media or job centres (see Section 6.2.3 for the detail).

> "*They will come in to the office, through our girls or word of mouth. First thing we have to do is to ask whether they are experienced or not. They have to fill out the registration form which gives us a lots of detail of the maids: full names, home address, work experience they had before, how long they are here for, where they are from... From the interview, we ask them things about hotel operations. And we tell them about us, and what is expected of them. ... We keep it as short as possible*" (Agency Manager Ac).
> "*We won't spend 25 minutes on interviewing a room attendant. Normally, for recruiting a room attendant, we spend 5 minutes*" (Agency Manager Ah).

In general, interviews are relatively short in terms of the time, usually less than 30 minutes. All survey managers noted that an important role was played by their instinct. Because of previous working experience, managers normally, within the first 5 minutes of interview, claim they can identify the suitability and capability of job candidates. Normally, by looking at their appearance and asking a few questions, the managers will make their decisions within a short time and start explaining the job description and the related staff issues, such as payment, tax regulation, and working conditions.

> "*Recruiting chambermaids is very very difficult. You need a lot of experience to know who is going to make it and who is not. We work very much on the basis here that you see the person and you make the decision. You use your guts and instinct, because that's what we, managers, should do. We use our guts and instincts*" (Agency Manager Ab).
>
> "*It is the feeling that you get through your own instinct*" (Agency Manager Ac).
>
> "*you can easily find out from the way you interview them, they come in and they present themselves. You know which hotel is going to be good (for them). It is an instinct*" (Agency Manager Af).

One important step in the recruitment after the initial interview is scrutinizing the staff's working papers, immigration status, and checking references. This procedure is very important to agencies, because it is their responsibility to make sure every staff member they send to clients can legally work in the UK. Many survey hotel managers noted that this task was a part of the mutual agreements between the agencies and the hotels.

> "*Procedures for taking agency people in, they must have a valid work permit. If they were UK or European, they must be able to produce their passport or their national identity card. If they are overseas, they must have their passport and valid work*" (Agency Manager Ab).
>
> "*We need to check their documents: the proof of address, NI number, student visa and a letter from school, reference letters or information. All the document provided need to be the original copy*" (Agency Manager Ag).

However, several survey agencies noted that the problem of receiving fake documents from job candidates was getting very serious. The Home Office had given them some guidelines to help in identifying fraudulent documentation. Still, the agencies have to be very careful with this document checking.

> "*We will check their work visas. There are lot of work papers that are fake. If we have got any concern, we won't take them. And we photocopy the documents, and put them on file. When they do find work, we will then put them into the computer, the payroll. And once they are registered in the computer, all the copies of document, tax forms go to the tax office, the work papers, and the term and conditions of the contracts will be filed away, A to Z*" (Agency Manager Ad).

If the job candidates were not new to the UK or have worked in the country previously, the agencies ask for their references or recommendation letters. This is an approach to confirm the performance of the candidates in their previous work places. However, reference checking is of less importance than the checking of potential staff's work permits and documentation.

In conclusion, agency managers use their instinct heavily in selecting new agency staff and the recruitment decision is made within a relatively short period of time. This also can be linked to the acknowledged importance of previous relevant hotel work experience by agency managers.

6.3.3.3 Training

Who should be responsible for the training of agency staff is an ambiguous issue amongst agencies and hotels (Table 6.3.3.3). It depends on which service package is purchased by hotels. In general, most survey hotels opted for the basic service package, which excludes induction training (see Section 6.1.2 for detail).

Table 6.3.3.3 Staff training in the labour supply chain

AS-MANG	Induction training	On-the-job training	Health and safety training
H1	Agency	Hotel	Hotel
H2	Hotel	Hotel	Agency
H3	Agency	Hotel	Hotel
H4	Agency	Hotel	Agency
H5	Hotel	Hotel	Hotel
H6	Hotel	Hotel	Hotel
H7	Hotel	Hotel	Agency

The training of agency staff can be categorised into three types, in terms of induction training for the new staff, on-the-job training for all staff, and health and safety training for new staff. In the study, three hotels, Hotels H1, H3 and H4, have agency trainers to train new agency staff on the premises. The rest of survey hotel managers, apart from Housekeeping Manager H2, do not object to training the staff themselves. They noted that it was better for them to ensure the staff have been trained to the hotel's standards.

> "*I am willing to train. I don't have anything against training; and I am willing to give everybody a chance*" (Housekeeping Manager H5).
> "*They (the agencies) just sent them here, and then it is up to us, because agency employers might not know exactly what we want. But we do. It is better the message comes from us*" (Housekeeping Manager H6).
> "*If you have got somebody that has never done it before. That's not the benefit for the maid, but it is the benefit for me. Then again, if she wants to be trained, she will never go anywhere else*" (Housekeeping Manager H7).

In the past in Hotel H2, its partner employment agencies used to provide agency trainers and conducted the training inside the hotel. However, now, in this survey hotel, the agencies do not provide this service. Therefore, the manager would like to revert to the past situation when the agencies train their own new staff.

"I train a lot of people here for agencies. We actually are making their (agencies') life a lot easier" (Housekeeping Manager H2).

Not all survey agencies have trainers to train new staff in the hotels. In those agencies which do have trainers, in most cases they are free-lance or work on a part-time basis. For example, Agencies Aa and Ad recruit their staff on this basis. Furthermore, some agencies provide a service of staff induction training on request. If their clients want the agencies to provide training services, then the agencies will supply them. Agencies Ac and Ah fall into this category. As stated in Section 6.1.5.5, agencies charge different service packages at various rates. The more service that is provided, the higher the agency charge rate is.

"Some hotels would take trainees and train them up for you, or we will send our trainer out. We do the training in the hotels. I will phone her (i.e. the trainer) in. ... I pay her say 70 pounds a day, and she will go to two hotels, one in the morning and one in the afternoon, go round and check if all the staff were OK" (Agency Manager Ad).

"If they (staff) need training, they have to wait until we have a couple of girls who need training, and then we will send all our girls into a training centre" (Agency Manager Ac).

"In most of cases, the hotel wants to provide the training, because they want the training to be up to their standards. But we give every hotel options. Our area manager can go to train or we get somebody who has worked in this company already who is quite competent to give the training, or hotels can take the responsibility for training themselves to train them up to their standards" (Agency Manager Ah).

As for on-the-job training, in general, the hotels conduct this training on the premises using the hotels' own trainers or managers. This training not only applies to agency staff, but also to the hotels' permanent staff as well. As a consequence, it is training for all staff who work in the hotels. A special case in the study is Agency Ah which supplies language support to their clients when they are conducting their on-the-job training, due to the lack of English among the staff the agency supplies. Otherwise, agencies are normally not involved in this form of training in individual hotels.

> "*They all go for cross- training, fire training, and 'be my guest' training. They are treated exactly as one of my maids*" (Housekeeping Manager H5).
> "*If we do the training for them, my trainer and I will run the training course, but we must have someone there translating everything to Vietnamese. Because a lot of them won't understand efficiently*" (Housekeeping Manager H3).

Three survey hotels, Hotels H2, H4 and H7, noted that their agencies had to take responsibility for the agency staff's health and safety training.

> "*We don't mention thing about lost property, security procedures, and everything. We put all these through the agency, and ask them to have them signed off before anybody comes into our building*" (Housekeeping Manager H2).
> "*They tell them where the fire extinguisher is, what to do if there is any fire, how to clean the room, and those standard operation procedures. And another good thing as well, for the things we need to do here, the agency will translate the English into Vietnamese*" (Housekeeping Manager H4).

In Hotel H4, because the hotel has a premium service package, the hotel expects qualified and well-trained staff to work on its premises. However, in Hotels H2 and H7, the packages the hotels opt for basic service packages with no induction training for new agency staff. Their partner agencies, Agencies Ac, Ad, and Af, conduct health and safety training in accordance with the hotel's requirements. On the other hand, Hotels H1 and H3 avail of advanced and premium service package respectively, but their partner agencies do not provide this health and safety training on the hotels' behalf. This is mainly because the hotel managers perceive that the hotels should conduct this training in house.

These cases show the complexity of agency service packages supplied in the market. Furthermore, it seems there are no explicit rules to identify different service packages, and the actual content of service specifications is based on negotiations between hotels and agencies. Every client hotel is unique and is treated individually.

Most of the literature notes that flexible workers receive less training than their counterpart permanent colleagues in the same workplaces (Tregaskis *et al.* 1998; Moshavi and Tergorg 2002). In this study, agency staff receive similar training to their co-workers in hotels, in terms of induction, on-the-job and health and safety training. The difference in training between agency staff and permanent members of staff relates to who conduct the training (hotel or agency?), rather than to the actual context of training programmes.

In conclusion, staff training varies within different supply relationships. Differences are based on negotiation between hotels and agencies. No general rule of who should be responsible for staff training is identifiable in this study. It depends on which service package is requested by hotels. Agencies supply services accordingly.

6.3.3.4 Fair treatment between agency and permanent staff

All survey hotel managers noted that they treat their agency staff no differently from the hotels' own permanent staff (Table 6.3.3.4). The only difference between the two is that agency staff do not receive their pay directly from the hotels where they work, but from their employers, the agencies. Apart from these differences in payment, agency staff are expected to perform to the same quality and standards as that of the permanent employees. From the hotels' guest point of view, the products and services they receive should be consistent, no matter who the producers are and who are their employers. As a consequence, hotel managers have to make sure the quality of agency staff performance is as good as that of permanent employees.

Table 6.3.3.4 Fair treatment between agency and permanent staff

AS-MANG	Number of permanent H/K staff	Number of agency staff (Daily average)	Ratio of Agency/total H/K staff	Fair treatment	No conflict between owned and agency staff
H1	42	50	54%	✓	✓
H2	85	23	21%	✓	✓
H3	29	43	59%	✓	✓
H4	3	18	85%	✓	✓
H5	17	14	44%	✓	✓
H6	20	10	33%	✓	✓
H7	23	13	36%	✓	✓

One suggestion commonly noted by the hotel managers was through treating both groups fairly, agency staff would act like permanent employees in the hotels. In general, agency staff attend the same departmental meetings, have the same staff meals in the hotels' canteen, and receive the same on-the-job training as the hotels' permanent full-time staff. Furthermore, the managers have the same quality requirements from both sets of staff. This can also explain why, in most survey hotels, the agency staff are a relatively stable group, and hotels adopt them on a permanent basis.

> "*The only difference is the way which they have been paid*" (Housekeeping Manager H3).
>
> "*They come in and we treat them exactly the same as our own member of staff*" (Housekeeping Manager H4).
>
> "*I treat them no different from the girls who had been working here for 15 years*" (Housekeeping Manager H5).

Several survey agency managers also advocated this fair treatment to housekeeping staff, no matter what their employment status was.

"*The staff will start to act like your full-time team if you treat them like the full-time team and give them the same type of training you might give to your full-time team*" (Agency Manager Ah).

"*You have got that problem whether agencies work successfully with hotels is the way you literally operate as a part of the company, a part of the business. Your staff, their staff, agency staff are all the same. They are supervised the same way; they are managed in the same way; they eat the same staff lunches; they walk through the same door; wear the same uniform; and so on. That's the way you will have a highly successful relationship, and the hotel is going to be very cost-effective*" (Agency Manager Ab).

As a consequence, no survey hotel managers noted that the existence of conflict between their permanent and agency staff on the premises (Table 6.3.3.4). This is mainly because of the fair treatment of the two sets of staff. If agency staff were requested to wear different uniforms, to have lunch in a separate canteen and to work to different requirements in their performance, conflict could easily occur. This finding does not support the "them-and-us" situation noted in the literature (Ward *et al.* 2001).

Housekeeping Manager H7 commented that conflict between agency and permanent staff could happen when agency staff did not do their jobs to hotel standards. This was because those agency staff would be allocated to clean permanent staff's sections on their days off. Therefore, the manager should make sure to control the quality of agency staff, and not to let permanent staff be disappointed by bring in agency staff who cannot perform well but are cheaper in the hourly rate the agency charges.

"*You can't let your permanent down by getting in rubbish (i.e. poor performed agency staff) either*" (Housekeeping Manager H7).

Another reason to explain the harmonious conditions in the survey hotels is that the agency staff compose a relatively large proportion of each department (Table 6.3.3.4).

> "*The agency staff have been such a big part of the hotel for such a long time*" (Housekeeping Manager H3).

The proportion of agency to total housekeeping staff in most survey hotels ranges from one third to over a half. In each hotel, the majority of agency staff are doing entry-level work, such as room attendants and house porters. Therefore, the ratio of agency to permanent room attendants in the hotels is even more significant. The ratios can be as high as 100% (i.e. Hotel H4 has agency room attendants only), 80% (i.e. Hotel H1 has 9 permanent room attendant and use 40 agency room attendants in average), or 65% (i.e. Hotel H7 has 13 agency and 7 permanent room attendants).

In conclusion, it is found that in hotels, agency staff receive relatively fair treatment compared to their permanent colleagues. Therefore, no conflict between agency and permanent workers was reported by respondents to the study.

6.3.3.5 Staff retention

As noted in Section 6.3.3.4, the hotels treat their agency staff fairly and in no way different to the hotels' permanent staff. This approach of fair treatment assists the hotels to make their agency staff workforce more stable. All survey hotel managers noted the importance of this technique to retain their agency staff (Table 6.3.3.5).

Table 6.3.3.5 Staff retention in the labour supply chain

AS-MANG	Fair treatment	Give enough work	Cope with special request	Good working relationship	Incentive scheme
H1	✓	✓		✓	
H2	✓	✓	✓	✓	
H3	✓	✓			
H4	✓	✓		✓	
H5	✓	✓	✓	✓	
H6	✓				
H7	✓	✓	✓	✓	✓

In addition to this fair treatment, giving enough work to the staff is another contributor of staff retention. All but one survey hotel managers noted that if they did not give staff enough work, then it would be difficult to keep them in the hotel. One of the reasons why the agency staff work for an agency is that they can work overtime in their workplaces. The staff can only survive and will stay in one place providing that they have been given enough hours to work.

> "*We spend a lot of time making them to work here permanently. Making sure they have enough working days here for coming around. Therefore, we obtain commitments from them*" (Housekeeping Manager H2).
>
> "*They (agency staff) will stick with a particular hotel if it is busy, they know they can get seven days. They won't move to another hotel*" (Housekeeping Manager H5).
>
> "*If you do not give these maids five days a week, they will not come back. The loyalty will stay with you, not only because you are a nice person, but also because you have everything there for them*" (Housekeeping Manager H7).

Agency Manager Ah noted an example where some of his clients continued to request staff from the agency even during the low season. The hotels let their permanent staff go on holiday and maintained the utilisation of agency staff during the low demand months. This supports the importance of giving enough work to agency staff.

"*Our staff cannot stop working for three months and doing nothing*" (Agency Manager Ah).

"*Our guys who work for the agencies, they like our work, because a lot of our clients are very much settled to offer permanent work on a temp basis. They basically don't need to work with other agencies, because with us, they are booked for the whole week with one client and do the same job. And they like that as well*" (Agency Manager Ab).

In the labour supply chain, both parties, clients and suppliers, noted that they keep good relationships with their staff, and this also contributes as a staff retention approach. Some hotel managers noted that they care for their agency staff who work on the premises as much as they care about their permanent staff. This can be verified by the fair treatment approach described above. The same perception was also shared by agency managers. They claimed that a binding relationship can be established through caring and respect between agencies and their staff.

"*It is that working relationship that gets really good temps. They help you, and you help them. And it is a very strong bond which actually has been built between agencies and its temps*" (Agency Manager Ab).

"*Give them respect. We all need a chance; we all need somewhere to go to. ... If they just stop working with us, it is fine by me and is fine by them. Some of them come back to me after they change their career to a something completely different, so some of my temps are now clients. So, there are lots of good things happening*" (Agency Manager Ad).

Three survey hotel managers also noted that coping with agency staff's special requirements was essential in order to retain them. These special requests might be asking for a certain day-off to meet staff obligations, or seeking assistance with issues other than work. As stated in Section 6.3.2.1, flexibility and freedom, contributed in a significant way to the willingness to work as agency staff. This justifies this "coping-with-special-request approach" to ensure that agency staff work for one particular client hotel.

"If they come to us and discuss they need certain day off, and we try to give them. ...We have to cope with that" (Housekeeping Manager H2).

Housekeeping Manager H7 also noted a unique approach to retain her agency staff by introducing an incentive scheme for staff who perform good service. This is to encourage all staff working in the department to maintain the hotel's standards.

"An incentive scheme is something for a maid that is so fantastic and when you check her rooms on a percentage level, and if she gets 80% all the time, she will get cash or whatever as a little bonus" (Housekeeping Manager H7).

The manager argued that if the agency staff did not perform as well as her permanent staff did, the full-timers were going to complain, and as a consequence, a conflict or even high staff turnover may occur.

Staff retention attributes suggested in this study include fair treatment, giving enough work to agency staff, coping with staff special requests, maintaining good working relationships with them, and providing incentive schemes. These attributes indicate the hotel's intentions to maintain the same group of agency staff. Although hotels use agencies as a strategy to gain flexibility, they are also aware that agency staff may work for agencies based on their personal need for flexibility. This can explain the notion that hotel managers attempt to accommodate staff special requests in many situations.

6.3.4 Criteria of staff

The criteria for agency staff required by both hotels and agency could be identified as follows: previous working experience, English skills, staff legal status, presentable appearance, personality and staff's willingness to work (Table 6.3.4).

Table 6.3.4 Criteria of choosing agency staff

AS-PROD	Previous working experience	English skills	Legal status	Presentable appearance	Personality	Willingness to work
H1	✗	✓ (Basic)	✓			
H2	✗	✓	✓	✓	✓	
H3	✗	✗	✓		✓	✓
H4	✓ (Preferably)	✗ (Maid) ✓ (P/A; L/A)	✓	✓	✓	
H5	✗	✓ (Basic)	✓	✓	✓	✓
H6	✓ (Preferably)		✓			
H7		✓ (Basic)	✓	✓	✓	✓
Aa	✗		✓			
Ab	✓; ✗				✓	✓
Ac	✓; ✗					
Ad	✓ (Preferably)	✓ (Basic)			✓	
Ae					✓	
Af	✓	✓ (Basic)	✓		✓	✓
Ag	✓ (Preferably)	✓ (Basic)		✓	✓	✓
Ah	✗	✓		✓	✓	✓

It is noted that most survey managers do not consider the criterion of having previous working experience as important for them in staff selection. Of emergent criteria, good personality and the willingness to work seems to be more important than English skills and presentable appearance. One interesting issue that needs to be addressed is the different importance of legal working status recognised by hotels and agencies. It was important to all survey hotels that all the staff sent by their partner agencies have legal work documents. However, not all agencies in the study noted this importance.

6.3.4.1 Previous working experience

In the study, survey managers noted that it was not necessary for agency staff to have previous working experience in housekeeping departments. Only one manager, Agency Manager Af, argued that they would like to recruit someone with basic housekeeping experience as a minimum. This is because the agency does not provide training services for their new staff. As a consequence, the manager insisted on taking on experienced housekeeping staff, in order not to have to train them from scratch. Apart from Agency Manager Af, the rest of survey managers noted that they would prefer agency staff with previous housekeeping experience but would accept those with no experience. That is, the managers perceived previous working experience as a bonus, but not the key criteria the new staff must meet before they are offered a post.

> "*No previous experience needed, and no qualification is needed as well.*" (Housekeeping Manager H1).
> "*For the room attendants, not necessary (to come in with experience). It depends on the person, if they have been room attendants before where the standard are not particularly good, and they picked up bad habits, then you have to train that bad habit out of them. If you get someone who has never been a room attendant before, and you start from the scratch, at least they haven't get any bad habits that you have to get them away from*" (Housekeeping Manager H3).
> "*There are some clients who prefer no experience. We have got one hotel who doesn't want any experience at all. ...Some hotels believe that bad habits are trained into chambermaids as well as good experience*" (Agency Manager Ab).
> "*At least we take somebody who has basic experience in a small hotel, and a basic knowledge of English. It is very important*" (Agency Manager Af).

Agency manager Ab noted that some previous non-hospitality work experience might be a drawback for job candidates. The manager suggested that he would not recruit a candidate who used to work in the retail sector. The staff might not be physically suitable for housekeeping work.

> "*If a girl has been working as a shop assistant in Tesco, she is not going to be a chambermaid in a four star centre London hotel cleaning 15 rooms per day*" (Agency Manager Ab).

Most hotel managers do not object to training agency staff according to their own standards. This also makes the possession of previous working experience unnecessary for new agency staff. In the study, it is evident that hotel managers are relatively more adventurous in accepting inexperienced staff and fresh starters. Compared to their clients, agency mangers are more conservative in taking new starters and prefer having job candidates with a basic knowledge of housekeeping work.

6.3.4.2 English skills

The survey managers all noted the importance of English skills. However, they do not expect their agency staff have to speak fluent English, but to have basic communication levels. Housekeeping work has less guest contact compared to other posts within the hotel sector, such as waiter/waitress, front desk clerks and luggage porters. In general, hotel managers expect their staff, both permanent and agency staff, to speak at least understandable English. Staff should be able to greet hotel guests and understand their requests, or at least, be able to call for assistance from their department. Furthermore, the staff should be able to understand the training sessions and instructions given by their supervisors on the premises. If they do not understand such supervision, this makes management more difficult.

> "*The most important criteria are basic English and clean legal status*" (Housekeeping Manager H1).
> "*As long as they smile and say hello to the guests, that's the biggest thing*" (Housekeeping Manager H3).
> "*We would like them to speak English to understand English, in case the guests ask for something*" (Housekeeping Manager H5).

"We don't necessarily require them to be able to speak English" (Housekeeping Manager H4).

All survey agency managers noted this language requirement from their clients and also made efforts to meet the criteria.

"(We want their) English to a communicate English" (Agency Manager Ad).
"We have staff that have knowledge of English" (Agency Manager Af).

However, if the agencies cannot supply staff who can speak reasonable English, they may provide a language translation service for their clients if requested, especially when the hotel managers conduct their on-the-job training or having a departmental meeting. For example, Agency Ah sends their on-site coordinator or assigned personal contact person for each client to provide language translation, because the majority (85%) of their staff are from Vietnam with limited English.

6.3.4.3 Legal status

It is the agencies' responsibility to make sure that all their staff have appropriate legal status to work in the UK. All survey hotel managers noted that is was important that their partner agencies ensure that all the staff they send have legal work documents. This is illustrated in Section 6.1.2.1.

In the study, this assurance on legal working status was noted by all hotel managers, but only two survey agency managers mentioned it as a criterion. This interesting issue should be noticed by the employment agencies, as it is a criterion commonly recognised by their clients, but is not given the same weight by agencies. Hotel H1 asks their partner agencies to sign a form which indicates that it is the agencies who are responsible for any illegal staff who have been sent by them to work in the hotel.

There is evidence that the problem of fake documentation is getting worse in the industry. The agencies can overcome this problem by checking staff documents with extra care and seeking assistance from the Home Office.

6.3.4.4 Presentable appearance

A number of survey managers noted the criterion that staff should be respectable and clean appearance.

> "*I don't allow anybody to work without black shoes and tights; longhair tied back; no nose piercing; no long earrings*" (Housekeeping Manager H5).
> "*I will expect her to be presentable*" (Housekeeping Manager H7).

It seems that this criterion is not as important as other criteria addressed in this section. A possible explanation can be that the staff are required to wear uniforms of the hotels. Moreover, the hotels will ask them to dress according to the dress code in the hotels, such as wearing black tights and shoes, no long earrings, and no strong make-up.

6.3.4.5 Personality

Most survey managers noted the personality of staff is essential as a selection criterion.

> "*For us, it is all about just personality. The only thing we are looking for is enthusiasm, politeness, and a general nice, out-going nature*" (Housekeeping Manager H2).
> "*Our room attendants, they are people who look pleasant, people who work hard, who work fast, and who work well*" (Housekeeping Manager H4).
> "*I expect them to work with their colleagues; respect their colleagues; and treat their colleagues as guests as they treat the guests*" (Housekeeping Manager H5).
> "*What the hotel wants from the agency workers? Reliability, flexibility, a decent working attitude, and the similar level of skills to what they would employ directly*" (Agency Manager Ab).

> "*Off course, they need to have personality. You have to check what kind of personality they are to fit into that kind of hotel*" (Agency Manager Af).
> "*The only thing I will look for in the staff is personality... If somebody's attitude is right, and you put him into a team. Skill level is secondary*" (Agency Manager Ah).

A friendly, enthusiastic and honest personality is a very important criterion to survey managers. Some managers, Housekeeping Managers H2 and H3 for example, even noted that this could be the key factor in recruiting agency staff. The staff may not necessarily have previous housekeeping working experiences or are not able to speak fluent English. As long as they have a good and easy-going personality, their chances of being accepted for work are relatively good.

6.3.4.6 Willingness to work

Another fundamental factor in the employment of agency staff is their willingness to work. This willingness shares almost the same importance as the personality of the staff. Housekeeping Manager H5 noted that if the staff do not want to work at the first place, it was a waste to put effort into their training and supervision. The staff would perform badly and even leave the job.

> "*If you get a maid and she doesn't want to work in this hotel, there is no point in keeping her. ... If she is not happy working for me, she is going to phone sick one day. She is going to coming late, because she doesn't care*" (Housekeeping Manager H5).

Several survey agency managers noted that the staff's willingness to work is important as well.

> "*A guy who does really well as a temp is the one who allows himself to be totally flexible, enjoy his work, and to take the work when the work is good,*

to accept there is not enough work when it is the particular time of the year" (Agency Manager Ab).

"*Chambermaiding is hard work. You have to be committed. That's the most important criteria, i.e. who is willing, very willing*" (Agency Manager Af).

"*Basically the guys that we are looking for are those who want to work as much as they can. Obviously they want to do 5.5 or 6 days each week*" (Agency Manager Ah).

In conclusion, hotels prefer their agency staff to have certain qualities, such as previous working experience, basic English skills, legal working status, presentable appearance, friendly personality and, most importantly, willingness to work. Amongst these, previous working experience has least importance, and, in fact, it is suggested that this may have a negative impact in some cases. However, from the agencies' perspective, it seems that they are aware of hotels' requirement in terms of staff selection criteria. Hence, this helps agencies to deliver the right person to hotels and improve supply relationships.

6.3.5 Relationship with agency staff

The relationships between hotels and their agency staff are noted to be well-maintained on a permanent basis (Table 6.3.5). Most survey hotel managers consider themselves as the "employer" of agency staff.

Table 6.3.5 Relationships with agency staff

AS-REL	"Permanent" agency staff	Good working relationship	Employer or client position
H1	✓	✓	Employer
H2	✓	✓	Employer
H3	✓		Both
H4	✓	✓	Employer
H5	✓	✓	Employer
H6	✓		Client
H7	✓	✓	Employer

6.3.5.1 "Permanent" agency staff

As stated in Section 6.1.4.1 and Section 6.3.3.1, agency staff work for the hotels on a permanent basis and also on long service tenure.

> "*Everybody who works here really permanently works here, and they don't go someone else. If we cannot offer them work, most of them would rather stay at home not coming here than go some where else. We treat them like our permanent staff. They don't go. They tend to work here 3 days, 5 days or 7 days a week. They stay with us*" (Housekeeping Manager H2).
>
> "*Some of them have been here as long as me, which is 6 years*" (Housekeeping Manager H3).
>
> "*I have some one who is here for 10 years*" (Housekeeping Manager H7).
>
> "*We have got people who have been with us since the moment we opened the door*" (Agency Manager Ab).
>
> "*I have girls who are with us even before the agency opened. They work and work in the same place for years, and they come with us. ... One of them since 1992, right from the beginning. She is still working for us*" (Agency Manager Ac).
>
> "*We have quite a lot of people who have stayed with us for the past five years now*" (Agency Manager Af).
>
> "*They try to work with us as long as they can. They don't tend to leave. They are very loyal*" (Agency Manager Ah).

As stated previously, "permanent" agency staff are common in the hotel sector, especially in housekeeping departments. This makes the relationships with the agency staff stable and constant.

The relationships have two dimensions: one is the relationship between the staff and the clients, and the other is between the staff and their actual employers, the employment agencies. The approach of using agency staff permanently assists in the integration of the three parties, namely hotels, agencies and staff, within the labour supply chain and binds them into a psychological agreement (see Section 6.1.6.1 for detail). Some managers described their agency staff as part of their furniture on the premises to indicate a steady working relationship between them. This assertion seems to be contrary to the presence of job insecurity noted in the literature (Ward *et al.* 2001). Furthermore, this approach also helps to improve good working relationships amongst the three stakeholders as described in the next section.

6.3.5.2 Good working relationships

As stated in Section 6.3.3.5, keeping good working relationship was one of the retention techniques to retain staff. Most survey managers noted a good working relationship did exist in practice (Table 6.3.5).

> "*Because we have got good working relationships with our girls. If we have got problems, they are very responsive*" (Housekeeping Manager H2).
> "*We do have a very very close relationship with our actual agency, and the employees who come to the hotel*" (Housekeeping Manager H4).
> "*We had had a very amazing relationship with them since the agency opened five years ago*" (Agency Manager Ab).

Most survey managers noted that they keep good working relationships with their staff. This could result from the approach of using staff on a permanent basis. Furthermore, most survey hotel managers noticed the importance of retaining their agency staff and already made efforts to keep staff loyalty and commitment to the hotel.

The working relationships between staff and hotels, in some cases, are even closer than the relationships between staff and agencies. This can be demonstrated by the fact that some hotels have the agency staff's personal contact information and details. The norm is only agencies, the employers of the agency staff, have the staff's personal information and contact numbers. If the hotels want to arrange anything with the agency staff, they should go through their partner agencies. It is often the case that hotels contact agency staff who work on the premises regularly directly, without informing the partner agencies.

6.3.5.3 Employer or client position

All but one survey hotel manager noted that they considered themselves to be the employer of the agency staff working on their premises (Table 6.3.5).

> "*They are our employees*" (Housekeeping Manager H4).
> "*They are mine. And their financial payment is done outside. It is like outsourced payment. But I am very protective of them to have everything. And if I don't like what they do, I will tell them*" (Housekeeping Manager H7).
> "*Because I don't have their contact number, that's confidential. That's not my area at all. So, I am the employer in one aspect, but not in the other*" (Housekeeping Manager H3).

Housekeeping Manager H6 denied this position as the staff's employer, describing instead, the relationships that of the user of staff. He perceived that the partner agency loaned staff to the hotel, and the hotel was the client who used the services and staff provided by the agency.

> "*The agency staff are already employed directly by the agency, and the agency just loan them to us. They are working for the agency in our hotel*" (Housekeeping Manager H6).

From the agency point of view, all but one survey agency managers noted that they were the staff's employer, for reasons of paying their employer national insurance contribution and employees' fringe benefits.

> "*I would say they coming in to me, and I am their boss. That's how they say*" (Agency Manager Ad).

> "*We almost are an office of the hotel or clients, but we are just not inside the property. So, our staff are their staff. It just happens to be instead of they telling them to work, we tell them to work. But they still arrive the same time, the same day, and so on*" (Agency Manager Ab).
>
> "*We are agents, really. We are like an introducer. The employer is a client, because they do work for them. And that's in the eyes of the law as well. They don't work for me here. They don't work here. Technically I do. Now they don't work for me. ... I personally think the client employ them, because they work there, they do the job there, they do work together, and they work for them, really*" (Agency Manager Ae).

However, the attitude held by most survey hotel mangers explains the approach of using agency staff on a permanent basis in many hotels. It also rationalizes the equitable treatment of permanent and agency staff (see Section 6.3.3.4 for detail). Two reasons why most hotel mangers thought of themselves as an employer of agency staff were agency staff worked in the hotels regularly and continently, and, secondly, due to the fact that the staff were under the hotel managers' supervision and discipline.

In conclusion, good working relationships are found between hotels, agencies and agency staff. Most hotels consider themselves as the employer of agency staff. In fact, the real employer of the workers is the employment agencies. Generally speaking, these good working relationships make sure that all stakeholders involved within the supply chains are bound to each other and provide the basis for the chains to be maintained.

6.4 The perception of managers toward the labour supply chain, in terms of problems of agency operation, drawbacks of using agencies and the overall satisfaction with the labour supply chain

In this section, issues in relation to agency operational problems, drawbacks of using agencies from the hotels' perspective, and overall satisfaction with labour supply chains are discussed.

6.4.1 Problems of agency operations

In the study, survey agency managers disclosed that several problems occurred while operating their agency business, such as a growing competition within the agency industry, the nature of work in the operations, an unstable demand on agency services, the impact of new legislation, and financial problems (Table 6.4.1).

Table 6.4.1 Agency operational problems

LSC-PRO	Competition	Hard work	Unstable demand	Impact of new legislation	Financial problems
Aa	✓	✓	✓	✓	✓
Ab	✓	✓	✓		✓
Ac	✓	✓	✓		
Ad		✓		✓	
Ae		✓			
Af		✓	✓		✓
Ag		✓			
Ah	✓	✓	✓		✓

6.4.1.1 Competition

A number of survey agency managers noted that competition in the agency industry was intense. This results from three factors, in terms of too many competitors existing in the market (see Hotopp 2000; Key Note 2003), the use of illegal staff (see Key Note 2003), and staff registering with more than one agency.

In general, most agencies are small and medium-sized enterprises (SMEs). Most survey agencies employ less than 5 office staff to handle the agencies' administrative work and operations. Moreover, a new agency no longer needs to seek a license before starting up its operation because the Employment Agencies Act 1973 was amended in 1995. As a consequence, the entry constraints decreased and many new agencies opened after the amendment (see Purcell and Cam 2002; Rankin 2004). Agency Manager Ac noted that there were many "cowboy agencies" in the industry and they started to steal business from other agencies by using illegal staff or playing pricing games within the industry.

> "*There are so many SME agencies. They just change names and can still survive in the market*" (Agency Manager Aa).
> "*Of course, some clients come but some clients go. It is the way it happens. Especially, there are lots of mad agencies. There are so many agencies out there now. Obviously, few years ago, all recruitment agencies were licensed. They removed that. Because of that, we found there are so many, we called them 'cowboy' agencies. They have no rules. They go in mad and steal your business*" (Agency Manager Ac).

A number of agency managers noted the existence of illegal staff in the industry. This can, as a consequence, become a possible threat to the industry. It is the agencies' responsibility to supply legal staff to their clients. As long as any one agency still provides illegal staff in the industry, the whole industry will be suspect with respect to legality. Furthermore, agencies which use illegal staff, can undercut competitors on price. This is not fair competition to other agencies that obey all the required legislation.

> "*There are always illegal ones, they supply cheap workers, because they don't pay the minimum wage. There are always foreign students, and they just want to work, and there is market for them*" (Agency Manager Ab).

> "*There are still, unfortunately, a number of agencies out there are still using illegal staff. Now, as long as those agencies were out there, everybody is a secret target by the same brush*" (Agency Manager Ah).

However, an interesting issue may encourage those law-abiding agencies. The price agencies charge rates plays a less important role in the client hotels' decision-making process when choosing their partner agencies than other factors. On the contrary, the hotels prefer to choose an agency which can supply good quality staff and services, rather than select the cheapest employment agency. This notion may reduce the pressure on the industry to compete solely on price.

Another issue resulting from the level of competition in the industry is that there is no regulation to restrict agency staff from registering with more than one employment agency. This practice causes the agencies extra paperwork and time with respect to staff registration, in terms of interviews, documentation checking and staff records keeping.

> "*The company cannot stop their staff to double register with other agencies*" (Agency Manager Aa).
> "*Some people they come to register and after they have registered, they change as well. We can lose them, but sometimes they come back. They went to different agencies and few months later, they come back to us*" (Agency Manager Ac).

This also reminds the agencies that they are not only competing with other agencies to increase market share within the hotel sector, but also on recruiting staff for the job. As a consequence, the agencies have to be careful to maintaining good relationships with their staff and to retain them on the agency's books.

6.4.1.2 Hard work

Two issues were raised regarding the difficulties of agency operations in the study. One was that working as an agency executive was challenging and demanding, and the other was that working as agency staff in hotel housekeeping departments is physically challenging, with relatively low social recognition.

Most survey agency managers noted that their jobs were very challenging and also, everyday, were full of new tasks and different issues that might occur between clients and staff. One interview question, "what is your typical day?", was asked of all agency managers in the study. There was only one answer for this question, which was no typical day could be described in the agency managers' working lives. Because of the nature of the agency industry, all agency managers deal with human related issues and matters. That is, their jobs are full of flexibility and complexity.

> "*Working as an agency consultant is very stressful*" (Agency Manager Aa).
> "*Every day brings different things. Through the door, (there are always) different challenges. Some days are quiet. Some days are really headache*" (Agency Manager Ac).
> "*The demands from clients are more and more, day by day. And all the services agencies provide to the hotel, such as ID badge making, document checking, faxing and filing, are all very time consuming*" (Agency Manager Ag).

The second issue was that housekeeping work is physical-intensive and receives relatively low social recognition. Many jobs seekers might think this work to be easy to handle. In fact, Agency Manager Af noted that it was difficult to find a suitable person to do the job, due to the nature of housekeeping work. Moreover, Agency Manager Ag noted that working as an agency temp often was perceived as relatively low status when compared with their permanent employees in hotels.

> "*We are an agency, but sometime it is hard to get people to do those kind of job*" (Agency Manager Af).

"The problem agency staff face is the name of being agency staff are not sound decent. Agency staff get unfair treatment because they are agency staff by name, not by their work performance. Therefore, for an agency staff, they must feel a sense of value to work for an agency" (Agency Manager Ag).

This also contributes to the difficulties in recruiting agency staff, and makes the job of agency executives even more challenging.

6.4.1.3 Unstable demand on agency services

Most survey agency managers noted that the demand for agency staff and services was relatively low, because of 9/11 and other crises, such as the Iraqi war, the SARS outbreak, and foot and mouth disease. The demand for agency staff relies heavily on the hotels' occupancy. When there is low occupancy, there is no demand for agency housekeeping staff.

"After 9/11, there is a cash flow problem in the business, because of the crisis and the threat of Iraqi war. On Jan. and Feb. 2003, the hotel business is very slow. It was a crisis" (Agency Manager Aa).

"Because of the problems with Sep. 11, SARS problem, Iraqi problems, foot and mouth problems, a lot of hotels are losing money. They cut back certain departments, and eventually, agencies cut their business as well. It is a vicious circle. We are lucky because our clients are happy with our services, and they get their money's worth. Again, there is an old saying: 'if you pay peanuts, you get monkeys'" (Agency Manager Ac).

"We got wars, SARS, or anything could happen. So, the company can make a decision. It wouldn't be unusual to decide stop using all our external staff" (Agency Manager Ah).

Another critical difficulty that agencies face is unstable demand on agency services. A hotel may request 20 staff from an agency one day, but it only asks for 10 workers the next, because of its low occupancy. Or it can request the same amount of staff but cancel half of the request at the last minute due to an unexpected drop in occupancy. Alternatively, the hotel may request 10 more staff because of an extra reservation.

> "*If the airport closed down because of one problem and another, all of a sudden, hotels are dramatically full in the west end of London. If you could supply staff, (it was) no problem. And you could almost have a situation where five o'clock in the evening, hotels got two hundreds (rooms booked), but at 6 o'clock in the evening, they are full for that night. They need 2 extra chambermaids, 3 breakfast staff or whatever. Now, at 6 o'clock in the evening, it is very difficult to place staff for the following morning. We can try to do it. But if everybody is busy at the same time, then you have a problem*" (Agency Manager Ab).
>
> "*But sometimes it is very funny. When you think it is going to be quiet, but it is not quiet. The only way it works is make sure it runs smoothly. Things do change. Today seems be a very quiet day, but it could change in half an hour*" (Agency Manager Ac).
>
> "*But still ... at the end of the day, our client is an airport hotel. It has very strong occupancy and very strong day-use. We are doing 60, 70 and 80 day-use rooms everyday. ... we are doing for 110% or 115% occupancy. You need to use your flexibility to cope with that*" (Agency Manager Ah).

The cases are crucial to the agencies, because they have to absorb all these changes and deal with them. However, this is the major reason why hotels use agencies, that is, the flexibility they provide. Furthermore, it is this flexibility that makes the work of agency mangers so challenging and full of the unexpected.

6.4.1.4 Impact of new legislation

Employment agencies comply with the provisions of the 1973 Employment Agencies Act as amended, the Conduct of Employment Agencies and Employment Business Regulations 1976 and any future amendments, other relevant legislation, statutory codes and official guidance including that relating to equal opportunities and equal pay, taxation, health and safety, data protection, trade union membership, immigration, rehabilitation of offenders, telecommunications privacy and working time (see Purcell and Cam 2002; REC 2004). Agency Manager Aa noted that they had to be careful about any new amendments to regulations.

> "*The new legislation is also a threat to the agency business, such as 'working time', 'minimum wage', and 'working tax credit'*" (Agency Manager Aa).

In addition to the Employment Agencies Act, some survey managers noted that, after 1st May 2004, 8 Eastern European countries joined the European Union (EU). This will impact on the UK labour market to a considerable extent. The managers were worried about foreign workers flooding in from these new member states.

> "*Things will change then, probably in May, after those countries become EU. I am not sure the structure of how many is going to be let in this country. Because there is no employment in Ukraine; and there is no employment in Poland. There is no big industry as such, so they will come here. So, well..... Let's wait until May, because we are not sure whether it will be the same or to be...?*" (Agency Manager Ad).

The effect of this remains unknown to date. However, it will be an interesting issue for further research on this possible change to the UK labour market. Already, most survey managers in this study noted that there was a tendency for more and more Eastern European workers to be found in the hotel sector. An interesting question is to consider whether growth in the employment of workers from accession states will continue.

6.4.1.5 Financial problems

Survey agency managers also noted two financial problems which occur in their operations, namely cash flow problems and low profit margins. In general, the agencies invoice their clients and also pay wages to their staff on a weekly basis. The amount billed to the clients and the payment to staff are based on the total hours of services. In some hotels, Hotels H3 and H4, the charge is calculated by the total number of bedrooms served in a week. The agencies pay their staff weekly, however, the clients do not pay the invoice immediately after receiving the services from the agencies. In some cases, the hotels pay their bill 6 weeks after the transactions, or even 90 days. The gap between paying the staff's wage and receiving payment from the clients may cause agencies some cash flow problems. Normally, agencies prefer this gap period to be as short as possible, but sometimes, they may not have much choice or bargaining power to negotiate with their clients. Agency Manager Ab noted that the larger the client was, the more likely they are to be slow pay.

> "*We are paid 90 days after the invoice*" (Agency Manager Aa).
> "*It tends to be negative cash flow. We paid our agency staff last Monday, for example, for the work they did on the previous week. But we are not going to be paid by our clients for another 5 weeks. Generally, those types of hotels who have got big chambermaid output tend to be the ones who pay far more slowly. So often we are drawing our own money to pay wages as well*" (Agency Manager Ab).

Another issue is the problem of low profit margins. Many survey agencies noted that the profit margin was small and just enough for them to survive. After the introduction of the minimum wage in the agency industry, the agencies' profit margins are not at the same level as in the past.

> "*In one hotel, they could charge £150 per room night, and then it costs them £16 to service that room to reach their profit margin. We don't have profit margin to that extent. We have to abide by the minimum wage probably from £4.50 to £5.50 to pay for our guys. There is only so much the hotels would pay us in terms for that. So, the profit margin on our rooms is very thin... We require X amount of rooms, because of the small margin. So, we have to rely on the volume to create our profits*" (Agency Manager Ah).

"It (i.e. the employer's national insurance contribution) is quite a lot; I think it is 10% for employers. ... That make our margin lesser. It is quite difficult. It is hard" (Agency Manager Af).

The profit margin was a sensitive topic during interviews with agency managers. One survey agency manager noted that the agency used to make £1.30 per hour per staff as profit. But they can only earn £0.60 per hour per staff member at present. In general, the profit margin is expected to be less than 17% of invoice sales across the agency industry (REC 2003). This can also explain why many agencies earn their profit by volume sales.

In conclusion, agency operational difficulties indicate that working with agencies is full of challenge. In fact, hotels use agencies to avail of flexibility to react to fluctuation in demand. Therefore, agencies have to absorb this fluctuation and meet their clients' request as and when needed. In addition, agencies have to manage their cash flow carefully. This, makes agency operations particularly challenging.

6.4.2 Drawbacks of using agencies

Survey hotel managers noted several drawbacks of using agency service and staff in two respects, in terms of concern with the quality of hotel standards, and the careful management of agency utilisation (Table 6.4.2).

Table 6.4.2 Drawbacks of using agencies

LSC-DIS	Quality concerns	Practice of agency utilisation
H1	✓	✓
H2	✓	✓
H3	✓	✓
H4		
H5		✓
H6	✓	
H7	✓	✓

6.4.2.1 Concern with the quality of hotel standards

Many survey hotel managers noted that a drawback in using agency staff was that the quality of hotel standards may be affected, because the staff were not the hotel's permanent employees.

> "*Because they are not actually employed by the hotel, so they kind of undermine our services in the way they perform*" (Housekeeping Manager H6).
>
> "*Sometimes, if you are looking at a lot of people, you tend to lower your standard and take those people who you normally wouldn't accept*" (Housekeeping Manager H2).

This confirms concerns about quality in the literature (Mouriki 1994; Looise *et al.* 1998; Timo 2001; Moshavi and Tergorg 2002).

It was noted that hotel managers should be cautious in taking some agency staff who just wanted to do extra work but did not perform their job well. Being able to work overtime was one of the reasons that people work as an agency worker. Therefore, hotel managers have to be careful about this possible drawback of using agency staff.

> "*You will get some agency staff who are just there for the money. They will do as many rooms as you want, but the standards will just drop as the number increases*" (Housekeeping Manager H3).

Furthermore, hotel managers also worry about the level of agency staff's commitment.

> "*We spend a lot of time encouraging them to work here permanently... Therefore, we have commitment from them. But I can see that if there is no commitment, we possibly will have a problem*" (Housekeeping Manager H2).

This can be explained by the reasons of being an agency staff noted earlier. One reason was that agency staff can have the flexibility to adjust working life with their other personal obligations. This flexibility factor results in concerns about instability in that the agency staff may not report for duty regularly (Mouriki 1994; Sisson and Storey 2000; Timo 2001). However, in general, agency staff working in the survey hotels are relatively reliable and hotels employ them on a permanent basis. The managers need to be aware that a possibly longer holiday period might be asked by agency staff, and then to be able to deal with such special requests.

In conclusion, the approach of using agency staff permanently enhances the commitment of agency staff. It also reduces the possibility of possible defects in the quality of hotel standards which may be caused by low staff commitment.

6.4.2.2 Careful management of agency utilisation

A number of survey hotel managers noted that the hotels should be cautious in the management on their partner agencies, especially those hotels which use agency staff for over 50% of the total staff in the department. The managers suggested that when the agencies supplied more than half of the total staff needed in the hotels, the agencies could be overwhelmed and could hold too much of a share in the departmental labour utilisation.

> "*You can have a lot of change; you can have different people coming in each day who don't know the building*" (Housekeeping Manager H3).
> "*Anybody who has more than 50% of agency workers in their department, their agency is kind of like ruling the world of it*" (Housekeeping Manager H2).

As a consequence, hotel managers need to be aware of this possibility and not over-rely on their partner agencies. This seems to explain the practice of having multiple employment agencies, for example in Hotels H1, H2, H5 and H7.

The other issue raised was regarding the management of the staff provided by the hotels' partner agencies. Some hotel managers noted that the agency staff had relatively low levels of English skills, and it made communications between the hotels and the staff problematical. Furthermore, the agencies could send illegal staff but the client hotels may not be aware of this matter. In addition, due to the flexibility of working as an agency worker, staff could take any day-off that they wish. This flexibility might bring hotel managers some problems with respect to scheduling of departmental labour resources.

> "*The only cons you have is that they are not your staff, and if they don't want to work on Sundays, you can't tell them that 'yes, you are on rota, and you have to work on Sunday'. They are the employees of agency, and they can tell you that they don't want to work on Sundays or they can only work for three days*" (Housekeeping Manager H5).
> "*You will find that you get a very nice person four months or five months. And she will say 'I want to go for holidays for three months'. There is nothing you can do*" (Housekeeping Manager H7).
> "*Because you do not check agency staff's working documents, they sometimes send illegal staff to us*" (Housekeeping Manager H1).
> "*With the agency, that's probably the drawback because we don't have the control of the level of their English. And therefore, we do lots of training in different languages*" (Housekeeping Manager H3).
> "*Fundamentally, I think you have to be careful of the flood of untrained agency maids*" (Housekeeping Manager H2).

In conclusion, the above issues raised did not apply to all the hotels in this study generally. However, these issues could act as warnings for hotel managers in working with their partner agencies.

6.4.3 Overall satisfaction of the labour supply chain

In general, all survey hotel mangers were satisfied with the service provided by their partner agencies (Table 6.4.3).

Table 6.4.3 Hotels' overall satisfaction of the labour supply chain

LSC-SAT	Satisfied
H1	✓
H2	✓
H3	✓
H4	✓
H5	✓
H6	✓
H7	✓

> "*Overall, I am very satisfied with agency*" (Housekeeping Manager H5).
> "*I am satisfied, and that's why I use all of them*" (Housekeeping Manager H2).
> "*On the whole, we are satisfied the services they provide*" (Housekeeping Manager H3).
> "*I will never go back (to have our own permanent staff)*" (Housekeeping Manager H4).
> "*I am very happy*" (Housekeeping Manager H7).

Several factors resulting in this satisfaction can be identified.

> "*We can always pick the best from each agency. ... I will never want to go for only permanent, and I also don't want to go for 100% agency staff. You know, together, it just works completely*" (Housekeeping Manager H2).
> "*There will always be incidents to deal with, various in the level of their seriousness. As I said, if there are big problem of agency staff, the agency will withdraw them*" (Housekeeping Manager H3).
> "*I have seen more benefits to employing agency staff to do the work than employing staff ourselves and give ourselves a headache, in terms of personal and the day-to-day operation. It likes somebody else is worrying about that*" (Housekeeping Manager H4).

All survey hotel managers were satisfied with their partner agencies, and will continue to use agency services. Various reasons for employing agencies from the hotel managers' point of view are explained in Section 6.1.8. In this study, hotels choose to use agency staff for different reasons. Hotel H3 faces a real obstacle in recruiting housekeeping staff because of its peripheral location near an airport. The hotel is (partially) forced to use agency staff due to recruitment difficulties. The rest of the hotels choose voluntarily to employ agencies and their staff.

Furthermore, most hotels choose their partner agencies based on a previous working relationships. Many survey agencies have supplied staff to hotels for a long time. The longest relationship in the study is in Hotel H3, which has used Agency Ah for about two decades, and the hotel is the first client the agency served since it opened.

In conclusion, the long-term working relationships between hotels and agencies indicate an overall satisfaction within the labour supply chain. Because the hotels use agencies voluntarily and because there are no binding contracts between two parties (see Section 6.1.6.1 for detail), the hotels can stop the supply relationships at any time. If the hotels were not satisfied with their partner agencies, the supply relationships would not last for as long as generally noted in this study.

6.5 Future trends of labour supply chain development proposed by both managers of hotels and employment agencies.

Two issues regarding future trends of the labour supply chain were identified in this study.

6.5.1 Continuing to supply housekeeping staff

Some survey hotel managers noted that the strategy of using agency staff in hotels would continue to be adopted in the future.

> "*I think in the next two years there will be a big change. And I think the hotels will look at getting rid of all permanent staff*" (Housekeeping Manager H5).

Moreover most hotel managers already use agency staff on a permanent basis. The issues emerging from the study show that the market to supply housekeeping staff is likely to grow.

From the employment agencies' perspectives, almost all of them supply staff exclusively in the hotel sector, especially to housekeeping departments. In the study, only Agency Ag supplies to other industries, such as the construction and health care sectors. The rest of survey agencies are hospitality agencies. Amongst them, three agencies provide services to housekeeping departments exclusively, and the agencies' names are associated with the words "housekeeping" or "cleaning service".

> "*The trend of diversification, it doesn't work. We try to add on the waitering, but bits and pieces, because other agencies are out there with top suppliers and they are good at that. So, it is easier to stick in what we know, the housekeeping*" (Agency Manager Ad).
>
> "*Housekeeping is the main area which will grow in importance over the next five years*" (Agency Manager Ag).

Apart from these three housekeeping agencies, the other agencies noted that supplying housekeeping staff contributed to their business to a significant extent. Three quarters of survey agencies will continually supply staff to hotel housekeeping departments in the future.

In conclusion, due to the benefits gained through using agencies, it seems that the supply relationships between hotels and agencies will continue and develop as part of on-going operations.

6.5.2 Outsourcing and contracting out

Three agency managers, Agency Managers Ab, Ad and Ah, noted that their agencies would go toward outsourcing or contracting out the hotel housekeeping departments in the long run.

> "*I think the hotels should go down the lines of contracting out the departments including the managers. Now, we are moving on to contracting out the entire Housekeeping department. It will be set criteria, set market system, and a lot more structured. As I said, some hotels don't even go down this route yet for somehow. But it will soon be fully established*" (Agency Manager Ah).
>
> "*Just today, another contract, this is a permanent contract whether we actually supply all the staff, pay salaries, clean with the whole hotel whether it is night cleaning or valet, everything. They are more complicated than normal... I never done this before anyway, but we are looking forward to doing, but it will be a big headache, really. We are big enough for it. It will be nice to do, but it is hard. ... We have to be bigger. It is good for brain*" (Agency Manager Ad).

However, Agency Manager Ac holds a different perspective on this outsourcing practice.

> "*There are another agencies they do contracts. But we don't work on that basis. It is because we will get lot of hassles. Sometimes on contract, they can't get used to it. Especially when you are contracted to supply, it doesn't make the follow day. It is on the companies. We don't want that. And our clients are happy with that*" (Agency Manager Ac).

Housekeeping Managers H2 and H7 were not in favour of outsourcing either.

> "*I am just not in favour of outsourcing*" (Housekeeping Manager H2)

> "*Contracting out, that is the worst thing that can happen to the hotel. To contract out is very cheap. For example, there was an outside contractor came into this hotel last year. And what they do is they addressed a letter to the General Manager and Financial controller, not to the housekeeper. Because they know the housekeeper will give up or go mad. And what they said is they can do your rooms at £1.99, but you must give them, say for instance 100 rooms per day. They must have it, that's contracted*" (Housekeeping Manager H7).
>
> "*Because I am not going to be the Executive Housekeeper in charge the contractor. Eventually, they want to get rid of the Executive Housekeeper as well*" (Housekeeping Manager H7).

Agency Manager Ah justified this disapproval of the outsourcing practice.

> "*We are getting in the department only because there is problem.... You will find when you speak to the general managers if they are working on the best of housekeepers and appear to be working OK; they are not even going to bother to take your idea as a different option. But most GMs will be just happy enough to know if their housekeeping departments are working all right. And if they are facing problems, they will just quite happy to leave it as is, and then not even looking at the outsourcing options. They leave it later to look at outsourcing*" (Agency Manager Ah).

To sum up, in the study, three agency managers noted that to outsource or contract out the whole housekeeping department would be unavoidable in the future. In the literature, Wood (1999) argues a tendency towards outsourcing hotel departments, laundry and housekeeping in particular, to external service providers. However, the hotel managers took relatively conservative perspectives on the outsourcing or contracting out to external contractors. It is understandable that housekeeping managers would like to keep control of their departments, and feel threatened as the contractor may take over their positions in the hotels. As a consequence, housekeeping managers prefer to use employment agencies in order to keep themselves as decision makers in the departments. During the interview, Agency Manager Ah raised a question, "*who was the client the research referred to?*". Normally, a client to an outsourcing contractor is the General Manager or a financial controller in a hotel. To an employment agency, its client refers to the department head to which the agency sends staff. This issue confirms the above concern of a possible threat to housekeeping managers, if the department is to be outsourced or contracted out.

Agency Manager Ah also noted that hotels might consider outsourcing the whole department to an external contractor, only if the department had unsolvable problems, such as bad departmental management or if they could not find a suitable Executive Housekeeper to be in charge. That is, if there is nothing wrong with the management in the housekeeping department, the hotel General Manager will not make any change. To housekeeping managers, if they can find a way to manage their departments well and also keep the cost down to a reasonable level, their positions will be relatively secure. As a result, using employment agencies seems to a good choice to housekeeping managers.

In conclusion, the data gathered in this study identifies a possible future trend in using employment agencies. This finding confirms the wider argument for the growing importance of external recruitment and external flexibility (Guerrier and Lockwood 1989b; Purcell and Purcell 1998; Wood 1999; Sisson and Storey 2000, Hotopp 2001).

6.6 Conclusions

This chapter confirms that labour supply chains do exist in the hotel sector. Within the supply chains, hotels request housekeeping agency staff from their partner agencies. In return, hotels pay fees, which are normally equivalent to the sum of agency staff's direct wage and agency's operating costs, to employment agencies for their products and services. This agency charge is negotiable and the more staff a hotel requests the cheaper price it pays. However, because of the high competition in the industry, the charge rates are generally similar amongst agencies and the profit margin is not massive (less than 17%) as well. In addition, the study finds that hotels are not so keen on looking for the cheapest agencies to supply staff, but for better-quality, flexible and responsive agencies instead. Therefore, it is not wise for agencies to play a pricing game in the market.

A pull system is adopted in the supply chain, that is, clients "pull" demand as and when needed, instead of suppliers "push" their supply to purchasers. As a consequence, client hotels, in general, have stronger buying power over their partner agencies. There are no binding contracts signed in any of the cases. This enhances the hotels' stronger buying power over their partner agencies and also gives them more flexibility to choose with whom the hotels want to cooperate. However, relatively long-term cooperation is found in the study. And the working relationships between hotels and agencies are close in terms of regular communications and various assistances in many aspects. It is found that unofficial partnerships exist in practice between hotel housekeeping departments and their partner employment agencies.

Hotels use agencies in order to gain labour flexibility, cost-effectiveness, easy dismissal, good quality workforce and outsourcing prevention, as well as some relatively involuntary motivations in using agency services, such as "no-recruitment" company policy and recruitment difficulties.

Most agencies in the study are small and medium size agencies with only one single branch. All studied agencies are specialised in hospitality operations, with some of them only supplying housekeeping staff exclusively. The management in agency operations have no significant difference from each other. "Word of mouth" seems to be the most important approach for agencies in recruiting agency staff and in marketing their businesses.

Most agency staff are requested to fill entry-level positions, in terms of room attendants and house porters. The majority of agency staff are foreign (non-British) workers, and a large proportion of them are from Eastern European countries. Certain selection criteria in recruiting agency staff are noted from survey managers, such as basic English skills, proper working documents, presentable appearance, good personality, and willingness to work. Amongst many selection criteria, previous working experience in a similar work position is preferred, but not required.

In managing agency staff, it is noted that fair treatment between agency labour and hotels' permanent member of staff is common practice within the cases. Both sets of the workforce receive similar training and supervision, and take the same staff meal in the same staff canteen. This fair treatment reduces staff morale problems and also helps to retain staff, both agency and permanent staff.

The training of agency staff depends on which service package a hotel requests from their partner agencies. However, on-the-job training are all conducted on the premises by the hotel managers in the study. All hotels studied use agency staff on a permanent basis, and keep good relationships with them. Most hotel managers noted that they are the "employers" of their agency staff, due to this long-term working relationship. In fact, according to the new agency legislations, the employer of agency staff is the employment agency which places them to work in client's workplace. Agency staff are also entitled to similar benefits as company's permanent member of staff, such as holiday pay and sick pay.

In general, the hotels are satisfied with the services and products provided by their partner agencies. Hotels will continue to use agency staff as part of their labour flexibility strategies. On the other hand, employment agencies will focus on supplying good quality staff to client hotels, housekeeping departments in particular. the tendency to use agency staff in the hotel housekeeping department is confirmed in the study, as well as the existence of a clear labour supply chain in the hotel sector.

The next chapter puts forward the wider conclusions from this study, in terms of their theoretical underpinning, implications of the emergent housekeeping labour supply chain, reflections on the study, and suggestions for future research.

CHAPTER 7 CONCLUSION

The chapter serves as the final section of this thesis and is intended to conclude the debate in relation to the study, as well as to clarify emergent issues generated from the empirical research. This chapter also considers some reflections on the study and offers insights for future research directions.

7.1 Theoretical background of the study (What does the literature say?)

Three dimensions in the literature, in terms of labour flexibility, the labour supply chain, and hotel operations, are laid out as the foundation to the study.

7.1.1. Labour Flexibility

Many issues in relation to labour flexibility have been discussed since the 1980s. The need for labour flexibility was originally motivated by recession and changes in consumer demand. To some extent, this debate can even be traced back to Charles Darwin's argument relating to the survival of the fittest, in the 19th century. Whenever there is demand fluctuation and change, there is a need to be flexible to react and to survive.

Labour flexibility is commonly defined as the ability to adjust manpower levels in an organisation under fluctuating and uncertain circumstances (Blyton and Morris 1989; Mouriki 1994; Looise *et al.* 1998; Volberda 1998; Reilly 1998). Two broad types of labour flexibility strategies can be identified as functional (qualitative) and numerical (quantitative) flexibilities. Within these two categories, another dimension (the source of flexible labour) can be added to construct a two-by-two matrix (see Table 2.2.1.1). From this matrix, labour flexibility is classified as internal-qualitative, internal-quantitative, external-qualitative, and external-quantitative flexibility strategies (Looise *et al.* 1998).

Yet, there is no common rule by which to indicate the best way to achieve labour flexibility in business. Both functional and numerical flexibilities have their advantages as well as disadvantages. In terms of advantages, it includes securing lower labour costs, tighter manning levels, rapid response in situations of demand fluctuation, improving labour productivity specifically and industrial performance in general, improving the competitiveness of firms, and giving more discretionary power to management (Burgess and MacDonald 1990; Walsh 1990; Blyton 1992; Burgess 1997; Ruiz-Mercarder *et al.* 2001; Sheridan and Conway 2001). In terms of disadvantages, implementing flexibility may cause low quality in products and service, low levels of commitment from flexible labour, issues of staff training, and organisational morale issues (Guerrier and Lockwood 1989b; Mouriki 1994; Looise *et al.* 1998; Tregaskis *et al.* 1998; Timo 2001; Moshavi and Tergorg 2002). This ambiguous recognition relating to the best approach to labour flexibility may result from the fact that most previous studies pursue a holistic strategy to fit with all sectors without acknowledging the differences between each of them, in terms of their products and operational characteristics.

Atkinson (1984, 1985) puts forward a flexible firm model as a guide to being flexible. The model is built by constructing a dual-tier (i.e. core and peripheral) workforce in an organisation. In addition to the core and peripheral worker groups, distancing flexibility (i.e. external flexibility) is added to make the firm even more flexible. The flexible firm model serves as a chimera (Burgess 1997), and describes an ideal combination within the labour force in a company. However, there seems to be a lack of the evidence for its successful implementation amongst various businesses and industries, for example, within the hotel sector.

Within the flexibility literature, much work contributes towards understanding of functional and numerical flexibility. Relatively little attention had been paid to distancing flexibility, recruitment and employment agency practice in particular.

Recruitment and employment agencies serve as an intermediary between workers and employers. The division between recruitment and employment agencies depends on the placement to which the agencies send job seekers. Recruitment agencies mainly introduce job seekers to open-ended positions with employers. By contrast, employment agencies send workers (as their employees) to work for client companies and under the clients' supervision for a fixed, temporary or non-permanent period of time. In general, both recruitment and employment agencies provide recruitment services to client organisations and, to a certain extent, act, in part, as human resource departments for clients.

In the employment industry, the main product provided is labour with suitable skills. It is suggested that apart from staffing services, clients increasingly purchase human resource related functions, such as staff screening, testing, training and payroll, from employment agencies (Forde 2001; Jones 2002).

From the literature, several motivations for using agency services can be identified, in terms of filling staff shortages, meeting fluctuations in demand, reducing labour costs, acquiring special skills from agency professionals and test-hiring prospective new staff. In addition, the literature also suggests possible drawbacks which include higher administrative costs, higher staff turnover rates, staff retention, and possible organisational animosity. Furthermore, these suggestions may not be applicable for all sectors, due to different situations that occur in different industries.

The length of working relationships between employment agencies and client companies depends on the length of the assignments. The literature suggests that this length is increasingly longer than in the past, and as a consequence, it may be not appropriate to use the term "temporary" to describe agency placements (Purcell and Purcell 1998; Forde 2001; Gray 2002). The literature in relation to this working relationship is relatively limited. It is evident that a labour buyer/supplier relationship does exist (Forde 1998; Mackenzie 2001) and there is a tendency to develop this basic buyer/supplier relationship towards partnerships between the two parties (Peck and Theodore 1998; Druker and Stanworth 2001).

7.1.2 The labour supply chain

From the flexibility literature, it is evident that, if there is no fluctuation in demand, then labour flexibility may not be required in organisations. Supply and demand are related to each other, and organisations are always searching for the best balance between demand and supply. The supply chain management literature provides some useful techniques to assist companies to keep a balance between organisational demand and supply.

By identifying the components involved in the entire supply chain model, supply chain partnerships seem to be prominent in improving the efficiency of the operations (Spekman *et al.* 1998; Peck and Theodore 1998; Hanna and Newman 2001; Lemke *et al.* 2003; Wright and Lund 2003). In other words, purchasers and suppliers need to work together closely, share information, trust each other and focus on continuous improvement for mutual benefits.

To complement a successful supply chain in the business, another management system, the just-in-time (JIT) management, can be adopted because of its similar focus on process control to the supply chain management (SCM). The JIT system emphases issues, such as waste control, low inventory and total commitment from people who are involved in the entire production line (Mehra and Inman 1990; Jewitt 1992; Schroeder 1993; Waters-Fuller 1995; Hutchins 1999; Canel *et al.* 2000). Again, the demand and supply model has much impact on JIT management as it does in relation to SCM.

JIT and the SCM have mainly been applied in the manufacturing context. Levitt (1972) argues a service production-line approach, which gives insights for implementing manufacturing techniques in the service industry. It is argued that this approach can be adopted in hospitality (Schmenner 1986; Bowen and Youngdahl 1998; Guerrier and Adib 2001).

According to Walsh (1991, p.113), labour can be purchased almost on an "as needed" or "just-in-time" basis. This argument extends the potential for considering labour as part of the commodities which are exchanged within the production line or the supply chain. Walsh's (1991) assertion is discussed in the context of labour flexibility, external (or distancing) flexibility in particular. When integrating JIT, SCM, and labour flexibility issues together, interestingly, these three theories have their roots in the demand and supply model.

As a consequence, the labour supply chain seems to be appropriate in conjunction with the three theories, especially in the hotel sector with its key service characteristics, such as intangibility, perishability, variability, simultaneous production and consumption, and inseparability (Schroeder 1993; Baum 1995; Knowles 1998; Korczynski 2002).

7.1.3 Hotels Operations

In summarising various definitions of the hospitality industry in the literature, it can be seen that this involves commercial organisations which provide essential human requests, in terms of foods, drink, accommodation and entertainment, and delivers these (either in tangible- or intangible-form) in a friendly, considerate and professional way through the reciprocity and exchange process between the industry and the customer, travellers away from home, in returns for payment. The hotel sector serves the entire range of hospitality products as well as being considered as the main sector in the industry.

Five attributes can be identified as the characteristics of hotel operations, in terms of intangibility, perishability, variability, simultaneous production and consumption, and inseparability (Schroeder 1993; Baum 1995; Knowles 1998; Korczynski 2002). These attributes suggest that close analysis in controlling service production is essential. Apart from these service characteristics, it is argued that the demand patterns in the hotel sector are various, fluctuating, and difficult to precisely predict in terms of demand (Guerrier and Lockwood 1989b; Baum 1995; Baum and Lundtorp 2000). Therefore, the hotel sector is in need of labour flexibility to ease the pressures resulting from this fluctuation in demand patterns.

In a hotel, component departments can be divided according to two dimensions, in terms of the nature of departmental products (e.g. room, food and beverage, and administrative) and the frequency of guest encounters (e.g. front office and back of house). A detailed classification of hotel departments is illustrated in Table 4.2.1.1. Among departments, it is noted that the housekeeping department is the heart of the lodging industry (Hatfield and Winter 1986; Knowles 1998; Schneider *et al.* 1999). The main tasks in housekeeping include cleaning and preparing let-able guest rooms, coordinating rooms status with the front desk, keeping public areas clean and tidy, linen, laundry and guest valeting.

Housekeeping is normally the biggest department in a hotel in terms of daily staff needed. The literature notes that the housekeeping payroll may be as much as 75 to 90 per cent of housekeeping operational costs (Hatfield and Winter 1986; Branson and Lenox 1988). Not surprisingly, from the practitioners' point of view, housekeeping managers are often engaged in searching for approaches which can decrease their operational costs, labour costs in particular, as well as helping to run the department smoothly (UKHA 2000).

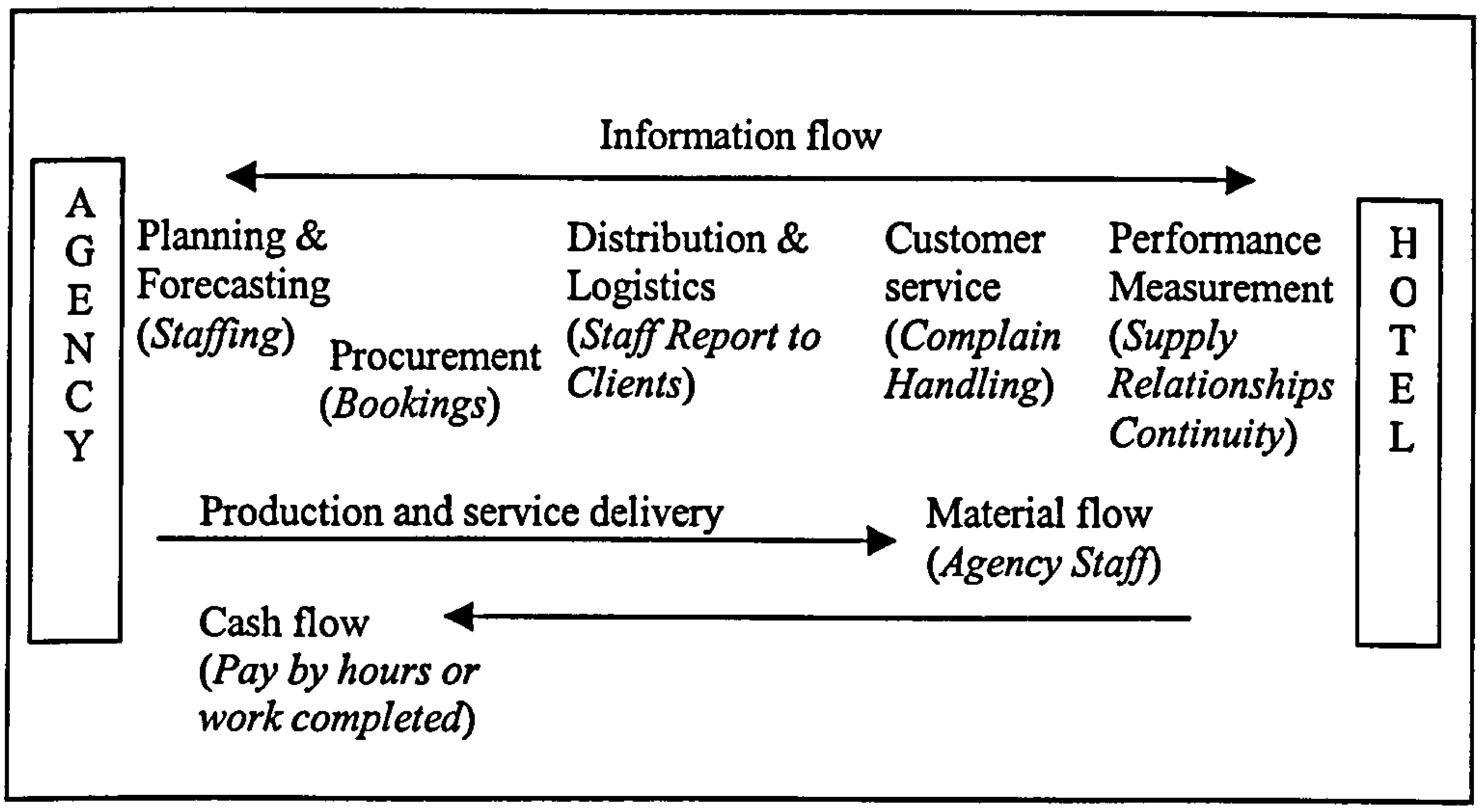
Approaches that are adopted in housekeeping departments to reduce their operational costs include "in-sourcing" (Purcell and Purcell 1998), external labour to work on the premises or out-sourcing (contracting out) some part of departmental functions to external contractors. In some cases, hotels even outsource the whole housekeeping department. Using external help in this way has its pros and cons. There are a number of studies in relation to outsourcing housekeeping functions (Allen 1983; Branson and Lennox 1988; Rawstron 1999). However, relatively limited research regarding in-sourcing external labour (e.g. agency workers) to meet staff shortage is discussed.

As a consequence, this study focuses on this lack of consideration of in-sourcing in the literature (i.e. the research gap). Combined with the literature on labour flexibility, SCM, JIT, and employment agencies, the aim of the research is to explore issues in relation to labour flexibility and a proposed labour supply chain in hotel housekeeping departments with special reference to external labour suppliers, employment agencies.

7.2 The housekeeping labour supply chain in the hotels sector

From the literature, a theoretical labour supply chain in the hotel sector can be generated by adopting the supply chain model (Section 3.1.2) as illustrated in Figure 7.2.1.

Figure 7.2.1 Hotel labour supply chain model



(Adapted from Spekman *et al.* 1998, p.55)

With limited relevant studies in the hotel sector, this study explores the nature and issues which are involved in the proposed hotel labour supply model (see Figure 5.1.1.1). Most researchers argue their findings in a general manner, and claim that such theories may be applied universally. The empirical findings in this study confirm some of these claims. However, not all arguments in the literature are reflected in the outcomes of this study. For example, the literature notes that a higher labour turnover rate will occur because of the employment of flexible labour (Geary 1992; Allan 2000; Druker and Stanworth 2001; Ward *et al.* 2001). However, the research findings reported show that agency staff are not necessarily temporary and their turnover rate is not always as high as the literature suggests.

In summarising the empirical findings and the relevant literature, several issues can be identified and highlighted as follows.

- **It is beneficial for hotels to use agencies as their labour suppliers**
  The reasons why hotels use agency staff are to obtain flexibility, cost effectiveness, ease of dismissal, and a good quality of agency services and staff. Hiring agency workers can also help hotels to solve their problems in recruiting suitable staff and for housekeeping managers wishing to prevent their departments from being outsourced. At the same time, executive housekeepers do have concerns regarding some problems that may result from using agency staff, such as lower hotel standards and unsuitable job candidates. However, hotels are not too concerned about these issues due to the fact that they normally have floor supervisors to act as final quality controllers. Floor supervisors take responsibility and make sure all supervisees work according to the hotel's standards. This also explains why normally hotels employ entry-level housekeeping agency staff but rarely use supervisory level staff from agencies.

- **Hotels choose their partner agencies based on the quality of services supplied, not agency charge rates**
  Although labour costs reduction is an important motivation to hotels when deciding to employ staff through agencies, the agency charge rates are not the first criterion in selection hotels' partner agencies. In other words, the hotels do not always choose the agencies that can supply the cheapest labour.

  Three main selection criteria emerged from the study, in terms of previous working relationships, company policy, and trial and error methods. Previous working relationships seem to be a relatively important selection factor.

Hotels prefer to use agencies that they have known for a long time or the agencies whose director or managers have worked in the hotel sector in the past. In some hotel groups, headquarters provide nominated agency lists and regulate their housekeeping managers so that they can only select partner agencies from the preferred lists. Other hotels use trial and error methods to test-try agencies before building further working relationships with them.

All three criteria indicate hotels' concern regarding the quality of the agency, rather than the cost at which they can supply workers. Therefore, it is not in the interests of employment agencies to reduce their asking price for the sake of wining a contract. Instead of this pricing strategy, agencies benefit from paying more attention to the services and staff they supply to their clients.

- **A small team of agencies (less than 4 agencies) is preferred by hotels**
  Most hotels in the study use less than 4 employment agencies to meet their labour requirements. Amongst these hotels, some of them even only employ one single agency to supply housekeeping staff. If hotels use a large team of agencies, much paper work and coordination is need. On the other hand, some hotels do not feel secure if they have only one agency and, therefore, do not want to "put all their eggs in one basket". Hence, a preference for a small team of agencies was identified in this study.

- **Payment to agencies is based on the amount of work that has been done, and hotels rarely pay "temp-to-perm" fees to agencies**
  Before sending staff into hotels, agency charge rates are agreed and the rates are charged on the basis of per hour worked or per room cleaned. Hotels pay for the amount of services they request. The agencies then are in charge of payroll and payment to agency workers. A common rule in the industry is "no work, no payment".

Most hotels use agency workers as part of their labour flexibility strategy. Hotels do not intend to hire their agency workers as permanent members of staff, although agency staff may have already worked in the same positions for a long time. Therefore, hotels seldom pay the "temp-to-perm" fee to their partner agencies. Even under the very rare situation that hotels recruit agency staff as permanent staff members, the fee is negotiated lower. Alternatively, hotels can request one extra staff from the agency as a substitute to avoid the payment. Most agencies will accept this negotiation, because they do not want to lose their good working relationships with clients.

- **"Word of mouth" is the most applied technique to recruit both an agency (from hotels' point of view) and agency staff (from the agencies' point of view)**

  When hotels select their partner agencies or when agencies want to market their businesses, a "word of mouth" approach is confirmed, by both hotel and agency managers in the study, as the most effective method. This also links with the finding that hotels tend to use previous working relationships as one of the main criteria in selecting partner agencies.

  This informal approach is also adopted by agencies to recruit job seekers to work for them. Agency managers note that the word-of-mouth approach and internal recommendation by existing agency workers helps to promote agencies to attract job candidates for work placements.

- **Hotels prefer their partner agencies to have personal contact and hotel visits**

  Apart from daily communication to check for staff absenteeism and to take staff bookings, hotels prefer their partner agencies to pay personal visits to them. From the hotels' point of view, they take on many work functions from their partner agencies, such as staff booking and training. Some survey hotel managers consider themselves to be a "mini-agency" in the hotel. Therefore, they recommend that their agencies should pay more attention to quality issues and visit hotels in person more frequently. This rule applies particularly to those agencies that just have started to supply staff to client hotels.

- **No contracts are signed in hotel labour supply chains**

No signed contracts are needed within a hotel supply chain. One cause of possible confusion is the nature of the actual contractual relationships between buyers and suppliers. No signed contracts were found in the study. There exists only trust and a "gentleman's" agreement between them. Flexibility is the main motivation behind this approach. Client hotels want to use agencies to gain labour flexibility in adjusting their manpower levels, as well as the flexibility to change their labour suppliers. On the other hand, agencies want to keep their flexibility in not being obligated to supply a fixed amount of labour to their clients on a daily basis. A number of agencies do not ask their clients to sign a binding contract because they consider client hotels do not favour this obligation. Moreover, agencies are afraid that insisting on signed contracts will decrease their chance to supply labour to that hotel. However, agencies will accept signed contract if their clients wish.

Therefore, flexibility is confirmed to be an important motivation for hotels to use agencies as their labour supplier in order to adjust their manpower levels according to hotels' own demand patterns.

- **The majority of agencies, which supply staff to hotel housekeeping departments, are specialised agencies and small and medium enterprise (SMEs)**

  The literature notes that the majority of employment agencies are SMEs (Hotopp 2000; Purcell and Cam 2002; Key Note 2003). In the study, almost all survey agencies belong to this SME category with one single branch. Only one survey agency has offices throughout the UK.

  Interestingly, all agencies involved in the study are hospitality-specialist agencies. In other words, the agencies only supply staff in the hospitality industry. Two of them even consider themselves as housekeeping agencies and supply housekeeping workers exclusively. This raises an interesting question, as to why hotel housekeeping departments seem to prefer hospitality-specialised SME agencies rather than High Street chain employment agencies? This could possibly be explained by hotels' preference for using agencies with which previous working relationships are already established. In addition, most agency managers had worked in the hotel sector before, and in some cases, the agencies supply staff to workplaces where the agency manager used to work. Another reason for favouring SME agencies may be because that they can be more flexible in their operations than chain agencies. Flexibility is important in the entire supply chain. Hotels do not want a big but rigid company that cannot cope with their special demands.

- **There are a variety of reasons for agency staff to work for agencies**

  Although the study did not focus on the reasons why agency staff work as agency temps from an agency staff point of view, both hotel and agency managers provided their observations with regard to this matter. Several reasons were noted in terms of involuntary reasons (e.g. difficulties in finding permanent jobs) and voluntary motivation (e.g. freedom, flexibility, being able to work overtime, and gaining various work experience). This shows that not all agency staff are forced to work as temporary workers, and a certain percentage of them choose to work for agencies out of preference.

- **Retaining agency staff is important to hotels, and hotels do not treat their agency staff differently from their own permanent staff**
  Long-term tenure of agency staff in the hotels was found in this study. This shows that hotels not only use numerical labour flexibility to react to their labour shortage problems, but also adopt agency staff as part of their human resource strategies, and consider their agencies as their labour suppliers. As a result, stable and continuing relationships between client hotels and agencies, the postulated hotel labour supply chains, are formed and enhanced.

  To maintain these long term relationships with agencies and agency staff, the hotels benefit from treating their agency workers as if they were the hotels' own permanent member of staff. In addition to this fair treatment, giving enough work and coping with staff's special requests are also important in retaining agency workers in the same client hotel.

- **In selecting agency workers, good personality and wiliness to work as housekeeping staff are more important than previous relevant working experience**
  Both hotel and agency managers do not insist on recruiting staff with previous working experience. Instead, their criteria for staff recruitment include speaking basic English, being allowed to work in the UK legally, clean and presentable appearance, good personality, and willing to work in the housekeeping department.

  Generally, hotel managers are willing to give agency job candidates a chance to work in the hotels. They believe that hotels can train staff to be well-performing beyond minimum standards, but only if the staff have the right work attitudes and willingness to take up the challenges as required.

- **The agency industry is competitive in nature**

  It is suggested that as a result of deregulation (Purcell and Cam 2002; Rankin 2004), there are many SME employment agencies in the industry (Hotopp 2000; Key Note Market Report 2003). Because of the limited constraints to entry, the agency industry is competitive. Furthermore, hotels tend to use only a small number of agencies and most of partner agencies have already supplied staff to clients for a long period of time. These combined factors increase the competition further.

  However, on the other hand, once working relationships have been established and are well maintained by supplying good quality staff, agency businesses are relatively secure due to client's preference to keep existing suppliers.

- **Hotels are generally satisfied with their partner agencies**

  In this study, hotels were satisfied with their partner agencies and did not wish to change their labour suppliers. The ambiguous division as to whether partner or labour supplier relationships exist in between hotels and agencies indicates two issues. First, managers may not yet realise the benefits of the introduction supply chain management into the sector, especially in the housekeeping departments, although they have already worked with such arrangements for a long period of time. The second issue raised is agencies are not only a labour supplier, but also a partner to their client hotels, at least psychologically.

- **There is a trend to continue using agency staff in the future**
  All survey hotel managers confirm that they will keep using agency workers in the future. They will not abandon this labour flexibility strategy. This is positive news for the sustainability of the agency industry.

These issues were generated and interpreted from the empirical study in the hotel sectors, and housekeeping departments in particular. In summary, a labour supply chain can be established in the hotel sector, due to the existing long-term or permanent supply relationships between hotels and agencies. Many reasons can be identified for hotels to use agencies. Some of them are widely suggested in the literature, such as flexibility and cost effectiveness. Others are novel to the literature, avoidance of outsourcing for example. Using agency staff allows hotel managers more control over their staffing practices. It is also noted that by long-term utilisation, hotels benefit more from this practice compared with just using it as emergency cover. This notion makes it possible to integrate concepts of supply chain management with the use of agency workers. Consequently, a partnership labour supply chain will, achieving its goal – to supply the right person to the right place at the right time.

Incorporated with these emergent issues, the next section addresses answers to the research questions which underpin this study (Section 5.1.1).

7.3 Answers to the research questions

In this exploratory qualitative study, three main research questions were asked, in terms of (1) what is the nature of the recruitment and employment industry, (2) what is the nature of relationships between agencies and hotels, and (3) can the concepts of supply chain management and just-in-time management be applied to an analysis of the labour supply chain between agencies and their client hotels. In this section, the above are answered.

7.3.1 What is the nature of the recruitment and employment industry?

The recruitment and employment industry acts as an intermediary between people who want to work and places where require workers. In this industry, two main sub-sectors are classified, namely employment agencies and employment business, in its regulating legislation – the Employment Agencies Act 1973. In this division, the industry involves two business activities, in terms of introducing job seekers to apply for permanent job posts in a company and sending workers to work for agencies but under client companies' supervision. The former is the employment agencies noted in the Employment Agencies Act 1973 or so-called recruitment agencies. Moreover, the latter means the employment business defined in the legislation, which is normally, be referred to as employment agencies.

In this study, the focus is on the employment agencies which act as intermediaries between workers and client companies, i.e. (labour force) supply side and (manpower) demand side, and as a match-maker to assist both parties "in finding each other for the purpose of doing work or getting work done" (Hotopp 2000, p.457).

Consequently, the main product provided by employment agencies is confirmed to be a suitable labour force. In addition to these workforce supplies, agencies provide their services as and when needed. Increasingly, agency services include testing, training and other human-resource-related expertise in addition to full staffing services (Jones 2002).

This study notes that the majority of agencies, which supply staff to hotel housekeeping departments, are specialised agencies and small and medium enterprise (SMEs). It is also found that the agency industry is competitive in nature due to the deregulation (Purcell and Cam 2002; Rankin 2004) and the empirical evidence is that hotels prefer to use agencies which have previous working relationships with them.

7.3.2 What is the nature of relationships between agencies and hotels?

Three actors are involved in the employment business, namely clients, agencies, and agency staff. This study focuses on the relationships between agencies and client hotels. The existence of supply chain models in the client/agency relationships is evident from the payment approach between these two parties. It is found that payment to agencies is based on the amount of work that has been done, and hotels rarely pay "temp-to-perm" fees to agencies. This indicates the hotels' positions as buyers who purchase manpower as and when needed, without any intention to employ agency workers as part of their permanent staff.

It is evident that some hotels operate company-wide direction to use labour flexibility strategy, employment agencies in particular. For those hotels with no clear-stated instructions, a trend to continue using agency staff in the future is evident. This can be explained by the general overall satisfaction noted from hotels with their partner agencies.

Interestingly, within these long-term working relationships between agencies and hotels, no signed contracts were found. There are no such written contracts to bind hotels with agencies. Flexibility is the most commonly noted reason why hotels use agency services. At the same time, this demand for flexibility also means that both agencies and hotels are reluctant to sign any formal contract to restrict their business. Trust, honesty, communication and a supply of good quality agency services are the linkages to maintain relationships between hotels and agencies.

It is found that using agency staff is beneficial to hotels, due to the noted advantages, such as flexibility, cost-effectiveness, ease of dismissal, good quality agency staff, as a solution to recruitment difficulties and for hotel managers wishing to prevent their departments from being outsourced. Although achieving cost-effectiveness is an important factor to hotels, the study found that hotels choose their partner agencies based on the quality of services supplied, not agency charge rates. This points to the need for agencies to focus on improving their services, instead of playing pricing games.

As for the recruitment techniques adopted in these supply relationships, the study suggests that "word of mouth" is the most used technique to recruit both an agency (from hotels' point of view) and agency staff (from agencies' point of view). This can also be confirmed by the agency selection criteria noted in the study, such as previous working relationships and the company policy in using nominated agencies only.

In summary, the relationships between agencies and hotels are informal, quality-oriented, long-term buyer/supplier corporation relationships.

7.3.3 Can the concepts of supply chain management (SCM) and just-in-time (JIT) management be applied to an analysis of the labour supply chain between agencies and their client hotels?

In the literature with respect to SCM and JIT, JIT management focuses more on the inner circle of production within a company, whereas SCM makes efforts to address a wider perspective of the production process which incorporates activities from raw material to end process. However, the two management systems have similar concepts for organisations, particularly to encourage them to maintain good relationships with their suppliers. Levitt (1972) and others provide grounding for using these two manufacturing management techniques concepts in the service industry.

A single or few suppliers are required in JIT in order to establish long-term relationships between principles and suppliers (Mehra and Inman 1990; Rainnie 1991; Schroeder 1993; Waters-Fuller 1995; Hutchins 1999). The SCM literature also notes the importance of building these long-term working relationships (even supply partnerships) between buyers and suppliers (Lemke *et al.* 2003; Wright and Lund 2003). Not only were long-term working relationships found in the study, but also a small team of agencies (less than 4 agencies) is preferred by hotels.

Furthermore, JIT system requires the total commitment from everyone involved in the production process. In this study, this commitment is also important to hotels. It is evident from this that hotels try to retain their agency staff by treating them fairly and coping with their special requests in many respects. This study also found that good personality and wiliness to work are more important than previous relevant working experience in selecting agency workers. To a considerable extent, hotels use agency staff permanently in order to acquire benefits as if they were hotels' permanent employees, but transfer the employer responsibility to their partner agencies.

Therefore, it is clear that, the concepts of SCM and JIT can be applied in the hotel sector. In fact, the labour supply relationships have existed for a long period of time. The longest relationship found in this study can be traced back to two decades ago. With improvement of these existing supply relationships by communicating through both telephone and personal visits, and establishing trust between hotels and agencies, agencies can be more effective labour suppliers to hotels.

7.4 Reflections on the study

Looking back over the whole research journey, considerable insights and experience were gained, in terms of understanding the research process and methodological underpinning behind various research methods, perceiving issues in relation to labour flexibility strategies, and exploring a hitherto unrecognised labour supply chain in the hotel sector.

As noted in the introduction chapter (Chapter 1), the main objective of this study was to determine "how to effectively adopt labour force flexibility strategies in the hotel sector, with reference to agency staff and the employment industry as a source of labour supply". Hence, issues regarding the labour supply chain in the hotel sector with the integration of some theories, such as JIT, SCM, and labour flexibility, were investigated.

Chapter 1 also anticipated an expected contribution to knowledge as stimulating the development of effective labour supply chains in the hotel sector by exploring the phenomenon in the context of the supply of workers to client hotels by employment agencies. In the SCM and JIT literature, the material featuring in the entire supply chain or in the production process often means something physical, and storable. Labour is never considered as part of this material. This study confirms the utility of including labour within these processes. Emergent issues argued in the study (Section 7.2) demonstrate the existence of the labour supply chain and identify several approaches to make the chain run smoothly.

In addition to the contribution to the SCM and JIT literature, the study also adds to the body of theoretical knowledge about flexible working with its further exploration in distancing flexibility suggested in Atkinson's (1984) flexible firm model. Most labour flexibility literature focuses on either functional or numerical flexibilities. There is limited research debate on the use of distancing flexibility. Using agency staff is commonly classified as part of numerical flexibility. However, agency staff are categorised as external labour. They work for their employer (i.e. agencies) but under client companies' supervision. They have different employee status from other flexible labour, such part-timers and casual workers, in the same workplace. This difference deserves a careful and separate discussion in the use of distancing flexibility. This study contributes to greater understanding with respect to the utilisation of employment agencies.

In addition to the theoretical contribution, this study also extends our knowledge of the work environment within the hospitality context. Limited studies focus on hotel housekeeping departments, the biggest unit, in terms of the number of employees, in a hotel. The findings noted an effective staffing alternative for managers in hospitality and the wider service industry. With the implementation of SCM and JIT concepts, some service characteristics, such as perishability, variability, simultaneous production and consumption, and demand fluctuation can be dealt with. Labour supply chains and supply partnerships are shown to satisfy hotels' needs for labour flexibility and cost effectiveness, even without hotel managers' awareness of the existence of such supply chains. This study highlights the benefits of labour supply chains for the service industry.

However, the research itself has some limitations in its application. First, the study focused on operations between buyers and suppliers in a triangular model with three main components, namely hotels, agencies and staff (see Figure 5.1.1.1). A supply chain is generally formed as a two-way exchange model between buyers and suppliers, not in a three-dimensional (3-D) model. Due to the nature of the "commodity" in a labour supply chain, the workers who circulate within the flow may not be as stable and predicable as other material goods. Hence, labour is also an important factor in making the model successful. As an exploratory research project, the main aim of this study was to identify whether or not the model exists. This limitation in terms of the lack of inputs from agency labour should be taken into account and addressed in future research.

Second, the study takes seven hotel housekeeping departments and their partner agencies as data sources. Therefore, the findings may not be generalisable to all areas of hotel operations. However, they do provide an insight into potential labour supply chains which can be applied within the wider hotel sector.

Third, as noted in Section 5.5.2, snowball and convenience sampling techniques were adopted in the study. These approaches might cause bias in the sample selection as well as result in a preference for using agency services amongst those nominated informants in the findings.

Notwithstanding these research limitations, the findings serve the main objective set in the study and confirm that employment agencies can form an effective labour solution to the hotel sector. As argued in Section 5.5.2, this study is not intended to be generalisable to the whole population, but attempts to generalise a theory (e.g., a hotel labour supply chain) within the context of the hotel sector.

With these reflections of the study, the next section provides some suggestions for further research.

7.5 A step forward

Bearing in mind the limitations noted above, it is suggested that further research can incorporate the third dimension, the agency workers. More sub-sectors (e.g. banqueting and catering departments, pubs and restaurants) in the hospitality industry can also be considered for future study.

In addition to qualitative research approaches, a larger scale quantitative study may generate useful data. With the emergent issues from this study, a further study could be conducted to test how commonly the labour supply chain is employed in hospitality or within various related industry sectors.

In closing, a number of insights in relation to the hotel labour supply chain are provided in this study. Hopefully, by conducting further studies on this topic, a more systematic understanding of the supply chain can be achieved. Research findings can also assist in identifying effective labour solutions for the hospitality industry, as well as in the wider service industry.

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APPENDIX A BACKGROUND INFORMATION OF INTERVIEW RESPONDENTS

Survey hotel description

Hotel 1 (H1)

This hotel is situated at the Kensington area of London. The hotel has 910 bedrooms following the completion of refurbishment in 2001. Listed as a four-star property, the hotel also belongs to a big international hotel chain which provides the whole range of hotels from five-star deluxe hotels to three-star economy accommodation.

The main customer groups are business travellers, leisure groups and airline cabin crew. This hotel is a very busy city hotel all year round with a 90% annual average occupancy rate and charges an average room rate at £100. The only low season is from mid December till late January, and in the rest of months, the hotel has a very high occupancy.

The hotel uses five employment agencies as their labour suppliers to the housekeeping department. Agencies offer the whole range of housekeeping staff to this hotel, in terms of floor supervisors, room attendants, house porters, public area cleaners, and linen room attendants. Depending on hotel occupancy, these five agencies supply 40 to 60 staff to the housekeeping department as a whole.

Hotel 2 (H2)

Located in central London, the hotel is the flagship property of an international hotel group. It is rated as a five-star establishment which has 450 guest rooms and includes a recent refurbishment of 55 individually designed suites.

The main market groups in the hotel are corporate groups and business travellers. The hotel also targets at weekend holidaymakers to fill the occupancy gap at weekends. Throughout the year, the low seasons are during bank holidays, and April, May and December. For the rest of months, hotel occupancy keeps at a stable level. The annual average occupancy rate in this hotel is 75%, and the average room rate is £190 per room per night.

Six agencies are employed to supply housekeeping staff to this hotel. On average, the department requests 20 to 25 agency staff to work in the hotel on a daily basis. Agency staff include floor supervisors, room attendants, house porters, public area cleaners, and linen room attendants.

Hotel 3 (H3)

The hotel is located at an airport within the Greater London area. The hotel has 791 bedrooms, in terms of standard, family, executive rooms and suites. Among these 791 rooms, 233 rooms are newly built as a new wing extension project was completed in January 2003.

This hotel is a four-star full service property and part of an international hotel chain group. The main target groups in this hotel are business travellers, holiday makers and airline crew. Hotel occupancy is influenced in a great deal by airport operations. It does not have a very significant peak and drop within the year. However, on Christmas Day, the occupancy rate can drop to below 30% because of the closure of airport. Overall, the average occupancy rate is 85% throughout a year. And the average room rate is £71 per room night.

In this hotel, the housekeeping department uses two employment agencies as their labour suppliers to provide staff, in terms of room attendants, house porter, and linen room attendants. Between these two agencies, the major agency supplies 99% of housekeeping agency staff in the hotel, and the other agency provides only one or two staff to the housekeeping department. The department employs 50 agency staff per day on average.

Hotel 4 (H4)

The hotel is a newly built property and is an convention and exhibition hotel. There are 156 Standard, 39 Executive, 10 Junior Suites and 5 Executive Suites providing 210 guestrooms in total.

Hotel H4 is a four-star rated accommodation, which is owned by a hotel franchise company under an international hotel group. This franchise company also owns another 7 properties throughout the UK under the same hotel chain name. The hotel targets mainly business travellers and exhibition delegates. The hotel occupancy rate depends considerably on the events in the nearby exhibition centre. When there is an exhibition in the convention centre, the hotel has 80 to 85% occupancy rate, and even can reach full-house. However, the hotel will have a low occupancy, as low as 60%, when there is no major event happening in the exhibition centre. The high demand months in this hotel are September, October, December and January. The average room rate charged in low season is about £80, and the high season rate is rising to £145 per room per night.

The hotel uses an employment agency as their sole labour supplier for the housekeeping department. 24 agency staff are assigned to this hotel as hotel's regular housekeeping workforce. In this hotel, only three housekeeping staff are hotel's permanent member of staff, namely head housekeeper, assistant housekeeper and maintenance engineer. The rest of housekeeping staff, in terms of floor supervisors, room attendants, house porters, public area cleaners, and linen room attendants, are all supplied by the agency.

Hotel 5 (H5)

The hotel is part of a UK chain hotel, and provides four-star deluxe services to guests. The hotel has 280 bedrooms including standard, executive suites and luxury apartments.

The main target group in this hotel is the business travellers and the second group is aiming at weekend leisure break makers. Therefore, the highest demand months are September, October, November and the first two weeks of December. The relatively low seasons are January, February, March, July and August. On average, the occupancy rate in this hotel is 85% all year round, even though during low seasons, the hotel has to close down one or two floors to adjust the situation of low demands.

The hotel has three employment agencies to supply housekeeping staff, namely room attendants and house porters. The housekeeping department uses an average of 16 agency staff on a daily basis.

Hotel 6 (H6)

The hotel is an independent, five-star designer hotel, located in central London near financial district and attached to a busy railway station, followed by a refurbishment in early 2000. This individual hotel has 267 bedrooms.

The main guest groups are business travellers and also arts and media people. Due to the nature of its target guest group, the hotel has a significant difference between weekend and weekdays' demand. The average occupancy ranges from 90% occupancy during the week to less than half that occupancy at weekends. The average room rate charged in this hotel is around £210 per room per night.

The hotel uses only one housekeeping agency to supply staff to the housekeeping department. 10 agency staff work regularly in the hotel, including one floor supervisor, room attendants, and house porters.

Hotel 7 (H7)

This hotel is a four-star listing hotel. It has recently undergone a major refurbishment programme and now offers 272 rooms, including 11 King studios, 4 Penthouse suites and 3 Junior suites. The hotel is also a member of an international hotel chain group.

The hotel targets at both business and leisure travellers, especially guests from the Middle East region. This hotel is very busy during the summer from June till September, and the low season is on December, January and February. As a whole, the hotel has 81% average occupancy rate annually, but this occupancy rate could be down as low as 40% occupancy during the low season months. The average room rate is from £135 to £160 for both single room and double room respectively.

The housekeeping manager uses 4 employment agencies to supply 75% of housekeeping staff in the hotel. Amongst these four agencies, the major one provides over half of total agency housekeeping staff. 12 to 13 agency housekeeping staff, include one floor supervisor and room attendants, are working regularly in this hotel.

Summary of survey hotels

Hotel Description	H1	H2	H3	H4	H5	H6	H7
Number of rooms	910	450	791	210	280	267	272
Hotel operation	Chain	Chain	Chain	Chain	Chain	Independent	Chain
Medium annual Average Room Rate (ARR)	£100	£190	£71	£113	N/A	£210	£148
Medium annual Average Occupancy Rate (AOR)	90%	75%	85%	73%	85%	79%	81%
Number of agencies used	5	6	2	1	3	1	4
Number of H/K permanent staff	42	85	29	3	17	20	23
Number of agency staff (daily average)	50	23	43	18	14	10	13
Number of room cleaned per staff per day	16	13	15	15	15	15	16
Average daily rooms cleaned by agency staff	800	293	638	263	204	150	208
Room maids need when it is full house	57	35	53	14	19	18	17
Room maids need when it is at AOR	51	26	45	10	16	14	14
Difference between full-house and average staffing	6	9	8	4	3	4	3
Ratio of permanent/agency staff	0.84	3.78	0.68	0.17	1.25	2	1.77
Ratio of agency/total staff	0.54	0.21	0.59	0.85	0.44	0.33	0.36
Average pay rate per hour for maids	£6.13	£6.00	£6.26	£7.70	£6.03	N/A	£6.40
Average pay per day to room maid	£46.00	£45.00	£46.95	£57.75	£45.19	N/A	£48.00
Average pay per day to agency in total	£2,300	£1,013	£1,995	£1,012	£615	N/A	£624
Average pay per week to agency in total	£16,100	£7,088	£13,968	£7,082	£4,302	N/A	£4,368
Average pay per year to agency in total	£837,200	£368,550	£726,317	£368,288	£223,696	N/A	£227,136
Average pay rate per hour for housekeepers	N/A	£7.75	N/A	N/A	£7.20	N/A	£8.00
Job skill training	Agency trained	Hotel trained	Agency trained	Agency trained	Hotel trained	Hotel trained	Hotel trained
On-the-job training	Hotel trained	Hotel trained	Hotel trained	Agency trained	Hotel trained	Hotel trained	Hotel trained

Summary of survey agencies

Agencies	Aa	Ab	Ac	Ad	Ae	Af	Ag	Ah
HISTORY AND AGENCY OFFICE								
Operation Years	1995	1998 (6 years)	1992 (12 years)	2001 (1.5 years)	1996	1991	N/A	1984
Number of staff	2020 (registered), but only about 30% of them are working (=600)	500	193 (73 working last week)	700 (400 currently working)	200	80 -100 (registered) 50 - 60 (working regularly)	100 (registered) 60 -70 (working when it's quite)	1200
Number of office staff	7 (5 full-time; 2 free-lance)	5	4	4 (full-time); 1 (part-time trainer)	5	4 (3 full-time; 1 part-time)	7	10
Background of agency managers	Executive Housekeeper	GM F&B manager	Senior housekeeping agency manager	Executive Housekeeper	F&B manager Agency officer	Executive Housekeeper	Health services manager	Executive Housekeeper
CLIENTS AND AGENCY BUSINESS								
Number of clients	15	15 - 20 (5 major clients cover 2/3 of business)	14 - 15	45	50	25	12 - 15 (6 - 7 major client)	85 - 95
Clients type	Hotels Night clubs Health clubs	Private member club River cruise company Five stars hotels Restaurant Pubs	Four and five hotels Service apartments Five star hotel chain	Big Group hotels (Sheraton, Inter-Con., Marriott, Hilton)	Hotels Restaurants Bar	Five-star hotels	4* and 5* hotels	Chain hotels 4* and 5* hotels Fixed-rate budget hotel
Services (Temp. or Permanent)	Temp	Both	Temp	Both	Both	Temp	Both	Both (employed by the agency)
High/Low season	Low – Christmas Jan. Feb. and Easter High– Summer	Busy all the time	Low – Christmas Jan. Feb. and Easter High– Summer	Low – Christmas Jan. Feb. and Easter	Busy all the time	Low – Christmas Jan. Feb. and Easter High– Summer	Low— Nov. - Jan. High— Mar - Oct.	Busy all the time
AGENCY STAFF								
Area of work	Hotel and Catering labour Front and back office (1% are receptionist)	Hospitality and Catering industry	Housekeeping staff: chambermaids porters linen porters housekeepers	Hospitality Industry Housekeeping (80%)	Hospitality Jobs Anything to do with hotels (Housekeeping, kitchen porter, chef, waiter)	Housekeeping mainly (floor supervisor, maid, linen keeper, linen porters, house porters, floor attendant) Kitchen porter and back of house cleaner	Housekeeping (90%) Construction Health cares Social care Admin. and Secretary	Housekeeping (85%) Kitchen porter Night cleaner Waiter (occasionally)
Temp-to-perm fee charged	No	Yes, but not encourage	YES	7.5%, or take one more staff from agency to cover	Yes, £250 for under 8 weeks; Encourage this temp-to-perm	Yes, 10 %, but difficult to charge the hotel	10%; but not encourage	No temp to perm fee

Agencies	Aa	Ab	Ac	Ad	Ae	Af	Ag	Ah
Staff training	Agency's free-lance trainer	Hotel and agency	Hotel	Both hotel and agency	Clients	Hotel; Agency does the health and safety training in-house	Agency training manager	Hotel (On-the-job; Health and safety); Agency assist for language support
Employer of staff?	YES	YES	YES	YES	No, an agency	YES	YES	YES
Instinct of recruiting agency staff	YES	YES	YES	YES	YES	YES	YES	YES
Advertisement for staff	Word of mouths	Word of mouth; Media (The Cater directory; HCIA year planner; Cater. com; Evening standards)	Word of mouths	Word of mouths	Word of Mouth Internet	Job centres local papers Loot	Mainly word of mouths Metro and local newspaper Poster outside of agency window Jobcentre	Word of mouth Special short working scheme
Background of agency staff	More Eastern European (e.g. Polish)	Diverse	Ukrainians or Russian (95%) 2 Mongolian 2 African Few eastern Europeans	EEC (Italian, Spain; French; 20 - 30%) East-European (Russian, Lithuanian, 60%)	Students Various nationalities (Chinese is the majority)	From EEC countries	Russian, Ukraine, (majority are East-European) East African English Chinese Japanese...	Vietnamese (80%) Russian (full-time short-working scheme)
Charge for clients	Confidential (but charge by per hour)	£9/hr for housekeeper	Maids (£6.45/hr for Mon. to Sat. and £6.79 on Sundays) Housekeepers (£7.58/hr on weekdays, £ 8 on Sundays)	£5.90 - 6.90/hour	More than £5/hr	Confidential (but charge by per hour)	Confidential (but charge by per hour, per room or per bed)	£2.10 - 3.4/room (for room attendant) £ 3.94 - 5.85 (for full service)
Payment to staff	£4.5/hr for maids £6.0 - 6.5 for floor supervisor	£4.50 - 6.50/hr for housekeeper	Maids (£4.20/hr for Mon. to Fri., £4.25 on Sat. and £4.50 on Sundays) Housekeepers (£5.50/hr on weekdays, £ 5.60 on Sat., and £6.00 on Sundays.	Above minimum wage	£4.50 -5 /hr	Maids (from £4.50 - 6.50/hr) Floor supervisors (from £5.30 - 7.0/hr)	Confidential (but charge by per hour; per room or per bed)	£4.5 – 5.50/hour
Benefit for staff	Holiday pay No sick pay 10% Employer contribution to Tax office	Holiday pay (all the entitlements, but not often sick pay) Flexibility	No real fringe benefits but they do pay sick pay	Holiday pay Christmas gift National insurance	Holiday pay; incentive (employee of the month) Sick pay Flexibility Experience	Holiday pay	Holiday pay Promotional and appraisal Long service award Best employee of the month Sickness pay	Holiday pay No sick pay

Interview Schedule for Head Housekeepers or Housekeeping managers in the Hotel Sector

Operation Background

1. How many rooms the hotel has?
   How many restaurant venues?
   Which star ranking category the hotel belongs to?
   How much for the average room rate?
2. What's the average occupancy rate in your hotel?
   Does this figure vary at different times of the year?
3. What are services or products provided in your department?
4. How many permanent staff recruited in your department, in terms of housekeeper, chambermaid, and porter?
5. How many agency staff used in your department, in terms of housekeeper, chambermaid, and porter?
6. How many temporary assignments do you fill in say, a week/month?
7. Does demands of temporary assignments vary at different times of the year?
8. How many employment agencies do you contract with?
9. What are the main areas of work in the department that you use agency workers to fill in?
10. Which areas do you expect to grow in importance over the next 5 years?
11. Do you know any other departments in the hotel have employed agency staff as well?

The relationship between hotel and employment agency

1. Is there are any contractual relationship between agency and your department?
   How formal are the relationships you have?
2. How much do you pay for different posts of agency workers, in terms of housekeeper, chambermaid, and porter?
3. How much do you pay for permanent staff (annually) in the department?
4. Is the fee different for different agencies or different reasons?
5. Are there any techniques of keeping good relationship with employment agency?
6. What reasons does your department recruit through employment agency for?
7. What does your department want from agency workers, and employment agency respectively?
8. Do you want workers with experience in housekeeping related area?
9. Do employment agencies charge you any "Temp-to-Perm" fee?
10. How do you recruit the employment agencies?

Housekeeping Department and agency workers

1. Please describe the background of agency workers worked in your hotel, in terms of age, sex, ethic background, and education/ qualification.
   What proportions of your temps are: Male? Female? Under 25? Student?
2. In average, how many new agency workers do you see in a typical week?
3. Please tell me the procedures of taking agency workers in.
4. Which qualities you are looking for while recruiting a new agency worker?

What sort of worker does well as a temp?

5. What is the average length of time agency workers spend with you?
   What is the average length of assignment for workers?
   What methods do you use to try and encourage loyalty for attracting repeat agency workers?
6. What reasons do people give for temping?
   Have any of these increased/declined in importance in recent years?
7. What proportion of agency workers go permanent in your department?
   Will you encourage this? Why?
8. Do you see yourself as an employer to your agency workers?
9. How much you pay for agency workers per hour, in terms of housekeeper, chambermaid, and porter?
10. Who train agency workers?
11. Please talk about the benefits given for agency workers
12. How to manage agency staff?
13. What are your opinions about pros and cons of using agency staff?
14. Is there any employee moral problems between permanent and agency staff?

Agency as a labour supplier in the Housekeeping department

1. Please tell me the procedures of "booking".
2. Do you see your employment agency as a labour supplier or partner?
3. How do you try to keep up your cooperated employment agencies loyalty?
4. Among agencies employed in your department, the main agency provides how much percentage of total agency workers worked in your department?
5. How often do you review the discrepancy between the labour demand and supply?
6. Do you have any corporate policy of using labour flexibility strategy?
7. Are you satisfied with the services and products offered by your employment agency?
8. Can agency become an effective labour supplier to the hotel?
   How?

Interview Schedule for Hospitality Agency Managers or Directors

Operation Background

1. Could you please tell me any information on company history? (In terms of when did it start, how did the idea of setting up an agency been provoked?
2. Is the company registered with any association or confederation?
3. What are services or products provided in your agency?
   What type of placement, permanent or temporary, offered in the agency?
4. How many workers does your company have on its book?
5. How many registered workers are actually on assignment / on the payroll at any one time?
   How many temporary assignments do you fill in say, a week/month?
6. Does demands of temporary assignments vary at different times of the year?
7. How may client hotels do you contract with?
   How many hotels currently use your temps?
8. What are the main areas of work in the hotel sector that you deal with?
9. Which areas do you expect to grow in importance over the next 5 years?
10. How many staff do you employ at the agency as personnel consultants?

The relationship between agency and client hotels

1. Is there are any contractual relationship between agency and client hotels?
   How formal are the relationships you have?
2. How much do you charge for different posts, in terms of housekeeper, chambermaid, porter, waiter and kitchen porter?
3. Is the fee different for different types of contract or different reasons?
4. Are there any techniques of keeping good relationship with client hotels?
   What methods do you use to try and encourage loyalty?
5. What reasons do client hotels use your agency for?
6. What client hotels want from agency workers?
   Do they want workers with experience in their area?
7. Do you charge any "Temp-to-Perm" fee to your client hotels?
8. How do you recruit client hotels?

Agency and agency workers

1. Please describe the background of your registered workers, in terms of age, sex, ethic background, and education/ qualification.
   What proportions of your temps are: Male? Female? Under 25? Student?
2. In average, how many new applicants do you see in a typical week?
   Do you advertise for workers? By which media?
3. Please tell me the procedures of taking agency workers in.
4. What reasons do people give for temping?
   Have any of these increased/declined in importance in recent years?
5. Which qualities you are looking for while recruiting a new agency worker?
   What sort of worker does well as a temp?
6. What is the average length of time workers spend with an employment agency?
7. What is the average length of assignment for workers?
   What proportion of your temp staff goes permanent?
   Will you encourage this? Why?
8. How much you pay for agency workers per hour, in terms of housekeeper, chambermaid, porter, waiter, and kitchen porter?

9. Who train agency workers?
10. Please talk about the benefits for agency workers?

Agency as a labour supplier in client hotels

1. Please tell me the procedures of "booking".
2. Do you see yourself as an employer to your agency workers?
3. How do you try to keep up your workers loyalty?
4. Do you have any clients that account for a high portion of your business? How many of these contracts do you have?
5. How do you spend your typical day?
6. Do you/ your staff work a regular week?
7. Can agency become an effective labour supplier to the hotel? How?
8. How often do you review the discrepancy between the demand and supply?