



Review Paper

The Industrial Strategy of Labour Cost Cutting is Boon or Bane in the Vicinity of Employees' Welfare – A Review on Indian Hotel Industry

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Abstract

Many firms in the world are giving attention towards controlling of cost in well manner and much over labour cost. The main motive of every firm is increasing profit by decreasing cost. This paper examines what are the measures normally taking by hotel industry to cut their labour cost and their approximate achievement in labour cost cutting, and which are most controllable costs controlling by hotels and also examines the consequences of cost cutting on their normal course of business and its consequence on a mainstream in Indian society where the population density is very high with the much demand of employment opportunities.

Keywords: Labour cost cutting, Hotel industry, favourable influence, unfavourable influence, economic condition, social condition.

Introduction

Cost cutting is a program that focuses on reducing expenses through methods such as optimum utilization of fixed costs, and lowering of variable costs. Cost cutting technique always views in the favour of organization, not in the favour of society. Many industrial sectors always look for various conducts for cost cutting to ensure maximum profitability in forthcoming periods. The technique of cost cutting has many virtues and simultaneously not be far from some shortcomings. One of the major corporate sectors in India is hotel sector; this sector as well for eternity aiming at reducing cost although at alike instant provides some awful influence to the society. Cost cutting is a measure implemented by a company to reduce its expenses and improve profitability. Cost cutting measures may include terminating employees those who are having less work schedule, reducing employees' existing compensation, translate or switching from high expected to less expected employees, adopting organization favour work schedule pattern, and reducing of beneficial programmes available to employees. This current research is giving focal point on how the measures of cost cutting influences in the vicinity of labour cost and also suggests alternatives tools for avoiding horrific influence of employees from cost cutting.

Review of Literature

Timothy Aeppel states that majority of the companies after Cost Cutting turn toward Price Rises to get dual benefit in maximization of profit¹. Vasir Tanveer, states that the way of implementing HRM practices influencing on the performance of employees². Sunil Panwar, Jasbir Sing Dalal and Arun explored that 'High staff turnover in hotel industry due to low

remuneration and extended working hours³. Amitabh Dey, P.R. Sandilyan, Mousumi Mukherjee stated that the service quality in the city influencing on the employee satisfaction level and attitude of employees at work⁴. S.M. Denis Amirthraj explores that in most of the star hotels the employee care is given first priority so they spotlight on maximization of the wealth of employees through training and development programmes in order to get good result in productivity⁵. Issac, Wistikote, Marcus Mutanga, Dr. Nhuta explores that hotel and catering industries dogged with problems of low wages, long working hours and unstable shift hours and so many other problems such as poor or non existing career structure, over reliance on informal recruitment methods, lack of evidence of good human resource practices and high labour turnover⁶. Pankaj Tiwari states that the industries need to implement innovative practices to get competitive advantage and to provide job satisfaction⁷.

Objectives of the Study

i. To study the various labour cost cutting strategies using by Hotel Industry in India. ii. To study the relevant relationship labour cost cutting with employees' welfare. iii. To study the influence of labour cost cutting strategies of hotel industry on society.

Scope of the Study

The study scope contains only one factor of production that is labour cost and study make the observation on the way of labour cost cutting strategy using in one alleged industry of India that is hotel industry and study scope confined for effects on employees, company and society at large by labour cost cutting.

Concept of Labour Cost

One of the major direct costs in every organization is labour cost. The labour costs are costs which are bearing by company in every process of human resource management such as costs of hiring people, re hiring costs, wrongful termination lawsuits, costs for regular work and overtime work⁸. In some sector material costs are more than labour costs but in some sector the labour costs are more than material cost e.g. agriculture. India is one of the developing country which is bearing very less labour cost compare to some other countries such as US, UK, Canada, Australia, and West European nations in other side such as India, Indonesia, Bolivia, Brazil, Russia, Mexico and East European countries the labour cost comparatively very less, consequently we can see number of MNCs are spread their production sector in these low cost countries with the intent of reducing labour costs. For example the number of US based companies carrying their production process in Mexico and India because of using an opportunity of less labour cost. As per July 2013, the average pay scale of Senior Software Engineer in India was Rs.5,99,079 but in USA it was \$ 92,000 which is equal to Indian rupees of 55,48,520 [$\$92000 \times 60.31$ (on July 5th)]

Labour Cost in Hotel Industry – A View

Labour costs are the key expenses in every fragment of business world. Labour costs are very crucial to use in optimum manner, for the reason that only by making appropriate investment in human resources it's possible to utilize accurately of all resources of the organization, in other words human resource is a tool which can utilize all other resources of the organization in recovered line of attack. Since 1960, unit level labour costs averaged 43.7% of total hotel operating expenses and increased at an average annual rate of 4.3%. Variations in hotel labour costs also are extremely volatile from 1960 to 2010. During this period annual changes in hotel labour costs swung from a high of positive 12.3% to a low of negative 10.4%⁹.

Hotel Labour cost Comparison among countries

The Above table reveals that with the comparison of other country the salary getting by hotel employees in India is very less. Again the reasons behind this was huge population and easily available of labour with less expectation. Thus due to this reason number of MNCs were carrying their major production activities in India. India is a country which is having superior position in all factors of production such as labour, natural resources except in capital. So other countries those wealthier in capital make investment in India with the intent of optimum utilization of natural and human resources.

Labour Cost Cutting Strategies of Hotel Industry: i. Train the existing employees by that they can do their job more efficiently so fewer employees are needed to serve the same number of customers. This practice leads to avoiding or

reducing additional employees' needs of hotel. By this it's possible to get escape from the risk of recruiting and training new employees and providing adequate wages are salaries to them. ii. Striking multiple tasks to single employee: In some hotels multiples tasks are carrying by single employee e.g. the task of supplying foods and billing. When the hotel impose or create this kind of situation that provides carrying of multiple task with same labour cost, means it avoids the cost need to incur on one more employee. iii. Hire people who are in school. They are likely to be good workers who will quit when they go to college or get "real" jobs - don't have to worry about raises that way and they may come back for summer vacations when it is busy and additional staff is needed. Then hotel don't have to train someone new¹⁰. iv. Overtime work for existing employees: Some hotels in India maintains the shift wise working system but some commanding overtime work for same employees, means more than normal working hours. In the hotel greater part of the key business starts after evening, so the workers need to work up to night 10 or 11. v. The hotel pays some portion of amount as incentive for that extra work done by them but not equated to their extended effort. It may tend to reduce labour costs in the hotels. In India official per day working hours are 8 hours but actual in practice it's not followed by greater part of hotels except in government running organization. There is totally changing pattern of working hours for hotel employees managers and sub workers working in rooms division and food and beverage division reported being particularly challenged by long, non standard hours, including weekends and holiday. While managers in human resources, engineering, and accounting tended to have 8 a.m. or 9 a.m. to 6.p.m. and in some hotels duty ending time will be 10 or 11 p.m. vi. Using of Sophisticated Technology: Technology can help the hotels in cutting labour costs as well. Many useful cooking machines may reduces the need of more employees such as automatic idly, chapatti, preparation machines may reduce unnecessary manual hand work. Technology based equipment can greatly reduce production time and costs. vii. Labour costs are the highest for some other outsource labour such as laundry, so to reduce this cost hotels are adopting techniques, such as washer-extractors that are equipped with control systems, e.g. UniMac equipment. This model can be loaded before the staff leaves for the day and programmed to start an hour before the first employee arrives the next day. From there, the morning shift can transfer clean loads to the dryers¹¹. A second group of employees then could be scheduled to arrive just prior to the first drying cycle being completed. viii. It is common in many hotels to have peak periods of business operation. Majority of the hotels have extended hours and need more employees during the week-end holidays and in some particular seasons such as in winter. During that season instead of hiring a full-time or even part-time employee, hotels are assigning that extra work for existing employees by showing the ambition of extra attractive incentives, so this practice tend to avoid labour cost that need to incur on hiring new full time or part time employees.

Table-2
General Manager’s Average Salary in Five Star Hotel

Sl. No	Country	Salary	In Indian Rupees (Value consideration on July 5 th July 2013)
1	India	420999 - 3446542	-
2	USA	\$30203 - \$106844	18,21,543 – 64,43,762 (\$ to INR 60.31)
3	Malaysia	RM 110532 – RM410209	20,92,371 – 77,65,256 (RM to INR 18.93)
4	Singapore	S\$71490 – 323342	33,90,771 – 1,53,36,111 (S\$ to INR)

Influence of Labour Cost Cutting Strategies on Hotel Employees

Favourable influence: i. Helps the existing employees to improve their performance through training and development programmes providing by hotels. ii. Improve the knowledge of employees through performing multiple tasks, when employees are performing multiple works at a same time such as supplying and billing it tends to acquire various thoughts about various tasks, eventually improvement in accessible knowledge of existing employees. iii. More monetary benefits to the existing employees: When hotels assigning additional work to the existing employees for such work as a consideration hotels are offering more additional monetary benefits in the terms of commissions and incentives. iv. Translation of complex work into trouble-free task: When the hotels providing sophisticated technology equipment to the existing employees means using different advanced cooking equipments tend to reduce the burden complexity of work. A new technology on HRCT workers does not mean opposing the introduction of new technologies as such. Some kinds of technology will improve working conditions, such as health and safety technologies. v. Time saving: The practice of training and providing technical equipment leads to perform the task easily with least time, so the workers are getting free time for comforting. vi. If hotel industry succeeds in earning good profit through cost cutting process, it offers some additional benefits to their employees such as bonus, medical facilities, higher educational facilities etc.

Unfavourable Influence: i. Increase the work stress of existing employees: The practice of assigning more works to the existing employees tends to create much stress to them. When a hotel imposing more tasks to an individual, the stress of employee goes on increasing as a result he will unable to keep full concentration on his work. O’ Leary and Deegan found in their 2003 study that 60% of the employees left the hotel industry because of unsuitable or unsociable working hours coupled with poor remuneration¹². ii. Unbalanced learning curve: If the hotels are assigning same task to an individual for long period that may tends to increase in learning curve and decrease in labour cost in prosperous period, but if the hotels are assigns multiple tasks to an individual the learning of person will be unbalanced as a result no proper performance by the employee. iii. Prohibits prospective employees: When the hotels are assigning additional works to the existing employees that prohibits the entrance of new employees for the hotels. As per FHRAI reports approximately 2484 hotels, 1204 restaurants, 132 associate members and the 4 regional associations, employs more than 17

million direct workers. But apparent thing was there was no much increase in employment opportunities as compared to strength of hotels, restaurants, associate members and regional associations¹³. iv. Undue adjustability: When the hotels are starts to provide technical equipments to perform the task, the dependence of workers increasing and in a time where non-availability of those facility may make them to perform the job with decisively¹⁴. v. Unbalance in family or social relationship: Long working hours in hotel industry effect on social life of employees as they don’t have much time to spend with their family and friends. Hotel employees usually either go early on their duty or come at late. In both the conditions they are not able to give appropriate time to their family. vi. Chance of illness: Because of long working hours and much work employees may dig in the trouble of health. Changes in sleep patterns affects work productivity and mood patterns which could lead to a greater incidence of fatigue, daytime sleeping, clumsiness and weight loss or weight gain consequently adversely affects the brain and cognitive function. vii. As a part of cost cutting hotel industries may consider reducing or eliminating benefits available to employees such as bonuses or other perks¹⁵.

The Influence of Labour Cost Cutting Decision of Hotel Industry on Society:

i. Decrease in the Employment Opportunities: The hotel industries in the chore of cost cutting process may avoid the recruiting of new employees. When they need more employees, instead of recruiting new they make use of the existing employees by offering new benefits consequently that may tend to reduce emerging more employment opportunities. The great extent of advanced technologies has allowed easiest way of doing work or preparation of food with less assistance employees. For e.g. Electrolux presents an extensive variety of quality and innovative products for the food service including professional stoves, ovens, dishwashing, and food preparation equipment to satisfy the most demanding food services users and another side its becoming reasonable person for destroying manual work consequently get rid of some employees from the hotel. ii. Distortion in Family system: If the workers are spending much time in job, they are not capable to spend desirable time with their family that may cause for quarrels in their family system. iii. Wealth Centralization: When labour cost control decision of the firm tends to decrease in hiring of new employees and giving more consideration with more work to existing employees it leads for centralization of wealth in few hands. iv. Customer welfare: By the cost cutting, the firm can achieve profit maximization as a result it can

provide goods or discharge services with reasonably fewer prices to the customers.

Research Findings: i. The practice of labour cost cutting always provides intrinsic worth to hotel industry but in the vicinity of employees' welfare it provides both merits and demerits. ii. The organization aim of labour cost cutting increases monetary wealth of existing employees. iii. The practice of labour cost cutting not only leads for improving welfare of employees along with it also leads to reducing welfare of employees in the terms of stress, overburden etc. iv. Labour cost cutting technique in some way tends to prohibiting new comer to the organization and consequently reduces employment opportunities. v. The influence of labour cost cutting not only confined for organization, it also influences optimistically on economic condition of the country and at a same time pessimistically on social system.

Conclusion

The purpose of this paper is creating awareness about the advantages and shortcoming of labour cost cutting on employees' welfare. Every organization major element in cost of production is labour cost, and all the organizations' focal point is controlling labour cost to put control on total cost. Hotel industry is a major sector in India which has been created more employment opportunities. The hotel industry gives an attention for controlling labour cost with the aim of maximizing their profitability. It has adopted various strategies to control labour cost. The strategy which has been adopted by hotel industry to control labour cost has influencing in number of affirmative and downbeat ways on employees' welfare as well as on society. This study says that when hotels are giving priority for controlling labour costs that tends to providing much benefits to existing employees and another side it also horrifically influence on employees welfare in the term of increasing stress, cutting family relationship and creating unbalanced environment in the society.

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