

Institution: University of Surrey		
Unit of Assessment: 24 Sport and Exercise Sciences, Leisure and Tourism		
Title of case study: Improving labour management productivity in UK hospitality		
Period when the underpinning research was undertaken: 2013 to June 2015		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Professor Allan Williams	Chair of Tourism and Mobility Studies	January 2011 – present
Professor Andrew Lockwood	Forte Professor of Hospitality Management	January 1986 – August 2019
Dr Sangwon Park	Senior Lecturer in Hospitality Management	September 2011 – July 2017
Dr Natina Yaduma	Research Fellow	October 2013 – February 2015
Period when the claimed impact occurred: 2015 - 2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact (indicative maximum 100 words) Improving productivity unlocks enhanced competitiveness, profits, wages, and consumer benefits, but this has been a persistent challenge in low productivity sectors such as hospitality. Research on labour flexibility, undertaken jointly with industrial partners, increased understanding of the determinants of labour productivity in the hospitality sector, leading to productivity-raising human resource management changes in three important arenas: a) the employment practices of 3 hotel groups accounting for 9,000 rooms and circa 10,000 employees; b) the content of consultancy services provided by Eproductive Ltd to 39 client hotel groups; and c) the success of VisitBritain in negotiating and implementing the 2019 Tourism Sector Deal, as part of the Government Industrial Strategy.		
2. Underpinning research (indicative maximum 500 words) Productivity matters because it determines growth, wages, competitiveness, and the prices charged to customers. Yet since 2008, the overall productivity growth of the UK economy has been lower than all other G7 countries, making this a persistent and central focus of national economic policies, and of the Research Councils' Industrial Strategy Research Fund. Tourism and hospitality is one of the four sectors with the lowest productivity in the UK and so has great potential for increasing productivity. Focusing on the labour-intensive nature of hospitality, research from the School of Hospitality and Tourism at the University of Surrey contributes to realising that potential by investigating the relationships between flexible labour practices and productivity. Conceptually, the research was framed by new theoretical perspectives on demand disaggregation and the costs versus returns to human capital on different types of labour flexibility. The objectives of this ESRC funded research project were to understand:		

- a) how competing/complementary flexible labour management practices, responding to daily, weekly and seasonal demand fluctuations, have significantly different impacts on productivity.
- b) the contribution of migrant workers to both flexible working practices and productivity levels.

Methodologically, the research provided an innovative solution to what has been a persistent challenge in this research field: the lack of sufficiently disaggregated secondary data to estimate the productivity effects of seasonal, let alone weekly or daily demand variations. Only summary annual data is available for individual establishments. University of Surrey researchers, led by Professor Allan Williams, overcame this problem by leveraging a long-term collaborative relationship with Eproductive Ltd., a consultancy company which provides hotel groups with labour scheduling services. They created a new database for *individual* workers, on a daily basis, in 80 hotels in three hotel chains.

This database was used to estimate highly-disaggregated, fixed and random effects regression models of how different types of demand fluctuations and flexible labour management contribute to hotel productivity. These models incorporated novel measures of both the labour inputs and the outputs which define productivity. The three main findings were:

The main driver of hotel productivity is specific forms of demand variations: diurnal, weekly, seasonal and erratic [R1]. These pose major challenges in terms of scheduling labour to meet changing levels of customer demand over time, and across individual hotels and departments. The project provided by far the most detailed study to date of the drivers of labour productivity at the levels of individual hotels and departments within them.

Building on this, **the project was the first to clearly demonstrate and rigorously quantify how the use of different forms of employment contracts (full time, part-time, zero hours) and different types of scheduling (intra- versus inter-departmental employee reallocations) directly influence productivity [R1].**

The strategy of employing international migrant workers to increase flexible labour practices has mixed but generally positive effects on productivity [R2]. This is particularly significant given that migrants are disproportionately important in the hospitality sector, and thus has significant implications for UK productivity outside the EU single market.

3. References to the research (indicative maximum of six references)

[R1] Park S., Yaduma N., Lockwood A.J. and Williams A., (2016) Demand Fluctuations, Labour Flexibility and Productivity, *Annals of Tourism Research*, 59. pp. 93-112. DOI: [10.1016/j.annals.2016.04.006](https://doi.org/10.1016/j.annals.2016.04.006)

[R2] Yaduma N., Williams A., Lockwood A. and Park S., (2015) Performance, labour flexibility and migrant workers in hotels: An establishment and departmental level analysis, *International Journal of Hospitality Management*, 50. pp. 94-104 DOI: [10.1016/j.ijhm.2015.07.003](https://doi.org/10.1016/j.ijhm.2015.07.003)

4. Details of the impact (indicative maximum 750 words)

As a result of this research from the School of Hospitality and Tourism, actors within the hospitality sector were able to understand the sources of low labour productivity and began to address them. This case study highlights impacts on the human resources practices of: three major hotel chains; the hospitality consultancy products of Eproductive; and the policy role of the leading hospitality industry organisation, VisitBritain. Each of these drew on the findings of the Surrey research in efforts to improve productivity in the UK hospitality sector.

a) Changing the HR practices of hotel groups

The Surrey researchers presented their findings to Board members from the three hotel groups at six meetings at their HQs between December 2013 and September 2015. The three hotel groups – Bilderberg, Jupiter and Marathon (formerly, QMH, and prior to that Queens Moat) - account for 9,000 rooms and circa 10,000 employees.

The presentations provided both an overall understanding of the productivity effects of different forms of flexible labour management **[R1, R2]**, and also company-specific analyses that identified their strongest (benchmarks) and weakest (requiring targeted remedial actions) performing hotels

and departments. This specific targeting was clearly useful: the Chief Executive of Bilderberg Hotels stated that Surrey's *"new approaches to labour flexibility [have] <...> been a highlight of my role as Chief Executive of the group to be able to make a significant positive contribution to raising productivity within my hotels"* [S1]. The Chief Financial Officer (CFO) of Jupiter Hotels similarly commented on how they had used the research findings to benchmark the performance of underperforming hotels against the top performers in the group [S2].

The CFO of Jupiter Hotels provided more specific detail of the changes their group implemented as a result of the research findings [from R1], including responding to proposed changes to inter-versus intra-departmental labour reallocations, incorporating competence to work flexibly in recruitment criteria, and using a greater range of flexible contracts. *"We have made several improvements. An emphasis on recruiting more employees on flexible hours contracts to enable us to match better the changes in demand patterns <...> accompanied by a greater emphasis and focus on productivity and on the scheduling of our workforce to meet business demands"* [S3].

These improvements are evident in subsequent productivity data. Increased productivity has increased competitiveness, and longer-term employment prospects. In the three years since reporting our findings to Jupiter Hotels, the resulting implementation since December 2015 of improved management practices has contributed to an upward trend in productivity levels as illustrated below, at a time when overall sector productivity stagnated (Figure 1).

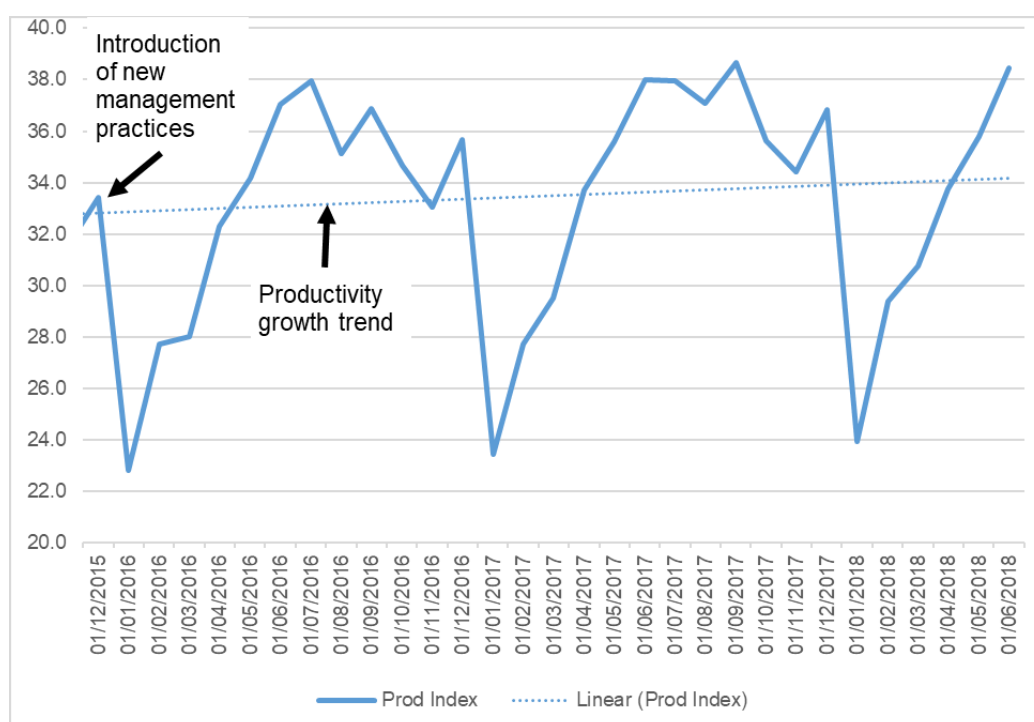


Figure 1. The impact of improved labour management policies on productivity in Jupiter Hotels (Data provided by Eproductive)

b) Shaping consultancy services

The Surrey research also had the effect of directly deepening their industry partner Eproductive's understanding of the productivity landscape in hospitality. This allowed Eproductive to improve the digital data management services (EPS) they provide to 39 UK and European hotel groups. Chris Cows, Eproductive's Chief Executive, acknowledges that *"The detailed findings and recommendations of the project about different forms of flexible working arrangements have been particularly well received by these clients"* [S4].

Eproductive's specific product improvements included: incorporating new measures in their reporting system (e.g., day part measures of flexible meal times), more detailed departmental analysis, and enhanced reporting to clients using traffic light coding. Eproductive have also refocused their data and consultancy services to highlight the potential of productivity improvements and more sophisticated forms of flexible working. These changes have attracted

new customers and “*undoubtedly helped build our credibility <...> and to ‘punch above our weight’*” [S4].

Since making these changes to the services they offer in 2015 and 2016, Eproductive has assisted existing clients (in 39 hotel groups) to benchmark and improve their productivity. One example is Michels & Taylor Hotels: “*They now have 19 hotels using the system and in a recent case study, the MD Peter Hales extols the virtues of EPS - particularly from the perspective of improving productivity through more effective labour allocation practices*” [S4].

c) Shaping industry-wide productivity policy

The usefulness of the research to both specific hotel groups and wider consultancy services confirmed that the Surrey research had potential industry-wide utility. This led the researchers to host a workshop in June 2015 for leading industry representatives including the Research Director of People 1st, and Chief Executive of the British Hospitality Association, and to deliver a webinar in September 2015 to 70 members of the Institute of Hospitality, the leading professional body for senior hotel managers.

Following this webinar, VisitBritain, the leading GB tourism organisation, established regular contact with the Surrey researchers. This led to the Research Director for VisitBritain, Richard Nicholls, contacting the Surrey researchers when looking for a way to demonstrate leadership to national government in relation to the UK Industrial Strategy. Richard Nicholls explained that “*VisitBritain was leading on the submission of a tourism Sector Deal as part of the Government’s Industrial Strategy <...> [Whitehall were] looking for insights on: what are the drivers of productivity <...> And what could Government/industry do to improve it*” [S5].

As a direct result, in 2018, VisitBritain commissioned Surrey researchers Williams, Lockwood and Kim to produce a report with the aim of increasing their understanding of tourism productivity: *The UK Tourism Productivity Gap: Challenges and Potential for Tourism Productivity*, which drew on the ESRC-funded research [S6]. This was subsequently published under VisitBritain’s imprint and disseminated to their 5,000 members, and garnered significant attention from the Departments for Business, Innovation and Skills and Digital, Culture, Media & Sport. Richard Nicholls commented that ‘*The report has enabled VisitBritain to both gain and share knowledge of this important topic and demonstrate thought leadership with Government, partners and the tourism industry*’ [S5].

That leadership saw VisitBritain appointed joint co-ordinator (with the Dept. for Business, Energy and Industrial Strategy) in June 2019 of the multi-million pound Sector Deal for Tourism. This was critical to the agreement, and shaping, of the UK government Industrial Strategy to increase productivity and develop workforce skills, thereby raising earnings. This strategy was described as ‘*a game changer*’ by VB [S5] while Prime Minister Theresa May on June 27th 2019 commented that ‘*it is crucial that we remain globally competitive*’ and that the *tourism Sector Deal ensures that we continue to innovate, boost connectivity and economic productivity*. The Sector Deal addresses major productivity issues relating to that demand which are identified in the Surrey research.

5. Sources to corroborate the impact (indicative maximum of 10 references)

[S1] Testimonial Letter from A.I.M. van der Vossen, CEO, Bilderberg Hotels (PDF)

[S2] First Testimonial Letters from Gavin Taylor, Chief Financial Officer, Jupiter Hotels Ltd. (PDF)

[S3] Second Testimonial Letters from Gavin Taylor, Chief Financial Officer, Jupiter Hotels Ltd. (PDF)

[S4] Letter from Chris Cowls MBE, Chief Executive, Eproductive (PDF)

[S5] Letter from Richard Nicholls, Head of Research and Forecasting, VisitBritain (PDF)

[S6] Kim, Y.R., Lockwood, A. and Williams, A. (2019) *The UK Tourism Productivity Gap: Challenges and Potential for Tourism Productivity*. London: VisitBritain (https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/tourism_productivity_gap_october_2019.pdf)