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The Core and the Periphery: An Examination of the Flexible Workforce Model in the Hotel Industry

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Abstract

This paper examines the complexities of the peripheral workforce in an industry traditionally known for its use of contingent labour, namely, the hotel industry. In particular, it investigates the peripheral workforce in the hotel industry, as defined by Guerrier and Lockwood (1989). While previous research has examined the flexible firm from a range of perspectives such as pay flexibility (Walsh, 1993), temporal flexibility (Walsh and Deery, 1997) and gender segregation (Bagguley, 1991), this study examines the precariousness of the hotel peripheral workforce in relation to access to the internal labour market (ILM).

The study examines the perceptions of employees in relation to the ILM components of training, promotional opportunities and job security. A sample of 287 non-supervisory hotel employees from seven Central Business District (CBD) Melbourne hotels was surveyed. These respondents were grouped into peripheral and non-peripheral clusters according to widely accepted labour force segmentation criteria. Various statistical techniques, including discriminant analysis, were used to assess differences between the clusters in terms of internal labour market components and employee attitudes. The findings question previous research that propose clearly defined workforce groups in the hotel sector.

Key Words: core, periphery, workforce flexibility, internal labour markets.
Introduction

Understanding labour market trends has been a focus for research since Kerr’s (1954) exploration of institutional labour markets. Dunlop (1966), expanding on Kerr’s work, developed the concept of an internal labour market, providing a framework of the primary and secondary labour markets, and the basis for much of the current research into labour market changes. The move towards the greater use of contingent labour, the adoption of employment strategies such as insourcing and outsourcing, together with a concentrated use of compulsory competitive tendering (CCT) in the public sector, have “muddied the waters” for labour market analysts. In attempting to understand the new work patterns that have evolved, Atkinson’s (1985) flexible firm provided an early and innovative framework within which to analyse these changes.

Procter, Rowlinson, McArdle, Hassard and Forrester (1994) argue that the flexible firm model provides a framework for focussing on the extent of change and development of the new work patterns at the level of enterprise, providing a more complex and useful means of analysis. Watson (1997) suggests that:

The model is perhaps best seen as an attempt to locate some patterns in changes which are occurring in a piecemeal way across employing organisations (p. 349)

However, the nomenclature of a ‘core’ and a ‘peripheral’ workforce, so persuasively advocated by Atkinson (1985), has been challenged. The original work by Atkinson (1985) was set in the manufacturing sector and received support as a means of understanding workforce employment strategies. Since then, however, and with the growth of the service sector, there has been a growing set of literature examining
Atkinson’s framework and assessing its relevance for the 1990’s in service organisations (see, for example, Purcell and Purcell, 1997; Whitehouse, Lafferty and Boreham, 1997; Allan, 1998). The use of terms such as ‘core’ and ‘periphery’ to describe the workforce has received substantial criticism in ignoring the heterogeneity of both the core and the peripheral workforces (Walsh and Deery, 1997), while Allen and Du Gay (1994) question the relevance of the model to the service industry. This paper continues this questioning of the model; in particular, it investigates the meanings and implications of the term ‘peripheral workforce’.

The study firstly examines the findings of research into the peripheral workforce in service organisations and secondly, investigates research into the hotel industry, which is traditionally known for its use of contingent labour. While previous research has examined the flexible firm from a range of perspectives such as functional flexibility (Sparrow and Marchington, 1998), pay flexibility (Walsh, 1993), temporal flexibility (Walsh and Deery, 1997) and gender segregation (Bagguley, 1991), this study examines the precariousness of the hotel peripheral workforce in relation to access to the internal labour market (ILM). In keeping with the Walsh and Deery (1997) study, this paper examines the concept of a peripheral workforce through employee perceptions. In so doing it is argued that:

the analysis of employee attitudes and preferences is thus a corrective to the one-sided emphasis on employer initiatives which tends to be a hallmark of the HRM and flexibility literatures (Walsh and Deery, 1997: 3)

Similarly, Burchell, Elliot and Rubery (1994) argue that an investigation of employee perceptions of labour-market opportunities and labour-market barriers has not been
systematically undertaken, that “there is little research which identifies whether individuals perceive themselves to be in an internal labour market” (p. 299). Finally, the paper brings together previous service industry research on the peripheral workforce, in order to present their characteristics within the service industry.

**Defining the Core**

The core workforce is characterised by permanent, highly skilled employees with internal career paths (Wood, 1989; Procter et al, 1994). As a result, ‘core’ employees tend to experience a higher degree of job security with resources provided for training in firm-specific skills not readily bought in. This segment of the organisation is characterised by functional forms of flexibility (Atkinson, 1984; Hakim, 1987; Wood, 1989; Burgess, 1997). A discussion of the core by Purcell and Purcell (1997: 3) contributes to the debate:

> Behind most definitions of core employees is the common theme of product, service or organisational knowledge that cannot (or cannot easily) be bought but has to be created and sustained. It is these core employees who are most likely to benefit from the type of human resources policies generally known as Guest’s (1987) high commitment management…. 

Guest’s (1987) well-critiqued ‘recipe’ for high commitment management included the necessity for intrinsically rewarding work and job security. Cascio (1995), in developing the concept of high commitment management, argued for the use of valid staffing procedures, such as training and the development of career opportunities, and compensation linked to work practices. In a sense, however, these concepts are not new. Rather, they represent a repackaging of earlier labour market research. In particular, there are similarities between these high commitment management
components and those of an internal labour market (ILM), as espoused by Doeringer and Piore (1971). The key elements of an ILM according to Doeringer and Piore (1971) are training, promotional opportunity, job security, pay and custom. These authors argue that the provision of a strong ILM will create a stable workforce, lowering the potential for high turnover rates. The use of the ILM in this current study provides an established labour market framework within which to couch the examination of core and peripheral workforces. It is argued in this paper, that access to the components of an ILM constitutes membership of the core.

**Perspectives on the Peripheral Workforce.**

The peripheral workforce, or that group of employees suspected of belonging to the peripheral workforce, has been examined from a range of perspectives. Atkinson argues that the peripheral workforce is associated with the organisation’s development of numerical flexibility. The key function or strategic aspect of this sector for the organisation is the undertaking of day-to-day activities which are important but not vital to the organisation. However, the peripheral workforce, as defined by Atkinson (1985), is more complex than originally thought. For example, Walsh and Deery (1997: 1) suggest that:

…it is now clear that employment systems are not simply bifurcated. Indeed it has been argued that the distinction between core and periphery is essentially misplaced, and that part time and temporary workers might constitute, both numerically and strategically, the core component of a company’s workforce.
These authors go on to examine the “peripheral” workforces of three large service sector organisations. Their key criterion for their study of a peripheral workforce is the disjuncture between employee working preferences and those of the organisation. These preferences included working hours and employment status. Their findings suggest that the variability and unsociability of working hours, particularly in the hotel industry, “appeared to be especially problematic for substantial sections of the peripheral workforce, particularly temporary employees” (p. 13).

Another study, based on case studies of the service sector and including the hotel industry, is Walsh’s (1990) investigation of the use of flexible labour. Walsh focuses on the use of pay flexibility to control the workforce and argues that the ILM is not structured on a simple core-periphery basis. In many ways, Walsh’s study is critical to this paper in that it questions the traditional labour market segmentations. It argues that, for example, turnover rates of part-time employees did not appear to be higher than those of the permanent staff; unfortunately no empirical evidence is presented to support this assertion. Other issues, such as the employment of women in lower paid jobs in the hotel industry were confirmed. He also questions the assumption that employees in part-time, temporary or casual employment were less committed than permanent employees.

Unfortunately, however, Walsh’s (1990) study offers no evidence in support of this idea. Finally, Walsh concludes that the use of less secure forms of employment are encouraged because “the training and re-training costs are negligible” (p.527) and that by under-paying such employees, employers make significant financial and flexibility
gains. Importantly, Walsh also argues that the work produced by this contingent labour, is of such quality that standards are not jeopardised. Ironically, this outcome is one that Guest (1987) suggests will emerge from high commitment management.

A study by Allan (1998) concurs with Walsh’s assessment of the peripheral workforce in service organisations. Allan argues that the traditional view of the peripheral workforce is as follows (p.61);

The peripheral labour force strategy aims to expand employment in non-core jobs and is characterised by a loose attachment between employer and employees.

However, he develops an argument, through his empirical study of private hospitals that:

….employers are attempting to build long-term relationships with these non-standard workers to maintain quality of service. The relative success of this management strategy to gain core workforce behaviours from the peripheral labour force is strongly influenced by the state of the local market.

Allan suggests that the core workforce behaviours which management encourages are those of commitment and satisfaction with work. This current study investigates the level of commitment and satisfaction of the peripheral workforce in order to assess whether core workforce behaviours exist.

Several studies have examined particular groups of employees as belonging to the peripheral workforce. Bagguley (1991) for example, argues that the patriarchal
hierarchy of the hotel and catering sector has prevented women from accessing promotional opportunities. In a sense, then, women become part of the peripheral workforce. Junor (1998) similarly argues that women have been relegated to the peripheral workforce, but questions the value of the move to secure more permanent employment for women through the use of permanent part-time employment.

Finally, perhaps one of the most succinct summaries of previous research into the concept of the peripheral workforce, and in particular the hotel industry, is that by Whitehouse, Lafferty and Boreham (1997: 33) who argue that:

Part-time and other non-standard forms of work have frequently been conceptualised as secondary labour market employment, characterised by precariousness, low pay and lack of opportunities for training and career advancement.

In other words, these employees do not have access to the components of an ILM. It is from this type of definition of the peripheral workforce, that the current study has been formulated. In essence, this paper will address the veracity of the above definition as applied to the hotel industry.

**Research in the Service Sector: The Peripheral Workforce**

A summary of previous research into the characteristics of the peripheral workforce in the service sector is presented in Table 1. Where possible, research into the peripheral workforce in the hotel industry (the research site for this study) has been included.

Table 1 here
The dimensions in Table 1 are those that are examined in the literature. Characteristics such as gender, skill level, employment status, as well as attitudes such as job satisfaction and organisational commitment have been used to define the peripheral group. As illustrated by Table 1, there is considerable disagreement as to the composition, attitudes and behaviours of the peripheral workforce within service organisations. It is interesting, however, that there appears to be some consensus from work by Guerrier and Lockwood (1989), Walsh (1990) and Allan (1998), that the so-called peripheral employee group performed tasks considered central to the organization. Similarly, there is agreement that the peripheral groups within the services industry are not homogeneous, although research by Allan (1998), Junor (1998), Hunter et al (1993 and Walsh (1990) suggest that females are more likely to belong to the peripheral workgroup than males.

Table 1 attempts to place the research into the service sector in a context. One of the common themes in the literature is that of pay flexibility and flexibility of working hours. Some of these studies, for example Walsh and Deery (1997), argue that a disjuncture between employee working hour desires and those of management, place employees in the peripheral group. Other studies, such as Timo (1999), argue that certain employees belong to the periphery due to the weakness of the internal labour market and their high turnover rates. While it is agreed that the periphery is not homogeneous, there appears to be general agreement that the peripheral workforce consists of women in low skilled, casual jobs, which are central to the core business of the organisation, but offer no job security. What is important about these findings, is that the research located in the hotel (or similar) industry. As stated previously,
much of the research into the core/periphery framework had been conducted in the manufacturing industry, and so these findings are important for the current study. It is unclear, however, whether these staff from the service organisations are committed, satisfied employees who have access to promotional opportunities, and training.

**Testing the Periphery**

In testing the relevance of the concept of a core and peripheral workforce in the hotel industry, Atkinson’s (1985) peripheral groups are examined. At the same time, the characteristics of the core are described by using the typology of Guerrier and Lockwood (1989). These authors have used Atkinson’s model to characterise a company, unit and operational core within the hotel industry. The descriptions of the groups are in Table 2.

Table 2 here

In the majority of the literature reviewed thus far, it is only the characteristics of Peripheral Group 2, that is, the part-time and casual employees, who have been examined. Whilst it is tempting to use the categories of Peripheral Group 1 and Peripheral Group 2, as defined by Guerrier and Lockwood (1989), it is argued that the groups are not as well defined as those authors suggest. This current study argues that a clearer mechanism for defining the core and peripheral groups is to assess access to the elements of the ILM. While the traditional literature into ILMs suggest that there are at least five elements that constitute an ILM, this study investigates only three of these, namely, ‘job security’, ‘promotional opportunities’, and ‘training’. ‘Custom’ and ‘pay’ have not been included in this study. Custom has been excluded because it is sufficiently nebulous to make the measurement of it questionable, whilst the
element of pay in the Australian hotel industry has been shown to be of lesser importance than elsewhere (see, for example, Deery and Iverson, 1997; Deery 1999). It is argued that the centralised wage fixing has made the issue of pay flexibility less relevant in determining workforce characteristics. The current study, therefore tests whether employees have access to the remaining elements of an ILM, namely, ‘training’, ‘promotional opportunities’ and ‘job security’. In so doing, the first differences to test are those associated with the demographic characteristics of the employees.

**Hypothesis 1:** There are demographic differences between those employees in the periphery and other employees.

Guerrier and Lockwood (1989) argue that, unlike Atkinson’s ideal model, the ‘peripheral’ staff are not necessarily employed on less critical activities than core staff. These authors argue that Peripheral Group 1 are very similar to the operative core, but are distinguished from this former group through high turnover rates. Research into employee turnover (eg. Price and Mueller, 1986; Griffeth and Hom, 1995) has found that consistent determinants of the rates of employee turnover are job satisfaction and organisational commitment. Hypotheses to test Guerrier and Lockwood (1989) characteristics of Peripheral Group 1 in the hotel industry relate to both employee attitudes such as job satisfaction and organisational commitment, and turnover intentions.
Hypothesis 2: Employees in the periphery have lower job satisfaction than other employees

Hypothesis 3: Employees in the periphery have lower organisational commitment than other employees.

Hypothesis 4: Employees in the periphery have higher intention to leave than other employees.

Methodology
The data were collected from non-supervisory employees in the seven Melbourne hotels. It was decided to restrict the study to non-supervisory staff because of the need to be consistent with previous studies on ILMs. Walsh and Deery (1997) and Grimshaw and Rubery (1998), for example, investigated elements of ILMs through non-supervisory employee perceptions. The basis for the questionnaire used in this study was the extensive research into employee attitudes (for example, Price and Mueller, 1986; Iverson, 1992). The questions were taken from established scales of questions that have been used previously by researchers and have high reliability and validity. A five-point Likert Scale was used to measure employee responses. Key variables in the study were operationalised using between three and nine items per variable. The questionnaire was piloted with fifty non-supervisory hotel employees and some questions were modified as a result of the pilot test.
Sample and Procedure

Seven Melbourne hotels, located in or near the CBD, were chosen as the research sites, for this study. Hotels were chosen on the basis of quality grading, whether they belonged to a chain of hotels or were independent, and what type of HR department they had (centralised or decentralised). Four of these belonged to the same chain and there was a range in the quality of the hotels. Melbourne was chosen due to its convenience for the researchers. The research sites included two 5-star, three 4-star and two 3-star hotels, all having a Human Resource department and implementing human resource practices such as training and staff development. A research assistant collected the quantitative data during the employees' lunch breaks. The research sites were also chosen according to criteria determined by previous research. These criteria included the quality grading, the ownership and chain, the location, and the size of the hotels. Each of these criteria was based on previous research findings (Riley, 1993; Timo, 1996).

Analysis

Of the 740 questionnaires that were distributed, 317 were returned representing a response rate of 43 percent. After error checking, twenty questionnaires were deleted due to being incomplete, which left a usable sample of 297 cases.

Table 3 presents an overview of the demographic characteristics of respondents in this study. According to Personnel Managers in each of the hotels used in this study, the mix of respondents reflects the mix of employees within the hotels.

Table 3 here
Earlier discussion has indicated that members of the ‘core’ have access to training, promotional opportunity, and job security. Therefore, it can be assumed that members of the periphery have low access to each of these elements. Table 4 illustrates, for example, the level and type of training that occurred in each of the hotels in the study. This information was gained from the hotels’ records and interviews with the HR managers. Table 4 shows that, for each of the hotels, a reasonable level of on-the-job training appeared to be occurring.

Table 4 here

The questionnaire asked respondents to assess their access to training, promotional opportunity and job security using five-point Likert scales. Three new dichotomous variables were created using a median split of responses to each of these questions. A further variable was created (ILMLOW), which grouped together those respondents who were in the low category in each of the aforementioned dichotomous variables. That is, a group of respondents was identified who regarded themselves as having poor access to training, poor promotional opportunities and low job security. It has been assumed that these respondents form a peripheral group. Although there may be other respondents who could also be regarded as being members of the periphery, using well-recognised criteria, there should be no doubt that these members at least would form the periphery.

Chi-square analysis was conducted to assess whether there were demographic differences between members of the periphery and other respondents. No statistically significant differences were found between the two groups in terms of sex, age,
education, family status, tenure, employment status, and department. This suggests the rejection of hypothesis 1.

Although there were no statistically significant demographic differences between the two groups of respondents, it is possible to provide an overall profile of respondents that fell into the peripheral group. They can be summarised as being predominantly female (61%), largely aged below 35 years (69%), having completed some post-secondary education (57%), single (59%), employed full-time (61%), and having worked at the hotel for more than a year (66%).

Chi-square analysis was also conducted to assess whether there were differences between different job roles within the hotels and ILM opportunities based on employee perceptions. Respondents were grouped into the employment categories of ‘food and beverage’, ‘front office’, ‘housekeeping’, and ‘administration’. No differences were found suggesting homogeneity across occupation groups. Independent means t-tests were then calculated to see if there were differences between those identified as belonging to the periphery and other respondents in terms of job satisfaction, organisational commitment, and intention to leave. The results are presented in Table 5 where it can be seen that statistically significant differences were found in each case.

Table 5 here

That is, the peripheral group had lower job satisfaction, lower organisational commitment (both affective and behavioural), and higher intention to quit than did respondents in the ‘non-peripheral’ group.
These findings suggest support for hypotheses 2, 3 and 4.

Conclusions

In this study, a peripheral group of employees has been identified based on their perceptions of access to training, promotional opportunities, and level of job security. Although it was found that the attitudes of the peripheral group were different to other respondents in terms of organisation commitment, job satisfaction and intention to leave, there did not appear to be differences between the two groups on demographic dimensions. This suggests that the core-periphery model is more complex than originally thought with the two groups being demographically homogeneous. It appears that it is necessary to identify members of the periphery using attitudinal tests rather than simply observing the demographic groupings of individuals.

The results of this study provide strong support for the view that access to the ILM influences employee attitudes towards the organisation in terms of job satisfaction, organisational commitment and intention to leave. It is argued that the implications for management in developing a stable workforce are to concentrate on training employees and encouraging loyalty to the company through greater career options. This study also questions the value of Atkinson’s core/periphery model in the context of the service industries, and argues that further refining of the service sector workforce is required. Just as Atkinson’s model provided a springboard for discussion of workforce complexities within the manufacturing sector, so too is there a need for more accurate modelling of the service sector workforce. The challenge for current
researchers in this area is to accommodate the depth and complexities of such modelling.
References


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