

INDUSTRIAL CATERING - ECONOMICS BEHIND THE SCENES

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Abstract

The tourism industry has grown in leaps and bounds globally. In India also the growth has been significant. This has led to development of various service providers across the industry. All metros are now home to multinational organisations and large IT companies, who have numerous offices in each city.

The numbers of employees in such offices are usually over thousands and hence need catering services from professional service providers. While the requirements vary, the prime focus is on costs and quality and hygienic. This study explores the scenario at Bangalore from the side of caterer's as well as the multinationals. The study is an eye opener for all as the results show aspects of the industry that is usually taken for granted by all.

Key words - industrial catering, multinationals, costs, quality, hygiene

Industrial Catering – Economics behind the scenes

1.0 Introduction

The growth of the IT sector has played a major role bringing about major conglomerates and multinational organizations to set up establishments and offices in many developing countries. India is also one such country where numerous IT hubs have developed. Some of the major cities which have dramatically shown growth of the IT industry as well as BPO and call centres are New Delhi, Bangalore, Chennai and Hyderabad. A study has shown how the IT industry has grown over the period of last decade and how various governmental policies have supported such growth as well as helped in generation of employment. (Chakraborty & Dutta, 2002).

Such growth is not without its challenges and one major challenge for the IT sector was to provide catering facilities to the huge number of employees. As most IT facilities were located on extensive areas that were not having availability of numerous food options many companies created their own facilities to provide food and dining comfort for their employees.

Fig1.1 - Source Nasscom TechSci Research:

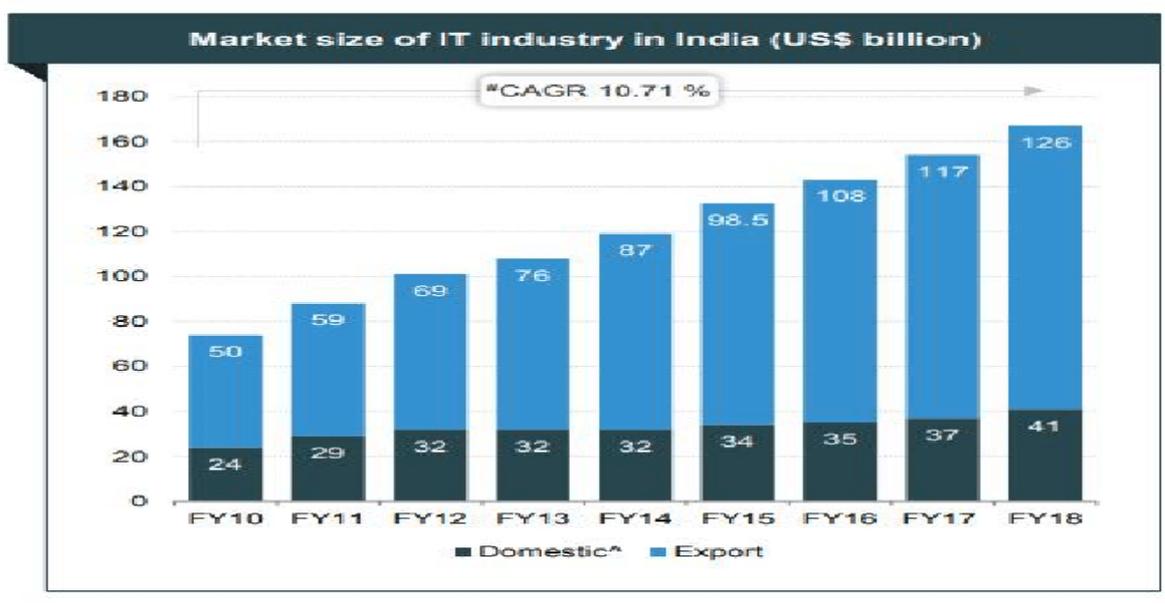


Figure 1.1 shows clearly how the IT industry has grown over the last few years. It is clearly evident that the industry is steadily growing and the trend has been good over the last many years. As one can comprehend the growth, it is also necessary to understand how the growth is sustained. For such growth a lot of allied support sectors are equally important and catering is one of the most important support sectors. The demand for catering is such that it has lured many large companies as well as small time business to venture into this arena and offer their services. The huge opportunity available has been a major source of motivation for new entrepreneurs to start off with a catering business. Likewise the availability of numerous options has given room for cut throat competition and stiff negotiation on prices. Major contracts are taken by margins that could be less than a rupee/meal.

There are multi-national companies like Sodexo and Compass which provide hospitality and related services globally. While such organizations have some standards, they are forced to adhere to standards to keep their reputation and hence are comparatively expensive. Many regional and local caterers try to exploit this factor and gain access to various opportunities to gain contracts from various organizations by providing cheaper services which are taken up by the organizations at the cost of compromise on various quality factors.

This study attempts to study the existing scenario of industrial catering in a leading city like Bangalore and bring out the various issues and challenges that are found to be prevalent in the industry. It is also aimed to scrutinize the working environment and challenges faced by employees working in this sector.

1.1 Objectives of this study

The main objectives of this study were:

- To bring out the various challenges faced by catering services providers in the Bangalore market.
- To examine the quality of services that was being delivered to the customers.
- To assess the working conditions and facilities accorded to the frontline employees.
- To establish the level of knowledge of frontline employees with regards to Basic Hygiene for food handlers.

1.2 Hypothesis

H1 – All food handlers are qualified and trained in Basic Hygiene.

2.0 Review of Literature

As per the study conducted by the International Labour Organization (ILO) on the Tourism and Hotel Industry, it was reported that this was one of the fastest growing industries in the world and accounted for one third of the total global services trade. International tourist arrivals had grown at a rate of over 4% annually. (ILO, 2010)

In many countries there is a lot of dependence on tourism and this feeds the growth of the catering industry. In Egypt, it was found that for each million dollar that was invested in tourism, there resulted in creation of 18 jobs directly and 12 jobs indirectly. (Council, 2008)

In a study in Pakistan it was found that catering sector faced major challenges in form of stiff competition and availability of funds for new entrants/entrepreneurs in the field. (Muhammad, Umair, & Muhammad, 2019). A study on Hotel workers across the globe reported the negative fact of institutional discrimination on workers, especially in countries that were dependent on unskilled workers and expatriate employees. (Adler & Adler, 2004). In a study on the hospitality employees working in the industry in Netherland, it was found that about 70 percent of the employees left the industry within 6 years of graduation. (Blomme, Rheede, & Tromp, 2009).

Another study points out the negative impacts of high turnover of employees in the catering industry. This study highlights the fact that with turnover there are sunken costs towards loss of skilled employees, training and other elements. Also replacement costs are shown to be high. (Tracey & Hinkin, 2006). A research mentions that developing countries have a relatively young workforce unlike industrialized nations which have a low birth rate and ageing population. They mention that this would have a major impact on the labour market across the globe in coming years. (Goldin, 2010)

In a book on ethical employment in the catering sector, the authors clearly mention that the principles of sustainability are grounded on the factors of ethical behaviour. They reiterate the value of ethics in today's business world. (Chawla, May, 2015)

The working conditions of the hotel and catering industry has been presented as unsocial and stressful due to split shifts, weekend shifts and long working hours. It is reiterated that such hours and shifts are more stressful for those with family responsibilities. (Busquets, 2010)

A report mentions that Hospitality businesses tend to be vary of making improvements in working conditions of employees as it puts a increased burden on their labour costs. It remained a challenge to convince businesses that in the long run these changes would actually be beneficial to the industry and help them to evolve into a more attractive job arena that attracts young talent and is also able to retain them. (HOTREC, 2005)

In a study of the catering establishments of Kolkata, it was reported that there was a casual flouting of hygiene and sanitization norms and also working conditions were not as per stipulated guidelines. Such practice was rampant due to high levels of corruption amongst government authorities responsible for ensuring compliance to the rules. (Sandilyan, Biswakarma, & Dey, 2013). In a research on the expectations of fresh graduates it was found that there was a huge gap from the actual facilities and benefits available in the industry and the expectations of the graduates. (Mukherjee, et al., 2012).

In a study on customer retention it was identified that there existed a strong relation between service and food quality on customer satisfaction and thus on customer retention. This is to lay emphasis on the importance of quality of service which is becoming a challenge for most catering establishments that are focused on minimising costs. (Al-Tit, 2015). Many organizations were happy to use unskilled and unqualified employees even on contractual basis to bring down their labour costs even at the cost of poor service quality. (Dey, Sandilyan, Bandopadhyay, & Mitra, 2011)

In a study on outsourced manpower in the catering industry conducted at Bangalore, the researchers found that there was ample evidence of the manpower being exploited and cheated out of their normal wages and benefits as they were not educated enough to fight the system individually. (Sandilyan & Parthasarathy, 2019)

3.0 Research Methodology

For the purpose of this research a questionnaire was prepared and administered to selected employees from hotels/catering establishments. All the selected candidates were employed in various positions in the catering establishments that were engaged in providing services to the IT sector companies at their offices. For the research a total of 200 questionnaires were collected and analysed. The employees belonged to different organizations that were engaged in providing catering services at various tech-parks and IT companies like IBM, Robert Bosch, Tech Mahindra, Samsung etc. The respondents were asked to give their feedback on various crucial factors like their qualifications, their skill levels, background, demographics and other opportunities/benefits accorded to them. In addition to the details collected from such respondents, a participant observation method was also used by the researcher to gauze the actual operations in person and draw appropriate inferences. The participant personally visited the various units where food and beverage services were provided and also went to see the accommodations of various employees that were provided to them by their employers. Also the work premises were observed and the practices were recorded to clearly understand the level of hygiene and sanitation that was prevalent in these establishments. The collected data was analysed using MS Excel and SPSS.

4.0 Data Analysis

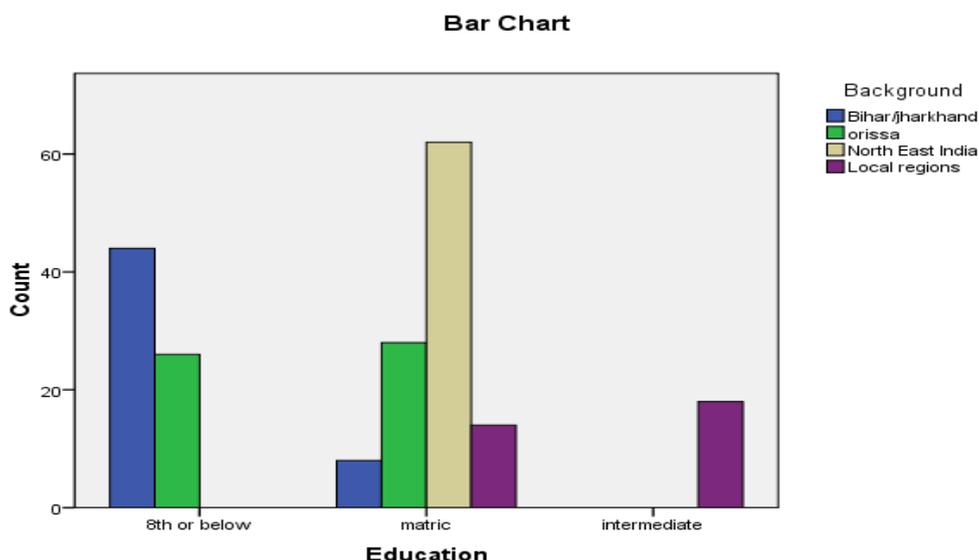
From the data collected from 200 respondents who were in varying stages of employment process the following details were obtained. The reliability was tested with Cronbach's Alpha and we got a value of **0.67**. This is close to **0.7** and indicates that the internal consistency between the variables was acceptable.

4.1 The table below shows the details of employee distribution according to their background and education.

Table 4.1 Education * Background Cross tabulation

Count						
		Background				
		Bihar/Jharkhand	Orissa	North East India	Local regions	Total
Education	8th or below	44	26	0	0	70
	Matric	8	28	62	14	112
	intermediate	0	0	0	18	18
Total		52	54	62	32	200

Fig 4.1 - Bar Chart showing the distribution of background versus education:



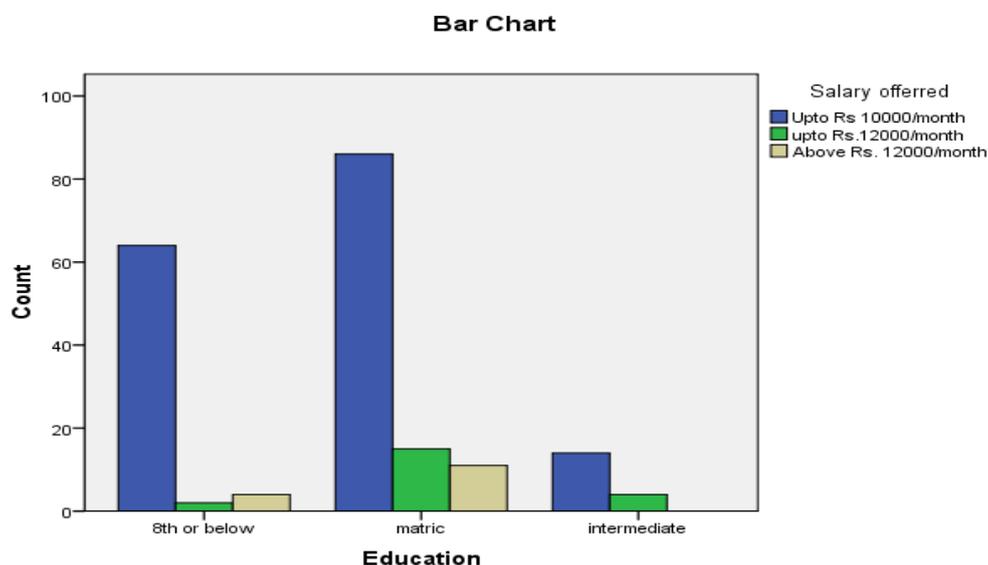
It is clearly evident from table 4.1 and fig.4.1 that most of the employees belonged to Bihar, Jharkhand and Orissa which are amongst the poorer states in the country. Also many youngsters were found to come from North Eastern states but mostly these were those who were not having good education or school dropouts.

4.2 The table below shows the distribution of the salary offered with respect to education.

Table 4.2 Education * Salary offered Cross tabulation

Count		Salary offered			Total
		Up to Rs 10000/month	Up to Rs.12000/month	Above Rs. 12000/month	
Education	8th or below	64	2	4	70
	Matric	86	15	11	112
	intermediate	14	4	0	18
Total		164	21	15	200

Fig 4.2 Bar chart showing distribution of salary with education



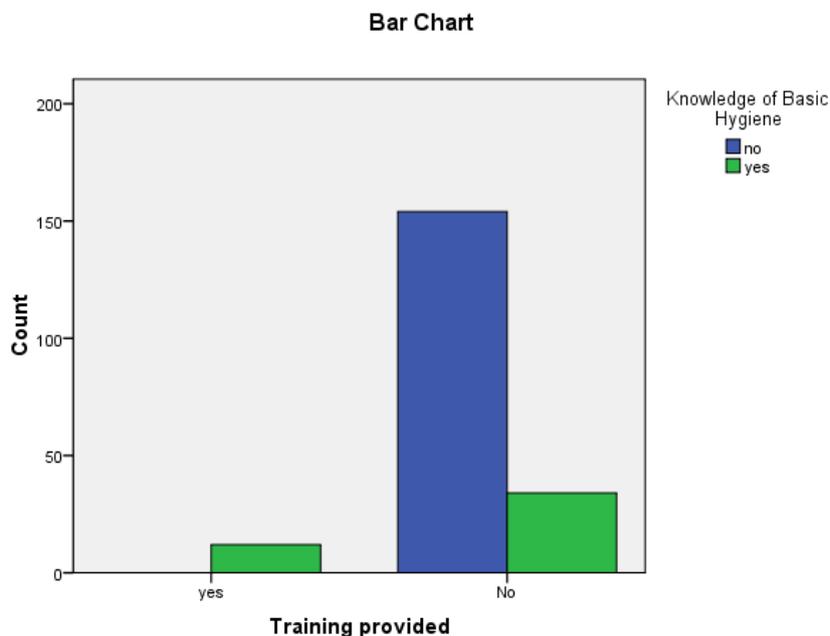
From table 4.2 and Figure 4.2 we can easily comprehend the fact that most of the employees were employed for paltry salaries that were up to Rs.10,000/month. It is also clear that education had not much of a bearing on the salary levels. Also interesting to note is the fact that there was no graduates/diploma holders employed in the catering units at these levels. Few qualified staff was either direct employees of the parent company or employed at senior positions in the catering establishments and were not involved in service delivery not production at the ground levels.

4.3 The table below shows the distribution of knowledge of basic hygiene with training.

Table 4.3 Training provided * Knowledge of Basic Hygiene Cross tabulation

Count		Knowledge of Basic Hygiene		Total
		no	yes	
		Training provided	yes	
	No	154	34	188
Total		154	46	200

Fig 4.3 Bar chart of Knowledge of Basic Hygiene with Training



From Table 4.3 and figure 4.3 we can clearly see that trained employees were clearer with basic hygiene practices as compared to majority of untrained employees. However the large number of untrained staff is evidence of the fact that the employers were not giving much importance to the training of such employees.

4.4 Table showing Correlations between education and Knowledge of Basic Hygiene

		Education	Knowledge of Basic Hygiene
Education	Pearson Correlation	1	.389**
	Sig. (2-tailed)		.000
	N	200	200
Knowledge of Basic Hygiene	Pearson Correlation	.389**	1
	Sig. (2-tailed)	.000	
	N	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

From table 4.4 it is evident that there is a significant correlation between education and knowledge of basic hygiene. The next table reiterates the link between training and knowledge of basic hygiene.

4.5 Correlation between Training and Basic Hygiene

Table 4.5 Correlations

		Knowledge of Basic Hygiene	Training provided
Knowledge of Basic Hygiene	Pearson Correlation	1	-.462**
	Sig. (2-tailed)		.000
	N	200	200
Training provided	Pearson Correlation	.462**	1
	Sig. (2-tailed)	.000	
	N	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

From the Table 4.5 it is clear that there is a very strong correlation between training and knowledge of basic hygiene. Correlation is significant at 0.01 and the value is 4.62. This shows that both education and training have a major effect on the employee's knowledge of basic hygiene.

4.6 Participant Observation

For getting a clear understanding of the various terms and conditions that were being provided the researcher visited the premises of various organizations that employed these young persons. From such visits the information gathered is mentioned in the following lines. The employers usually paid the fresher's a sum of Rs. 8,000/ m to Rs 10,000/m depending on the location of employment. Few were retained as employees of the firm while many continued on the rolls of the consultant. Employers paid the consultants and they in turn reimbursed the workers retaining a part of the salary as charges. The food and accommodation provided were sadly miserable. Accommodations were crowded, lacked adequate hygiene, had no proper ventilation or lighting in many places and washrooms were usually very dirty and cramped and in insufficient numbers for the number of residents. Most of the employees had received no training on basic hygiene nor were certified as food handlers. On further enquiry it was evident that as costs of material and transport etc was similar for all caterers the maximum profitability rested on providing the services using minimum manpower and hence the labour costs was the area which the companies were focused on. They chose to employ under qualified employees and keep most on contract

which enabled them to avoid statutory expenses like PF and ESI. As most employees were rotated from company to company the tenure of service was usually less than a year and thus giving increments and gratuity etc was not necessitated.

5.0 Results and discussion

The few basic facts that stand out in this research are that in spite of much hype there is actually a very less representation of women in the industrial catering sector. The conditions and pay is likely not enough to attract the women candidates. Secondly the level of competition amongst various catering service providers is evident which the direct result is for them striving to survive by keeping focus on reducing manpower costs. Every rupee saved effects the sustainability and survival of the business and hence the business managers turn a blind eye to key requirements like hygiene, quality of food etc. The organizations availing catering services are also not keen to ensure quality as much as they are keen on keeping the costs low even at the risk of facing major food related issues.

The catering business seemed to thrive on outsourced manpower that was mostly unqualified and belonged to the poorer states of India. These employees were prone to be exploited and were lured to employment with promises of salary and accommodation and both were provided of extremely poor standards.

The organizations were reluctant to invest in training employees even though it is evident that there is ample improvement in knowledge levels of trained employees.

The researcher in his visit recorded the unhygienic conditions in which most of the employees were accommodated. The places were overcrowded, had very few toilets and had poor or no ventilation. These employees were sleeping in damp areas that had a very unpleasant smell and also had no access to clean and hygienic sanitation facilities. Many used their bed stands to dry washed clothes and also many indulged in smoking and littering waste in the living area. Employers hardly ever visited these sites and were neither interested in making any differences as they felt it would add to their costs.

6.0 Conclusion and Recommendations

The objective of this study was to bring out the major challenges faced by the catering service providers and it is clear that stiff competition, lack of adequate benchmarks, unscrupulous behaviour, and inadequate availability of skilled staff, tough bargaining and unreasonable price demands by companies that were happy to pressurize caterers to accept impractical terms are the main issues in the market.

While outsourcing and contractual employment has served the purpose of such caterers in one way, it has actually led to a clear degradation in the quality and hygiene standards. This could become a major concern and lead to a crisis unless remedial steps are taken.

The importance of training and education is clearly evident and the Hypothesis HI which states that 'All food handlers were qualified and trained in Basic Hygiene' is definitely

rejected. The food service providers as well as organizations that took services from these caterers must ensure that all food handlers are regularly checked and certified.

Further the organization that engages the services of a caterer must visit the employee accommodations to ascertain the living conditions and also ensure legal stipulations like PF and ESI are being provided to the employees before offering a contract. They may also regularly inspect the workplace and facilities to ensure these standards are maintained.

Any organization engaging a caterer must look at fixing prices that are reasonable for sustaining a business. Just focus on lower costs may lead to major issues that are just beyond comprehension.

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