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Occupations, the missing link?:

A new theoretical and methodological approach to product markets, skill and pay

Drawing on research of Australian cafés, this paper examines the link between product market strategies, skill and pay. Addressing the methodological problems within existing research, the findings not only suggest a new methodology for future research examining these linkages but a new theoretical proposition about the linkages based on occupation rather than firm, industry or sector.

Keywords: cafés, occupations, pay, product market strategies, skill

Introduction

In their hugely influential theoretical argument, Schuler and Jackson (1987) posited tight empirical ‘linkages’ (p.208) between product market strategies (PMS) and a ‘menu’ (p.211) of human resource (HR) practices. Using research in the manufacturing and service sectors, they argued that different product markets are ‘accompanied’ (p.216) by different HR practices, including skill and pay practices. Initial research conducted by others confirmed these linkages in both manufacturing (Youndt et al., 1996) and service sector firms (Boxall, 2003). Although Schuler and Jackson confined their study of services to United Parcel Service, subsequent studies encompassed a wider range of services, including hospitality, retail, personal, financial and transport services. This research has been more circumspect, suggesting a stronger link in manufacturing than services (Mason, 2004) and other research, focused only on services, has suggested variable linkages (Mason et al., 2000) and even no linkages (Lloyd et al., 2013).

This empirical variation, even contradiction, is yet to be adequately explained theoretically. Attempting to move the debate forward, Sung et al. (2009) have argued that the explanation lies in managerial choices. We agree that, on a general level, managerial choice is important but note that this explanation sidesteps a key problem with existing research – its methodological inconsistencies/limitations. In the context of recognizing and addressing this problem, there have been calls for better research design that enables reconceptualization of the relationship between PMS, skill and pay (Mason, 2004; Lloyd et al., 2013).

This paper responds to that call. Its research is based on case study analysis of the skill and pay of two frontline (non-managerial) occupations in Australian cafés pursuing cost-based and quality-

based PMS. The café industry offers an ideal focus as it represents a significant and expanding segment of the service sector in Australia and other advanced economies (Lloyd and Payne, 2012). The findings offer a new theoretical proposition about the linkages between PMS, skill and pay – one centred on the importance of occupations rather than firms, industries or sectors as reflected in current research – and also highlight how future research might be better designed.

The next section of this paper analyses research examining PMS-skill-pay linkages and the methodological problems. The research methods for our study are then outlined before presenting its findings. Finally, the discussion and conclusion explains the empirical contradictions in existing research, suggests an improved methodology for future research and outlines a new theoretical proposition of the linkages between PMS, skill and pay.

Product market strategies, skill and pay linkages

Initial, influential work by Schuler and Jackson (1987) examined manufacturing and service firms. It claimed clear, tight linkages between PMS (defined as the choices made by firms about product or service differentiation within particular markets) and particular HR practices. To ‘gain and retain competitive advantage’ (p.208), firms deploying quality-based strategies work ‘smarter’ by encouraging employee commitment to quality through training and skill development, strong attention to work processes and guarantees of employment and financial security, they claimed. In contrast, firms pursuing cost reduction strategies work ‘harder’, focusing on minimizing costs by providing minimal training and skill development and emphasizing narrow, repetitive tasks that are tightly monitored and compensated with lower wages (p.210). The message is clear: it is ‘critical’ that firms ‘systemically meld[] human resource practices with the selected competitive strategy’ (p.217).

As debate evolved, there has been a narrowing of the scope of analysis, tending, first, to omit the third PMS identified by Schuler and Jackson – innovation, and, second, to focus primarily on skill and pay. This narrowing has occurred in part because government has signalled a concern to shift companies up the value chain into quality-driven product markets, assuming that doing so will better utilise workers’ skills and provide these workers with higher pay (e.g. OECD, 2010).

Since this shift, an empirical puzzle has emerged regarding the validity of linkages between PMS, skill and pay. Manufacturing research seems to confirm these linkages, revealing that quality-

based strategies are associated with more training, enhanced skills and higher pay, whereas efforts to routinise behaviours and minimize pay are more important to firms competing on cost (Sanz-Valle et al., 1999; Youndt et al., 1996). Similar results have been found in services (Hunter, 2000, Knox and Walsh, 2005). Illustratively, Frenkel (2005) argued that service-based firm strategies based on ‘customised, quality services’ align with more complex, self-regulated work that is better paid whereas strategies based on ‘mass services’ involve more standardized, controlled jobs that are low paid. These assertions resonate with Boxall’s (2003) typology of HR strategies in service firms, in which he proposed that higher value-added service markets correlate with superior skills and enrichment opportunities whereas mass service markets associate with low skills and minimum wages; though it remains difficult to determine if these results are due to variations between service industries.

Other studies of the service sector reveal mixed findings. Although Mason (2011) reported that PMS correlate with skills overall, such that: ‘shifting to more complex and demanding product strategies is likely to increase the skills required by firms’ (p.67), in other research he noted a difference between sectors, with a weaker relationship between PMS and skills in services than in manufacturing (Mason, 2004). In other research he also reports variations across service industries, noting that in some service industries, such as the hotel industry, higher quality PMS are not associated with higher levels of skill (Mason et al., 2000). Other researchers have been more forthright, questioning the existence of any axiomatic linkages in services. Lloyd’s (2005:15) comparative study of quality- and cost-based firms within the fitness industry revealed that ‘there is no clear link between competitive strategy and skills’. Similarly, Bernhardt et al.’s (2003) research examining hotel occupations revealed no linkage between PMS and pay. Bringing skill and pay together, Lloyd et al.’s (2013:254) research of housekeepers in middle- and upper-market hotels went as far as suggesting that ‘the link [between strategy, skill and pay] is weak, even decoupled’. Elsewhere, these authors now state that the ‘simple determinism’ attributed to PMS might be misplaced (Ashton et al., 2017).

Thus, despite an initial assertion of tight linkages between PMS, skill and pay in services, as in manufacturing, subsequent research in services has generated contradictory empirical findings – that the linkages are strong, weak, variable or non-existent – and which remain unexplained theoretically. One attempt to rescue the theory centres on the importance of managerial choice (Sung et al. 2009). In research covering both manufacturing and services, Sung et al.’s findings revealed that the relationship between PMS, skill and pay varies substantially: some employers

competing in higher value-added markets were actively upskilling their workforces whereas others in the same product markets were relying on low skilled workforces. Based on these findings, they concluded that ‘no invariant relationships’ exist; instead ‘[e]mployers ha[ve] considerable discretion over whether or not they chose to enhance the skills of their labour force’ (p.6). In firms that are intentionally task-focused, managers seek tight control over the workforce, reducing its skill capabilities; in firms that are people-focused, managers seek workforce skills for competitive advantage. Sung and Ashton (2015) have recently repeated this argument, stating that there is ‘just a higher probability that where competition is on the basis of quality... the skills of *most employees* become more significant’ (p.193, emphasis added). Here, theoretical uncertainty emerges: the degree of ‘choice’ seems only to extend to selection of product markets by employers at firm level, thereafter these markets ‘shape’ skill levels (p.4), re-asserting the tight linkages argument but perhaps not for all employees. Which employees is left unaddressed and unresolved.

We agree that managerial choice has been too readily overlooked in research of the linkages. Going further, we would argue that there is a need to examine the values held by managers, how these values permeate organisations and the degree of autonomy exercised by local management, to assess if, and if so how, they contribute to these choices and, moreover, how these values are derived – for example by researching the role of management education.

However, we also think that a more immediate way forward is to acknowledge and address the methodological inconsistencies and limitations in existing research. As Edwards et al. (2009) and Lloyd et al. (2013) have noted, some studies have focused on the sector, others industries within sectors and others specific firms; findings are typically based on aggregate and/or secondary data, frequently employer rather than employee sourced and often lacking detail. Consequently, it is difficult to consolidate and generalize findings and there is a need for ‘a reconceptualization... of the link’ according to Lloyd et al. (p.254). Lloyd et al. base their call on their critique of service-focused research. Extrapolating from the methodological problems they identify in existing research, they state that:

There are too few studies that compare organizations within the same service industry operating in different product markets. There are fewer still that qualitatively explore both the skill demands of the job and the pay at the workplace-level... and incorporate employee as well as employer views. (p.258)

While Lloyd et al.'s research went some way towards redressing this deficit, it focused on a single occupation. Differences in the relationship between product market, skill and pay have been observed at the occupational level (Lloyd, 2002) but remain poorly understood; in part because research is needed that is inclusive of multiple occupations, as Sung et al. (2009) acknowledge – though which research design might best address the ‘Which employees?’ question is left open by Sung and Ashton (2015). The need for better research design generally in relation to the linkages, not just within services, is a point also made by Mason (2004:47), who called for ‘new empirical research designed to learn more about the characteristics of different product strategy/skills spectra’. Our research design addresses these methodological issues; our findings suggest a new methodology for researching PMS-skill-pay linkages and a new theoretical proposition about these linkages.

Research Design

To address existing methodological issues and build a rigorous empirical base for theory building, our research design has three important facets. Firstly, it focuses on organisations using different PMS within the same service industry. Secondly, it generates primary data representing the views of employers and employees about skill and pay at the workplace level. Thirdly, it analyses multiple occupations in the same workplace.

The research examines skill and pay associated with two occupations within cafés deploying cost-based and quality-based PMS. Café occupations are frontline service occupations deemed under-researched while experiencing significant growth (Korczynski, 2005). Occupations in cafés are currently projected to grow more than occupations in any other Australian industry (DEEWR, 2013). Employment increased from 19,900 to 31,200 among café attendants and from 65,400 to 93,700 among baristas (combined with bar attendants/bartenders) over 2005-2015 (ABS, 2015). Expansion of the café industry is linked to the growth of disposable incomes and longer working hours in Australia along with an ‘entrenched coffee culture’ driven by ‘the nation’s love of quality coffee’ (Lin, 2013:6 & 5).

A case study approach was deployed to enable analytical depth and contextualization (Yin, 2003). Cafés were defined as establishments selling coffee and other non-alcoholic drinks and limited food offerings, including sandwiches and cakes, with a seated area for consumption (Lloyd and

Payne, 2012). Sites were purposively selected based on PMS, focusing on two segments: ‘standard cafés’ that were cost-focused and ‘specialty cafés’ that were quality-focused. Cafés were defined as standard – cost-based – if they charged less than the average price of AUD\$3.38 for a regular-sized coffee (Gilkatho, 2013). Cafés were defined as specialty – quality-based – if they had been awarded for their ‘commitment to quality’ by the established café rating scheme (Dupleix, 2013). Cafés’ strategies were then verified by managers at each site. Quality-focused strategies aligned with customers who value quality coffee/food and particular roasters, cafés and/or baristas, representing the high-end of the market; cost-focused strategies aligned with customers who are less invested in coffee/food or are price-sensitive, representing the low-end of the market.

In total, eight sites participated: four standard cafés and four specialty cafés (see Table 1). Ownership structures were also a consideration. Sites were defined as independent if they were a single site café; group if they included between two and three sites; and chain if they included more than three sites (Ivanov, 2014). Among the sites, workforce size ranged from six to 15 employees. Such small businesses are more likely to be award-reliant¹ and within hospitality overall, award-reliance dominates (43 per cent) followed by collective agreements (32 per cent) and individual agreements (23 per cent) ABS (2014). All of the sites were located within a 10-kilometer radius of the business centre of one Australian city.

Café attendant and barista occupations formed the primary foci of analyses. Café attendants sell and serve food/beverages for consumption in cafés whilst baristas prepare and serve espresso coffee and other hot beverages (ABS, 2014). These occupations encompass the non-managerial frontline work that is performed in cafés. The Australian and New Zealand Standard Classification of Occupations (ANZSCO) classifies café attendants (ANZSCO code 431211) as Skill Level Five, lower skilled than baristas (ANZSCO code 431112) who are separately classified as Skill Level Four (Australian Government, 2016). These occupations require equivalent skill levels to those analysed in previous research: ANZSCO Skill Level Five defines the occupation of housekeeping room attendant studied by Lloyd et al. (2013) and Bernhardt et al. (2003); ANZSCO Skill Level Four defines the occupations of bar tender and cook studied by Bernhardt et al. (2003) and fitness instructor studied by Lloyd (2005).

INSERT TABLE 1

Interviews were conducted with the manager, attendants and baristas in each café, with a total of four to six interviews per site. Additional interviewees included managers and trainers in the wholesale coffee trade. In total, 52 interviews were conducted between 2013 and 2015.

Interviews were semi-structured to enable the interviewer to elicit interviewee viewpoints more effectively than a standardized interview or questionnaire (Yin, 2003). Interview schedules included the key analytical themes: PMS, skill and pay. The interviews were recorded and transcribed. Data were content analysed to identify common trends and relationships within and between key concepts using an iterative thematic process (Yin, 2003).

Findings

To examine skill, two areas are explored: recruitment and training, followed by work tasks and organization. Pay is then discussed. The findings are summarised in Table 2.

Recruitment & Training

Analysis of recruitment practices revealed similarities and differences between café segments. While qualifications were not necessary in either café segment, prior experience was a differentiating factor. In standard cafés, experience was not necessary for attendants or baristas. In fact, several managers expressed a preference for ‘no experience’, especially among baristas, so that they could be trained to ‘our way of doing things’ (manager, C1). Standard café managers focused on hiring attendants and baristas possessing soft skills, including a ‘pleasant, bubbly personality’ and ‘good attitude’. In specialty cafés, experience was more important though it was less critical for attendants than baristas. Among attendants, experience was advantageous though not essential. Managers could train inexperienced attendants to perform so long as they had soft skills: ‘like being polite and engaging with customers. ...you can’t teach that’ (manager, C5). In contrast, baristas required at least one year of experience operating an espresso machine to ensure coffee extraction and latté art skills (elaborate patterns/pictures on the coffee). Additionally, several managers emphasized that baristas needed soft skills, suggesting that: ‘some of these hipsters can make a great coffee but they have a really bad attitude and they can’t engage with people... I won’t hire them’ (manager, C7).

In addition, differences in training were apparent. In standard cafés, initial on-the-job training was conducted by the manager/supervisor or an experienced worker. For attendants, this training focused on: taking orders, preparing and serving food/beverages, preparing tables for use, washing dishes and cleaning equipment. Attendants were also trained to conduct sales, operate registers and order/store stock. For baristas, on-the-job training focused on preparing/serving coffee and other hot drinks, promoting products, conducting sales, operating registers, setting up and cleaning/maintaining espresso machines/grinders.

In standard sites, initial training varied from one day to two weeks. Typically, two days were required for attendants and one week for baristas. In the chain café, training was highly standardised, based on formalised policies/procedures, and online-learning modules were available; training in independents was more ad hoc and informal with few written elements and no online options. Overall, training was relatively basic, tasks were routine and the technology/equipment was simple to operate. Following initial training, new staff worked alongside a more experienced worker until they reached proficiency. Ongoing training was relatively limited, associated with the introduction of new technology/equipment such as point of sale hardware or new menu items.

In specialty cafés, initial on-the-job training was similarly focused on work tasks and organization and conducted by the manager/supervisor. Duration varied from two days to two weeks, typically taking three days for both attendants and baristas. Baristas' initial training was compressed as only experienced baristas were hired. Initial training was slightly longer for attendants in specialty than standard cafés because attention to detail was emphasized:

Food needs to be prepared just right and it has to be consistently of high standards or customers will go somewhere else... making sure that the saucer is wiped clean of any spills, that the spoon is polished [and oriented correctly] and there is a napkin placed squarely on the saucer... (manager, C6).

Another manager emphasised serving cold drinks with a chilled glass as opposed to a room temperature or warm glass from the dishwasher. Specialty attendants' work was more detailed but their skills were not qualitatively different from their counterparts in standard cafés. Further training occurred on an ongoing basis though frequency and content varied. For attendants,

ongoing training related to variations in menus and/or new equipment. The skills developed were not qualitatively different or higher level than those already possessed.

In contrast, baristas received more regular ongoing training, which further developed/upgraded their skills:

a barista... is becoming more like a sommelier. You need... to be able to talk about coffee, you need especially be able to talk about filter coffee and the way filter coffee highlights different nuances of origin the way a sommelier would be able to talk about the differences between a... burgundy to a Marlborough Sauvignon Blanc to Loire Valley (barista, C8).

Relatedly, baristas received training regarding different coffee blends and the selection and grinding of coffees to satisfy customer preferences. One specialty manager (C8) explained:

we have blends and single origins so they get to work like all the different coffees... from different regions... – you can have different extractions from that... totally different flavour profiles. ...So they get to experience different varieties... different profiles.

Ongoing training also focused on additional techniques/equipment used to heat/texture milk and to calibrate and operate espresso machines and grinders precisely to enhance coffee quality. Developing baristas' sensory skills was also important as optimizing quality of coffee extraction involved monitoring and controlling the colour, viscosity, smell and taste of the coffee: 'you have to taste it throughout the day and watch the colour of the shot and its viscosity and constantly adjust your grind and tamp to get consistent shots' (barista, C6). Baristas spent time at coffee roasting sites to develop their knowledge of roasting and enhance their sensory skills, especially to refine their palates. Moreover, most specialty baristas participated in regular cupping sessions (tasting different coffees) and competitive 'smackdowns' (informal competitions/training) to further enhance their sensory and technical skills. The most skilled specialty baristas were referred to as 'coffee geeks':

You know people that are like into the science and like 'Oh coffee extraction and percolation and oils and blah, blah, blah. Carbon dioxide and...'. So

you've got all these new wave coffee geeks... who are into the science and machines and talking about the boilers and the machines (manager, C7).

'Coffee geeks' were constantly enhancing their knowledge of coffee – from the horticulture involved in coffee cultivation to cutting-edge technology/techniques used in the extraction process – and they gained an elevated status akin to the 'celebrity chef' (cf. Fine, 2008).

The time taken to become competent, which included periods of prior experience, varied marginally for attendants and markedly for baristas across the market segments (see Table 2 below). Among attendants in standard and specialty sites reaching full competence took a maximum of two weeks; for baristas, it required one month and two years respectively.

Work Tasks & Organisation

Broadly, attendants and baristas performed similar tasks across the café segments; their work was physically demanding as they were on their feet for long periods and carrying heavy stacks of plates and bags of coffee. However, differences existed in terms of the procedures followed and levels of monitoring, discretion and work intensity.

Within standard cafés, attendants and baristas followed standard procedures demanding minimal skills. Attendants followed routine procedures and tasks were fragmented due to a strong reliance on pre-made food supplied by external wholesalers (e.g. muffins). Other food items (e.g. sandwiches) were simple to prepare and required low-level skills: 'the work is pretty straight forward, you just need to maintain the flow... taking out coffees and food... that sort of thing' (attendant, C2). Similarly, baristas' tasks were routine and deskilled as espresso machines were largely automated in standard cafés, particularly in chain sites, requiring baristas to press a button rather than manually operate the machine. Alternate coffee extraction techniques (such as filtering/cold drip/siphon) were not offered by the standard cafés and generally only one coffee blend was available. Thus, baristas in standard cafés possessed minimal expertise across a narrow range of equipment and coffee blends. Work standardisation and routinisation were common in the chain café, where, for example, procedures were listed on work area walls and espresso machines were calibrated by the chain's regional technicians rather than baristas.

In specialty cafés, attendants' tasks were comparable with their standard counterparts but attentiveness and attention to detail were more strongly emphasised:

My staff must greet every customer as soon as they walk through the door... every dish taken out has to look the same, the plates can't have any spills on them and as soon as they finish the plates must be cleared away... (manager, C5).

Work performed by attendants in specialty cafes was more intensive than that in standard cafes and use of pre-made food was less common; yet the tasks could not be said to require qualitatively different or higher-level skills.

By comparison, specialty baristas required both qualitatively different and higher-level skills than standard baristas as they were required to operate and calibrate espresso machines manually. Manual operation demanded technical skills as well as extensive tacit knowledge:

It's not like pressing a button and it comes out magically, you've actually got to do a tamp [grind, measure and pack the coffee],... watch the way that coffee comes out...and...look at...whether or not you've dosed it properly. You've also got to heat the milk properly... – you could overheat it and it could split. You could under heat it, you could give it too much air and it will just be really bubbly... (manager, C8).

Another barista (C6) noted the knowledge and problem-solving skills involved in ensuring high quality coffee, explaining that:

for example, if the shot [of coffee] started pouring a little bit too fast you would know that the weather has changed so I need to fix that problem by changing the grind and making it courser and increase the dose [of ground coffee] to compensate for the humidity, there are situations like that.

Moreover, in several of the specialty cafés baristas used additional preparation techniques requiring different equipment and skills, such as:

...multiple brewing techniques [reliant on different equipment to extract coffee]... that's a siphon where it works with... direct flame and heat. Then it will come from the top and as you turn the heat down it will siphon through and into the bowl. We also have this is kind of a drip filter system... the coffee... has to have a certain weight and grind to be particular to a filter and then extracted... So to make filter and get the flavour profile... it's a completely different being (manager, C8).

Specialty baristas were also required to possess an extensive knowledge of coffee cultivation, roasting and blending; factors that affected the flavor of the coffee and how it should be extracted to optimize quality:

...coffee knowledge is about also the roasting of the coffee and... it's a bit like wine - it's all about where it's grown, who's making the wine, what vineyard it's from. It's the same as coffee... So it's being closer to the actual buying/production of the coffee and understanding coffee a lot more than just being in a café (barista, C6).

Relatedly, baristas noted the importance of developing their palates to improve their skills:

If you don't have a naturally strong palate then you have to develop one by tasting lots of coffees and going to cupping sessions [sampling coffee at roasting warehouses] and that's how you become more refined and better able to detect different flavours, how they reflect different terroir [the place and aspect of cultivation, including the soil in a region, the climate and weather], like with wine vineyards and wine tasting... [and] once you have that sort of palate you can bring out the best in the coffee... (barista, C7)

Subsequently, specialty baristas developed a wide range of technical skills, a scientific understanding of coffee cultivation, roasting and extraction as well as high-level sensory skills.

Levels of worker discretion and work intensity also varied across the café segments. Workers in standard cafés possessed relatively low levels of discretion, particularly those in chain sites where policy/procedure was standardized and technology was automated. In specialty cafés, staff

possessed freedom to experiment to facilitate better product quality; both attendants and baristas in specialty cafés were given some discretion to innovate in order to produce new food and coffee options for customers. Such discretion was an integral aspect of the cafés ability to position itself at the high-value-added end of the industry.

The intensity of work varied slightly across the market segments. In standard cafés, work intensity was moderate as work schedules were closely aligned with customer demand and automation eased the intensity of work. In comparison, specialty cafés experienced more intensive work demands due to the absence of automation, strong and very particular customer demand as well as the higher level of detail and precision demanded of specialty workers. During peak periods the intensity of work was high.

Managerial monitoring of work also varied between market segments. In standard cafés, monitoring ranged from moderate in independent sites to high in chain sites. Work was monitored most intensively in the chain sites through work flow monitors, surveillance cameras and real time sales data. Monitoring was moderate in specialty cafés; work-flow monitors and surveillance cameras were not deployed, rather management deployed more direct monitoring, maintaining a ‘close eye’ on operations.

Pay

In standard cafés, pay varied in line with the age of workers. In accordance with the industry award system in Australia, workers aged under 19 years received junior pay rates. In the cafés examined, most juniors were aged 18-19 years and they received AUD\$17.23 per hour. Although the chain café expressed a preference for more junior workers in order to minimise costs, it was constrained by junior workers’ study commitments. Adult workers, aged over 19 years, were paid the adult rate of AUD\$20.27 per hour. Attendants and baristas of equivalent ages were paid the same award rates and ‘above award’ payments were not reported at any standard sites. Thus, minimum wage rates were the norm in the standard cafés.

Among specialty sites, some junior attendants existed but adult workers dominated and pay rates varied with the job. While award rates received by attendants were consistent with the rates provided in the standard cafés, ‘above award’ payments were commonplace for baristas in specialty cafés. Baristas earned higher (above award) pay rates than attendants as baristas were

regarded as more highly skilled and experienced. Attendants earned the minimum award rates stipulated on the basis of age – AUD\$17.23 to AUD\$20.27 per hour, while baristas earned a minimum of AUD\$20.27 per hour but more typically (80 per cent of specialty baristas interviewed) earned AUD\$25 to AUD\$32 per hour with rates increasing in line with levels of skill/experience. Annual salaries received by some baristas in specialty café group sites (AUD\$70-85,000pa) often exceeded the average salary for all industries in Australia (around AUD\$75,600pa at the time of the study) (ABS, 2014). However, these annual salaries absorbed weekend penalty rates and overtime rates, so baristas’ hourly pay rate could be reduced if they worked weekends and/or extended (overtime) hours.

It should be noted that the award had the effect of standardising pay between market segments for attendants, dampening the effect of PMS. However, for baristas, the award had less effect in standardising pay as a result of ‘over award’ payments offered in specialty cafés. While these pay differentials reflected PMS and the additional skills of specialty baristas, it also reflected the strong demand for specialty baristas by inner city cafes, where there was a relatively tight labour market for these baristas.

INSERT TABLE 2

Discussion and Conclusions

This study sought to reconcile varying and contradictory findings regarding product market-skill-pay linkages. To do so it redressed existing methodological problems by examining skill- and pay-levels associated with two occupations in cost- and quality-based firms in the same industry. It produced mixed evidence, not dissimilar to that of existing research within services. Nevertheless, this evidence serves to indicate methodological and theoretical ways forward.

For baristas, the expected tightly coupled linkages between PMS, skill and pay were evident. As predicted by research examining cost reduction strategies (Boxall, 2003, Schuler and Jackson, 1987), standard baristas’ skill requirements and training were comparably lower and they reached full competence within one month; work was basic and routine, involving minimal training for standardized, routine and deskilled work. Standard baristas’ work was monitored closely, especially in the chain site, and pay reflected minimum rates – at the wage floor. In contrast, as predicted by the same research about firms pursuing quality-based strategies, specialty baristas required at least one year’s prior experience and reached full task competence over at least two

years. Extended time/experience and skills were necessary because specialty baristas operated espresso machines manually to optimise quality. Additionally, quality-enhancement required knowledge of coffee roasting/blending techniques along with well-developed sensory and problem-solving skills. Systematic efforts to enhance specialty baristas' skills were evident. Specialty baristas demonstrated different and higher-level skills than standard baristas; their work was more complex and self-regulated, and they had greater discretion than their standard counterparts. Critically, specialty baristas typically earned rates 20-60 per cent 'above award', with pay increasing with levels of skill and experience.

By contrast, attendants' jobs revealed none of the expected linkages between PMS, skill and pay. Consistent with cost-based strategies (cf. Boxall, 2003, Schuler and Jackson, 1987), standard attendants did not require qualifications or experience, they performed routine, basic tasks demanding minimal training and competence was reached in approximately two weeks. Basic skills, low-level training and standardization dominated. Attendants' work was monitored most intensively in the chain. Job fragmentation was evident as a result of standard cafés' use of pre-made food. Standard attendants were paid minimum rates for junior and adult workers. Attendants in quality-based firms had similar skills and pay as those in cost-based firms. Specialty attendants did not require qualifications or experience, they performed routine tasks demanding attention to detail and competence was also reached in around two weeks. Compared to their standard counterparts, specialty attendants performed work that was more detailed and less fragmented, requiring some additional training. However, the skills required were not qualitatively different to those of standard attendants. The nature of the work and the skills required, as well as their comparability across the café segments, was similar to those of room attendants in lower and upper market hotels described by Lloyd et al. (2013) and hotel waiters and porters described by Mason (2004) in which employees in upper market segments were simply required to perform low skilled work more intensively rather than higher skilled work. Despite this intensification, specialty attendants received rates of pay consistent with standard attendants. Although juniors working in standard sites received lower rates of pay, such rates reflected age rather than skill per se. Junior attendants were employed by specialty cafés and they also received junior rates of pay. If linkages existed between PMS, skill and pay, equivalently aged attendants working in specialty cafés would require qualitatively different, higher level skills paid at higher rates than their standard counterparts and this was not the case. For attendants, there appeared to be a decoupling of PMS, skill and pay. More influential than PMS on pay for attendants was the award system. In contrast, the 'over award' payments in specialty sites, whilst

premised on PMS, were compounded by labour demand for these baristas' skills. Both suggest the need for contextual institutional and structural factors to be incorporated in analyses of any purported linkages.

At first glance, these 'mixed' findings reflect existing research of services that offers seemingly contradictory evidence: notwithstanding the additional factors mentioned, baristas' skills and pay aligned with PMS expectations; attendants did not. One way of interpreting such findings is to accept that, unlike manufacturing, the PMS-skill-pay linkages are not determined for services but are variable – consistent with existing claims (e.g. Mason et al., 2000; Sung et al., 2009). What contingencies operate to create this variation is then open to empirical investigation – but claimed to be industry or sector in most existing research. Recent research argues that managerial choice is the key contingent (Sung and Ashton, 2015) whilst acknowledging that not all workers are affected equally by this choice. Which employees are affected and why or why not is not explained. Our findings indicate that the key to answering such questions lies with the occupation.

In the past, findings that supported the existence of linkages typically relied on aggregate industry- or firm-level data or made sectoral assumptions based on such data. Doing so concealed potential variation at the occupation-level (Boxall and Purcell, 2008, Frenkel, 2005). Findings that refuted such linkages involved occupation-level data but with a single occupation focus and then also extrapolated from this occupation to firm- or even industry-level (Lloyd, 2005, Lloyd et al., 2013). We contend that contradictory findings emerge from these methodological inconsistencies/limitations. Addressing these problems, our study involved occupation-level data encompassing multiple occupations across firms with different PMS in the same industry. The empirical findings reveal that PMS-skill-pay linkages exist for some but not other occupations independent of firm, industry or sector. These findings challenge existing theoretical assumptions by inferring that occupation-specific factors rather than firm-, industry- or sector-specific factors play a role in determining product market-skill-pay linkages (see Table 3). This proposition involves a neglected explanatory variable critical to reframing theory regarding product market-skill-pay linkages.

INSERT TABLE 3

The importance of occupation is well established in research examining gender (Grugulis and Vincent, 2009; Leuze and Straub, 2016) and work stratification (Anderson, 2009; Fleming et al., 2016). That it might also play a role in understanding product market-skill-pay linkages has some support from research adjacent to that focusing on PMS per se. The first is Edwards et al.'s (2009) research of the low skill equilibrium thesis and HR practices within small manufacturing firms. Although low skill equilibrium firms pursue cost-driven strategies, Edwards et al. focused on these firms' 'product markets positions' (p.49), that is whether firms had strong or weak positions in their markets, rather than the effects of different PMS on HR practices. Nevertheless, they found variation in skill formation and pay amongst these firms despite them pursuing the same strategy. This variation, they posit, is in part a feature of managerial choice. However, as these firms employed high skilled workers as well as low skilled workers in their firms, Edwards et al. also suggest that the variation in skills and pay might be an outcome of occupational rather than product market determinism. Unfortunately, this possibility of firm-level variations by occupation is not explored in any detail. The second, which might add that missing detail, is the research of Autor and Handel (2013). They focus on the task demands of occupations 'performed simultaneously by each worker' (p.S64). These task demands 'distinguish normally unobserved attributes of workers and jobs' (p.S90) and are significant predictors of pay and skill, both between and within occupations, they state. Essentially, occupations involving higher-level task demands exact higher levels of skill and pay; occupations involving lower-level task demands exact lower levels of skill and pay. Interestingly, our findings suggest that occupations with demands involving technical skills/equipment and complexity correspond with higher pay, whereas Autor and Handel found that occupations more reliant on abstract tasks involve higher pay. Identifying the specific occupational task demands with the potential to create these links with pay and skill will require further research, we suggest.

If occupation matters in understanding product market-skill-pay linkages, as our study indicates, the obvious question is *which* occupations matter. To answer this question further empirical research is again needed. However, we suggest that this research might usefully draw on the work of Huselid and Becker (2011) and their concept of 'strategic jobs'. Strategic jobs are defined as those 'affect[ing] a firm's overall business success through developing the requisite strategic capabilities needed to execute strategy' (p.424). They are characterised by substantial variability in the job performance of incumbents. In the drive for 'business impact', this variability provides the context for 'improving individual employee performance' by utilising differential HR practices (p.424). Differential HR practices are thought by Huselid and Becker to enable superior

employee performance and business success. In cafés, baristas are a strategic job; their task demands involved greater centrality, technical skills/equipment and complexity than attendants. Moreover, in our findings differential skill and pay practices were evident among baristas, enabling superior employee performance in specialty cafés. This concept, aligned with our empirical findings, suggests that it is not necessary for firms to establish product market-skill-pay linkages across all occupations – contrary to Schuler and Jackson’s (1987) proposition. Instead, these linkages may only be necessary among specific – that is, strategic – occupations. This proposition would also answer the ‘which employees’ question left unanswered by Sung and Ashton (2015) – those employees in occupations strategically important to the firm.

Whilst accepting that managerial choice has been downplayed in research of product market-skill-pay linkages, likewise the influence of labour markets and institutions, the findings of our study offer two important contributions: how future research might be reconfigured theoretically and how future research can be better designed. With regard to the first, our study provides a new theoretical proposition about the linkages between PMS, skill and pay – one centred on the importance of occupations rather than firms, industries or sectors as reflected in current research. Rather than extrapolating from PMS to sector-, industry- or firm-level wide HR practices, future research ought to focus on identifying the core occupations integral to any PMS and these occupations’ HR practices to determine if, and if so what, linkages exist to that PMS. With regard to the second and the design of future research, following from this new proposition, the analytical focus of future research should therefore be at the level of the occupation and its task demands, adopting a multi-occupation design that can test dependency within any firm, industry and/or sector, and analyse the relational importance of these occupations. In addition, whilst our study focused on a service industry, the other point to note from Edwards et al.’s (2009) research is that occupation variability seems to also occur in manufacturing. Our findings therefore might transpose from services to manufacturing. Across firms, within industries in both sectors therefore, this future research will enable the identification of if, and if so which, occupational task demands shape product market-skill-pay linkages and which occupations are strategic to firms that exhibit these linkages. Finally, turning to policy implications, our findings suggest that policy directed towards increasing skill and pay needs to start focusing on occupational task demands in the context of specific occupations’ strategic importance to firms. In other words, policy interventions should start by focusing on occupations and these occupations’ task demands, skills and pay rather than starting with PMS and assuming that occupations’ pay and skill can be read off from PMS (cf. OECD, 2010). Moreover, training policies should take

occupational task demands into account, identifying and incorporating them in the educational curricula – and not just for management (Eurofound, 2016).

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Table 1: Summary of Café Sites

Café	Market Segment	Ownership	Number of staff
C1	Standard	International chain	>10
C2	Standard	National independent	<10
C3	Standard	National independent	<10
C4	Standard	National independent	<10
C5	Specialty	National independent	<10
C6	Specialty	National independent	>10
C7	Specialty	National group	<10
C8	Specialty	National group	<10

Table 2: Key characteristics of Standard and Specialty Cafés

Occupation and Key Characteristics	Standard Cafés	Specialty Cafés
<i>Attendant</i> <i>Recruitment & Training</i> Recruitment	No qualifications or experience needed	No qualifications needed; experience an advantage
Initial training	1 day-2 weeks	2 days-2 weeks
Time needed to become competent	2 weeks	2 weeks
Training process	Formal, structured in chains Informal, ad hoc in independents	Informal, ad hoc in independents, structured in chains
<i>Work Tasks & Organisation</i> Tasks	Attention to procedure, greater automation in chains, basic skills	Strong attention to detail, basic skills
Discretion	Low	Moderate/High
Intensity	Moderate	Moderate/High
Monitoring	High in chains Moderate in independents	Moderate
<i>Pay</i> Agreement Type	Award-based	Award-based
Pay per hour (ordinary time)	\$17.23 junior rate for workers aged 18-19 years \$20.27 adult rate for workers >19 years of age	\$17.23- \$20.27
<i>Barista</i> <i>Recruitment & Training</i> Recruitment	No qualifications or experience needed	No qualifications needed; at least 1 year of experience required
Initial training	1 day-2 weeks	2 days-2 weeks

Time needed to become competent	1 month	At least 2 years
Training process	Formal, structured in chains Informal, ad hoc in independents	Informal, ad hoc in independents, more structured in chains
<i>Work Tasks & Organisation</i> Tasks	Attention to procedure, greater automation in chains, basic skills	Strong attention to detail, more specialized/upgraded skills
Discretion	Low	Moderate/High
Intensity	Moderate	Moderate/High
Monitoring	High in chains Moderate in independents	Moderate
<i>Pay</i> Agreement Type	Award-based	Award and Individual Agreements
Pay per hour (ordinary time)	\$17.23 junior rate for workers aged 18-19 years \$20.27 adult rate for workers >19 years of age	\$20.27-\$32

Table 3: Major theoretical positions regarding product market, skill and pay links

Theoretical Position	Sector	Explanatory Variable
Link between product market, skill and pay	Manufacturing and Services Manufacturing Services	Product market e.g. Schuler and Jackson 1987 Product market e.g. Sanz-Valle et al. 1999, Youndt et al. 1996 Product market e.g. Boxall 2003, Frenkel 2005
Link between product market, skill and pay	Manufacturing (strong link), Services (weak link)	Sector e.g. Mason 2004
Variable link between product market, skill and pay	Services	Industry e.g. Mason et al. 2000
No link between product market, skill and pay	Services	Sector e.g. Lloyd 2005, Lloyd et al. 2013
Variable link between product market, skill and pay	Services	Firm (managerial choice) e.g. Sung et al. 2009
Variable link between product market, skill and pay	Services (and Manufacturing?)	Occupation e.g. this study

Endnotes

¹ The award system enshrines legally-binding minimum wages and conditions at the industry-level, though it does not prohibit employers from paying discretionary over-award payments to their employees. Most hospitality employers do not pay over-award amounts (RCA, 2009).