HRM and Performance: The vulnerability of soft HRM practices during recession and retrenchment

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Abstract

This multi-method case explores how change in HRM implementation can impact performance metrics in a recessionary climate. Qualitative HR outcome data are mapped against financial metrics to explore adoption of hard-line HRM practices in a major UK retailer. Despite record profits throughout the recession, the organisation responded strategically to worsening conditions in the labour market, firstly to maintain operational flexibility, but then to opportunistically enlarge jobs and intensify work to help achieve immediate gains in financial metrics, including a gain of 37% in profit per employee over 3 years. These gains were achieved by derailing commitment-based approaches to HRM, pointing towards the vulnerability of soft HRM systems during times of austerity or retrenchment.

Keywords: Financial Performance; Retail; Recession; Commitment.

Introduction

This study sheds light on how the changing implementation of HRM practices impacts immediate financial metrics in a context of recession. Market discipline may drive HRM decisions (Thompson, 2011) and publicly listed firms are increasingly influenced by shareholder value metrics (Appelbaum et al., 2013), however, as seen in this paper, such imperatives can lead to the derailing of a commitment-focussed model of HRM. Recessions foster HR retrenchment measures for firm survival (Teague and Roche, 2014) but also create labour market changes which typically alter the power balance in HRM dynamics, providing opportunity to increase work intensity in order to decrease labour costs. This article aims to elaborate on the links between HRM implementation and recession to show how diminished labour market power is capitalised upon to impact positively on short-term financial value metrics. The paper contributes to debates around HRM outcomes of publicly listed firms at the workplace level, and the potential for recessionary changes to the labour market to push firms away from commitment-focussed HRM and towards more hard-line practices.

An embedded single case study, involving semi-structured interviews complemented by documentary data and company financial metrics was conducted at Ultico,[1] a leading UK retailer. The research traces Ultico's strategic HRM response to changes in consumer behaviour associated with the post-2008 recession. Whilst no compulsory redundancies were required, a major reduction in employee turnover created an unexpected obstacle for management strategy, in terms of implementing changes to

[1] 'Ultico' is a pseudonym used to protect the anonymity of the case organisation.

shift patterns across the UK business, combined with a programme of store expansion. In turn, the context of high unemployment also fostered a change in HRM dynamics, which facilitated a strategic response that abandoned the hitherto espoused dedication to commitment-focussed HRM. Rather than merely compensating for the potential impact of the recession, changes in HRM practices contributed to a major increase (37%) in profit per full-time-equivalent (FTE) employee. Qualitative data uncovers the detail of how this increase was achieved, which is mapped against company financial performance data that indirectly quantify the outcomes of enlarged jobs.

Firstly we position the study within existing debates on the relationship between shareholder-driven capitalism and HRM requirements, considering how the labour market effects of economic recession are likely to impact upon this relationship. The methodological approach is outlined, followed by some background to Ultico, and crucially, key data regarding its performance throughout the recession. The immediate effects of the recession are considered, exploring how a labour-flexibility challenge was addressed, before exploring the resulting impact on HRM implementation. We then show how opportunities for further changes to work intensity arose and how they were implemented alongside a national strategy of store expansion. Resulting job enlargement was beyond any operational need to respond to impacts of the recession, but became a strategic option because of poor labour market conditions. This opportunistic strategy returned immediate gains in financial performance metrics, primarily profit per employee. However, longstanding claims of commitment-based HRM were derailed when the recession presented opportunity to demand more from labour and pursue a 'low-road' strategy. Through showing how this change was implemented, the article provides insights into the actual processes through which performance can be driven up through HRM determination, at least in the short-term, within a recessionary labour market. Taken together, these findings reveal a fundamental threat to, and vulnerability of, mutually-beneficial outcomes of soft HRM systems.

Recession, HRM and Performance

Existing contributions on the link between finance and HRM vary in scope, and have drawn greater attention since the 2008 recession. Varieties of capitalism literature (Hall and Soskice, 2001) suggest the UK's liberal market reliance upon share ownership and financing typically increases the need for short-term cost savings in any business function, including HRM. Similarly, Morris et al. (2008) point to the impact of globalisation on HRM systems, where shareholder-based capitalist systems have intensified, placing greater emphasis on shareholder value, while restructuring is typically encouraged to raise returns on capital in more market based economies (Froud et al., 2000). Labour market adjustments to the 2008 recession in liberal market economies pursued an unemployment and underemployment strategy (Lallement, 2011) and macroeconomic responses involved deficit reduction, ensuing high unemployment and failure of labour institutions to respond to such policy change (Appelbaum, 2011), while increasing labour flexibility requirements were also cited (Heyes, 2011). Recession intensifies these processes rather than initiating them, as forces rooted in shareholder metrics and influenced by active investors, encourage cost-cutting activity regardless of firm performance (Appelbaum et al., 2013). Publicly listed organisations have become increasingly powerful drivers of cost saving in neoliberal financial systems (Lapavitsas, 2011; Montgomerie and Williams, 2009) and the recent recession served to accentuate such processes through restructuring and redundancies, to maintain or increase share value (Thompson, 2013). These themes echo the disconnected capitalism thesis (Thompson, 2003), which suggests disconnect between commitment-focused HRM choices at the firm level and financial performance metrics, with shareholder value a powerful driver of management decisions shaping HRM strategy. These contributions address concerns relating to financial ownership of firms and the potential catalyst of recession on macro labour market and policy outcomes. However, there has been little systematic workplace-level examination of how recession might impact on short-term management expectancy to increase financial metrics, and the HRM implementation changes which may result from it.

Financial performance metrics, including profit per employee, have been used previously in HRM research to map firm performance against HRM (Guest et al., 2003; Wall and Wood, 2005), finding generally positive associations, although Boselie at al. (2005) noted various perspectives on the causal processes linking HRM and performance. Employee commitment may theoretically drive performance gains (Wood and de Menezes, 1998), however others argue that market discipline (Thompson, 2011) or work intensification (Ramsay et al., 2000) explain performance increases, reinforcing questions about the channels through which commitment-focussed HRM delivers the reported performance improvement (Wall and Wood, 2005) in different economic contexts. As external drivers of HRM systems, changing economic and labour market conditions would be expected to produce a strategic reaction by management (Boxall and Macky, 2009). When unemployment is low and labour is scarce, employers adjust HRM practices, resulting in improved pay, terms and conditions of employment (Kaufman, 2010). Alternatively during recession and high unemployment, the opposite may occur because of altered HRM dynamics (Ramsay, 1977). Forde et al. (2006) show, during high unemployment, that threat of job loss improves employee productivity without participatory work initiatives. Translated into HRM practice, it is likely that mutual-gains HRM practices (Guest, 1999) will be reduced or eroded, reverting worker level HRM outcomes from commitment towards control (Hauff et al., 2014). For example, Lahteenmaki et al. (1998) point to the erosion of commitment and involvement-focused HRM systems during recession, while the employee outcomes vary between creation of commitment and creation of job strain, depending on managers' implementation (Van De Voorde, and Beijer, 2015). If economic variation alters HRM dynamics, so questions arise as to how this altered dynamic might change workplace practices and expectations: in short, how does management exploit heightened labour market power, and how does this determine the work of HR managers? For Ulrich et al. (2009) the role of HR managers changes through recession, bringing increasing influence in business decisions, but according to Roche and Teague (2012), this arises from short-term retrenchment measures, restructuring, or adjustments to working time and pay structures (Cappelli, 2000); practices which have in the Taiwanese national context, been found to negatively impact on firm performance (Tsao et al., 2016). While training budgets might also fall victim to wider cuts to HRM (Charlton, 2008; Felstead, 2016), an increase in training could alternatively foster an increase in flexibility among labour, or indeed job enlargement. All of these studies pave the way for further exploration of how recession might lead to changing HRM practice or implementation, with performance as the key driver.

The Retail Sector

The UK retail sector employs three million workers and accounts for 8% of all VAT registered businesses (British Retail Consortium, 2015). Whilst recently characterized as mass employment in the post-industrial age, vulnerable to intensification (Bozkurt and Grugulis, 2011), the potential for mass, low skill, high intensity employment in retail was voiced long before the rapid expansion of the superstore format (Braverman, 1974). Globally, retail work combines technologically-enhanced performance expectations of workers with deteriorating pay, terms and conditions of employment (Appelbaum and Schmitt, 2009). Such conditions are exacerbated in liberal market economies, with nearly half of UK retail employees paid below the national low wage threshold. However, research remains limited in relation to the size of the sector, with few studies addressing HRM in retail (Ogbonna and Whipp, 1999). Labour process literature has considered the impact of consumer behaviour on approaches to flexible employment (Mulholland, 2011), while the routines of retail managers have been explored in terms of low control and highly monitored targets (Grugulis et al., 2011), again raising questions about how HRM practice might be vulnerable to intensification. The impacts of restricted budgets and lean staffing on work-life balance and wellbeing consequences are part and parcel of retail work experienced by line managers (Smith and Elliott, 2012). The prevalence of such working conditions for both non-management employees and line managers demonstrates the suitability of the sector for analysing how economic changes may facilitate changes to HRM practice at a variety of levels.

Methodology

Data were collected as part of a larger single organisation case study investigating the implementation of HRM practices at Ultico, a leading UK retailer. The time of data collection spanned the trough of the recession through to negligible and stagnant recovery, so a unique opportunity was presented to study how HRM implementation reacted to changes in the external labour market. As part of an embedded case design (Yin, 2009), semi-structured interviews were conducted with a total of 52 participants across 6 store sites and 2 regional union offices in England. Reflecting the profile of the company, two distinctly different types of store make up the 6 in this study: the large 'Mega stores' employ between 500 and 600 staff and, in addition to food, offer everything from clothing ranges to foreign currency exchange; 'Speed stores' are small and employ between 12-20 staff, selling convenience foods and basic household supplies. Three of each store were selected in order to capture any variation in job design and HRM implementation with store size. Interviews were conducted with shop floor general assistants; line managers; store and personnel managers, union representatives, organisers and researchers. Such a range of participants were chosen to capture different perceptions of change in HRM systems from those who devised, implemented and experienced it, through to union representatives who had more of a scrutinous relationship with HRM policy. The interviews with managers (1 store director; 7 personnel managers; 9 line managers with HR delivery responsibilities) and with union representatives (3 full time officials; 8 representatives) lasted between 40 and 90 minutes, with 60 minutes being typical; interviews with shop-floor workers (24) lasted between 20 and 45 minutes, with around 30 minutes being typical. Interviews were digitally recorded, transcribed and thematically analysed utilising N-Vivo. Annual financial performance data for the organisation over 5 years were retrieved as publicly listed information, including company profit, revenue, sales capacity, number of stores and significantly, profit per FTE employee. Finally, documentary data detailing HRM policy and employment practices were obtained, including a partnership agreement with the Retail Colleagues Union (RCU). Informed consent was granted from each participant for the publication of findings under conditions of anonymity for individuals and the organisation[2]. Themes in the qualitative data about how HRM implementation and policy had changed as a result of variation in the external labour market during the recession were matched to relevant material from documentary sources, and importantly, to the financial data which supports and helps to explain the findings.

Performance and organisational climate throughout the recession

Ultico performed strongly throughout the recession, which was common across the food-retail sector, unlike many retail establishments trading in other consumables. Ultico stood out as a pinnacle of retail growth, profitability, and redundancy avoidance through the economic downturn. Table 1 shows the global group operating profits increased year on year from 2007 until 2011 rising by 30%, with the greatest annual increase being observed between 2008 and 2009, when the UK sank into recession.

[2] Ethical approval for the research was granted from the Leeds University Research Ethics Committee.

The success of the global brand varied widely, while UK operations accounted for two-thirds of all revenue and business activity. Although disaggregated data for UK operating profits were not accessible, data were sourced for UK operations revenue for the same period. Again, performance on this metric increased year on year throughout the economic downturn, with a total increase of 21% and the greatest annual increase from 2008 to 2009 of 8%. These metrics indicate that Ultico experienced limited or no negative effects from the economic downturn, but continued to grow at a greater rate, which is again evidenced with new UK store openings, detailed in table 1 below.

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The metrics for new store openings reflected a strategic plan to increase the number of Speed stores. The number of UK stores increased by 32% from 2007 to 2011, which also reflected UK operations revenue increasing by 21% over the same period as would be expected given an increased number of stores. Total UK sales area in square feet of floor space (standard industry measure of sales capacity), increased by 29% from 2007 to 2011; again, logical to expect given similar increases in stores. However the number of FTE employees did not increase anywhere near proportionally to the increase in all other indicators of operational capacity over the same period. This metric was just 8.2%, small in comparison to the 29% increase in floor space and the 32% increase in the number of stores. Furthermore, if the increase from 2007 to 2008 were to be omitted, when the effects of the recession on unemployment were not being felt, the increase in number of FTE employees drops to 3.2%, while the increase in number of stores was still 25%, which is an even more marked distinction.

Profit per employee is a key financial metric. While the number of FTE employees increased by just 8.2% over this period, UK profit per employee increased by 33%, a trend similar to UK store numbers, total sales area, and revenue. Again, if the pre-recession change from 2007 to 2008 is excluded, the increase is even more pronounced. So from 2008 to 2011 profit per employee increased by 37%, while the number of employees increased by just 3.2%. The year showing the largest increase was from 2008 to 2009, at 21%, which coincides with the smallest increase in FTE employees: just 0.2%. The major increases in financial metrics coincide with the impacts of the recession, rapidly rising unemployment and reduced availability of jobs in the wider labour market. It is clear that employees became responsible for an increasing amount of sales capacity and were responsible for turning over an increased value of goods, relative to their numbers. The most telling metric is profit per employee, which coincided with an increase in work intensity and job enlargement. However the financial data alone neither explains how these gains were achieved, nor how the compliance of labour was maintained.

The Pursuit of Strategic Change

The financial developments discussed above illustrate a national store-expansion strategy, and what was termed in corporate documentation as ‘the gear change’ strategy of adaptation to the recession, which specified introducing ‘better ways of working’ (Ultico Annual Report, 2009). This situation was in contrast to many firms, which were pushed into a strategy of lay-offs or labour hoarding due to trade reductions. Wider UK unemployment increased from 2008 before levelling off in mid-2009. As the economy recovered to growth, unemployment remained between 7.5% and 8% up until early 2011. The period of qualitative data collection sat within the plateau of relatively high unemployment, and the region of study comprised of affluent, middle and low-income areas where unemployment rates were holistically representative of the UK. Locally and nationally, staff turnover at Ultico reduced significantly, as portrayed by senior store management:

> *‘Pre-recession it (staff turnover) was a red light for us in terms of where it needed to be. Now with the recession it is too low. A bit of labour turnover is healthy really’*
>
> (Store Director, Mega Store 2)
>
> ‘*Employee turnover has changed remarkably over the last 12 months due to the recession’*
>
> (Personnel Manager, Mega Store 1)

All management and union participants agreed that with the recession, staff turnover had decreased. Prior to the recession, staff turnover was a KPI target which personnel managers found difficult to meet due to fast turnover of employees. However as unemployment climbed, staff turnover decreased to the extent that store managers believed it to be too low, as illustrated above. An RCU representative described how household finances had increasingly come to rely on retail jobs, which had previously been secondary incomes:

> *‘In my area there have been lots of job losses, so where Ultico used to be a secondary income, now it is the primary ‘bread winner’ so to speak. A lot of people are part-time workers, but their attitudes are changing. They want to hang onto that job and are after more hours.’*
>
> (RCU Rep, Mega Store 1)

Staff turnover reduction brings benefits of stability and reduced HR functioning costs in areas such as recruitment and training (Kaufman, 2010), yet in this case it created operational problems by reducing flexibility in labour allocation, which was traditionally associated with continual access to the external labour market. The implications of restricted labour market access were significant in terms of managements' strategic response to changes in their product-market environment. Management had routinely used labour market access to introduce changes in terms and conditions, by bringing in new starters on different contractual terms. Changing shopping habits created by the recession created an imperative to change times and locations of work, as part of managements’ strategic response. This external change led to changes in HRM strategy; some necessary due to greater demand for flexibility in the allocation of labour

(Heyes, 2011; Lallement, 2011), some opportunistic (Ramsay, 1977), as explored below.

During the recession, shopping habits of customers changed to more frequent, small shopping trips (Mulholland, 2011) with more shoppers purchasing discounted goods later in the evening. Management respondents reported significant increases in footfall (the industry standard measure of customer visits); where traditionally customers would visit for a large shop once a week and then a smaller shop at another time in the week, habits changed to visiting more often for smaller ‘basket’ shops. At one of the participating Mega stores, the footfall rate rose from 35,000 to 50,000 per week. Nationally, this trend led to changes in the organisation of work, particularly a greater demand for staff on twilight re-stocking and evening shifts on the check-outs. Before the recession, when the turnover of labour was around 30% per annum, personnel managers recruited for new shift patterns dictated by operational requirements through their continuous recruitment process. As noted, with very limited employee turnover management were constrained in recruitment, so instead a process of enforced changes to hours was enacted in order to maintain the desired flexibility, which led to coercing employees to change shift patterns or the departments they worked in. A personnel manager illustrated the management problem, while a general assistant states the effect:

‘Previously we would have just recruited for the hours we need. Where we may have had them 1-5, now we need (them) 6-10, so every vacancy is re-assessed and we don’t very often go external. We are using a lot of internal moves.’

(Personnel Manager, Mega Store 1)

‘Staff are being moved to late evenings, which is the less popular shift, and there is a lot of negativity there’

(GA, Speed store 3)

Ultico’s HR policy documents outlined forum processes for employee voice and participation, which were augmented by the RCU. Processes for changing hours for individual or multiple employees are outlined in the nationally negotiated social partnership agreement, while there are also clauses for adjustments to productivity targets. The national terms, echoing Ultico’s HRM language of mutual gain, require that processes are managed so that “best practice against HR policy is demonstrated”, and “people are treated how we like to be treated” (RCU partnership agreement). In reality, the agreement allows major changes to working patterns, hours and productivity targets, while for employees it sets out vague statements of intent regarding fairness in change implementation. A 28-day consultation process was permitted, to reach agreement on changes to hours, during which time employees could seek union advice. Where an agreement was not reached, Ultico could issue staff contractual notice to change their hours. Since the effects of the recession had been felt in the labour market, management reportedly took a harder line on industrial relations at the senior level, to the extent that union organisers were suggesting a breakdown in communications. At the same time, the company ‘gear change’ strategy which included ‘better ways of working’ translated into increasing numbers of contractual changes to hours for the existing workforce, which neither company nor union voice systems were able to counter. This harder stance taken by management was increasingly evident across all levels of the business. According to store and personnel managers, contractual changes were an essential process to help guide the company through the recession, whilst maintaining profitability.

Prior to the recession, enforced changes to hours were rarely implemented, rather they were used to cover operations in the instance of occasional store closures or relocations. However, with the huge reduction in staff turnover, contractual changes became commonplace. All participants associated with the RCU indicated that contractually enforced changes to hours were the most common form of grievance since the effects of the recession impacted on the labour market and unemployment. Therefore external conditions led to new internal tensions at Ultico as the previously espoused softer approach to HRM gave way to a harder management style (Kaufman, 2010; Mulholland, 2011). Personnel managers felt little control over the implementation of this unpopular policy:

> *‘Ultico is a rapidly changing business. I don’t write the policies. We get the policy and we have to follow it and train our managers to deliver it.’*

(Personnel Manager, Mega Store 3)

Wide discontent arose due to the sheer amount of employees being coerced to change their hours. Store and personnel managers were under pressure to deliver changes to working patterns more quickly and with larger groups of employees than they did prior to the recession, which resulted in employees feeling bullied into accepting the changes and the espoused HRM practices failing to inspire commitment amongst employees. All RCU respondents believed that the economic climate had affected the way HRM was implemented, in that organisational practice quickly became more ‘hard-line’. For example in terms of changes to hours, there previously existed an informal agreement where, in the case of no resolution from consultation over changes, management would not give contractual notice if it could be avoided. However, as Ultico management became less sensitive to employee needs, staff would routinely be given notice to change hours, the majority of which concerned moving employees from day shifts to less desirable evening shifts and in some cases moving stores, unless there was solid mitigation to oppose this change. Perceived intimidation was reported, with employees coerced into accepting a change that they did not feel able to accept when their mitigation was deemed insufficient. Single-parent status was deemed as acceptable mitigation, unlike dual-parent status, as an RCU rep recalled:

> *‘They’ll say: ‘well you can work evenings now because your partner can look after the kids’. Work life balance is suffering.’*

(RCU Rep, Mega Store 2)

Discontent with changes to hours was evident, but the high retention of employees continued. In this instance, changes to labour market dynamics had weakened the voice of employees and the stance of their union at both senior and local levels, so that greater temporal flexibility was conceded.

Job enlargement and intensification of work

Such increased temporal flexibility was accompanied by declining employee power, which opened avenues for work intensification and job enlargement, as part of the 'gear change' strategy and to assist the expansion programme. All levels of management were incentivised by performance measures based on or related to, financial metrics. For example, line managers with HR responsibilities were paid bonuses based on the unit profitability of their department; store and personnel managers earned a basic salary of between £40-53k depending on experience, with a bonus of up £12k based on store profitability; head office staff were awarded bonuses based on their regional or national financial metrics, depending on role. From these head office initiated performance structures, and through all layers of management and HRM, Ultico systematically imposed changes to job roles, hours and productivity targets which, according to employees and financial data respectively, went beyond those necessary to cater for changing consumer demands or to maintain productivity. Rather changes were made which enlarged responsibilities for individual employees and increased productivity, because of the opportunity presented. Job enlargement catered for the store expansion programme by significantly intensifying work, instead of relying on additional recruitment. Again, such change was possible due to the reduction in staff turnover and the higher value attributed to these jobs by their occupants. This work intensification contributed towards the 37% increase in profit per employee achieved between 2008 and 2011, and was accompanied by a near abandonment of the claimed adherence to commitment-based HRM, and of positive relations with the RCU. Indeed, the increases in profit per employee indicated in the financial metrics (Table 1) will have been influenced by other factors, such as self-service tills, sourcing strategies and the use of contingent labour, however analysis of UK strategy and operations from annual reports and interviews with managers found no other significant changes which could account for such a significant increase in this telling metric. For example, self-service tills accounted for c25% of transactions in each year of the study (Ultico annual reports, 2009; 2010; 2011). International buying hubs were established as part of the expansion into foreign markets, which improved sourcing and reduced buying costs significantly, however these hubs were well established and returning gains before the years detailed in the metrics, so although buying variations undoubtedly affected profits, they did not appear as significant. Similarly, use of sub-contracted labour remained low and constant throughout the same period, during which Ultico did not routinely use agency or sub-contracted labour in its core retail operations.

The shift in Ultico's strategic approach was evident at various levels of the organisation. While changes to hours were identified and implemented on a local or store level by managers looking to satisfy local trading needs, larger scale changes affecting employees across the organisation were determined at head office level; changes that affected shop-floor employees, line managers and even some personnel managers. New initiatives involved enlarging job roles and increasing productivity targets. As shown in table 1, a similar number of FTE employees were expected to run an increased number of stores and greater sales area nationally. A union official illustrated this development:

> *"When people are leaving, they're not being replaced. That means that gaps are left in the operational running of departments, so they'll do a 'moving people around the business', and move them to fill those gaps. So firstly it's the upheaval of moving staff around, secondly it's the work intensification to get the job done. It just seams to be a continual role-out, this department then that department, etc."*
>
> (RCU Area Organiser 1)

General assistants, line managers, union reps and union organisers across all stores in the research reported increased productivity targets. One example in a Speed store found that between 2008 and 2010, the number of FTE employees had decreased from 22 to 15 to run the same operation. When employees left the store they were not replaced, while others were given contractual notice to move to new stores opening within their region. The resulting job enlargement, which involved all key functions of a convenience store (e.g. serving, stocking, cleaning and security), was illustrated by a convenience store GA:

> *'They've moved people around (to different stores). On an evening we work one-on-one really, it's quite difficult. We have a manager in charge and then you're stood on your own basically. You end up with just 2 people in the shop and all these jobs to do and jobs to get ready for the next morning. Where the job before was pleasant and enjoyable and you had time to do it, now it's just rushed.'*
>
> (GA, Speed Store 1)

The reduction in staff per operational unit and consequent job enlargement was explained by changes to the way in which work was carried out. For example, new instructions were to stack shelves in boxes where possible, rather than removing stock from boxes before stacking on shelves, which accompanied a reassessment of time allocated to perform that particular job. Where previously an employee would be allocated one hour to fill a row of shelves, subsequently they were allocated 40 minutes for the same task. Employees in Speed stores were all trained in every sales function of the store and so constantly oscillated between different tasks. Frequently staff would be filling shelves or checking stock and then have to rush to the tills if a large queue developed, which would require entering user details and a password on the till; a process timed to take around 30 seconds. During data collection, tills were modernised to take a swipe card so an employee could log on to the tills more quickly. As a result, time was taken off the allocated budget for the till responsibilities and substituted with other duties, as described by a convenience store GA:

> *'Now you have to scan this little card on the till, with your details and password on. They think that's quicker so they take time off us.'*
>
> (GA, Speed Store 2)

In addition to the total avoidance of compulsory redundancies, another positive HR development at Ultico could be perceived in the increased training provided to lower-level workers by training on multiple departments. While this brought clear benefits to workers' skill levels and task variety, it was accompanied by job enlargement similar to that observed in Speed stores (Charlton, 2008). Multiskilling is a recognised soft HRM practice to enrich jobs, however in this instance it was also used to enlarge jobs in what might alternatively indicate a harder, control-based approach to HRM. While the Speed store GAs were trained in every area of operating a store, Mega store GAs were typically recruited and trained for one department such as a bakery, clothing section or tills. Changes were introduced to increase multiskilling in the Mega stores, so that in complementarity with the changes to hours policy, labour flexibility increased. Below, a manager and a GA described this development in their respective Mega stores. While the former focuses on the assumed positive associations of multiskilling, the latter shows such assumptions can be flawed. The GA quotation refers to discontent among delivery drivers who felt misled into training in other departments for additional overtime but which resulted in coercion to perform what were perceived as inferior tasks:

> *"Ultico (head office) are very big on multiskilling. It's what they call 'family jobs', they're moving towards multiskilling everyone. They would like you to be trained on every aspect of the job. That's what we're moving towards"*
>
> (Line Manager, Mega Store 1)

> *"There are times where the online service delivery drivers are put on the tills all day or between deliveries and they get frustrated because they think their job is to be out delivering etc, and just because they are till trained, they have to do that."*
>
> (GA 5 Mega Store 1)

Interestingly, these changes were not restricted to shop floor workers. While GAs were required to change hours and take on more work on different departments, section managers in the Mega stores received contractual notice to increase the number of departments for which they were responsible (section managers were the lowest level of employee with supervisory responsibility and had no say in the changes which have been discussed). For example, during data collection a grievance was raised through the RCU by a line manager who had been required to change from managing two departments to eight departments within the same store. Similarly, work intensification was also evident at the middle management level, notably affecting personnel managers at some of the Mega stores, whose jobs had been reduced to a part-time role. As one union representative observed:

> *'...there was a massive re-structuring in Superstores, where they reduced the PMs' jobs to 25 hours. The compensation package was limited, a massive effect on pensions, morale was rock bottom – tough, they all wanted out.'*
>
> (RCU National Rep, Mega Store 1)

However resignations as a result of this change were again minimal, which amongst the various participants, was attributed to limited options for external moves. It was widely believed that Ultico abandoned their commitment to soft HRM practices of employee voice and mutuality, which invoke commitment and motivation, to instead achieve greater performance through capitalising on employee insecurity within the wider labour market. Simply put; in seeking an increase in the contribution of the workforce, the 'stick' provided by the climate of austerity and retrenchment became a more effective performance enhancer than the 'carrot' of fostering commitment and motivation, as illustrated by a store director:

> *'Enhancing performance using the tools we have is so important. I think, by heck, I pay my guys this, so I can get a bit more, you know but we've got to think like that in industry.'*

(Store Director 1)

These developments associated with the ‘gear change’ strategy, combined with a policy of not replacing leavers and restructuring internally to fill vacancies, contributed directly to the significant reduction in the ratio of FTE employees to sales capacity, to higher productivity targets and to radically higher profit per employee, as shown in the financial metrics (table 1). Qualitative data uncovered the detail of changing HRM dynamics and practices used to drive up financial metrics, and most significantly, profit per FTE employee over the duration of the study. The triangulation of financial metrics and workplace-level data shows how HRM systems can be determined to extract short-term gains in financial performance indicators, but risk sacrificing the perceived climate of voice and mutual gain.

Discussion and Conclusion

This paper has shown how labour market outcomes of the recession were used to facilitate harsh changes to HR strategy and intensify work at Ultico. Management imposed changes to job roles, hours and productivity targets, which went beyond those necessary to cater for changing consumer demands or to maintain productivity. Rather, changes were made to increase work intensity and enlarge jobs; initiatives that were possible due to the changing HRM dynamics resulting from the recession. These HRM changes contributed to the 37% increase in profit per employee achieved between 2008 and 2011, and the abandonment of key ‘voice’ aspects of the commitment-based HRM system and a positive relationship with the RCU.

The findings develop understanding of how the retail sector utilises low skilled employment (Bozkurt and Grugulis, 2011), flexibilised labour (Mulholland, 2011) and strategic HRM responses to consumer footfall patterns. While work intensification in retail (Smith and Elliot, 2012) has been explained in terms of social processes used to drive it, we have linked it to financial performance metrics. Immediate gains were evident in the financial metrics, however the data stop short of telling whether gains will be sustained in the longer term. Apart from an underlying drive to maximise shareholder value metrics, to which senior management bonuses were pegged (Thompson, 2003), Ultico had no operational imperative to cut labour costs during the recession because of continued expansion and growth of both Ultico and the wider food-retail sector at the time. There was only a need to increase flexibility in the remaining workers in some cases (Heyes, 2011) due to the reduction in staff turnover and varying consumer demands, which was addressed with changes to contracts. The policy to expand the number of stores and sales capacity without proportionally employing extra staff to compensate was possible with less concern over employees complaining and resigning; problems which might have been expected had the same strategy been been enacted in a healthier labour market (Kaufman, 2010). The intensified drive to deliver maximum financial performance associated with the increased influence of shareholder value metrics made it impossible for Ultico’s senior management to resist opportunity to raise the contribution of labour, and the HRM practices to achieve it (Appelbaum et al., 2013; Thompson, 2011).

The key contribution herein is combining qualitative interview data with financial metrics as a lens to examine the processes through which changes in the external environment translate into workplace HRM practices, in the context of recession. Thompson's (2003) disconnected capitalism thesis suggests that due to pressure for short-term returns, firms are unable to sustain many of the components of strategic HRM systems, particularly positive employment relations. This work furthers knowledge by providing a detailed picture of how HR decisions made at the senior level lead to terms and conditions of work being driven down, in order to drive up financial performance metrics (Thompson, 2013), and elaborating on the firm-level micro-economic consequences of sustained pursuit of increasing shareholder value metrics (Appelbaum et al., 2013). Contributions suggesting that the financial crisis has accentuated the consequences of shareholder capitalism on work and employment (Lapavitsas, 2011; Montgomerie and Williams, 2009) have been supplemented through exploration of the links to the external labour market conditions that provided the opportunity to intensify work. While the links between labour market dynamics and work intensity have been shown (Forde et al., 2006), along with links between unemployment and management approaches to HRM (Lahteenmaki et al., 1998; Ramsay, 1977), this research relates HRM outcomes to shareholder value metrics and adds understanding to the forces driving HRM implementation. Finally, links between HRM systems and performance can be discerned through the Ultico case, in terms of the theoretical drivers of performance increases, and some insight is provided into HRM ‘black box’ processes in a recessionary climate (Boselie et al., 2005). In this case multiskilling, a practice recognised as fostering commitment, was implemented to enlarge jobs and raise productivity targets: a development quantitative studies might overlook or misconstrue (Wall and Wood, 2005; Guest, 2003). Rather than improving performance through developing a committed workforce (Wood and de Menezes, 1998), we find HR systems increasing short-term financial performance through work intensification (Van De Voorde, and Beijer, 2015; Ramsay et al., 2000), driven in part by market discipline (Thompson, 2011), which exposes a fundamental vulnerability of, and challenge to, commitment-focussed HRM systems.

The key limitation of this study is that only the short-term performance and HRM effects of the strategy outlined can be determined from the data, and the erosion in staff morale might be expected to backfire for organisational performance in the longer term. Indeed, in the period following the study, Ultico performed poorly, losing market share to competitors. While multiple factors may be responsible for Ultico’s subsequent financial performance, we can only speculate as to whether the HR strategy described in this paper may have ceased to pay off. The study sheds light on the outcomes of a bonus-driven model of HRM in a multidivisional firm (Boxall and Purcell, 2016), showing clearly how such a model can supress the commitment outcomes of HRM systems. Further questions now arise as to the longer-term outcomes of enacting a bonus-driven model, particularly in similar labour markets, however it would be reasonable to expect that further deterioration in morale, like that seen at Ultico, would become detrimental to the firm.

Implications therefore arise for HR decision makers and for those representing the interests of labour. As shown, the endemic search for short-term added value can lead to erosion of the key outcomes that HRM systems are intended to create, and thus should warn against a race to the bottom-line and search for the highest immediate value from labour. Given the common forces that drive the processes uncovered in this study, it brings potential analytic generalisability to organisations in similar liberal economies. Therefore these conclusions open avenues for more workplace-based studies to further our understanding of the effects of external drivers of firm performance on the reality of HRM implementation. Through uncovering how HRM policies and social processes can become tools to service short-term financial performance metrics, this study contributes to core HRM understanding, and sheds light on the vulnerability of commitment-focussed HRM approaches in contemporary liberal market economies.

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Table 1, PLC Annual Report & Financial Statements, 2011

Year	2007	2008	2009	2010	2011	Total % change
Group Operating Profit (£m)	2,648	2,791	3,169	3,457	3,811	
% Increase on Previous year	NA	5	14	9	10	30
Revenue UK Operations (£m)	32,665	34,858	37,650	38,558	40,117	
% Increase on Previous year	NA	7	8	2	4	21
Number of UK Stores	1,988	2,137	2,306	2,507	2,715	
% Increase on Previous year	NA	7	8	9	8	32
New Stores Opened in UK	NA	149	169	201	208	
Total UK Sales Area (000sq ft)	27,785	30,457	32,389	34,237	36,722	
% Increase on Previous year	NA	10	6	6	7	29
Total UK FTE Employees	184,461	193,917	194,420	196,604	200,966	
% Increase on Previous year	NA	5	0.2	1	2	8.2
Profit per FTE Employee in UK	11,292	10,814	13,065	14,303	15,098	
% Increase on Previous year	NA	-4	21	10	6	33