

Moving Hotels to the High Road

Strategies

That Help

Workers *and* Firms

Succeed

Annette Bernhardt
Laura Dresser
Erin Hatton

December 2003

The Center on Wisconsin Strategy

Acknowledgements

The authors would like to thank the Rockefeller and Russell Sage Foundations for their generous support of this project. A more detailed account of the research and results can be found in *Low-Wage America: How Employers are Reshaping Opportunity in the Workplace* (Russell Sage Foundation, 2003).

Our collaborators, Deborah Moy and Helen Moss, contributed enormous insight and direction at every stage of the research. The authors would also like to thank Eileen Appelbaum, Rose Batt, Thomas Kochan, Eric Parker, Jeff Rickert, Joel Rogers, Jeffrey Waddoups, Howard Wial, and Erik Olin Wright for their invaluable comments. Most important, we thank the numerous participants in our case study research for giving us their time and sharing their deep understanding of the hotel industry.

The Center on Wisconsin Strategy (COWS) is a research and policy institute dedicated to improving economic performance and living standards in Wisconsin and nationally. Based at the University of Wisconsin-Madison with an office in Milwaukee, COWS promotes "high-road" strategies that support living wages, environmental sustainability, strong communities, and public accountability.

Executive Summary

The hospitality industry is facing key economic and workforce challenges as it enters the 21st century. Success in meeting these challenges hinges on the ability of the industry's stakeholders to come together and solve their common problems.

This report is about model solutions for the industry, and how they can be built. Based on detailed background research, and literally hundreds of hours of interviews, discussions, and site visits at eight hotels in four different cities, we draw a comprehensive picture of this critical industry — not only how it looks right now, but also its potential to be an even stronger sector that offers better career opportunities.

Job Quality and Workforce Quality: Reinforcing Problems

Seen through the eyes of frontline employees, hotel jobs too often are low-wage, with irregular hours, little training, and almost no hope of advancement. As a result, many employees feel little loyalty to the employer and often leave for as little as a dime an hour, or a new schedule, or when work or family conflicts arise. Seen through the eyes of many managers, high turnover is evidence of an unreliable workforce, and therefore training and promotion are too risky an investment.

The result is that employers often recreate the low job quality that pushes workers to leave in the first place. Many of the hotel managers we interviewed were running in place just to keep fully staffed, and simply didn't have the time, financial resources, or organizational support to pursue a different course. The backdrop of intense industry competition and growing performance demands from Wall Street only exacerbates the problem.

Thus, a low-wage and low-investment equilibrium appears to dominate much of the industry. But in fact, a closer look reveals a broad range of strategies to deal with the challenges of recruitment, retention, and advancement.

Recruitment and Retention

In our research, we found three types of employer responses to the problems of recruitment and retention. The standard response was watching the revolving door spin — living with high turnover, investing very little in training, and increasing the workload of frontline employees. But some employers were starting to get to the root of the problem, by creating employee recognition programs, offering English as a Second Language (ESL) classes, and using cross-training to fill staffing shortages. Further, some employers actively worked on building the "high road," by providing solid wages and benefits and instituting a full range of training options for all workers on company time.

A low-wage and low-investment equilibrium appears to dominate much of the hotel industry.

Advancement

Similarly, we discovered three responses to the problem of advancement. The standard response actually served to inhibit the creation of career ladders, by cutting training programs, subcontracting jobs, and eliminating mid-level jobs in order to streamline bureaucracy. Other employers were simply doing nothing at all, assuming that entry-level workers did not want to move into other positions or that they couldn't learn the necessary skills to do so. But some employers were actively building the high road — promoting worker mobility by establishing career ladders within departments, between departments, and between hotels.

How can the hotel industry move away from what is ultimately a destructive low road and begin to chart a path toward higher productivity and higher workforce quality?

The solution is to reconnect the interests of firms and their employees.

Charting the High Road

How, then, can the hotel industry move away from what is ultimately a destructive low road and begin to chart a path toward higher productivity and higher workforce quality?

The solution is to reconnect the interests of firms and their employees. There are many opportunities for “win-win” solutions in the hotel industry, which can improve both business performance and worker outcomes. For example, there is a clear and direct connection between increased worker retention and good jobs: one ends up reinforcing the other. Or consider the lesson of hotel hiring halls: that well-coordinated assignment of employees within and across hotels can deliver stable work to employees while giving employers the flexibility that fluctuating demand requires.

These coordinated, win-win solutions aren't easy to build; they require fundamental changes in the workplace, in job design, in employee relations, and in compensation. They rest on a foundation of partnerships — partnerships between workers and firms, partnerships among hotels in the region, and partnerships between the private and public sectors. But a growing number of examples throughout the nation prove that these partnerships provide a key to industry competitiveness. In particular, the Culinary Training Academy of Las Vegas, the San Francisco Hotels Partnership Project, and the Four Cities Career Ladders Project each have forged broad regional partnerships to meet the needs of both the hotel industry and its workers. As a result, these projects have promoted the continuing growth and success of hotels and their communities, while improving job quality and satisfaction for workers.

The most important ingredient for success is establishing new relationships among hotel employers, labor union representatives, and policymakers within the region. Partnerships forged from these growing relationships have three big advantages for the players in the industry. First, they create economies of scale; a good example here is pooled training and benefit funds. Second, they create the opportunity for employers to learn from one another by sharing best practices and engaging in mutual benchmarking. And third, they give the industry greater voice and power in its relationships with workforce and economic development agencies.

By describing in detail how these win-win strategies work, we hope to motivate hotel owners and managers, hotel workers, and community leaders to take steps toward building the partnerships that can help this vital industry realize its potential. The hotel industry is critical to our cities and our communities. Regional partnerships focused on training and advancement are the best way to move the industry and its workforce forward together in the 21st century.

Introduction

Key challenges will define the hospitality industry in the 21st century. And success in meeting these challenges hinges on the ability of the industry's stakeholders to come together and solve their common problems.

To those who care about the health and vitality of the U.S. economy, the hotel industry is more than just another industry. The industry itself builds cities, drives economic development, and provides a diverse set of jobs, including entry-level jobs that can be a launching pad into the American labor market. It is a key sector with a broad set of stakeholders: not only hotel owners, managers, and workers, but also local elected officials seeking to develop their cities, planners and developers who make urban development deals, and community-based organizations, including the many that represent recent immigrants and work to connect their members and clients to jobs in the industry. Hotels have always played and continue to play a vital role in our communities.

Key challenges will define the hospitality industry in the 21st century. And success in meeting these challenges hinges on the ability of the industry's stakeholders to come together and solve their common problems. This report is about the best solutions possible for the industry's problems, and how they can be built. Based on hundreds of hours of interviews, discussions, and site visits, as well as intensive background research, we draw a comprehensive picture of this critical industry — not only how it looks right now, but also its potential to be an even stronger industry in the future that offers good jobs and career opportunities for its workforce.

About the Research for this Report...

In 2001, researchers from the Center on Wisconsin Strategy at the University of Wisconsin-Madison began investigating jobs in the hotel industry. The first phase of work included background research on the industry through in-depth analysis of trade magazines, government data, and academic publications. The second phase involved detailed on-site work with a number of full-service hotels in major cities across the United States. Over the course of a year and a half, more than 150 in-depth interviews with hospitality executives, managers, and frontline employees at these hotels were conducted. At the same time, numerous union leaders, trade-group representatives, and economic development officials from local governments were consulted. Unparalleled access allowed us to observe the inner workings of hotels — spending three to five days at each property, watching work in progress, holding focus groups, and speaking with a variety of staff — and has provided a wealth of data on both the promises and problems in this rapidly changing industry.

We don't intend for this report to sit on your shelf. We hope it will be a tool to move the hotel industry toward realizing its potential. It is a resource for hotel general managers, human resource directors, and housekeeping supervisors; for hotel union leaders and shop stewards; for economic development officials and training designers; and for those who fund training programs for low-wage and immigrant workers. Our goal is to motivate "high-road" solutions to industry problems that benefit both employers and the frontline workforce, and to get you thinking about how you can play a role in moving the industry onto that path.

In order to do so, we start with a description of the industry, its strengths, and its challenges. We then discuss in greater detail several key problems for hotels — recruitment, retention, and advancement — and discuss the various ways that hotels are currently responding to these workforce challenges. We end with a discussion of the industry's "best practice" programs, which simultaneously solve problems for workers and for firms, and offer some thoughts on how to replicate them.

The Hospitality Industry at a Glance...

Hospitality is a vital and vigorous part of the national economy. At the same time, high turnover rates and low wages signal that challenges remain for the industry and its workers.

Currently employing 1.8 million workers nationwide, the hospitality industry has been among the nation's fastest growing industries over the past 30 years. It is particularly important in large metropolitan areas, which account for about two-thirds of the rooms in the industry. As the industry has grown, shifting ownership and growing competition have increased pressures on managers to turn quarterly profits and shed units that are outside the firms' "core" competencies.

In recent decades, the industry has undergone widespread consolidation and a shift from private to public ownership (Canina 1996). Both trends signal a much more intense competitive environment. Large corporate chains, each owning a range of brand-name chains targeted at different segments of the market, now dominate an industry once populated by small family-owned hotels. From 1990 to 2000, the market share of chains increased significantly from 46 to 60 percent, while the share of independent hotels decreased dramatically, from 54 to 40 percent (Working for America Institute 2002). The pace of mergers is expected by many industry insiders to speed up in the next few years to the extent that, as many analysts predict, "eventually five mega-hotel companies will control the worldwide hotel business" (Watkins 2000).

As a result, competition in the industry has grown ever more intense, and pressures to cut costs have mounted dramatically. Now more than ever, managers of each department are responsible for making their unit a "profit center." Over and over again, hotel executives and managers told us: "You're only as good as your last quarter."

Hotels' increasing need to contain costs is clearly revealed in the growth of subcontracting, particularly of restaurant outlets. No longer are food and beverage outlets allowed to be "necessary evils," money-losing amenities that the hotel simply has to provide. Instead, hotel restaurants are now required to be money makers, which has led many hotels to seek outside companies to take over their food and beverage operations.

Tight labor markets have also challenged the industry. Low unemployment rates through the year 2000 made recruitment and retention of frontline workers a central problem in the industry. Though the recent economic slowdown hit the industry with exceptional force (especially after 9/11), there are already signs of recovery in the sector. Given the relatively low wages that frontline jobs offer, the problems of recruitment and retention are likely to grow again as the economy expands.

Table 1

The Hotel Industry at a Glance

Revenue	<ul style="list-style-type: none">• \$75 billion annually
Size	<ul style="list-style-type: none">• 40,000 establishments nationwide• 1.8 million workers, 4.6% of service sector employment
Growth	<ul style="list-style-type: none">• Employment almost tripled between 1970 and 2000, outpacing the national average
Major trends	<ul style="list-style-type: none">• In the 1980s: Large-scale construction and expansion, particularly in metropolitan areas• In the 1990s: Widespread consolidation and shift from privately held properties to publicly owned corporations• Increasing cost pressures on hotel owners and managers in each department, leading to subcontracting, outsourcing, and other cost reduction strategies• Tighter labor markets and a shorter supply of entry-level workers

For sources, see p. 23.

Hotel Jobs and Workers at a Glance...

The vast majority of hotel workers are in entry-level positions in the housekeeping and food and beverage departments. Wages for these jobs are generally quite low, and are substantially lower than those of the average U.S. worker. There has been a significant demographic shift in the race and ethnicity of entry-level hotel workers over time. Whereas African-American workers once dominated “back of the house” hotel jobs, now, in most metropolitan areas, recent immigrants do. The number of Hispanic workers in the hotel industry, in particular, has grown rapidly in the past few decades.

Table 2

Hotel Jobs and Workers at a Glance

Workers	<ul style="list-style-type: none">• The majority of hotel workers held frontline jobs• Housekeepers constituted 24% of industry employment• Food and beverage workers accounted for another 23%
Wages	<ul style="list-style-type: none">• On average, housekeepers earned \$6.15 an hour, cooks earned \$9 an hour, and food preparation workers earned \$7 an hour• High-wage workers (i.e., managers) earned over 300% of what low-wage workers earned
Race/ Ethnicity	<ul style="list-style-type: none">• 28.4% of hotel workers were foreign-born, compared to only 12.7% of the workforce nationwide• By the late 1990s, one in four waiters and waitresses was Hispanic• In our case studies, we found that Hispanic, Asian, and Eastern European immigrants accounted for 80-100% of housekeepers
Union Coverage	<ul style="list-style-type: none">• 11.7% of hotel workers were union members

For sources, see p. 24.

Job and Workforce Quality: Reinforcing Problems

Because of high turnover and tight labor markets, many of the hotel managers that we interviewed were running in place just to keep fully staffed. They simply didn't have the time, financial resources, or organizational support to pursue a different course, let alone to start tackling the fundamental problems of job and workforce quality.

Seen through the eyes of the industry's frontline workforce, hotel employment often offers low wages, irregular hours, little training, and almost no hope of advancement into family-supporting jobs. The result is that workers often feel little loyalty to employers and frequently simply leave the job for a similar one earning just a dime or two more per hour.

Seen through the eyes of many frontline managers, high turnover is evidence of an unreliable workforce, and training is therefore too risky an investment. The result is that employers under-invest in workers, pursue technologies that require little training, and re-create the low job quality that pushes the workers to leave in the first place.

Thus, a low-wage and low-investment equilibrium appears to dominate much of the industry. But there are important exceptions. Some hotels have pursued higher wage strategies, and are rewarded with more loyalty from the workforce and higher quality service — for which customers will often pay a premium.

Consider a thought experiment about housekeepers' wages. Housekeepers often face a quota of 16 rooms to be cleaned each day. That's two rooms an hour. Imagine increasing the cost of all rooms by \$1 per night (a tiny price change when rooms are over \$100) and delivering all of the increased revenues to the housekeepers. The housekeepers could bring home an extra \$2 per hour, a significant increase that is very likely to improve retention and employee loyalty. In addition, one might consider taking a portion of that rate increase and putting it toward a pooled training fund for entry-level workers. Now, in the real world the situation is clearly more complex, but the thought experiment does illustrate that, especially in markets where room rates are \$100-\$200 per night, there is the potential for a strategy focused on quality service, training, and good jobs.

But to say that such a strategy can be competitive does not ensure that it will be pursued.

Because of high turnover and tight labor markets, many of the hotel managers that we interviewed were running in place just to keep fully staffed. They simply didn't have the time, financial resources, or organizational support to pursue a different course, let alone to start tackling the fundamental problems of job and workforce quality.

This report offers an opportunity to step back and think strategically about how altering human resources strategies can directly benefit the bottom line. In what follows, we identify the range of strategies — from survival mode to best practice — that firms pursue when the challenges of recruitment, retention, and advancement of dedicated workers become increasingly insurmountable.

Challenges and Solutions I: Recruitment and Retention

The motto among many hotel executives we talked to was: "Do more with less."

Yet, as hotel managers know, when workload increases, injury rates go up, service quality declines, and turnover rates soar.

Recruiting and retaining good workers is clearly one of the biggest problems in the hotel industry. While the recent economic downturn moved this problem off the screen temporarily, the brief recovery is already bringing it back. Every hotel we visited had a hard time finding workers and holding onto them, and they all expected to face this challenge in the future. Managers identified changing worker demographics, increasing competition from jobs with higher wages, and the widespread negative perceptions of hotel jobs as all working against recruitment and retention in the industry.

There are three main responses to the challenges of recruitment and retention that continue to plague this otherwise booming industry:

1. Standard Response: Watching the Revolving Door Spin...

The most common response to the recruitment and retention problem is essentially no response. Even if they recognize the problem, many managers do not have the resources to deal with it and simply accept that their entry-level jobs are going to be high-turnover.

Part of the dynamic here is the constant pressure on managers to reduce costs. The motto among most managers we talked to was: "Do more with less." In hotels across the country, the amount of work has substantially increased; room quotas are rising for housekeepers, kitchens have fewer workers. But greater workloads lead to higher rates of injury; for example, in 2001 over three-quarters of Las Vegas hotel housekeepers reported experiencing work-related pain severe enough to see a doctor and take time off from work, while 83 percent reported taking medication within the last month for work-related pain (Krause et al. 2002). This means fewer workers on staff at any given time (and, therefore, almost no one able to move up or laterally into other positions) and, in the end, lower quality service, which eventually but inevitably hurts the bottom line. Moreover, when workload increases, so does turnover. As a consequence, hotel managers are continually struggling to recruit workers for a never-ending chain of job openings, all the while watching helplessly as newly hired and trained workers walk out the revolving door.

At one hotel, the Director of Hotel Operations has been unable to convince the hotel to raise wages and has watched his workers leave for better jobs outside the hotel industry. He has had to rely more and more on the few remaining housekeepers to work overtime, which only further decreases job satisfaction and increases the speed of the revolving door.

- At one hotel we visited, the wages for housekeepers and laundry workers have remained unchanged for several years, even though the cost of living in the city has been rising. The Director of Hotel Operations has been unable to convince the hotel to raise wages and has watched his workers leave for better jobs outside the hotel industry. He has had to rely more and more on the few remaining housekeepers to work overtime, which only further decreases job satisfaction and increases the speed of the revolving door.
- Understaffing has led many hotels to increase their use of *shortsighted* cross-training. We emphasize “shortsighted” because cross-training is not inherently a bad strategy as long as it creates opportunities for training and upward or lateral mobility, and as long as employees get paid according to the job they are performing. But many hotels that we visited tried to use as few employees for as many different job categories as possible, while paying them the least amount possible. As a cook at one hotel observed: “There’s not really a choice whether or not to work other stations. Everybody cross trains, not as much for advancement — which is the reason they give us — but mostly in order to fill in for other employees.” Not surprisingly, because he was tired of doing higher-level work while getting paid \$4 less, this cook was looking for another job. And so the revolving door keeps spinning.
- Many hotels have also turned to subcontracting some of their operations in order to cut costs and avoid having to deal with recruitment and turnover — effectively offloading these problems onto someone else. But there is a growing recognition in the industry that there is a downside to this practice: loss of control over quality, loss of control over staff, and loss of potentially significant profits. As one hospitality consultant points out: “It is extremely important to consider the relationship between the hotel operator and the food and beverage operator.. Who controls the space, who gets priority on meeting space and operating contracts set forth to allow the restaurant and the hotel to maximize revenues.” Furthermore, according to the consultant, “the perception for the guest should be seamless, the restaurant and hotel must work together on all aspects to succeed” (Brennan 2000).

2. Getting to the problem...

Other hotel managers have been more proactive in dealing with recruitment and retention problems — using employee recognition programs, referral bonuses, and connections with community-based organizations. But while these strategies are a step in the right direction, in the end they are only partial solutions. This is because they are often implemented in a piecemeal, short-term fashion, rather than being part of a long-term, full-scale investment in solving the recruitment and turnover problems. Additionally, when managers focus specifically on recruitment, they can develop programs and benefits for new employees that leave their long-term staff feeling disrespected and overlooked. For example, offering a raise only in the rate paid to new hires or giving signing bonuses to new employees can lead to friction and resentment within the workforce. As a result, these strategies have had only limited success.

- Many of the hotels we visited have employee recognition programs in order to boost employee morale and job satisfaction, with the hope that productivity will increase and turnover decrease. For example, one hotel recently created a “Housekeeping Team Player” program and hosted a luncheon for the housekeepers in thanks for the hotel’s consistently high ratings for cleanliness. Yet many workers complained that this program really didn’t improve their morale. As one housekeeper told us: “The hotel gets great grades but we don’t get anything, except some candy or a lunch. We’d rather get the money they spend on the lunch.”
- A number of hotels have also gotten more sophisticated about their reliance on employee referrals. One hotel we visited, for example, recently increased the employee bonus from \$50 to \$200 if the referral stayed on the job nine months. The Human Resources Manager at this hotel believes that employee referrals have decreased turnover rates so much that she relies exclusively on them for recruitment and no longer uses local newspapers and other traditional recruitment venues.
- Some hotels have also tried to establish connections with community-based organizations, which can provide English as a Second Language (ESL) and other skills classes and help to recruit workers. The Human Resources (HR) Director at one hotel, for example, has long been struggling to fill her entry-level positions. She decided to become an active member of the Chamber of Commerce, and every week also sends a list of job openings to all local community organizations and colleges. But unfortunately, very few job candidates come from these sources because her hotel’s wages simply cannot compete with other entry-level jobs in the city. There is also the problem that community outreach takes a significant amount of effort and time, which the HR Director simply does not have. Moreover, as a single hotel, it is hard to establish and maintain relationships with all the various local groups.

When hotel managers focus only on recruitment, they can develop programs and benefits for new employees that leave their long-term staff feeling disrespected and overlooked.

3. Building the High Road...

Although there are many difficulties in implementing an all-out, long-term battle against the challenges of recruitment and retention, we found evidence of several hotels doing just that. The primary elements of these “high-road strategies” include: increasing wages and benefits, making job openings available to all workers (including those traditionally not considered appropriate for the job), offering ongoing training programs in ESL, safety, and managerial preparation, and implementing farsighted cross-training. Most often, underlying these high-road strategies are strong partnerships between a group of hotels, community colleges, and local unions in order to alleviate the costs and risks of such programs for individual hotels.

“You get what you pay for. There is a real difference in the quality of higher versus lower paid employees. When GRAs [guest room attendants] are paid more, they do a much, much better job than those that are paid less. When they’re paid poorly, they simply don’t take ownership of their job.”

—Assistant Front Desk Manager

- The most fundamental way to improve recruitment and retention is to enhance job quality. And the primary way to do so is to increase wages and benefits. As an Assistant Front Desk Manager pointed out: “You get what you pay for. There is a real difference in the quality of higher versus lower paid employees. When GRAs [guest room attendants] are paid more, they do a much, *much* better job than those that are paid less. When they’re paid poorly, they simply don’t take ownership of their job.”
- Training is another critical component. Although we found that training programs are being cut back or eliminated in many hotels, long-term and company-paid training in ESL, safety, and managerial preparation is an essential element to building the high road in the hotel industry. In study after study, emphasis on continuous training programs has been found to reduce turnover, improve customer service, and increase profit. One oft-cited hotel, which recently won a National Training Award, has reaped enormous benefits from its new training program. In the first year, staff turnover plummeted to 11 percent and customer complaints dropped to virtually nil, while net profit was up 276 percent (*People Management* 1997).
- Expanding the recruitment pool to nontraditional workers can benefit both hotels and their employees. One hotel we visited, for example, used to post only entry-level jobs only in Hispanic newspapers, written only in English. The hotel has since changed its policy and currently advertises all of its job openings, both entry-level and managerial, in both Spanish and English in a number of multilingual community newspapers. As a result, many Hispanic workers are applying for a range of jobs, including managerial positions. This not only improves upward mobility for frontline workers (and therefore enhances employee satisfaction and retention), but also decreases the appearance of persistent discrimination in the industry.

- A small number of hotels have implemented cross-training in such a way that is beneficial to both management and employees — what we term *farsighted* cross-training. Hotel managers get increased productivity and adequate staffing levels; employees get increased job security, decreased job tedium, higher wages, and real opportunities for upward and lateral mobility. One hotel we visited, for example, worked out an agreement with the union to use room attendants as restaurant bussers during the winter season (which is slow in terms of occupancy but extremely busy in terms of food business). This proved to be a win-win situation for both the hotel and the room attendants; the workers loved it and were able to make money during a time when they normally would have been out of work, while the hotel didn't have to scramble to find extra short-term bussers.

Recruitment and Retention: How Does the Hotel Industry Respond?

<i>Standard Response: Watching the Revolving Door Spin</i>	→	Living with high turnover, investing very little in training, and increasing workloads
<i>Getting to the Problem</i>	→	Creating employee recognition programs, offering ESL classes, and using cross-training, but only to solve staffing shortages
<i>Building the High Road</i>	→	Providing solid wages and benefits, and instituting a full range of training options for all workers on company time

Challenges and Solutions II: Advancement

The hotel industry is one of the very few sectors that already has a well-established career ladder for workers without a college education. The problem is that this career ladder doesn't yet extend to the majority of workers, and in the housekeeping and food and beverage departments, such ladders are unattainable.

There is no better way to attract and keep workers than to offer them real chances for growth and advancement. In fact, the hotel industry is one of the *very few* sectors that already has a well-established career ladder for workers without a college education. The significance of this fact cannot be understated. In many workplaces, it is virtually unheard of for an employee with little more than a high school degree to start at the bottom and eventually move into the upper ranks of management. Yet in the hotel industry, entry-level workers do just that. In the front desk department, career ladders have been an excellent way to find good workers, train them, and develop a strong core of upper-level managers who know the industry inside and out.

The problem is that this career ladder doesn't yet extend to the majority of workers, and in the housekeeping and food and beverage departments, such ladders are unattainable. Most people continue to regard the hotel industry as one of "burger flippers and bed makers," not one in which they can develop a career. Dishwashers, low-level cooks, and housekeepers may occasionally become supervisors in their departments, but they almost never move across job categories into better jobs (such as the front desk) or up into the ranks of management. Additionally, even lateral movement between "back of the house" positions is stunted. The departments rarely look to other divisions inside the hotel to those workers who would appreciate the variety, new skills, and other attributes offered by lateral moves.

At best, this lack of mobility — across *and* within key departments, as well as from the "back of the house" to the "front of the house" — represents the loss of a potentially valuable opportunity for hotels. At worst, it is a real drag on long-term productivity. As Peter Drucker argued in a recent *Harvard Business Review* article, "The attenuation of the relationship between people and the organizations they work for represents a grave danger to business. ... If by off-loading employee relations, organizations also lose their capacity to develop people, they will have made a devil's bargain indeed" (Drucker 2002).

There are three main responses to the issue of mobility for frontline workers in the hospitality industry:

1. Inhibiting the Creation of Career Ladders...

Many hotel managers understand that there is a mobility problem, but feel that they have neither the time nor the money to address it. They may not be aware, however, that they are pursuing strategies that actually *inhibit* the creation of career ladders — for example, cutting training programs, subcontracting departments, and eliminating mid-level jobs to streamline costs and bureaucracy.

- Because many front-line workers are recent immigrants with limited English-speaking skills, and because few have any experience in customer service and managerial skills, the obvious first step in boosting worker mobility is extensive training in ESL and managerial skills. This is easier said than done, however. Because of growing pressure on hotels to increase profits, as well as the difficulties of scheduling classes for employees who work around the clock, we found that while many hotels had tried at some point to offer such training programs, these training programs have been drastically reduced or cut altogether.
- Subcontracting clearly inhibits the creation of career ladders in hotels, though it is rarely intended to do so. For example, subcontracting a hotel's restaurants means that housekeepers won't have the opportunity to move laterally into food and beverage work, which can be less back-breaking and, in some cases, more lucrative. Subcontracting out valet jobs means fewer higher level positions for doormen and room attendants to move into.
- Perhaps the greatest barrier to worker mobility is the extraordinary flatness of the job hierarchy in hotels, with a large number of entry-level workers at the bottom, very few managers at the top, and almost no positions in between. This polarization has increased significantly in recent years, as hotels have sought to downsize and streamline bureaucracy by eliminating many of the middle positions that, in the past, may have allowed for upward advancement. One hotel we visited, for example, employs over 400 entry-level kitchen workers among 13 restaurants, all of whom are overseen by a single Executive Chef, his assistant, and only ten sous chefs. The consequence of this flat job structure is that an impossibly large number of entry-level workers are competing for a very small number of upper-level positions.

Many hotel managers may not realize they are pursuing strategies that actually inhibit the creation of career ladders – for example, cutting training programs, subcontracting departments, and eliminating mid-level jobs to streamline costs and bureaucracy.

2. Doing Nothing at All...

While some hotels do not use strategies such as subcontracting that negatively affect opportunities for advancement, they also do not make a concerted effort to encourage job mobility for all entry-level workers.

- Many hotel managers we interviewed believed that entry-level workers did not want to move up or try other jobs in the hotel. As one HR Director maintained, dishwashers have a “labor, blue-collar mindset; they get satisfaction out of cleaning up after the tornado has hit.” This opinion was not uncommon. Over and over again, we heard that housekeepers and dishwashers are “happy working a full shift and then going home, without the added responsibility of being a manager.” And, in some cases, this may be true. However, assuming this is true for *all* entry-level workers will undoubtedly create an environment that makes it nearly impossible for *any* housekeepers or dishwashers to move out of their jobs.
- Another common belief is that entry-level employees do not (and never will) have the managerial skills necessary to move up in the industry. As one hotel manager noted: “Some people just have managerial potential, others don’t. Some managers are trained, but they still don’t get it. Managing takes special skills and common sense.” By assuming that managerial skills are wholly innate and un-teachable, and by assuming that housekeepers, for example, do not have these innate skills, hotel managers create a self-fulfilling prophecy.

By assuming that managerial skills are wholly innate and un-teachable, and by assuming that housekeepers do not have these innate skills, hotel managers create a self-fulfilling prophecy.

3. Building the High Road...

Although few hotels have strong internal advancement procedures, we did, in fact, find evidence of high-road strategies that facilitate job mobility for frontline employees. Well-developed training programs are an important component, as are strong internal promotion policies and partnerships with other hotels, community colleges, and/or unions that facilitate information-sharing and alleviate costs.

- Strong internal promotion policies are the most important component, and they can extend far beyond simply trying to increase promotion within any one particular department. Hotel managers can also think creatively about increasing mobility between departments and even between hotels owned by the same corporation.
- For example, *cross-department* mobility might mean using housekeepers as banquet servers during the winter season, when rooms are empty and the banquet halls are overflowing. At one hotel we visited, this practice alleviated the hotel’s critical labor crunch for banquet servers while solving the problem of slack work for housekeepers during the off-season. Moreover, this strategy benefited workers by providing a variety of work tasks, training in a new job, and increased job security.

- *Cross-hotel* mobility is also an important component in facilitating job mobility and advancement in the industry. Currently, the careers of most hotel managers extend well beyond the boundaries of one or even two hotels. In fact, if a manager stays more than five years in any given position, she is considered stagnant and not interested in moving up. Although this emphasis on cross-hotel mobility does not yet apply to entry-level workers, it would be extremely beneficial. Because the majority of hotels are currently owned by large corporations that own a wide variety of hotel chains, being able to move between properties would open up many more job opportunities for workers at *all* levels.
- The best training programs in the industry invest in a range of real skill development programs and focus on training that benefits both workers and firms. Training must be valued by both parties; otherwise, classes won't fill up and workers won't advance. And successful advancement training programs focus not only on technical skills but also on leadership, problem-solving, and teamwork skills.

Hotels that successfully address the issue of mobility often rely on partnerships with other hotels, community colleges, and unions in order to facilitate information-sharing and alleviate costs.

Advancement: How Does the Hotel Industry Respond?

<i>Inhibiting the Creation of Career Ladders</i>	→	Cutting training programs, subcontracting jobs or entire departments, and eliminating mid-level jobs to streamline bureaucracy
<i>Doing Nothing at All</i>	→	Assuming that entry-level workers do not want to move into other positions or that they can't learn the necessary skills to do so
<i>Building the High Road</i>	→	Promoting worker mobility by establishing career ladders within departments, between departments, and between hotels

Partnerships: Win-Win Solutions for Hotels and Employees

Solving fundamental problems requires fundamental changes — in the workplace, in job design, in employee relations, and in compensation. Because the costs of such fundamental changes would be extraordinary for any single hotel, the most effective way to solve these seemingly impossible problems is by working with others.

As we have seen, some hotels have been able to move from a low-wage and low-investment strategy to one that provides higher wages and emphasizes quality customer service and training for frontline workers.

But it is important to understand that this strategy is not just a matter of implementing one or two programs and then continuing with business as usual. Solving fundamental problems requires fundamental changes — in the workplace, in job design, in employee relations, and in compensation. Because the costs of such fundamental changes would be extraordinary for any single hotel, the most effective way to solve these seemingly impossible problems is by working with others. (For more information on partnerships in the hotel industry, see Working for America Institute, 2002.)

In our research, we found three examples of groups of hotels that did just that.

1. The Culinary Training Academy of Las Vegas

The Culinary Training Academy (CTA) of Las Vegas is a good example of a successful training partnership. The CTA was established in 1993 by a group of local hotel casinos and the local culinary union — which together represent 50,000 workers in Las Vegas — to meet the staffing and training needs of the hotel casino industry while at the same time providing education and job skills training for workers. The CTA does this on two levels.

First, the CTA provides training in entry-level skills for all culinary positions in the hotel casino industry. It also offers classes in ESL, GED, and customer service. This training goes a long way toward preparing workers new to the industry, as well as immigrant workers new to the country, to find and retain good jobs in Las Vegas' booming hotel gaming industry. By 1999, over 13,000 workers had graduated from the CTA and over 70 percent had been placed in jobs. The result is not merely an increased number of bodies in jobs, but an increased number of dedicated and skilled workers; hotels report that turnover is 50 percent lower among CTA graduates as compared to off-the-street hires.

Second, the CTA provides training for incumbent workers in an effort to develop stronger career ladders in the hotel industry. Training about 1,200 incumbent workers a year, the CTA facilitates upward and lateral mobility by providing skills for workers who want to move into different — and often better-paying — job classifications. Because this upgrade training is a significant benefit to all culinary employees in Las Vegas, the CTA is beginning to market this aspect of its services to all participating hotels. Its goal is to increase the percentage of upgrade students from 40 to 70 percent of all students by 2004.

CTA training is surprisingly affordable — and well worth the effort — for both workers and employers. In fact, the fees for training classes are waived for employees at participating hotels and for those classified as culinary employees. The CTA is funded almost entirely by contributions from participating employers and, because all of the union hotels work together, the training is cost-effective and highly tailored to the industry. This training program has become so successful that the CTA is considered to be employers' (both union and nonunion) primary source of "work-ready" employees in the region. In fact, the CTA is currently breaking ground on a \$5 million expansion that will include state-of-the-art training in kitchen, restaurant, housekeeping, and child-care skills.

As the largest provider of occupational training in Nevada, the CTA easily surpasses other training programs in the region in terms of placement as well as retention. The CTA has been able to secure this important role because it solves two critical problems facing the hotel and gaming industry in Las Vegas. First, it has solved severe recruitment and retention problems by providing a steady stream of workers to participating hotels. Second, by successfully training recent immigrants and former welfare recipients, the CTA has addressed the growing problems of lack of skills and lack of work experience in the new workforce.

2. The San Francisco Hotels Partnership Project

The San Francisco Hotels Partnership Project was created in 1994 by 11 first-class hotels and the Hotel Employees and Restaurant Employees International Union (HERE), the largest union in the industry. The goal of the partnership is to provide job security and solid compensation to workers, while also allowing for the increased competitiveness of participating hotels even in the severe depression in the region's industry after 9/11. This is achieved through an agreement known as the "living contract," which establishes an unprecedented structure to facilitate labor-management collaboration.

From the start, the Hotels Project implemented team-building and communication training programs at all levels of the participating hotels: this was critical to any future progress, given the history of hostile labor-management relations. Other initiatives include classes in Vocational ESL (VESL) and basic skills, alternative grievance resolution, and a welfare-to-work training center for housekeepers. For example, one project trained more than 200 entry-level workers to be higher-paid banquet servers, allowing the banquet hiring hall to have the best-ever performance in filling job orders for the holiday season. Funded with more than \$1 million in state funds and an additional \$500,000 from employers, these initiatives have offered nearly 225,000 hours of training to more than 1,500 labor and management participants.

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At the core of the partnership lies a series of problem-solving teams in the hotels that address long-standing workplace issues. These teams, comprised of workers, managers, neutral facilitators and translators, work together to develop solutions for some of the many challenges hotels face. Often, problem-solving teams from different hotels work together, so that a partnership-wide standard emerges.

At the core of the partnership lies a series of problem-solving teams in the hotels that address long-standing workplace issues. These teams, comprised of workers, managers, neutral facilitators and translators, work together to develop solutions for some of the many challenges hotels face. Often, problem-solving teams from different hotels work together, so that a partnership-wide standard emerges. In one project, for example, the entire kitchen area was restructured: 27 kitchen job categories were collapsed into three, and two job titles were eliminated altogether. This benefited the hotel substantially by eliminating rigid job categories that hindered flexibility in how workers were deployed and thus disadvantaged unionized hotels among the many non-unionized ones in the city. At the same time, workers benefited as wages were raised and seniority rules were strengthened. While such team projects are not yet the norm, it is clear that their success relies on workers and managers working together, instead of against one another, to solve industry problems. This teamwork is the hallmark of the partnership model.

Since 9/11, the Hotels Project has significantly improved the desperate situation of many laid-off hotel workers in the area. In particular, it is currently offering new job skills training and certification to 80 percent of participants. Housekeepers, dishwashers, and other entry-level employees will receive training for new jobs — different from their current positions — that employers need to fill. By increasing workers' employment options, this training will increase their potential for economic security. Additionally, the project is offering VESL training to 80 percent of the participants who need such instruction. Instead of teaching and testing workers through written exams, the project uses a task-based system of learning and achievement. Those who complete the VESL program receive not only a certificate of completion but also an extensive portfolio complete with a resumé, new skills certifications, and detailed explanations and photographs of their work history and knowledge of the industry. Thus, as the industry slowly comes back to pre-9/11 levels, those hotel workers with improved language skills and new job skills will be ready to move ahead with and in the industry.

3. The Four-Cities Career Ladders Project

Funded by a grant from the California Community College Chancellor's Office, the Four-Cities Career Ladders Project is arguably one of the most ambitious projects in the hospitality industry. Hotel industry line employees and managers from 29 participating hotels, as well as union leaders, facilitators, and community college educators are working together to improve the upward mobility opportunities for low paid hotel employees in four California cities: San Francisco, San José, Los Angeles, and San Diego. The project has already completed its first two stages and has impressively attained its primary initial objectives, including designing and teaching career-ladder training courses, delivering career coaching to frontline workers, facilitating project-based work groups of workers and employers, and building partnerships between labor, management, and community colleges in each city.

These objectives attack the problem of career ladders on two fronts: directly providing career ladder training to frontline hotel workers and, at the same time, building other (non-training) institutional systems that encourage employee educational development and upward mobility in participating hotels. This “whole systems” approach stresses the importance of developing capacities within the existing structures of participating hotels for data collection, analysis, improved awareness, and problem-solving. It is a long-term process rather than a one-time intervention. As the Hotel Division Director of San Francisco’s HERE Local 2 said: “We are dealing with the need to change a number of things that are part of a mindset that goes against upward mobility. These are not easy things to change. I have been representing kitchen stewards [dishwashers] in different unions for over 20 years and I see communications problems and systems problems. We can’t just deal with one piece of it.”

Although the project is still in its early stages, it has already produced substantial results. In each city, study teams of union representatives, employers, and community college educators have been established that ensure the project’s continuity and support long-term “organizational learning” about the problem of career mobility. The teams have also provided a unique opportunity for labor and management to experience working together in a different way. In San José in particular, labor-management relations have improved significantly. In San Francisco, the study team impressively developed a flow chart, mission statement, and workshop that all seemed to have the gritty quality of real life, allowing the voice of the hotel “insider” to be heard. A major by-product of their work was that a sustainable career ladder project needs to have a person designated as a career coach or mentor. Although such a career coach does not yet exist formally, San Francisco already has an informal one doing invaluable work for participating hotels.

Additionally, the Four-Cities Career Ladders Project has built partnerships between industry insiders and local community colleges. With their training partners, they developed an innovative, hotel industry specific, customer service curriculum. In San José, management and union leaders worked with the Mission College Culinary Arts Program in designing and delivering a banquet server training course, which became the model for a pilot career ladder class. And San Diego Community College worked with hotels on assessment and motivation of workers; in particular, the importance of assessment, self-discovery, values clarification, and the motivational impact of making a portfolio were significant contributions of the college.

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*—Hotel Division Director
of San Francisco’s
HERE Local 2*

What Can We Learn from these Examples?

There are many opportunities for “win-win” solutions in the hotel industry, which can improve both business performance and worker outcomes.

Some may read the above examples and think: “Well, that’s all very well and good for big hotels in big cities, but I just don’t have the money or time to invest in such initiatives.” Others may think: “The union is so small in my town that it only cares about raising wages and won’t give an inch on job flexibility. We’re constantly at each other’s throats.” Such responses are common and understandable, and we realize that the above cases are still anomalies in this industry (as well as in the U.S. economy as a whole).

But these exemplary cases *can* serve as guideposts for the rest of the industry as it moves into the 21st century. In particular, there are three very important lessons to learn from these partnership projects.

1. There are many opportunities for “win-win” solutions in the hotel industry, which can improve both business performance and worker outcomes.

In Table 3, we summarize a number of areas where there is a clear intersection of what employers need and what workers need. And in each case, there are one or more programs that can answer to both of them — programs that have a proven track record and are currently in operation in some of the hotels described in this report.

The simplest example is shown in the first row of the table. As we have argued throughout this report, job quality reinforces workforce quality: building a stronger workforce makes it possible to improve the quality of jobs. But there are other important examples of this type of synergy. For example, consider the need on the part of employers to have their staffing levels coincide with seasonal changes in demand. At first glance, such fluctuation would seem to be incompatible with the understandable desire on the part of workers for steady and predictable work. Yet, as the history of hotel hiring halls shows, there is a solution that meets both needs — namely, the well-coordinated assignment of workers both within and across hotels, resulting in stable work across multiple jobs.

The remaining rows in the table provide similar examples of possible “win-win” solutions. But for all of them, a key issue is how they are implemented.

Table 3

Programs that Deliver Win-Win Solutions in the Hotel Industry

Employers Need	Workers Need	Programs that Deliver Both	The Advantage of Implementing these Programs Regionally
Increased retention of frontline workers	<ul style="list-style-type: none"> • Good jobs with benefits • Basic skills enhancement 	<ul style="list-style-type: none"> • Wage and/or benefit increases for all front-line workers • Basic skills training 	<p>Economies of Scale</p> <ul style="list-style-type: none"> • Joint training programs • Joint benefit pools • Shared translating services • Ability to run full classes at community colleges <p>Cross-Site Learning</p> <ul style="list-style-type: none"> • Ability to share best practices • Simultaneous project implementation • Mutual benchmarking • Curriculum development <p>Industry Advantage</p> <ul style="list-style-type: none"> • Greater industry voice in public policy • More effective relationships with workforce development agencies
Supply of knowledgeable supervisors and managers	<ul style="list-style-type: none"> • Career mobility and advancement 	<ul style="list-style-type: none"> • Lateral and vertical training • Creation of actual career ladders/lattices 	
Labor flow that responds to fluctuating demand	<ul style="list-style-type: none"> • Steady, full-time, predictable work 	<ul style="list-style-type: none"> • Hiring halls or cross-hotel job postings • Cross-utilization of housekeeping staff into banquet work 	
Flexibility in what workers do	<ul style="list-style-type: none"> • Reasonable workload • Job security 	<ul style="list-style-type: none"> • Joint problem-solving teams focused on redesigning workplaces and giving workers skills to do new tasks 	
Reduced grievances and less contentious relationship with staff	<ul style="list-style-type: none"> • Respect • Input into decision-making 	<ul style="list-style-type: none"> • Training in leadership and communication at all levels of organization • Problem-solving teams 	

2. Regional hotel partnerships provide the critical backbone to support individual hotels as they pursue these solutions.

It is hard for single hotels to develop the sorts of programs we have described. Identifying needs, pulling together sources of funding, developing curriculum, and translating training into all the languages a workforce needs can simply be too great a task for a single hotel. By bringing the industry together, the partnership structure helps lower training costs for the firm. In Las Vegas and San Francisco, partnerships provide access to pooled training dollars, more effective and efficient training systems, strategies to increase the skill and effectiveness of workers, and regional benchmarking and information-sharing. Training programs are most likely to succeed when hotels partner with other hotels and local organizations, such as community colleges or unions. Moreover, a recent analysis of such partnerships states: "Cities that have utilized the joint labor/management training approach have seen a consistent, across-the-board rise in customer satisfaction, hotel productivity, and employee satisfaction." A post-training random survey of 966 hotel employees trained by such a partnership initiative showed an average 36 percent improvement across key hotel service skills such as communication, respect, language and cultural issues, conflict resolution, and teamwork (Moy 2001).

3. Developing regional partnerships should be an industry and public priority.

Employing nearly two million people, the hotel industry provides a backbone for regional economic development and a source of accessible entry-level jobs. As a first job and launching pad for so many, including many immigrants who come to this country, the hotel sector and the quality of its jobs should be not only an industry priority but a community priority as well. Public policy should be developed to help encourage the formation of partnerships that build job and workforce quality in the industry.

The hotel industry is critical to our cities and our communities. Regional partnerships focused on training and advancement for the industry's workforce are the best way to move the industry and its workforce forward.

The hotel industry is critical to our cities and our communities. Regional partnerships focused on training and advancement for the industry's workforce are the best way to move the industry and its workforce forward. We don't expect that these strategies will be implemented overnight, but we do believe the powerful examples described in this report can help inspire the discussions necessary to develop partnerships between workers and managers, among firms in the industry, and between the public and private sector. It is these discussions that will help move the hotel industry onto the high road in the 21st century.

Data Sources

Table 1 The Hotel Industry at a Glance

Revenue

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Size

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Number of workers and percentage of service sector: U.S. Bureau of Labor Statistics. 1999. Current Employment Statistics. National Employment, Hours, and Earnings.

Growth

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Major Trends

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Table 2

Hotel Jobs and Workers at a Glance

Workers

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Wages

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Race/Ethnicity

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Union Coverage

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Center on Wisconsin Strategy

University of Wisconsin-Madison
1180 Observatory Drive
Room 7122
Madison, WI 53706

TEL: 608.263.3889

FAX: 608.262.9046

E-MAIL: cows-info@cows.org

WEBSITE: www.cows.org