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# Solutions to the Hospitality Industry's Labor Shortage

**Abstract**

A shortage of labor exists in the hospitality industry, even to the point that many vacant positions go unfilled. The author discusses some solutions to the problem, including a look at retirees, working mothers, and the disabled.

**Keywords**

James D. Meier, Solutions to the Hospitality Industry's Labor Shortage, Hiring retirees, Staffing

# Solutions to the Hospitality Industry's Labor Shortage

by  
James D. Meier

*A shortage of labor exists in the hospitality industry, even to the point that many vacant positions go unfilled. The author discusses some solutions to the problem, including a look at retirees, working mothers, and the disabled.*

It is quite possible that there is no one left in the hospitality industry who has not heard of the dreaded labor shortage. There are articles, recurring columns, seminars, and even theses addressing the subject. But is there really such a shortage, or has a problem been created by those who write "solutions" to an exaggerated situation?

Demographics and various other statistics point to a proven change in the workforce, but this, however, is only a small part of the problem. There are over 161 million working-age people in America,<sup>1</sup> and there is presently a 5.2 percent unemployment rate.<sup>2</sup> However, lodging and food and beverage establishments across the country report a definite shortage of labor to the point that many vacant positions simply go unfilled.

The problem is not lack of people, but a lack of qualified applicants who want to work in the hospitality industry. So is there a labor shortage? For the hospitality industry, the answer appears to be yes.

## **Supply of Young People Decreases**

The hospitality industry has historically relied upon the 16 to 24-year-old age group for its entry level hourly positions. For example, this age group accounts for 42 percent of the employees in travel-related firms and 60 percent of the food service workforce.<sup>3</sup> However, this same group accounts for only 20 percent of all employees nationwide

and is expected to account for only 12.2 percent by the year 2000, according to the Bureau of the Census.

The problem for the hospitality industry is that this 16 to 24-year-old age group is rapidly declining. According to the United States Bureau of Labor Statistics, this group is expected to decrease 2.0 percent annually for both men and women from 1990 to 1995.<sup>4</sup> After 1995, this 16 to 24-year-old group is expected to stabilize.

This decrease is not new, however, in that from 1985 to 1990, the 16 to 24-year-old population has decreased 4.6 percent annually. It is predicted that the number of 16 to 20-year-olds will drop by roughly 3.8 million by 1995. These statistics are especially alarming when one notes that the restaurant industry had a shortage of 200,000 workers in 1988 and projects a shortage of 1.1 million by 1995.<sup>5</sup>

Another factor reducing the supply of labor is the restrictions, tighter enforcement, and larger fines for noncompliance when employing illegal aliens. This enforcement has prompted some hospitality establishments to avoid hiring even immigrants who are legally in this country. The U.S. Census Bureau reported that 3.5 to 6 million illegal aliens were living in the United States in 1980, with many of them working in the service industries.<sup>6</sup> A study by the Center for U.S.-Mexican Studies at the University of California found that 80 percent of San Diego's busboys and dishwashers were illegal immigrants.

### **Demand for Labor Increases**

The hospitality industry's demand for labor has increased. The number of hotel/motel rooms increased by 100,000 rooms annually between 1984 and 1987.<sup>7</sup> The number of employees per room has also shown a steady increase, with a present average of .5.<sup>8</sup> Employment projections for the lodging industry show that 2,421,000 people will be working in hotels/motels by the year 2000. This is an increase of 353,000 over the 2,068,000 employees in 1985.<sup>9</sup>

Similarly, employment opportunities for food service workers are forecast to advance 36 percent between 1986 and 2000, with the largest employment openings in the fast food sector.<sup>10</sup> The Bureau of Labor Statistics predicts 165,000 job vacancies annually in the food service industry; that is new jobs plus openings due to turnover.<sup>11</sup> The Bureau of Labor Statistics also predicts that the demand for service workers will grow 2 to 3 percent per year, while the total labor force is growing at only 1 percent per year.

Hospitality's manpower needs have increased and the traditional labor source has diminished. However, there is another element to the labor shortage unique to the hospitality industry: its distinctive set of industry conditions.

### **Industry Conditions Affect Labor**

People entering the hospitality industry are faced with the following scenario:

- **Odd hours:** The hospitality business is a 24-hour-a-day industry. Alternating shifts often make it difficult to plan a home life or take a second job.

- **Low pay:** With an average starting wage of \$4.37 an hour for lodging and \$3.57 an hour for restaurants, applicants can expect to earn only 65 percent of the U.S. average hourly earnings.<sup>12</sup>

- **No breaks:** For positions such as desk clerks, bus people, and food servers, many times two 15-minute breaks cannot be taken, especially in smaller facilities.

- **Public contact:** While some industries never have face-to-face contact with customers, hospitality is subject to satisfying each guest's individual preferences.

- **Simultaneous production and consumption:** Timing becomes even more important in this hectic setting.

- **Fluctuating demand:** Restaurants scurry for the lunch and supper rush. Housekeepers may be called off for seasonal or weekly fluctuations.

If hourly employees stick with the business and become management, they can then also look forward to the following:

- **Long hours:** Managers in hospitality may often work six 10-hour days.

- **Staffing problems:** The low pay, status, and promotability of such positions as dishwashers, buspersons, maids, and custodial workers has made for an average turnover rate of 250 percent for restaurants and 150 percent for lodging establishments.<sup>13</sup>

- **Supervisory challenges:** With typically no tangible, measurable output, management must rely on subjective evaluations.

- **Perishable inventory:** Food sales must be accurately forecast, while unsold rooms can never be made up.

These hospitality industry conditions reduce the number of applicants and eventually increase the demand for labor through high turnover.

Hospitality could increase its pay to attract employees, but it must change its image as an employer to actually retain these workers.

For hotels and restaurants not blessed with status or luxurious locations, employers are looking for solutions to their labor needs. Some solutions include the following: increasing automation, increasing wages, reducing manpower needs through a more efficient layout

of the facility, making part-timers full time, initiating career development programs from hourly positions, increasing productivity, offering flextime scheduling, offering external or internal education assistance, increasing benefits, offering child care, offering transportation to and from work, attracting applicants through tray liners and table tents, paying bonuses for employee referrals, and allowing people to work at home.

While management is unwilling or unable to change hospitality's working conditions, management has looked to people who work well in these industry conditions. Various categories of people have been targeted as possible alternative labor sources. Seniors, working mothers, retirees, women newly entering the workforce such as divorcees and widows, ex-convicts, the homeless, spouses of military personnel, temporaries, immigrants, the disabled, minorities, and current prisoners have been suggested. While some of these solutions have sizeable limitations and disadvantages, there are three very viable labor groups.

### **Alternate Labor Sources Offer Promise**

The labor groups of retirees, working mothers, and the disabled have been mentioned in many articles as showing the most promise in meeting hospitality's manpower needs. This is not to say, however, that hotels and restaurants do not presently employ these groups. What is suggested is that hospitality establishments should actively seek to recruit from these groups to improve the quantity and quality of applicants.

• **Retirees:** A recent Louis Harris and Associates survey showed that there are more than 1.9 million early retirees (aged 50-64) who are ready and able to go back to work.<sup>14</sup> Older workers often bring experience, a strong work ethic, maturity, and reliability to a job. They also provide good role models for younger workers within the organization.

The difficulty is in finding older workers who are interested in returning to work and willing to perform the tasks of a vacant position. There are, however, many ways to reach this labor pool. For example, recruiters can go to senior living centers, senior organizations such as AARP, or other meeting places such as churches to generate interest and applicants for the hospitality industry. State employment agencies can also be utilized. Volunteer groups composed primarily of seniors can be contacted. Many times these can be identified through the Chamber of Commerce.<sup>15</sup> Retirees are often best identified through an internal referral from present older employees.

Retirees returning to work will be very interested in the health and life insurance benefits which may sometimes fail to be a selling point to younger workers. Retirees are also drawn to positions that provide the opportunity to interact socially with other older people and to positions with flexible or shorter shifts.<sup>16</sup> It is important that an age-neutral environment be established so that the older worker feels accepted in the workforce.

• **Working mothers:** Studies show that women are continuing to enter the hospitality workforce at double the rate of men through the year 2000.<sup>17</sup> Working mothers are often committed to their jobs, especially when they are dependent on the job as their only income. Many times women with children in school desire the same day shift that is vacated by teenagers who attend school during the day.

One of the best tools for recruiting working mothers is by meeting their need for day care facilities. For women with young children, day care can also be effective in reducing turnover and absenteeism. Many hotels and restaurants enter into agreements with independent day care organizations where the employer contributes to or subsidizes employee child care costs.

Ways to reach working mothers include contacting women's organizations such as the YWCA and employment agencies and posting notices on bulletin boards of supermarkets, apartment laundry facilities, and health clubs that offer "mother hours."

• **Disabled:** There are approximately four to six million working-age disabled Americans who are able and willing to work.<sup>18</sup> Studies have consistently shown that the work performance of disabled employees is as good or better than non-disabled employees. Disabled employees have also shown to have no significant effect on group health insurance or worker's compensation rates; a company's turnover and absenteeism figures actually improve when employing this labor group.

Furthermore, there are several economic incentives in place to employ the disabled. For example, the Targeted Jobs Tax Credit program allows an employer to gain a 40 percent tax credit on the first \$6,000 of each disabled employee's earnings. The Tax Reform Act allows an employer to claim a \$35,000 tax deduction for work site accommodations. There are also a variety of federally-funded training programs which allow an employer to, for example, be reimbursed for up to one-half of the worker's salary for up to six months.

There are many ways to reach disabled workers. In a recent survey, employers rated state vocational rehabilitation agencies as the best source of disabled workers.<sup>19</sup>

With a rehabilitation agency, many times the employee is pre-trained within the agency for the position. Also, the agency may also send out a job coach to train the worker on the job site. The benefits of utilizing a rehabilitation agency include having it act as a placement company, send out qualified applicants, and assist in training costing the employer nothing. This lowers the cost of recruiting new employees and the cost of turnover.

Within the hospitality industry, the National Restaurant Association brings employers in contact with the appropriate agencies dealing with the employment of disabled people. Also, Goodwill Industries has established food service training programs in 50 sites throughout the country. The Human Resource Development Institute (HRDI) of the AFL-CIO also assists in placing disabled workers.

Other sources include training schools for the handicapped, sheltered workshops, state governor's committee for the employment of the disabled, Veterans' Administration offices, public schools with work study programs, and other non-profit organizations such as Goodwill Industries, Easter Seal Society, National Association for Retarded Citizens, and welfare agencies.

### **Present Employee Turnover Must Be Reduced**

While seeking alternate sources of labor is one way of alleviating the labor crunch, management must also concentrate on meeting the needs of its present and future employees to reduce employee turnover. With hospitality's below average pay, one obvious and inevitable way to attract and keep employees is to bring wages more in line with the other industries competing for the same labor pools.

Along with wages, hotels and restaurants can offer improved benefits packages. Many hotels could draw on their unique industry conditions. For example, discounted or free hotel rooms could be a selling point to older workers who intend to travel on their vacations. Also, restaurants could offer meals as part of the total compensation package. This may help attract working mothers who would enjoy having a meal prepared for them for a change. In addition, many airport hotels have a van for airport guests. One of the main difficulties for disabled workers is finding transportation to and from work.<sup>20</sup> The hotel van could be used to mutually benefit the worker and the employer.

One of the least expensive ways to retain and eventually increase the number of applicants is through improving the workplace environment. Off the job activities, such as hotels and restaurants forming a softball league, can be one possibility.

Since 50 percent of all terminations occur within the first 30 days of employment,<sup>21</sup> perhaps more attention could be paid to the orientation and training phases. Orientation should have the primary goal of reducing the anxiety of the new employee entering a new work environment. Training should be well planned and provide plenty of feedback instead of simply putting the new guy with the most senior employee to immediately deal with guests.

Many employees quit (or form unions) because they feel they have no way to voice their complaints or make a change. Management should make a point to improve communication and to allow employee input into decisions that will effect them. This allows the employees to feel that they are "in on things."

In a 1987 survey asking what employees want from their work, the number one rated answer was "appreciation of work done."<sup>22</sup> This is an inexpensive but often missed way for management to improve its employee relations.

Finally, management must provide a career path to hourly hospitality workers. The industry must be seen as more than simply a temporary job for unskilled workers. Internal job postings and promotions from within can make this possible.



The hospitality industry's labor shortage, unfortunately, does not have a single, feasible solution. Different geographical areas may find different solutions to their manpower needs. Utilizing the labor groups of retirees, working mothers, and the disabled may help fill the void left by a decreasing traditional labor pool. However, looking inward to improve the working conditions of the hospitality industry will help to reduce turnover and will attract the qualified applicants that are often lost to other industries.

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