



By Rick Swig

Lack of Human Capital Is Becoming Serious Issue for Owners, Operators

WHEN THE SPOTLIGHT IS ON RESOURCES, THE issues generally tilt toward the financial or natural ones. Yet the most challenging shortage now might be of human capital.

Human resource issues in the hotel business have traditionally been about training to provide guest satisfaction, which has a direct correlation with price/value, return guest ratios, brand reputation and ultimately, financial performance. There has also been a spotlight on employee satisfaction, since a happy worker presents a picture of contentment to hotel guests, which results in better delivery of service.

The inverse of that is high employee turnover, which can undermine financial stability on multiple levels. Turnover costs include recruitment, training, low produc-

other life essentials have put a great strain on hourly workers, especially in expensive coastal locations, such as California and New England, and large urban areas. Side effects include higher levels of personal debt or migration from these costly locations to other more affordable regions.

Linked to this are potential attitudes toward service-related careers. What is the hotel industry doing to make front desk, housekeeping, food and beverage or other jobs financially or culturally attractive? As the cost of hotel investments are rising in the same markets where shortages of workers are appearing, there seem to be few initiatives or answers to stimulate interest in hotel careers.

Outsourcing to foreign shores has become the norm in many industries. Even the hotel sector is outsourcing reservation departments to Canada, Ireland and India. However, there is a limit to this initiative. Domestic hotel projects will always be dependent on local workers and while immigration has been used to supplement the scarce supply of domestic workers, labor shortages are now so severe that hotels are importing workers from multiple countries in South America and even as far away as Iraq, where people have been dislodged from their careers and their homes.

The human resource shortages in New Orleans exemplify this issue. As hotels in the Gulf Coast region recovered from Hurricane Katrina and were ready to put revenue-producing inventory back on line, these efforts were thwarted by a lack of workers. Although this example is a bit extreme, it is not out of the realm of reality, even in more stabilized conditions. There may come a time when hotels in gentrified big cities with high costs of living discover shortages of maids and other guest service staff, not to mention salespersons to stimulate the demand for those service personnel.

The human resources challenge is both systemic and far-reaching, yet what is most important is the recognition of the issue. It may be time to review initiatives on many levels—organizational, financial and political—to enable the hotel real estate sector to continue functioning with satisfactory pricing and profitability for owners, as well as price/value and service satisfaction for guests. ♦

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tivity and the risk of inadequate service delivery. This applies both to management and hourly employees. In each case, excessive turnover can create an ongoing “dumbing-down” effect, where employees are not knowledgeable about the hotel, its physical idiosyncrasies and its historical business patterns. They also tend to have little or no relationship with customers, who look forward to returning to a familiar place with familiar people.

There is also the issue of scarcity of hotel workers. In some market areas, there are shortages of key staff to deliver fundamental services at the front desk, in housekeeping or in food and beverage areas. Reasons for this are varied and tend to be financial (unattractive wage structures), social (disinterest in the service sector) and political (immigration laws). It could also be due to over-aggressive hotel management, which has succeeded in cutting costs through limiting management tiers and other value engineering, but has also preempted the development of managers to support new expansion. All of these intertwine and result in the same issue: the lack of human resources.

Qualified workers may no longer find hotel employment financially viable. Workers are subject to more personal expenses than ever before. The cost of housing, fuel and