

Hospitality Industry Labor Shortage

A Mixed-Methods Investigation

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Abstract

A strong hospitality industry is fundamental to global economic prosperity. The industry accounts for 1 out of every 10 jobs worldwide. Currently, the hospitality industry is facing a labor shortage, which is impacting business operations and impeding investment and growth. The authors conducted a mixed-methods study to answer two questions: Why is there a labor shortage in the hospitality industry? And, what are some possible solutions to this labor shortage? The study findings show that Millennials (age 18–29) are the primary reason for the labor shortage. Among all age groups surveyed, Millennials were the least satisfied with their job and most likely to leave the industry within a five-year period. The study also found that Millennials view compensation differently and value workplace culture, professional growth, and task variety. The authors conclude that the issues are unlikely isolated to the Millennial generation but an emerging trend of the future workforce. Authors therefore recommend a two-pronged approach of building an authentic and dynamic culture that leverages technology to automate repetitive, mundane tasks.

Hospitality Industry is an Economic Force

A strong hospitality industry is fundamental to global economic prosperity. Tourism accounts for 292 million jobs worldwide and over 14 million jobs in the United States. In fact, tourism accounts for 1 out of every 10 jobs (World Travel & Tourism Council). According to Deloitte Center for Industry Insights' report *2017 Travel and Hospitality Industry Outlook*, the hospitality industry is entering an era of growth, with global business travel spending hitting record-breaking levels. Even stronger growth is projected for 2017, pushing the combined travel and hospitality market closer to \$381 billion by the end of 2017.

Despite this favorable outlook, the industry is facing some familiar, yet significant, challenges. Not least among these is talent, as the hospitality industry labor shortage is impacting business operations and impeding investment and growth. The US Bureau of Labor and Statistics estimates there were over 847,000 job openings in the leisure and hospitality industry as of April 2017. These concerns weigh heavily on industry leaders and beg the questions stated in the abstract.

The authors of the current research embarked on a labor shortage study seeking to answer these pressing questions.

“Talent availability seems tight. It’s becoming increasingly challenging to retain talent, and salary expectations seem to be rising steadily, especially from the younger generations.”

— Hotel Owner

*US Bureau of Labor Statistics

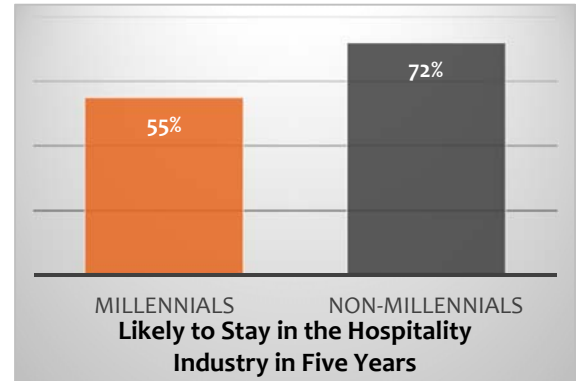


Authors conducted an online survey from February 20, 2017 to April 10, 2017, utilizing employees who currently work in the hospitality industry as a sample population. In the end, 163 employees responded from 55 hospitality companies across the country.

Key Findings

Millennials Are Moving On

Survey findings indicate that Millennials (age 18–29) are the primary reason for the labor shortage in the hospitality industry. Among all age groups surveyed, Millennials were the least satisfied with their job and the least likely to stay employed in the hospitality industry, with only 55% reporting they would stay in the hospitality industry within the next five years. In contrast, 72% of respondents in older age brackets reported they plan to continue to work in the industry.



Millennials See Compensation Differently

The current study also asked respondents about the importance of specific employee compensation benefits and found that Millennials value a dynamic workplace culture and promotional opportunities above all other benefits including company vacation time, dress code, and retirement plans. Benefits such as salary and employee healthcare were also deemed important.



Millennials Want Fast Upward Mobility and Task Variety

The current study found Millennials want career development in their job, with 64% of respondents viewing leadership and management skills as the most important skill to attain their five-year goal. This finding is supported by the Gallup poll, which also concluded that Millennials “are not pursuing job satisfaction; they are pursuing development.” The same poll

“The biggest challenge that we face right now is that there is so much turnover that training becomes an issue.”

—Boutique Hotel Owner

also concluded that Millennials have “little patience for upward mobility.” In other words, Millennials view their current job as a means to reaching their ultimate career aspirations, and when they no longer feel that they are developing, they look for new employment opportunities.

The current survey also found that 74% of Millennial respondents, who were least likely to stay in the hospitality industry over the next five years, valued task variety in their jobs. However, many entry-level jobs in the hospitality industry, like housekeeping, front desk, servers, etc., are routine in nature and likely contributing to Millennial job dissatisfaction.

Is this a Millennial Fad or a Long-Term Workforce Trend?

The big question facing the industry remains whether Millennial workplace preferences are merely a fad or, instead, a long-term workforce trend.

During qualitative interviews that accompanied the current study, more professionals than not stated they believe this is a long-term trend. Meanwhile, across the country, journalists have corroborated this belief, as in articles such as, “Myth of the Millennials” or “Trend of the Modern Employee,” both of which argue that future generations will be more like Millennials than like previous generations.

“Recruitment is one of the most challenging and pressing issues I face today in hospitality.”

— *Director of HR of Major Destination Resort*

This perception is particularly worrisome for the hospitality industry. Like all service-oriented organizations, the company is only as good as the people it employs; if the industry is unable to meet its staffing needs with engaged and quality team members, then service quality levels, operational effectiveness, and growth opportunities will be severely impacted.

In the coming years, the labor challenge is only likely to become more difficult to address. Increased competition and more informed customers with higher service expectations will only increase the need for engaged and high-quality staff. If the hospitality industry is unable to acquire and retain the necessary talent, then the industry is at a tipping point and must address these challenges now to succeed long-term.

Industry Solution Lies in Company Culture and Technology

The hospitality industry labor shortage varies by location, organization, and season. As a result, each entity’s needs and corresponding solutions will vary as well. However, at a high level, each organization needs to ask itself some basic questions:

1. How severe is our labor shortage, and how are we doing relative to our competitors from a labor perspective?
2. Does our Human Resources Department offer us a competitive advantage? If not, can it be reformed to do so?
3. How can we align our company culture with the modern workforce?

4. Have we leveraged technology enough to augment service and reduce routine tasks for our employees?

Although responses to the questions above will vary, it is likely a two-pronged approach is needed to succeed. First, hospitality companies must turn their Human Resources initiatives into a competitive advantage by building a dynamic workplace environment and culture that is aligned with the values of the modern workforce. This includes reevaluating existing hiring practices, the promotion process, career development, and workplace culture.

To create a sustainable, long-term competitive advantage, hospitality organizations must also address the routine nature of many entry-level staff jobs that are the hardest to fill. As a result, companies will need to take advantage of lower cost technology and automate routine job tasks. The airline industry has fully embraced this concept and is already deploying automation technology across its operations. To implement this strategy at the operational level within the hospitality industry, an organization will need to ask this basic question before it posts each new job: Do we need another hire, or can this job be automated through technology?

Additional studies regarding the hospitality industry's labor shortage are ongoing.

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