Hospitality Industry is an Economic Force

A strong hospitality industry is fundamental to both Oregon’s and our nation’s economic prosperity. Tourism in Oregon is a $10.8 billion industry (Travel Oregon 2016) employing nearly 16 million workers nationally (U.S. Bureau of Labor Statistics 2017). And yet, it is estimated that there are close to 15,000 job openings in Oregon’s hospitality industry alone.

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 a record-breaking $1.2 trillion in 2015, up five percent from the previous year. While hotels, airlines, and other travel segments are particularly vulnerable to the ebbs and flows of economic conditions, the U.S. leisure travel market saw its fourth straight year of five percent growth in 2015, reaching $341 billion. 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 will likely face some familiar, yet significant, challenges. Not least among these is talent, as a labor shortage weighs heavily begging the question why there is a labor shortage in the hospitality industry in the first place? And, what are some possible solutions to this labor shortage? Authors of the current research embarked on a labor shortage study seeking to answer these pressing questions.

An online survey was conducted 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.

Millennials in the Hospitality Industry

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 55% reporting that they would leave the hospitality industry within the next five years. In contrast, approximately 72% of respondents in older age brackets reported they plan to continue to work in the industry. However, there is no indication that this phenomenon only pertains to the hospitality industry as a 2016 Gallup poll found that across all industries “21% of Millennials report changing jobs within the last year, which is more than three times the number of non-millennials.”
Millennials See Benefits 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. Although, benefits such as salary and employee healthcare were also deemed important. One industry executive explained, “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.”

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 previously referenced Gallup poll, which also concluded that Millennials “are not pursuing job satisfaction; they are pursuing development.” The same poll 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 job. 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.

Future Forward

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 in the Oregon area stated they believe this is a long-term trend. Meanwhile, across the country, journalists would have to agree as in articles such as, “Myth of the Millennials or Trend of the Modern Employee” that argues future generations will be more like Millennials than like previous generations.

This perception is particularly worrisome for the hospitality industry. Like all service-oriented organizations, the company is only as good as the people they employ; 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.
Conclusion

The hospitality industry labor shortage varies by location, organization, and season. As a result, each entities’ 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. Is our Human Resources Department a competitive advantage? If not, can it be?
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-prong 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.

However, 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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