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## Top HR Challenges in the Hospitality Industry

The coronavirus pandemic has rocked the hospitality industry, but new opportunities have emerged.

By Tamara Lytle | December 1, 2020

**T**he global coronavirus pandemic hit with the force of a tsunami, leaving many hospitality companies clinging to survival. The restaurant industry this year is on track to lose \$240 billion. In mid-September, roughly 3 million restaurant employees were out of work and one-sixth of all restaurants were closed permanently or for the long term, according to the National Restaurant Association.

Hotel workers experienced a devastating 38 percent unemployment rate earlier this year, and nearly two-thirds of U.S. hotels had occupancy rates of 50 percent or less late this summer—not enough to pay the bills, according to the American Hotel & Lodging Association.

The number of jobs in entertainment and recreation plunged 31 percent between September 2019 and September 2020, according to the Bureau of Labor Statistics (<https://www.bls.gov/>).

When the coronavirus waters ebb, the landscape is likely to show some of the same problems that human resource leaders in the industry have long struggled with—low wages and high turnover, a lack of diversity in the higher ranks, and the need to recruit and retain capable talent. But the virus has also remade businesses, including in some ways that present new opportunities. Remote work is more common. Jobs now come with greater flexibility. And job descriptions are broader.

#### ENDURING CHALLENGES

**“H**R is in a terrible but yet really good position, big picture,” says Robin DiPietro, a Burger King franchisee for 20 years and now director of the School of Hotel, Restaurant and Tourism Management at the University of South Carolina. “A year ago, we couldn’t find people for jobs in hospitality and tourism. Now we’ve got an abundance of well-qualified people.”

That doesn’t mean long-standing staffing problems have been resolved. In theory, all the cutbacks across the industry should have eased the usual talent crunch. But companies are getting so inundated with resumes, it’s harder to fish out the best candidates. And as the economy struggles to rebound from the slowdown caused by the coronavirus, many hotels and restaurants just don’t have enough business to hire more employees.

At the same time, the industry’s high-turnover environment remains. Hospitality jobs are known for being low-wage and low-skill, says J. Bruce Tracey, professor of management at the Cornell University School of Hotel Administration. “One of the problems we’ve had forever and a day is the industry is generally a steppingstone to something bigger and better.”

**\$240B**  
**ESTIMATED LOSS OF BUSINESS TO  
RESTAURANTS IN 2020 DUE TO THE  
PANDEMIC.**

Source: National Restaurant Association.

That means companies in the hospitality industry often compete for talent against employers in other industries that need people with similar skills. Hotels looking for managers may be up against nursing homes looking for directors. Restaurants that need chefs may be vying with community colleges that need teachers. “Hospitality employers are not only competing with each other for scarce talent, but also against the other employers for whom the same skills can be used,” Tracey explains.

Another enduring problem is the lack of diversity at higher levels of the industry. The industry’s hourly workforce is diverse, but that’s not the case for management.

As a reckoning over race gripped the nation this year, many hospitality companies started evaluating the makeup of their workforces.

"There's been such a huge focus on this, companies are turning internally and asking if they represent the world at large," says Scott Samuels, CEO of Horizon Hospitality (<https://www.horizonhospitality.com/>), an executive search firm in Overland Park, Kan., that focuses on the hospitality industry.

To find more diverse candidates for management jobs, Robert Mellwig, chief culture officer at SBE Lifestyle Hospitality in New York City, which operates 35 hotels, suggests that HR cast a broader net and recruit people from other industries.

Companies also need to grow their own diverse talent pools, Mellwig adds, through mentoring and sponsorship programs. Look at the pipeline into lower job levels and provide the support people need to progress, he says. "We have to look at the verticals that are feeding senior positions: How do we make earlier choices in the food chain to prepare for the long-term objectives of the industry?"

"Employers should tackle the problem head-on, Tracey says. After receiving promotions, he notes, many women leave the industry because of family obligations, and so companies need to offer ways to help them manage family responsibilities while staying engaged at work.

## 'YOU DON'T WANT TO LOSE YOUR WORKFORCE—A TRAINED WORKFORCE IS LIKE GOLD IN THE HOSPITALITY INDUSTRY.'

Nicole Leier



Employers can also reward managers for supporting diversity in hiring and promotion decisions. "You don't get what you expect, you get what you inspect and reward," Tracey says.

Preferred Hotels and Resorts in Newport Beach, Calif., which has 750 hotels in 35 countries, has made good progress diversifying its C-suite. About 44 percent of the company's senior executives are female and 10 percent are Black, including Greg Smith, senior vice president of human resources.

There's no secret formula. "We just work really hard at this," Smith says. That means asking for suggestions instead of getting defensive when people say not enough is being done to promote diversity.

### HARD DECISIONS

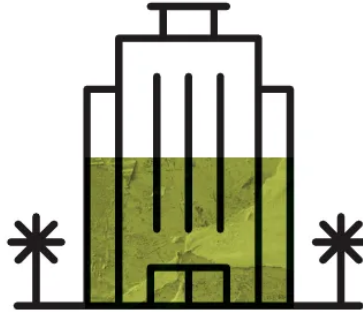
**W**hen hospitality businesses closed their doors last spring during the early days of the pandemic, one of the first challenges was how to downsize staff.

"There's been a big challenge in how to properly reduce the workforce, how to compensate those furloughed or laid off, [and] how to instill loyalty within your current team so they feel valued and like they're not next on the chopping block," Samuels says.

The lessons learned may have to be used again if a winter outbreak of the novel coronavirus causes more shutdowns or if the economy is slow to recover.

Making any cutbacks or changing the work hours of employees should be done transparently so that workers understand it's fair, says Nicole Leier, a senior consultant with Executive HR Consulting Group (<https://www.executivehrconsulting.com/>) in Los Angeles.

Furlough decisions, for instance, should be made based on seniority since that's a standard people understand. And when restaurants need to make sudden staffing adjustments—for example, because bad weather means outdoor seating won't attract many diners—there should be a written policy for how it will be accomplished.



## **50% OR LESS**

### **OCCUPANCY RATE OF NEARLY 2/3 OF U.S. HOTELS THROUGHOUT THE SPRING AND SUMMER OF 2020.**

Source: American Hotel & Lodging Association.

Mandy Holloway, executive vice president of people at Montage International, which is based in the Los Angeles area and manages luxury properties, says her company has had to cut its staff in half to 2,000. The challenge, she says, “is trying to understand what business levels will look like ... from a staffing level. It’s continually having to flex the staff level.”

All seven Montage hotels were closed in the spring; by September, all but one had reopened. “What we’ve done really well is when associates are on furlough, we’ve looked at how to take care of [them].”

Some examples: Montage sold gift cards, with the proceeds going to a relief fund for those who lost their jobs. And for both the furloughed workers and the employees working during the coronavirus threat, Montage offered 24/7 telemedicine support. “Making sure they had medical resources available during a pandemic was incredibly important,” says Holloway, a 20-year veteran of the industry.

Employees and their families also received meal care packages twice a month, and workers could access professional development opportunities, as well as virtual fitness and cooking classes.

Like many business leaders, Samuels had to make tough choices regarding his employees. His executive search firm, coming off a strong 2019, had to cut nine of 29 positions. With so many unknowns at the start of the pandemic, the first question was whether to furlough them or lay them off.

Not knowing how long the pandemic would last made things tricky. “Furloughs give individuals the impression they’re coming back,” Samuels says. “We weren’t sure. I felt that put people in a precarious position.”

He settled on layoffs so the workers could move on and look for other jobs. He made sure to communicate to everyone how difficult the decision was and how he went about deciding who would go. He also gave laid-off workers information about continuing health benefits under COBRA, where to file for unemployment and strategies for what to do next.

Others believe furloughs are a better bet than layoffs in a downturn. “You don’t want to lose your workforce—a trained workforce is like gold in the hospitality industry,” says Leier, who has worked at Hyatt and for high-profile hotels such as the Century Plaza and Waldorf Astoria in Beverly Hills, Calif.

#### RETAINING PRIZED EMPLOYEES

**H**olding onto those “golden” trained employees is important, even when there’s high unemployment and a soft labor market. To that end, promoting from within—something Leier says she saw Hyatt do well during her years there—is a great way to build an engaged workforce.

Likewise, training workers and giving them more responsibility builds pride and helps increase retention rates. At Century Plaza, Leier found that workers stayed longer and had empathy for their co-workers when they got the chance to work in many different departments. “When someone takes the time to invest in you and let you learn, it builds loyalty and commitment to the organization,” she says.

Courtney Hendricks, HR manager at Milwaukee-based Cousins Subs, helps build loyalty through tokens of appreciation, such as anniversary cakes, gift cards, movie tickets and especially handwritten thank-you notes. The restaurant chain also retains workers by providing a path for hourly workers to rise into career positions; in fact, Hendricks’ boss started as a 16-year-old sandwich maker. “We have a very clear ladder,” Hendricks says.

As the pandemic was taking hold, Montage’s Holloway focused on communications and training as a way to allay concerns among her staff. “You can’t over-communicate,” she says. The company sent out weekly updates, general managers at each property held weekly virtual town halls with workers to make them feel connected, and furloughed employees were sent weekly local updates with resources such as food bank locations. Along with instituting new safety protocols such as daily temperature checks for staff, Montage provided online training modules on issues such as wearing personal protective gear. And before reopening, the company trained managers on how to lead through adversity.

**‘I CAN’T WAVE A MAGIC WAND AND EXCISE EVERYONE’S ANXIETY. BUT BY BEING HONEST, DIRECT AND TRANSPARENT, THAT GIVES CLARITY—AND PEOPLE ARE BETTER ABLE TO MAKE DECISIONS.’**

## Greg Smith



### MOVING TO REMOTE

**H**aving been through the shock of a sudden shutdown, hospitality companies now have a better idea of what type of workers are most needed and what can be accomplished remotely.

“If you’re not traditionally an industry to support work-from-home [arrangements], which hospitality isn’t, it takes a while to be able to reorganize,” Leier says. “But it can work.”

That involves writing new policies, such as requiring staff to keep their Skype links open, be available during certain hours, and meet expectations on answering phone and e-mail messages. And sometimes, Leier says, it means reminding people that noise from a child in the background is OK in the middle of a pandemic.

In the long term, Mellwig says, the realization that more work can be done remotely could help employees cut long commutes and restore work/life balance.

For companies like Cousins Subs, where the culture is built on collaboration, remote work has been a challenge, Hendricks says. Staffers there alternate between coming in two or three days a week and working from home the rest of the time. As HR manager, Hendricks has found it’s even more important to follow up with employees quickly, especially younger workers accustomed to quick responses.

Remote work means companies have to try harder to communicate with employees, especially when watercooler check-ins are nonexistent. Preferred Hotels and Resorts holds virtual meetings for staff and includes furloughed workers in all-hands meetings. “I can’t wave a magic wand and excise everyone’s anxiety,” Smith says. “But by being honest, direct and transparent, that gives clarity—and people are better able to make decisions.”

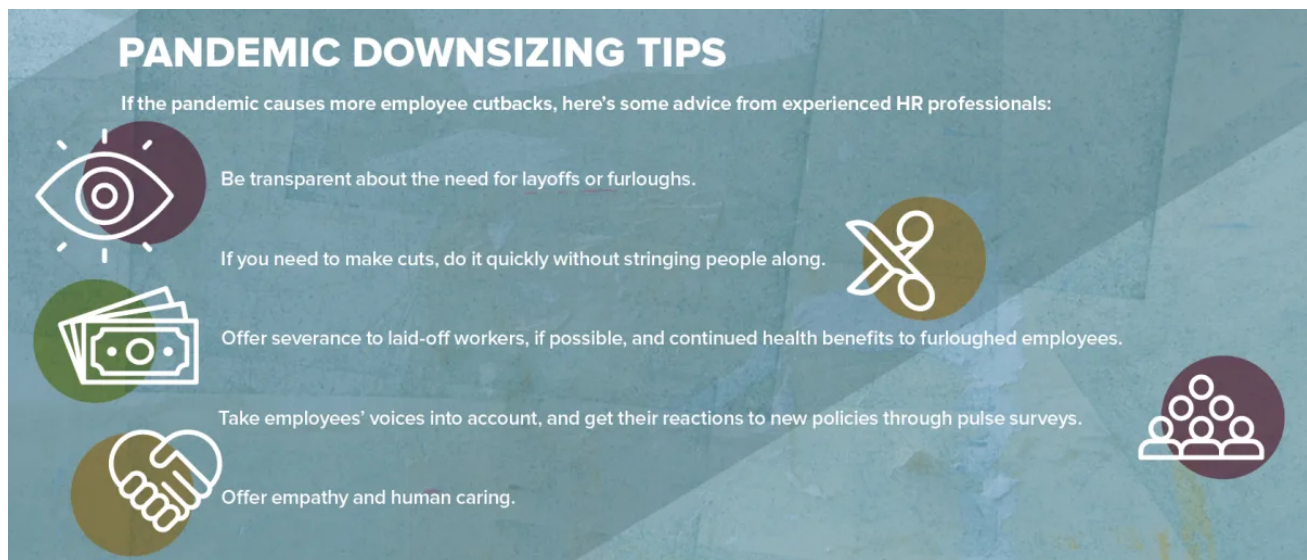
### A FLOOD OF NEW IDEAS

**T**he COVID-19 pandemic has spurred innovation in the industry that likely will outlast the era of social distancing.

Hotels have quit cleaning rooms every day, and some send in robots to disinfect the spaces before housekeepers enter. Others let guests use phone apps to check in and open their room doors without keys. Restaurants have QR codes instead of physical menus.

“The industry has had to adapt and morph,” Samuels says. “A lot of these things will stay with us.”

The disruption even has some restaurants considering a fixed-rate tip-sharing arrangement. Traditionally, front-of-the-house staff, such as servers, were paid minimum wage but made good money from tips, while kitchen staff had higher base wages but received no tips. Sharing gratuities would make it easier to recruit chefs and cooks, Samuels says. “COVID has given people time to re-evaluate that structure.”



During the winter months, successful restaurants will need to find ways to keep customers coming back by offering more to-go meals and heated outdoor dining.

Cousins Subs moved quickly to adapt early in the pandemic. Only 30 percent of the company's restaurants had drive-thrus. Suddenly, they all needed to offer curbside pickup. "We implemented and launched curbside in 48 hours," Hendricks says. It "was huge in keeping our business afloat."

SBE, which also operates Umami Burger, Sam's Crispy Chicken and other restaurant brands, already was moving toward "ghost" or cloud kitchens—sites that cook purely for delivery. SBE has various brands, such as Krispy Rice and Plant Nation, that share kitchens. Mellwig says the company wanted to fill the niche for customers in search of higher-end delivery food and a range of taste options for different family members. The in-store dining shutdown resulting from the pandemic allowed SBE to repurpose staff to speed up the ghost kitchen concept and support deliveries.

Cross-training is another strategy that could help companies brace for future upheaval. If more cutbacks are needed, valuable employees won't have to be let go just because their usual tasks aren't needed.

"Cross-training makes your team more flexible in their skill set," Samuels says.

A hotel front-desk clerk, during a lull between check-outs and check-ins, can help in the accounting department. The employee would get broader experience, and the company could function with a smaller staff but pay the worker a bit more.

During the current economic slowdown, hotels might not need, or be able to afford, valets, door people and bell service, Mellwig says, but a "welcome ambassador" could perform all three services.

"There are opportunities for companies to get creative with the evolution of jobs—the combination of tasks, skills and responsibility and the delivery of the hospitality experience around fewer, better jobs," he adds.

Expanding the scope of job duties gives businesses flexibility. It also provides workers with variety and new skills. "We don't do enough of that in our industry. It will help them stay longer if they're doing more than ringing in a Whopper combo and Coke," DiPietro says.

"Give them a larger and more impactful job that will help them grow with the company."

Broader, more-interesting jobs, along with more discretion, can make for better employee engagement.

"If the employees aren't happy," Tracey says, "you can't expect the guests to have a good experience."

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