U.S. Hotels and Their Workers

Room for Improvement
Executive Summary

The U.S. hotel industry—a low-wage industry that has grown rapidly over the past two decades—provides jobs for workers with little formal education or training, including some people leaving welfare. Hotels have also received public economic development subsidies as part of central city economic development projects.

This report summarizes the industry's performance on issues of interest to its workers and to those who are concerned about low-wage workers and wage inequality, the opportunities available to people leaving welfare and the quality of jobs created by businesses receiving public economic development subsidies. The industry's record on these issues is a mixed one, with both positive and negative features.

- Since the mid-1980s, hotel employment has grown faster than overall U.S. employment, reflecting the expansion of the industry in the 1980s and late 1990s. In 2000, about 1.8 million people worked in hotels, 48.1 percent more than in 1984.

- Between 1989 and 2000, hotel employment rose dramatically in a number of southern and western states, most notably in Mississippi and Nevada. In Mississippi, hotel jobs increased from 7,900 to 35,568 jobs or 350 percent. In Nevada, during the same period, hotel jobs increased from 128,162 to 216,512 or 69 percent. Taken together, Mississippi and Nevada accounted for nearly 45 percent of the 260,000 new hotel jobs created nationwide during the 1990s.

- Hotel workers had a median wage of $8.62 per hour in 2000. This was $3.41 per hour below the overall U.S. median hourly wage of $12.03. (These wages may not include tips for such workers as waiters and waitresses, bartenders, and bellhops.)

- The wage gap between high- and low-wage hotel workers has grown during the last two decades. In 2000, high-wage hotel workers earned 325 percent of what low-wage hotel workers earned; in 1979, high-wage hotel workers earned 240 percent of what their low-wage counterparts earned. The high-wage/low-wage gap was larger in hotels than in several industries with similar overall wage levels, including meatpacking, nursing homes, building services, laundry services, department stores, grocery stores, and child care. (High-wage workers are those who earn more than 90 percent of all workers in their industry, while low-wage workers are those who earn less than 90 percent of all workers in their industry.)

- Poverty-level wages are common in the industry. In 2000, 47 percent of hotel workers, but only 27 percent of all U.S. workers, earned less than the hourly wage that a full-time, full-year worker would have to earn to reach the federal poverty line for a family of four. (This does not mean that 47 percent of hotel workers lived in poverty, since some could have exceeded the poverty level by relying on the earnings of other family members, working more than one job or working longer than regular full-time hours.)

- Except in Las Vegas, hotel wages in the 20 metropolitan areas with the most hotel jobs were too low to enable a single parent to support herself and one child at a basic-needs level in 1999. Half of these major hotel centers had average hotel wages that were no
more than 76 percent of the amount that a one-parent, one-child family needed to afford the cost of basic necessities.

- The largest hotel occupations are maids and housemen (22 percent of hotel jobs in 2000), managers (18 percent), clerks (9 percent), and cooks and personal service workers (about 5 percent each). Managers have been increasing as a share of hotel employment, while waiters and waitresses have been declining.

- Recent research shows that hotel housekeepers, the industry’s largest single occupation, do not have access to career ladders on which they could advance within the industry. There is more potential to create career ladders in some other hotel occupations, such as food and beverage service and front desk jobs.

- During the last decade, some hotels outsourced parts of their operations that managers considered “non-core” or unprofitable, such as food and beverage services. This decision may depress wages for hotel-related work. Wages are usually higher in hotels than in the industries that take over these functions. For example, median wages for cooks are higher in hotels ($9.05 per hour) than in restaurants ($6.71), and janitors earn more in hotels ($7.96) than in building services companies ($7.24).

- About 20 percent of hotel workers worked part-time in 2000, compared with 17.7 percent of all U.S. workers. Part-time hotel workers were about twice as likely as part-timers in the United States as a whole to be working part-time involuntarily. About 20.9 percent of part-time hotel workers, but only 10.8 percent of all U.S. part-time workers, preferred a full-time job but were working part-time for economic reasons.

- Hotel workers’ employee benefits fell in the late 1990s. From 1995 to 2000, benefits fell by 3.7 percent after adjusting for inflation.

- Hotel workers have more occupational injuries than private sector workers as a whole. From 1992-2000, hotel workers averaged about 8.9 injuries per 100 full-time workers, compared to 7.0 injuries per 100 full-time workers in the private sector as a whole. However, hotel workers had fewer occupational illnesses and fatalities than private sector workers as a whole.

- Compared to U.S. workers overall, hotel workers are younger, have less formal education, are more likely to be women, are more likely to be immigrants, and are less likely to be white. In 2000, about 21.8 percent of hotel workers were under age 25, 24 percent did not have a high school diploma, 57.9 percent were women, 28.4 percent were immigrants and 45.6 percent were non-white.

- In recent years, the industry’s workforce has increasingly been made up of immigrants and Hispanics and workers’ levels of formal education have been rising.

- Not all hotel jobs are the same. Unions, which represented 11.7 percent of hotel workers in 2000, improve the quality of hotel jobs substantially.
  - In 2000, hotel workers represented by unions earned a median hourly wage of $10.00, $1.50 more than nonunion workers’ median wage of $8.50 per hour.
(Even after adjusting for other factors that can affect wages, union hotel workers in the late 1990s earned nearly 10 percent more per hour than their nonunion counterparts.)

- Union hotel workers are more likely to work a standard full-time workweek. About 21.5 percent of all nonunion hotel workers, but only 9.2 percent of union hotel workers, worked part-time in 2000. About 14.2 percent of nonunion workers, but only 2.4 percent of union workers, worked 45 or more hours per week.

- Unions benefit traditionally lower-wage groups the most. In 2000, non-white hotel workers represented by unions earned $2.30 more per hour than non-whites without union representation; women represented by unions earned $2.00 per hour more; union workers with less than a high school diploma earned $2.50 per hour more; and foreign-born union workers earned $2.37 per hour more than their nonunion counterparts. Unions represent workers who come disproportionately from several of those groups. In 2000, about 30.2 percent of union hotel workers did not have a high school diploma, 47.9 percent were immigrants and 63.8 percent were non-white.

- As of May 2002, hotel jobs had not recovered from the combined effects of the recession and the Sept. 11 terrorist attacks. From March 2001 (the beginning of the recession) through May 2002, hotel industry employment declined by 122,000 jobs, or 6.4 percent. Of those lost jobs, 63,000 were lost after September 2001.

- Unless carefully designed, “work-first” welfare reform has the potential to drive down the wages of all low-wage workers, trap workers in jobs from which there is little opportunity to advance or promote the cycling of workers from one low-wage job to another. These concerns are especially important for the hotel industry, where many workers already earn poverty-level wages, wages in major metropolitan areas are generally insufficient to support a single parent and child, turnover is already high and pathways of advancement are not equally available to all workers.

- Hotel jobs can be improved by promoting “high road” hotel competition based on high productivity, high quality and innovation, and blocking “low road” competition based mainly on low costs (including low wages) and little attention to productivity or quality. Policies that can accomplish this are:
- providing government and foundation support to multi-employer partnerships that are dedicated to raising job quality and creating meaningful career ladders for hotel workers;

- directly raising wages at the bottom through a higher minimum wage, living wage laws and job quality standards attached to economic development subsidies;

- protecting workers’ right to form and join unions;

- integrating education, training, workforce development and career path development more fully into welfare reform;

- requiring employers to provide equal hourly wages and benefits for part-time and full-time workers doing equivalent work; and

- obtaining government funding of detailed industry data collection for regions where hotels are especially important to the local economy.
Policy Recommendations

This report has highlighted both positive and negative features of hotel employment. The hotel industry has relatively strong employment and wage growth, many entry-level jobs, opportunities to create career ladders, the relative absence of extremely long work hours, and relative stability of employment within the industry and its occupations (although not within individual hotels). However, we have identified several features of hotel jobs that are in need of improvement: low wages and many poverty-wage jobs, wages that are insufficient to support a single parent and child in nearly all major hotel metropolitan areas, absence of career ladders for many low-wage workers (despite the opportunities that exist to create them), growing wage inequality, falling employee benefits, many part-time jobs and a relatively large amount of involuntary part-time work, high job turnover and high occupational injury rates.

Solving these problems requires public policies that will support union and employer efforts to promote the high road and block the low road in the industry. The following are some policies that could achieve these goals.

Provide Government and Foundation Funding to Multi-Employer Partnerships in the Industry

Individual hotel employers, acting alone, are often unable to raise productivity, improve working conditions, reduce turnover, or train workers in skills that are useful throughout the industry. Their difficulties include lack of knowledge, the fear that other employers will hire away workers that they have trained, and widespread low-road competition from employers that compete on the basis of low wages and do not systematically try to raise productivity. If employers in the industry work together, though, they can overcome these obstacles. Because hotel workers have much of the knowledge that is needed to solve employers’ problems, multi-employer partnerships in the industry should include worker participation.

Three existing multi-employer hotel partnerships illustrate the some of the ways in which partnerships can improve hotel jobs. In Atlantic City, casino hotels and Local 54 of the Hotel Employees and Restaurant Employees Union (HERE) have worked together to create an apprenticeship program to train chefs. In the San Francisco Hotels Partnership, downtown hotels at the high end of the industry work with HERE Local 2 to train line workers and managers in resolving labor-management conflicts, reducing the labor turnover that those conflicts often cause. Las Vegas’ Culinary Training Academy, a non-profit organization formed by HERE Local 226 and major hotel casinos, trains hotel workers, helps place them in jobs, and through its training and placement efforts, helps workers advance within the industry. The activities of all three partnerships both benefit workers directly and help raise hotel productivity.

Government funding could facilitate the formation of similar partnerships in other major hotel centers. Funding from foundations, particularly those that are concerned about the well being of low-wage, minority, or immigrant workers, could do so as well. These partnerships could help reduce the high rates of labor turnover that are unproductive and costly to both workers and employers. In addition to providing labor-management dispute resolution
training, some other ways that partnerships might help reduce turnover are to find ways to improve job safety, redesign jobs to make better use of worker skills and explore ways to reduce the number of part-time jobs. At the same time, multi-employer partnerships are ideally situated to help workers make productive career moves from one hotel to another in cases where it is difficult or impossible for them to advance within a single hotel. Partnerships could promote multi-employer careers by working to make job definitions and skill requirements more uniform among hotels in a local area, training workers in skills that are useful throughout the industry but not specific to a single employer (such as cooking), and establishing portable pensions, health insurance and other employee benefits. The fact that hotel workers typically stay within the hotel industry even though they often change employers makes it desirable for partnerships to address these issues.

Raise Wages for Low-Wage Workers: Minimum Wage, Living Wage Laws and Job Quality Standards on Publicly Financed Hotel Projects

Rapid hotel productivity growth is a necessary foundation for rapid wage growth over the long term, but by itself it is not sufficient. Public policy should also raise wages for low-wage workers in more direct ways. Raising the wages of low-wage workers directly would benefit many hotel workers, reduce the number of hotel jobs that pay poverty-level wages, help reverse the growth of wage inequality in the industry and reduce labor turnover.

Increasing federal and state minimum wages could benefit many hotel workers. Minimum wage increases benefit not only workers who earn less than the amount to which the minimum wage is increased, but also other low-wage workers who earn slightly more than the minimum wage. The 10 percent of hotel workers who earn less than $5.56 per hour (just 41 cents above the current federal minimum wage) would benefit from a minimum wage increase. Since the median hotel wage is only $8.62, other hotel workers could also benefit. Research has shown that modest increases in the minimum wage can benefit low-wage workers without causing job losses.31

Local living-wage ordinances, which require companies that have government contracts or (in some cases) companies that receive government economic development subsidies to pay a wage higher than the federal or state minimum wage, could improve the quality of hotel jobs in the same way that a minimum wage increase could. Because hotels that are built as part of downtown redevelopment projects often receive public economic development subsidies, living-wage ordinances have the greatest potential to raise hotel wages if they cover subsidy recipients as well as government contractors. For the same reason, governments at all levels should include minimum job quality standards, including wages above the federal and state minimum wages, as a condition for economic development assistance, even where no living wage ordinances exist.

Protect Workers’ Right to Form and Join Unions

Unions raise hotel workers’ wages and reduce wage gaps by age, race, sex, education and immigration status. They are of the most benefit to hotel workers who belong to demographic groups where wages are otherwise lowest. Yet some employers continue to thwart workers’ right to organize by firing union supporters, intimidating workers or threatening to close establishments. In the hotel industry, outsourcing of food and beverage and cleaning jobs to non-hotel employers can also deprive workers of union representation
that they may have previously chosen (as well as reduce their wages), unless appropriate safeguards are put in place.

**Integrate Education, Training, Workforce Development and Career Path Development More Fully into Welfare Reform**

Unless carefully designed, “work-first” welfare reform has the potential to drive down the wages of all low-wage workers by forcing more people into competition for low-wage jobs. It also has the potential to trap workers in jobs from which there is little opportunity to advance, or to promote the endless cycling of workers from one low-wage job to another. These concerns are especially important for the hotel industry, where many workers already earn poverty-level wages, wages in major metropolitan areas are generally insufficient to support a single parent and child, turnover is already high, and pathways of advancement are not equally available to all workers.

States vary greatly in the extent to which they allow or encourage welfare recipients to pursue education or training in conjunction with work. Few states have made efforts to encourage low-wage workers to take jobs that have real advancement possibilities, or to encourage employers to create career paths by which low-wage workers may advance. Allowing education and training to count as a major part of a welfare recipient’s allowable work activity helps individual workers to advance and relieves some of the downward pressure that a “work-first” policy places on the wages of low-wage workers. Because higher labor turnover often accompanies lower wages, such a policy also helps workers and employers avoid the burdens of increased turnover. Linking welfare reform to structured advancement pathways can help ensure that welfare recipients who start out in low-wage jobs do not have to remain in those jobs indefinitely. Such linkages would help welfare reform to achieve its goal of promoting self-sufficiency through work.

**Require Wage and Benefit Parity for Part-Time and Full-Time Workers**

Although part-time work in the hotel industry has been on the decline, the industry still has a larger than average share of jobs that are part-time. Part-time workers in the hotel industry are almost twice as likely as part-timers in the United States overall to be working part-time involuntarily. Part-time jobs generally pay lower wages than full-time jobs. (In the hotel industry, CPS ORG data show that part-time workers’ median hourly wage in 2000 was about 71 percent of full-timers’ median hourly wage.) In addition, part-time jobs often lack pensions, health insurance, and other employee benefits.

Because part-time workers cost less than full-timers, part-time employment can be part of a low-road competitive strategy. At the same time, hotel guests’ needs for certain kinds of services (such as restaurant meals) can vary greatly over the course of a day or week, making some part-time work necessary even in high-road hotels. Therefore, public policy should not try to eliminate all part-time jobs, but it should discourage part-time jobs that exist simply as a way of lowering wages and benefits. Employers should be required to provide part-time workers with wages and benefits that are as good (on an hourly basis) as those they provide to full-timers who do equivalent work.

**Collect Detailed Industry Data Where Hotels Are Especially Important to the Local Economy**
In states such as Nevada and Hawaii, the hotel industry makes up such large shares of output and employment that it affects the well-being of the entire state. In others, such as New Jersey, there are localities in which the industry is of similar public importance. In these states and localities, the economic importance of the industry gives the public an interest in assessing the economic and labor market performance of the industry. Yet many of the kinds of detailed industry-level data on wages, work hours, and workforce demographics that we present in this report—and that are essential to evaluating the performance of the industry—are not available on an ongoing basis for such states and localities. The Current Population Survey sample is too small to provide much of this information at the state level, even in the five states for which we were able to report some data, and it is not representative of metropolitan areas. The U.S. Census provides some of this information for states and localities, but it is only conducted once every ten years and data may be several years old by the time they are released. Private data sources do not collect many of the necessary data. Some data, such as those on occupational illnesses and injuries, are only available at the national level. No labor market data are available for different segments of the industry, despite the fact that the differing competitive pressures that hotels in those segments face make it likely that job characteristics will differ by industry segment.

Hotel industry and workforce data comparable to those presented in this report should be collected regularly for states and metropolitan areas for which the industry is of major economic significance. Any state or metropolitan area for which the location quotient of hotel employment is greater than 1.0 for five consecutive years should be included. In such places, the hotel industry is important not only because it has a large effect on employment and income, but also because hotels are a major “export” industry for the region, contributing to the region’s prosperity by drawing in many tourists from other parts of the country. The federal government could collect the necessary data as a supplement to its existing programs (such as the Current Population Survey), the affected states could collect the data themselves, or a joint federal-state data collection program could be implemented. Regardless of how the costs are split between federal and state governments, the rationale for incurring those costs is that the public needs to be able to assess the performance of any industry that has a major economic impact on a state or locality.