

Soundless Covid Tremors

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Noiseless tremors are causing the erosion of the traditional employment model in the hospitality industry and this has gone unnoticed during this pandemic. The level and amount of experienced and educated hospitality executives will reach a historic low level in 2022 not seen since the recessions of the 1970s.

The COVID-19 pandemic has caused significant stress on the global economy, with industries experiencing grave impacts from unprecedented lockdowns, travel restrictions, and business closures. The hospitality industry has probably taken the major hit, causing traditional employment models to change completely.

Over the past year, we've seen employment rates plummet (specifically amongst experienced and educated hospitality executives) to lows not seen since the recessions of the 1970s. In contrast to this severe uptick in unemployment, new hotels and restaurants still continue to open globally in 2021.

This rapid growth of new business however, does not necessarily solve the employment problem. What needs to be examined here is the discrepancy in new business vs. the number of available experienced employees. This discrepancy could ultimately damage the health of the hospitality industry long term.

According to the Lodging Econometrics' Global Construction Pipeline Report, 5,216 hotels with 650,222 rooms were constructed in the US alone in 2020, which is only an incremental decline compared to other years. Hotels under construction continue to move toward opening. Through year-end 2020, the US opened 833 hotels accounting for 97,203 rooms, bringing the US supply of open and operating hotels to 58,569 with 5,557,119 rooms.

Additionally LE is forecasting another 929 hotels with 107,407 rooms to open in the US by the end of 2021. If this projection proves to be true, it will represent almost a 2% percent increase in new hotel supply. On top of that, hotel giants such as Marriott Accor, Hilton, and IHG are expected to open 7000 more hotels within the next year.

So how could all of this growth negatively impact the hospitality industry? It comes down to quality staffing.

What we're seeing is that the volatility of the hospitality market is causing people to choose to remain unemployed until 2022, to mitigate additional stress. Those who are employed - from executives to other high-performing staff - live in a consistent state of fear of being furloughed. Even if these people wished to move companies, they would much rather remain with their current employer than take the risk of starting somewhere new.

Beyond that, senior top-line executives, who were available last year, were quickly scooped up by luxury "independents". Similar to a sports team ramping up and hiring for the next season, these companies recognized the unusual abundance of senior talent available in mid-2020 and took advantage of the opportunity to pick and choose and make some significant acquisitions.

After Fall 2021, with the onslaught of re-openings and increase in business, a "pandemic of hiring" will occur. As a result of the pent up customer demand, the industry will have absorbed all decent talent left on the market. Hiring in 2022 will be like going to the fish market. You go there looking for a 2 pound fish, the fishmonger says; "I have got one, which is 1 ¾ lbs and another of 3lbs. Take it or leave it and that is all we have now." Hiring is all the same and it's how we perceive the next twelve months... take what is available or live without!!

The most drastic deterioration in 2020 was in lower levels of management service and culinary. Many who have been furloughed or terminated however, have since been rehired either at their previous salary or at a much lower wage. Additionally company benefits such as schooling, rest and recovery benefits in

hardship locations, extended family care, housing or accommodation allowances, large bonus, profit sharing, free share options, etc. were significantly reduced or eliminated during the pandemic.

It is highly unlikely that in 2021 these benefits including bonuses will be offered, even for those who during the pandemic worked harder than they ever have in their life!! We do envision however, that most owners and management groups will eventually offer pre-pandemic compensation, as these crucial intermediate roles (maintenance management, housekeeping) have become indispensable to regain and keep returning customers. These important roles keep hotels and restaurants safe and sanitized, which will be crucial for attracting business moving forward.

Other factors changing the employment landscape is the tug of war between technology and personal service. Travelers wanting everything to be accomplished with only the touch of a button, but not always a human touch, poses a detrimental threat to the industry. So many customary hotel and restaurant operation roles are at risk of becoming more technologically centered.

This could eliminate the positions of many of those who are currently employed and change the job descriptions of many others. We realize also that age is no longer a factor in hiring. The average age of a full service hotel GM is 51 years old and the average multi-unit executive is almost 57 years old. We also know that with modern medicine we are all living longer and staying in the workforce longer, which does not open up many senior opportunities or promotions for those in less senior roles. This is another reason for the dissatisfaction of those currently employed in the industry and those that are contemplating hospitality as a career.

Since 2019 we have unfortunately seen less applicants in post-secondary hospitality school programs and fewer individuals are choosing to enter and/or remain in the hospitality industry. This of course contributes to the gap in educated and technically savvy executives available for hire.

2021 sees shades of the recessions of the 1970s in reverse. At that time there were far fewer hotels and new business opportunities, but there was a surplus of senior executives ready to work. The recession of 1973 to 1975 was a period of economic stagnation and double digit inflation, where the interest rate peaked at 20%. Fast forward to Fall 2021, where interest rates will hit a low and hospitality operations will continue to open at a rate of approximately 2.1 hotels per day. Considering this, it can be foreseen that the post-Covid recovery will be both disjointed and chaotic. There will be many open hospitality opportunities and yet not enough seasoned executives to fill them.

Update March 8 2021

According to the latest "Global Hotel Construction Pipeline Trend Report" from Lodging Econometrics on March 8 2021, the global hotel construction pipeline stands now at 13,943 hotels and 2,312,410 rooms.

Globally during 2020, 2,562 hotels opened, accounting for 357,769 rooms. Of those openings, 636 hotels with 94,559 rooms opened in the fourth quarter of 2020. The top countries by project count are the United States with 5,216 hotels and 650,222 rooms and China with 3,375 hotels and 639,811 rooms. Sixty-two percent of all global projects in the pipeline are found within these two countries. The U.S.A accounts for 37 percent of projects in the total global construction pipeline while China accounts for 24 percent.. Using basic math that means the industry must hire almost 14,000 General managers and approximately 1,150,000 further staff at the ratio of one staff member to every two rooms. Where will they come??



Mr. Stephen J. Renard was born in Toronto and attended the University of St. Michael's College in the University of Toronto graduating in 1970 with a Business Degree. In December 2014, Mr. Renard completed his most challenging placements in Mongolia and Nepal and is proud to say that, "we have now placed at least one individual in every country in the world"! This is unique since many of the countries that he has done business with, did not exist in 1970. Each year Mr. Renard travels to over 30 countries meeting with clients and candidate's. He stays well-informed on current trends and practices. A hospitality specialist, Renard is recognized as the benchmark of recruitment companies. can be contacted at CELL +1 4168900903 or steve@renardinternational.com Please visit <http://www.renardinternational.com> for more information.