



# TFA

## Monthly Newsletter

### July 2021

IN THE NEWS

### The Compounded Problem of Staffing Shortages in the Hospitality Industry

By Braxton Sato

In most parts of the country, new COVID cases are down, vaccination rates are up, and people are looking forward to getting out of their houses and spending money on social experiences either locally or further from home.

However, operators in the hospitality and leisure sector are looking at a less rosy picture. Operators must meet customer expectations and at the same time deal with the challenge of hiring, training, and retaining new employees. At TFA, we have been hearing from Tribes all over the country about the difficulty they've faced hiring and retaining house-keeping and restaurant staff. According to the Bureau of Labor Statistics, 14.3 million people were employed in hospitality and leisure in May 2021, down from 16.9 million in February 2020. Staffing problems for house-keepers has been so bad that one hotel operator quipped "when customers ask for turn down service... we turn them down."

What is driving this labor shortage in hospitality and leisure? Many people point to the enhanced unemployment benefits put into place to help our most vulnerable survive the pandemic. Logic dictates leaving these generous benefits in place longer will reduce the overall supply of labor. However, through June 12, Initial and Continuing jobless claims are almost equally trending back toward pre-pandemic levels in States with Expired/Expiring and Expanded benefits\*.

Looking at labor force participation rates – we see that States ending benefits early have higher labor

force participation rates. Both groups are still below pre-COVID levels, but they are also trending upward, albeit at different rates.

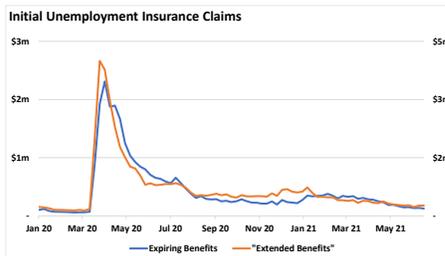


Figure 1

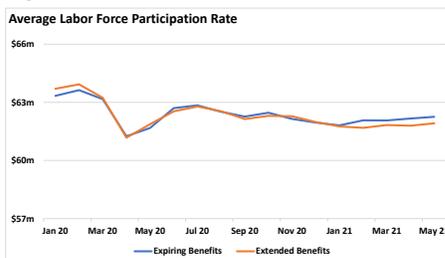


Figure 2

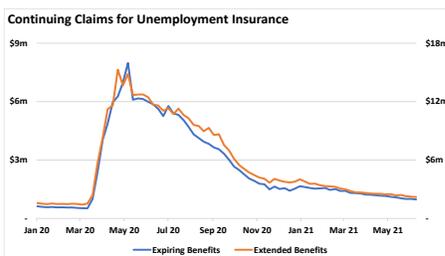


Figure 3

Charts sourced from St. Louis Federal Reserve Economic Database (FRED)

Umatilla tribes lead the way in reacquisition of treaty lands

6/3/21 – [eastoregonian.com](http://eastoregonian.com)

April Gaming Revenues Second Highest Ever: AGA Report

6/9/21 – [cdcgamereports.com](http://cdcgamereports.com)

WA Panel Approves Sports Betting; Sends to Governor

6/11/21 – [indiancountrytoday.com](http://indiancountrytoday.com)

Palms Deal Continues Growth of Native American Ownership of Nevada Casinos

6/17/21 – [signalscv.com](http://signalscv.com)

Governor John Bel Edwards Signs Louisiana Sports Betting into Law

6/23/21 – [lineups.com](http://lineups.com)

So What Exactly is IGRA and Why Will it Shape Sports Betting in 2021?

6/29/21 – [legalsportsreport.com](http://legalsportsreport.com)

Footnote

\*25 States are ending the expanded unemployment benefits by July 1 (Alabama, Alaska, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Maryland, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, West Virginia and Wyoming)

(continued from Page 1)

Despite differences in the rate of change between States, people are generally returning to work. Of the 559,000 jobs added in May, leisure and hospitality grew by 292,000 (52% of total). Why then are gaming and lodging operators having more trouble filling positions? One might point to stagnant wages, but data suggests that there has been a rise in average hourly earnings for non-supervisory employees in leisure and hospitality in line with pre-COVID trends as shown in figure 4.

Digging deeper, we observe that quit rates (number of quits during the month as a percentage of total employment) while historically higher than average in leisure, hospitality and food service, are now reaching all-time highs as shown in figure 5. Today's workers in the industry are significantly more likely to quit their jobs than ever before. Hospitality is a very training-intensive industry (customer service is paramount) and these quits are very costly to operators.

We also observed that the share of workers who switched industries in the past 12 months (through May) is significantly higher for leisure and hospitality (32%) than in other industries (24%) and has risen sharply from pre-COVID levels, whereas that percentage decreased in the remainder of industry groups as shown in figure 6.

This data suggests that worker retention trends in hospitality and leisure sector is the issue, not an economy-wide labor shortage caused by federal and state policy. Workers are reassessing their careers and pursuing jobs in other industries. So, what is a hotel or casino operator to do in this environment? One could hope for an accelerated end to expanded benefits, further pushing people off the sidelines back into the workforce. In certain States, this might be wishful thinking to solving near-term staffing issues.

The more proactive approach would be to evaluate staffing models and human resources – **WHY** should people want to come to work for you and **HOW** can you use human resources more efficiently? Companies now need to compete for workers in a tighter labor market on the virtues of culture, working conditions, wages, and other factors. The challenge for operators is how to best balance staffing needs, customer service and the bottom line.

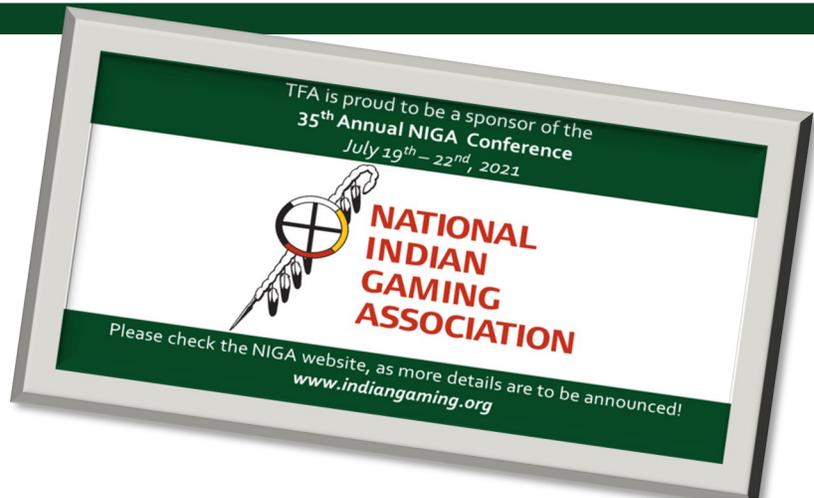


Figure 4

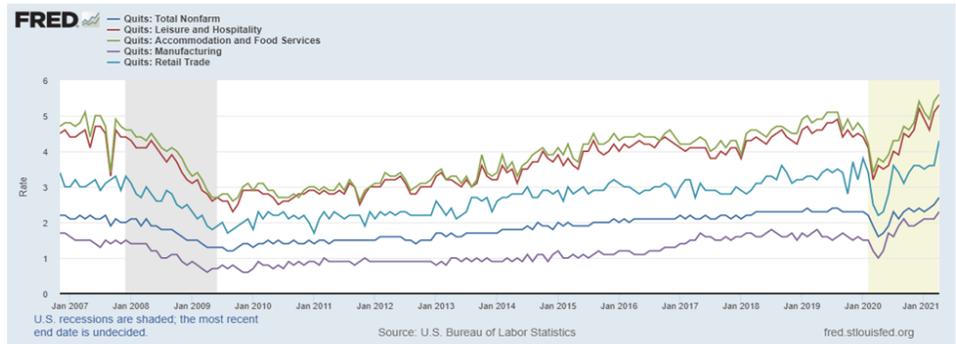


Figure 5

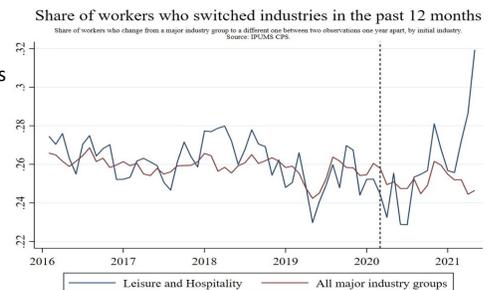


Figure 6

Keeping expenses flat would mean cutting hours and headcounts to pay higher wages and hiring bonuses needed to attract workers. However, leaner staffing models would likely impact customer service. Operators who can creatively solve this puzzle better than their competitors will have an edge coming out of the pandemic.

**TFA**  
 201 Continental Boulevard  
 Suite 110  
 El Segundo, CA 90245  
 tfacp.com

KRISTI JACKSON  
 CHAIRMAN  
 310.341.2335  
 kjackson@tfacp.com

WILLIAM NEWBY  
 PRESIDENT  
 310.341.2796  
 wnewby@tfacp.com

DAVID HOWARD  
 CEO  
 310.341.2795  
 dhoward@tfacp.com

WILLIAM CRADER, CFA  
 MANAGING DIRECTOR  
 310.341.2336  
 wcrader@tfacp.com



BRAXTON SATO  
 VICE PRESIDENT  
 310.341.2339  
 bsato@tfacp.com

