

SILICON VALLEY WORKFORCE INVESTMENT NETWORK'S

JOBS WITH A FUTURE

**REGIONAL GROWTH STRATEGIES AND STRONG CAREER
LADDERS FOR THE HOSPITALITY INDUSTRY**

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JULY 2004

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THE WORKFORCE INVESTMENT ACT

In 1998 the United States Congress enacted the Workforce Investment Act to consolidate, coordinate, and improve employment, training, literacy and vocational rehabilitation programs in the U.S. The Workforce Investment Act is intended to meet the needs of the nation's businesses, job seekers and those who want to further their careers through local employment and training programs. To advance these objectives, locally organized Work-force Investment Boards (WIBs), consisting of members from both the private and public sectors have been set up throughout the country. These WIBs oversee the delivery and contracting of employment and retraining services for the regional job market they represent. In April 2000, the State of California designated Santa Clara County as a Workforce Investment Area. In July 2000, the City of San José, in partnership with Campbell, Gilroy, Los Gatos, Los Altos Hills, Monte Sereno, Morgan Hill, Saratoga and the unincorporated areas of Santa Clara County, created the Silicon Valley Workforce Investment Network (SVWIN) to act as Silicon Valley's regional WIB. It acts in collaboration with NOVA, the north county workforce investment board that covers Sunnyvale, Cupertino, Mountain View, Los Altos, Santa Clara and Palo Alto.

Locally managed, the WIN brings together job seekers, local employers, educators, labor representatives and program administrators to sustain and maximize the relationship between employers and the prospective labor market in this region.

TABLE OF CONTENTS

Executive Summary	ii
1. Common Elements of Successful Regional Hospitality Industries	ii
2. Hospitality Employer Partnerships	iii
I. Introduction	1
II. Case Studies of Regional Hospitality Industries	3
1. Denver, Colorado	4
2. Seattle/King County, Washington	10
3. Baltimore	16
III. Best Practices for Hospitality Employers: Training, Career Ladders, and Job Quality/Improvement	21
1. San Francisco Hotel Partnership Project (SFHP)	24
2. Four-City Hospitality Career Ladders Project	26
3. Culinary & Hospitality Academy of Las Vegas (CHA)	30
IV. Promising Practices	32
1. Team San José	32
2. Motel 6: Advancing Line Employees to Management	35
3. Rosen Hotels & Resorts: Self-Funded Health Plan	36
V. Overcoming Obstacles to Successful Labor Management Training Partnerships	37
VI. Conclusion	39
1. Best Practices for Workforce Development	39
2. Developing a Regional Hospitality Industry: what's needed, what works, .. what doesn't	42
3. Recommendations and Next Steps	44
<i>Chart: Industry Concentration and Wage Analysis of Regional Hospitality</i>	
<i>Markets</i>	45
Acknowledgements	46
End Notes	47

EXECUTIVE SUMMARY

This report examines challenges and solutions at two levels: the regional hospitality industry, and individual hospitality employers. Major findings at each of these levels follow.

COMMON ELEMENTS OF SUCCESSFUL REGIONAL HOSPITALITY INDUSTRIES

Case studies of Denver, Seattle, and Baltimore—three regions that have engaged in concerted efforts to develop their hospitality and tourism industries—reveal several common elements. All three now enjoy higher per capita travel spending than in Santa Clara County, and all three pay a higher annual average wage to hospitality workers (relative to the cost of living) than in Santa Clara County.

Based on these three experiences, a successful plan to develop the regional hospitality industry ought to consider the following factors:

■ INVOLVEMENT AND COOPERATION OF ALL STAKEHOLDERS

A successful hospitality initiative requires the involvement and cooperation of all stakeholders, including the governments of all jurisdictions, affected businesses both small and large, workers, neighbors, unions and community groups. Denver's planning for growth was developed through a broad, inclusive process, while Baltimore's was much narrower; as a

result, Baltimore experienced piecemeal development and has suffered from a lack of consistent funding or interest in program maintenance. If community members and businesses do not feel ownership of a project, they will be reluctant to support it sufficiently, and individual players may pursue strategies that are harmful to long-term regional growth.

■ LONG-TERM PLANNING

Fact-based, long-term planning includes evaluating the city's economic needs and goals and examining how (and whether) the hospitality industry can be a vehicle to reach those goals. The city of Denver undertook a multiyear process resulting in a Citywide Comprehensive Plan that emphasized long-term investment in good jobs and economic diversification. In Baltimore, however, insufficient planning was a factor in the failure of several major projects to attract the anticipated visitors and revenue as well as the gradual deterioration of projects that were not well maintained.

■ INTEGRATION OF DEVELOPMENT AND MARKETING

Once efforts to increase hospitality business are begun, two components will be needed: improving attractions and amenities in the region, and improving the region's image as a tourist destination. All three of the cities studied run extensive promotional campaigns to attract visitors, often based on the research and experience of a respected travel industry consultant. They have also coordinated with and benefited from the tourism promotion efforts run by their respective states.

■ REACTING TO ECONOMIC CHANGES

The ability to quickly recognize and respond to change is also crucial. Economic ups and downs, world events, technological advances, and social shifts all affect the volatile hospitality market. In the wake of the recession, business travel has fallen, perhaps permanently,¹ while U.S.-based leisure travelers have shifted towards vacationing closer to home. Seattle's hospitality industry responded quickly to the changed economic situation and now seems to be recovering; its response has included a focus on visitors within driving distance as well as new methods of employing technology to meet travelers' needs.

HOSPITALITY EMPLOYER PARTNERSHIPS

Hotels face a challenging set of workforce issues.

Employee turnover is very high, frequently exceeding 100% annually, with a cost to the hotel of \$3,000 per \$13,000 per departing worker. For their part, hotel workers often must struggle to support themselves in jobs that offer low compensation, less than a full workweek, and little chance for advancement. The seasonality of the hotel business can be costly for both employers and employees. And some hotels experience consistently poor labor-management relations, causing additional harm to both parties.

The “best practices” outlined in this report have successfully addressed some of these problems through training and strategies for career advancement. The practices reviewed include:

■ SAN FRANCISCO HOTEL PARTNERSHIP PROJECT (SFHP)

The core of the San Francisco Hotel Partnership Project is a set of joint worker-manager “problem-solving” teams. All team members, as well as a third of the entire 5,000-person workforce, have undergone extensive training in communications and conflict resolution, bringing about a substantial change in workplace culture. The problem-solving teams have developed several paths towards skill development and career advancement, including training in safety, English, and vocational skills, and a highly successful program which trains and hires housekeeping and kitchen workers as higher-paid banquet servers during peak periods.

■ QUAD CITIES HOSPITALITY CAREER LADDERS PROJECT

The Quad Cities Project researched, created and tested models for career advancement in four cities in California (San Diego, San Francisco, Los Angeles and San Jose), with the intent of creating programs that other cities can learn from and replicate. Low English skills were found to be the top barrier to career advancement for hotel workers, along with lack of time to participate in training courses, a need for individual mentoring or career coaching, and an internal structure that encour-

aged supervisors to block promotions and transfers. One hundred twenty-one workers at 12 hotels participated in pilot trainings in the first year; three of the four cities are continuing the project and intend to expand the trainings.

■ CULINARY & HOSPITALITY ACADEMY OF LAS VEGAS (CHA)

In a remarkable success story, the Culinary & Hospitality Academy in Las Vegas has grown into the leading source of entry-level hotel workers in Las Vegas, as well as one of Nevada's largest training providers in any industry. CHA provides free pre-employment training to local residents who want to enter the hospitality industry, training 2,500 workers per year with plans to more than double that number. Program participants have a better than 70% chance of being placed in a hotel job after graduation, and their turnover rate is 50% lower than average. Hospitality employers fund the CHA by paying a contractual 3 cents per worker-hour.

■ OTHER PROMISING PRACTICES

Team San José: A collaboration between local hoteliers, organized labor, cultural and arts groups, and the Convention & Visitors Bureau which has just won its bid to operate the city's convention center and theatres.

Motel 6: A company-wide system of training and internal promotion by which line employees can become general managers.

The Hyatt Regency Scottsdale: A partnership with the city, high school district, and local colleges to teach hotel careers and management classes to high school students, preparing them to enter a college-level hospitality program.

Rosen Hotels & Resorts (aka Tamar Inns): A self-funded health insurance program for employees, providing health care for workers at a time when many hospitality employers are cutting back, that saves millions of dollars over third-party insurance plans.

INTRODUCTION

When a recent survey ranked San Jose as the “third most fun city in America”, no one was more incredulous than San Joseans themselves. “I had always suspected that we were a fun place, much like I’m convinced that my own jokes are very funny. . . . Get back, Bourbon Street. Fuhgeddaboudit, Broadway: We’ve got the Berryessa Flea Market, the Winchester Mystery House and Santana Row,” wrote Mercury News columnist Scott Herhold, in an article dripping with sarcasm. Many others chimed in to mock San Jose’s position in the rankings. Rather than giving the city a popularity boost, the “fun cities” survey just confirmed what has been a persistent problem for our region’s hospitality and tourism industry: San Jose is not seen as a place to go to have fun.

This translates to less leisure travel, lower revenues and fewer jobs in the hospitality industry than other cities of our size. Employment per capita in Santa Clara County’s hotel industry is just 56% of the national average.² In the 1990s, San Jose was able to partially balance this deficit by attracting large numbers of business travelers and high-tech conferences. But the recession and tech bust have caused business travel to plummet, cutting hotel occupancy in Silicon Valley nearly in half and reducing room rates by 60%.^{3,4} What remains is a city with an image problem: both among residents and visitors, San Jose is rarely considered an exciting recreational destination, overshadowed as it is by San Francisco to the north, Santa Cruz and Monterey to the west, and Oakland/Berkeley to the east. Few leisure travelers wind up in San Jose unless they’re visiting friends or relatives, and even locals often go elsewhere on the weekends.

This report is the second of two studies by the Silicon Valley Workforce Investment Network

addressing the hospitality industry in San Jose. Together, they examine the questions: what is the current state of the hospitality industry in San Jose, how has it been affected by current economic trends, and what challenges does it face? Does San Jose have the potential to develop its hospitality industry further and bring in more visitors? What new approaches would be needed to do so? If we succeeded, would the increased tourism create more quality jobs for San Jose residents? And finally, how can job quality and competitiveness be improved for the hospitality firms already in San Jose?

The first report, *Jobs with a Future: The Hospitality Industry (2003)* examined the current state of Santa Clara County’s hospitality industry and employment within that industry, emphasizing recent trends and investigating obstacles to future expansion. It then laid out initial recommendations for the regional industry as a whole, including strategies for expanding the region’s share of the international traveler market; marketing San Jose

to increase leisure travelers, thereby reducing the industry's current reliance on business clients; creating and supporting workforce development policies to support workforce stability and career advancement; and participating as an industry in downtown revitalization to ensure that development generates growth for hospitality businesses.

This report follows up on the previous study by outlining potential methods to bring more quality hospitality jobs to San Jose. It is divided into three major parts.

The first section looks at the possibilities and pitfalls involved in trying to grow a regional hospitality industry, through case studies of three cities -- Denver, Seattle, and Baltimore -- which have attempted to do so. For each city, the report gives an overview of recent economic development history with a focus on tourism and hospitality. It looks at industry growth, job creation, and job quality and evaluates which regional strategies worked and which didn't.

The second section profiles best practices in workforce development at individual firms or associations. Through training, career ladder creation, industrial relations focus, and even a self-funded health care plan, these practices have succeeded in improving both competitiveness and job quality for hospitality employers

and employees. This analysis also examines the bottom-line benefits employers can obtain from improving job and workforce quality and what structural obstacles often stand in the way of career advancement.

This research is intended to help regional bodies, individual firms, workforce development agencies, and other organizations develop effective methods for improving the number and quality of hospitality jobs in San Jose. Some of the strategies discussed are "macro" level economic initiatives that require the cooperation of all stakeholders in the region, while others are "micro" level programs that a single company or organization can undertake. The concluding section ties together the conclusions reached in this and the previous report and recommends steps that the San Jose hospitality industry can take at both the macro and micro levels.

With these two reports, the WIN hopes to contribute to the ongoing dialogue on the hospitality industry cluster in three related ways. First, this study offers both firm-level practices and region-level analysis to help hospitality firms in Silicon Valley become more competitive. Second, it provides local data and national case studies to aid the region in setting clear goals around hospitality industry development. Finally, it analyzes workforce problems and offers ways in which firms, regional development, and other institutions can better support workers.

CASE STUDIES OF REGIONAL HOSPITALITY INDUSTRIES

In the initial report, we presented recommendations to help the San Jose/Santa Clara County hospitality industry correct structural problems and increase its long-term profitability, as follows:

1. Expand the international traveler market by increasing coordination among the airport and the hotel industry.

2. Coordinate and market an identity to increase leisure travel, reducing reliance on business clients and boosting the number of leisure tourists. Identity could be packaged as "San Jose, your destination for a worry-free vacation" and focus on:

- Diversity
- Weather
- Child-Friendly Community
- Weekend Marketing

3. Create and support Workforce Development policies.

4. Participate in the completion of downtown revitalization, emphasizing a mix of leisure, recreation, culture, and diversity, together with convention center business.

But how to go about these efforts in an effective way, one that will succeed in improving competi-

tiveness and increasing employment? Marketing and development of the hospitality industry is by no means guaranteed to bring about the desired results. The business of attracting travelers is enormously complex, and it might be possible to spend large sums of money and end up with nothing to show for it but empty buildings. Or even if travel to the region (and/or patronage by residents) does increase, it does not automatically follow that new jobs will be created in sufficient quantity and quality to justify the investment.

We have identified some of the factors which lead to success or failure by profiling three regions which sometime in the past three decades poured considerable resources into campaigns to grow their hospitality and tourism industries: Denver, CO, Seattle, WA, and Baltimore, MD. These regions are similar enough to Santa Clara in size and "inherent" tourism amenities that their hospitality industries are somewhat comparable to ours. Each has engaged in major efforts aimed at development and/or marketing of hospitality. Santa Clara can learn from the innovations, successes, and challenges of these efforts.

DENVER, COLORADO

Population: 565,769 (city and county of Denver); 2.7 million (Denver metropolitan region) ⁵

Annual visitors: 10.2 million

Annual spending by visitors: \$2.4 billion ⁶; visitor spending per resident, \$4,242

Travel-generated employment: 23,400 jobs (Denver city and county) ⁷, 5.0% of total employment ⁸

In the 1970s and 1980s, Denver had many similarities to present-day San Jose in its tourism sector and its downtown. Downtown was primarily frequented by employees of downtown companies, with most shops open only during working hours. And Denver as a whole had little cachet as a destination for tourism or entertainment; travelers generally bypassed Denver on their way to other, more exciting locales nearby.

But in the 1990s, Denver achieved a dramatic turnaround. Today the city has revitalized its job base and population, boasts a thriving, 24-hour downtown, and is a popular tourist destination. Over 40% of Colorado's travel spending takes place in the Denver metro region.^{9,10} How did the city bring about this transformation?

The decision to focus attention and resources on developing tourism has its roots in Denver's recent economic history. Like San Jose, during and after WWII Denver's economy began to focus on military/defense industries; this emphasis spilled over into a focus on technology industries in general. Numerous Air Force installations were constructed near Denver, and defense contractors followed, building plants that provided tens of thousands of jobs. With these sectors as economic drivers, Denver grew quickly through the 1960s. It became the regional hub for air travel as well as a center for rail. After this growth spurt, central Denver declined in the 1970s with "urban renewal" and "white flight" reducing the city center's population. But an oil boom in the late 70s and early 80s revived the city and brought an influx of new residents. The end of the oil boom brought the economy crashing down again in the mid-1980s, and the end of the Cold War exacerbated the problem as the defense industry waned, causing the closure of Lowry Air Force base.¹¹

City leaders began to realize that Denver's economy was insufficiently diverse, resulting in severe boom and bust

cycles. In 1986, the city published its first Downtown Area Plan, outlining an ambitious, large scale revitalization of downtown that included an amusement park and other amenities designed to attract tourism. This was expanded three years later with the creation of the 1989 Citywide Comprehensive Plan that included the entire city, and focused on diversifying the economy to pull Denver out of its slump and prevent future busts.¹²

Although Denver was sunk in a deep recession during most of this period, it invested billions of dollars in the Downtown Plan and Comprehensive Plan projects. Hoping to cash in on the city's low cost of living, year-round good weather, and proximity to mountains and skiing, mayor Federico Peña and others began working to build and promote Denver as a prime recreational area. This effort succeeded in attracting both tourists and new residents, many of them recent college graduates, and turned the city around.¹³

With Peña's leadership, Denver built a new \$3 billion airport (Denver International Airport, which in 1994 replaced the aging Stapleton Airport) and the \$126 million Colorado Convention Center. It built three professional sports stadiums — most recently the Mile High Stadium, which opened in 2002 — and gained a major-league baseball team. The Scientific and Cultural Facilities District program supported hundreds of artistic and cultural endeavors, sparking a cultural revival downtown. Many major new attractions opened or expanded; the Denver Zoo, for example, added its most ambitious new exhibit since 1918, with an \$11.5 million price tag. Equally importantly, the city restored and made major improvements to housing, roads, bridges, libraries, parks and other infrastructure. A total of some \$6.6 billion in public and private funding has been invested in developing downtown Denver since 1990, including \$2.6 billion on entertainment venues

and attractions, and \$924 million on tourism and retail.^{14,15,16}

These efforts have succeeded in bringing the city back to life. Denver's population had been steadily falling from 1970 through 1990; between 1990 and 2000 this trend reversed itself, with population growing 18.6%. Median family income has increased from \$19,000 in 1980 to \$48,000 in 2000.¹⁷ Denver's decaying urban core has become a thriving neighborhood and a vibrant destination for locals and tourists. And the Denver metro region has made itself a regional hub for travelers. Visitors are still drawn to skiing, hiking, resorts and other activities outside of Denver; but now, they stop to see Denver's attractions as well, and often use it as a jumping-off point for other destinations.^{18,19}

DENVER TODAY: A HOSPITALITY INDUSTRY SNAPSHOT

- In 2002, 10.2 million people visited Denver and spent \$2.4 billion.
- Denver International Airport (DIA) is now the country's seventh busiest airport, with 24 airlines and more than 35 million annual passengers.
- Downtown Denver amenities include:
 - 3.6 million square feet of retail
 - 5,329 Class A hotel rooms, with occupancy at 81%
 - 279 restaurants
 - a 9-theatre performing arts center with 9,000 seats
 - entertainment and sports venues
 - and 16 popular tourist attractions.
- The Colorado Convention Center hosted 120,000 convention delegates in 2002 and is currently expanding to add more space, a 5,000-seat auditorium and additional parking.
- Top Denver attractions:
 - The Pavilions with 3.5 million annual visitors
 - Baseball, 2.86 million visitors

- The Pepsi Center, 2.5 million visitors
- Denver Zoo, 1.72 million visitors
- Museum of Nature and Science, 1.67 million visitors
- INVESCO, 1.5 million visitors
- Six Flags: 1.4 million visitors
- Downtown library, 1.15 million visitors
- Performing Arts, 1.1 million visitors
- Ocean Journey, 742,554 visitors
- Convention Center: 698,477 visitors.^{20,21}

PAYING FOR IT

All these sweeping changes — renovations, new construction, start-up resources for businesses and cultural groups, and so forth — needed money to make them happen. Showing considerable foresight, Denverites agreed to tax themselves during a prolonged recession in order to achieve the long-term benefits promised by the Comprehensive Plan. Among other funding arrangements, voters approved \$3 billion to build the new airport, a \$242 billion bond for infrastructure improvement, a \$200 billion school bond, a \$95 million bond to revamp the library system, and a 0.1 % sales tax increase to build a stadium (now Coors Field) for the Colorado Rockies. In 1988, voters in six Denver-area counties approved The Scientific and Cultural Facilities District (SCFD), a 0.1% sales tax for arts and culture. This unique program has sparked something of a cultural renaissance in Denver, supporting over 200 organizations both large and small, from the Denver Art Museum to the Colorado Railroad Museum to the Dinosaur Ridge interpretative trails. In 1995, the programs funded by the SCFD brought over 7.1 million visitors to Denver. Four of the most-visited cultural sites are the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Natural History, and the Denver Center for the Performing Arts.²²

Crucially, the city leveraged its investments well, ensuring that private as well as public money helped to build the new Denver. The 1989 Comprehensive Plan made government-business partnerships a key component of

its ambitious agenda, and the plan won the buy-in of Denver's business community. Inspired by efforts to develop Denver as a regional entity, in the late 1980s the Denver Chamber of Commerce expanded to include the entire Denver metro area, renaming itself the Greater Denver Chamber of Commerce.²³ Since 1990, downtown Denver and the Central Platte Valley have benefited from an estimated \$4.7 billion dollars of private investment in development, accompanied by \$1.9 billion in public investment. 53% of this money went to entertainment, tourism and retail.²⁴

The health of the hospitality industry in Denver is closely tied to the fortunes of all Colorado; many of Denver's visitors come for skiing or wilderness activities in other part of the state. Tourism is Colorado's second largest industry, and in the early 1990s Colorado was the most popular state in the nation for summer resort vacations. But a public experiment in reducing state funding for tourism promotion proved disastrous.

In 1993, Coloradoans voted to eliminate the state tax that funded investment in and marketing of the tourism industry. Without money, the state tourism office closed, making Colorado the only state lacking such an office. The state subsequently fell from the #1 summer resort destination to #17, while its market share of tourism dropped 33%. This meant a \$2.3 billion decline in annual tourism spending.

The state legislature, recognizing that Colorado's economy was suffering from the loss of tourism, in 1999 allocated \$6 million to (re-)create the Colorado Tourism Office.²⁵ In March 2003, the state went further, passing a \$23 million economic stimulus package that included \$10 million to bolster the tourism industry. Supporters said the tourism funding would bring at least an additional \$500 million in tourist spending to the state.^{26,27,28,29}

JOB CREATION AND QUALITY

By a conservative estimate, travel to Denver currently supports 23,400 jobs in the city and county of Denver, and 45,200 jobs in the Denver metropolitan region.³⁰ Although this is only 5.0% of total employment (excluding self-employed) in Denver County, Denver's renaissance has had impacts far beyond the narrowly-

defined tourism industry.

As a result of many factors, not the least of which was hospitality growth, in the 1990s even the lowest income households in Colorado experienced significant wage growth. From 1989-2000, the 20th percentile hourly wage (representing the lowest 20% of wage earners) grew an average of 2.2% annually, faster than median wage earners (1.7%) or high wage earners (1.3%). The hourly wage at the 20th percentile in Colorado was \$7.68 in 1979, and actually fell to \$7.01 in 1989. But it rose in the 90s, reaching \$7.68 in 1995 and leaping to \$9.02 in 2001. For comparison, the self-sufficiency wage in Denver as calculated by Wider Opportunities for Women is \$7.99/hr for a single adult, \$15.15/hr for an adult with an infant, and \$11.03/hr for two employed adults with two children.³¹ So \$9.02 is still not enough to enable most families with children to be self-sufficient — especially if, as is common in hospitality, their jobs provide less than full-time, year-round work — but it is a considerable improvement.

Unlike the 1980s, when only the state's high-income households saw much progress, the economic growth of the 1990s in Colorado brought some benefit to all income levels. However, low-wage workers also appear to be the hardest hit by the recession.³²

Average annual wages also grew in the service industry (where many hospitality jobs are concentrated), from \$27,279 in 1991 to \$33,271 in 1999. But services remained the second lowest paying industry in the state. The only sector paying less was retail - also strongly connected to tourism — with \$18,141 average annual pay.

Many tourism-related industries in Denver also pay lower wages than other industries, though hospitality pay is better in Denver (compared to the cost of living) than in many other regions. For example, of all service sector industries in Denver County, hotels pay the second lowest average annual wage (\$19,071); the only service industry paying less is private households. Eating and drinking places also pay poorly, with an average wage (\$14,147) lower than any other retail trade industry (although tips may make up some of the difference). Amusement and Recreation Services, on the

other hand, pays very well, with an average wage (\$46,523) higher than any service industry except engineering & management service, motion pictures, and legal services.³³ With tourism a large and growing source of employment, the low wages of many tourism-related jobs are a concern that future economic development plans may have to address.

There is some evidence that Denver has done better than the rest of the state for its lowest-income and hardest-to-employ residents. Welfare to Work clients in the Denver Region earn up to twice as much as in the rest of Colorado — in a sample of clients, the average annual wage in Denver 2001 was \$10,121, while in neighboring regions average wage was between \$3,500 and \$5,700. Denver's advantage remains even after accounting for geographical differences in the cost of living. In the sample of clients, those in Denver earned, on average, 32% of the annual self-sufficiency wage, while in other regions clients were able to earn only 9% to 22% of the annual wage needed to be self-sufficient in that county.³⁴

The Denver Mayor's Office of Workforce Development, which operates as the local Welfare to Work agency, seeks to place clients on an "industry track" and then provides a community college-based training program and employment placement in that industry. Hospitality has been one of the focus industries, along with financial services, manufacturing, retail services, and construction.³⁵ The Denver Mayor's Office of Workforce Development is also working to develop career ladders for employees at Denver International Airport, in partnership with the Spring Institute, Community College of Denver / Corporate Training Office, and employers at the airport.³⁶

SELF-PROMOTION

Through a variety of methods, Denver has worked to build its image as a highly desirable place to visit. A collaboration of public and private organizations operates an annual advertising campaign known as "Shop Denver", which runs November through January and is designed to draw visitors and shoppers from surrounding states (Denver's "drive markets"). Financial contri-

butions from the city of Denver, the Denver Metro Convention and Visitors Bureau, Alaska Airlines, American Express, the Colorado Broadcasters Association, and other sponsors pay for newspaper, radio and television ads promoting Denver's advantages for shoppers. In 2002, the Mayor of Denver appeared in the television commercial. In 2001 the campaign also promoted Denver hotels with the slogan "Denver for \$99 or less", publicizing hotel offers of \$99 room rates or packages including dining and entertainment.^{37,38} While leisure travelers are the primary advertising target, the city also promotes itself as a top location for business travelers, touting both access to world-class facilities and a wired, tech-savvy city, and the greater enjoyability of Denver - the climate, beautiful & lively conference or meeting venues, and the ease of 'getting away' after a day's work to golf, ski, attend a cultural or sporting event, etc.³⁹

The Denver Metro Convention and Visitors Bureau is a primary resource for hospitality-industry businesses, offering services to member companies aimed at enabling them to reach the business and leisure traveler markets. Member companies can be listed in three publications: the Official Visitors Guide, with 500,000 copies distributed annually; the Meeting Planners Guide, with 20,000 annual copies; and the Travel Planner Guide, 15,000 annual copies. The Bureau has created a \$250,000 visitor information center at Cherry Creek, an upscale shopping center with 16 million shoppers per year, and a downtown visitor center with print and video advertising receiving more than 500,000 visitors annually. Brochures promoting member businesses are distributed at both visitors' centers and at Denver International Airport.

PROBLEMS FOR GROWTH AND THE RECESSION'S EFFECTS

With all the benefits of Denver's 1990s expansion came the familiar costs of rapid growth: sprawl, crowded highways, gentrification, loss of neighborhood character, and conflicts between different needs and visions of Denver residents.^{40,41} And there may be signs of trouble on the horizon for the tourism industry. Skiing is becoming less popular in the U.S., especially among

“destination visitors” (visitors who stay overnight, and thus contribute far more to the local economy than day-trippers). In part this is occurring because the Baby Boomers are beginning to get too old to ski, and the industry has been unable to capture the interest of younger generations. In Aspen, for example, visitors have fallen from 1.5 million skier-days in 1996 to 1.2 million in 2002. The reduced number of skiers has a direct effect on Denver’s hospitality industry.⁴²

In addition, the Colorado and Denver tourism industries were heavily impacted by the Sept. 11th attacks and the economic downturn (although the state also saw a relative gain in popularity as a tourist destination compared to other states.) Part of the response has been to focus on marketing to regional travelers. It was anticipated that an in-state ‘take a Colorado vacation’ campaign would especially benefit small and rural businesses—which were also those hit hardest by the industry’s decline. A survey of the recession’s impact on tourism businesses found that seasonal employees were the most likely to be affected; businesses reported that they were likely to lay off or not hire nearly three times as many seasonal workers as permanent workers. Yet 36% of businesses surveyed in Sept-Oct. 2001 were still worried about their ability to hire and retain employees.⁴³ The summer 2002 tourism season was also very slow throughout Colorado, due to a combination of droughts and forest fires which kept visitors away, and the economic downturn which is reducing consumer spending.⁴⁴ And business visits, which dropped sharply with the recession and Sept. 11th, have not yet returned to the levels seen in the late 1990s.⁴⁵

RECENT CONCERNS RAISED ABOUT INVESTMENT STRATEGIES OF TIF:

Resembling concerns raised in San Jose about the demonstrated benefit of redevelopment investment for the local community, Denver-area non-profits have expressed concerns about the lack of evidence of positive returns on public funds invested in private commercial development. In an article in the Denver Business Journal in February, 2004, groups say they are looking for proactive measures to be taken to generate specific benefits from redevelopment investment in four areas:

quality jobs with health care benefits; affordable housing; responsible, local contractors; and investments in the social and physical infrastructure of surrounding neighborhoods.⁴⁶ With such a large scale of public investment and tax dollars, the community groups are arguing for a more explicit commitment to local community benefits.

LESSONS FROM DENVER

In the 1980s and ‘90s, Denver undertook an ambitious — and largely successful — project to transform itself into a popular destination with a bustling downtown. Denver’s situation was certainly not identical to San Jose’s: most notably, Denver also had a faltering population and successfully sought to attract new residents, while San Jose does not have this problem and in fact still suffers from inflated housing costs. Still, we can learn from the elements that enabled Denver to achieve its renaissance.

1) Comprehensive Planning. Denver’s growth was based on a comprehensive plan created collectively by community, business and government over a period of several years. The plan enabled development to take place in a coordinated way that met the needs of all stakeholders, with parks, libraries, and local roads being built simultaneously with stadiums and convention centers. However, a lack of focus on job quality and affordable housing has generated increased concern about development from community groups.

2) Funding. Denverites had to tax themselves — several times — to make all this happen. It can’t be done without money. But the close involvement of businesses in the planning process ensured that large amounts of private investment also came to the project.

3) Long-Term Focus. Not only did Denverites tax themselves, but they did so in order to make large, long-term investments during a deep recession; not merely for a quick return. The bond issues for the projects put the city deep into debt. Thanks to thorough planning and persistence, the investment paid off.

4) Economic Diversification. The impetus for Denver’s rebuilding came on the heels of yet another

economic crash, the latest in a series that has afflicted Denver. City leaders finally recognized the need to diversify the city's economy, rather than just trying to promote the next new growth industry. Riding the wave of the next big boom, or even helping it along, isn't enough, because the next boom will always be followed by the next bust.

5) Self-Promotion. Advertising and publicity has been as crucial to Denver's success as any construction project. San Jose, which has long relied on the high-tech cachet of "Silicon Valley" to attract visitors, businesses and residents, would do well to consider this point.

SEATTLE/KING COUNTY, WASHINGTON

Population: 1,779,300⁴⁷

Annual spending by visitors: \$5.68 billion⁴⁸

Travel-generated employment: 59,900 jobs, 5.2% of total employment^{49,50}

Like San Jose, Seattle's travel industry has relied heavily on business travelers and conventions, especially in the high-tech industry. And like San Jose, Seattle's travel industry — along with its entire economy — crashed and burned in 2001. But through a variety of strategies, the industry, quick on its feet, has begun to recover.

The travel and hospitality industry is extremely important to Seattle and to all of Washington State. Travel spending in Washington grew steadily through the 1990s, from \$5.4 billion in 1991, to \$6.3 billion in 1995, to \$8.9 billion in 2001 (excluding spending on airline tickets.) Travel-generated employment followed a similar pattern, with an average growth of 1.2% each year from 1999 to 2001. Payroll during this period increased 4.8% annually, indicating that overall wages and self-employment earnings in the travel industry grew as well.⁵¹ The state received an estimated \$542 million in tax revenue from the travel industry in 2000, and local governments got approximately \$203 million.⁵²

Over the last several decades, Seattle/King County had built a strong and diverse economy. Major industries included timber, farm exports (apples, wheat, etc.), exports of high-tech and other finished products, Boeing plane manufacturing, high-tech enterprises (notably Microsoft & Amazon), as well as tourism. But even this diversified economy did not protect it from the recession; an unfortunate combination of events caused its industries to collapse one after another. Exports fell in 1998 with the Asian financial crisis. The tech bust hit Seattle hard beginning in 2000, with over 11,000 layoffs in software and computer services, the value of stock and options plummeting, and many companies shutting down or leaving. Boeing, which is Seattle's largest employer, had already been hit by previous economic shocks, and after Sept. 11th its situation worsened. In 2001 Boeing even moved its headquarters from Seattle to Chicago, though it remains the region's

major employer. Current projections show that by the end of 2004 Boeing will have laid off 55,000 Seattle-area workers since 1997.^{53, 54, 55}

The final blow to the economy came from the hospitality industry's reliance on business and travel conventions. Business travel has dropped precipitously as companies try to save money by reducing employees' travel and choosing less expensive flights and accommodations. In 2002, business travel nationwide fell by 4.3%, dropping for the fourth year in a row. Some analysts predict that now that firms have found cost-saving alternatives to expensive travel, corporate travel budgets will never return to 1990s levels.^{56, 57}

Though its problems had been building for four to five years, the actual collapse of the hospitality industry happened very quickly. In spring 2001, the hospitality outlook for Seattle and surrounding areas was still fairly optimistic, despite a slight decrease in downtown Seattle occupancy rates from 75.9% in 1999 to 73.5% in 2000. Several new hotels were planned or already underway, and convention business was growing.⁵⁸ In spring 2001, occupancy rates grew to 77.3%, and an industry survey declared Seattle to be the strongest hotel market in Washington and Oregon.⁵⁹ But by mid-2002, it suffered from the fastest decline of any region in the western market, with occupancy down to 67.8% in April, and average room rates dropping 7.5% to \$128.64 per night.⁶⁰ Employment in the Seattle accommodations industry fell from 14,200 jobs in 2000 to 12,900 in 2002.⁶¹

Fortunately, there are signs that the industry may be recovering almost as quickly as it fell. Convention business rebounded in 2002.^{62, 63} In early 2003, though the hotel industry continued to decline, the rate of decline had slowed. Occupancy in April was at 66.7%, only 1% lower than in April 2002.⁶⁴ And in May 2003 it took a huge jump, with occupancy reaching 76.7%, nearly 10%

higher than in May 2002. The state as a whole saw improvements in May, with downtown Seattle leading the state in growth.⁶⁵ Finally, Boeing's business is still slow, but the company expects its deliveries of commercial airplanes to recover in 2005.⁶⁶ Seattle's travel industry seems to be getting back on track.

STRATEGIES FOR RECOVERY AND CONTINUED GROWTH

This (apparent) quick turnaround has come about in part because of several effective strategies Seattle and Washington have developed to attract new travelers during the recession. The first is regional marketing. Due to the increased hassle of flying, many tourists now choose to travel by car instead. This causes problems for tourist-dependent industries, but it also creates an increased opportunity for regions to market themselves as tourism destinations for travelers who live nearby — the “drive market”. Washington State has responded by marketing the state's attractions to Washingtonians as well as to residents of other nearby states and Canada.⁶⁷

Over half of Washington's annual travelers are themselves Washington residents.⁶⁸ Notably for San Jose, California travelers are a prime target of Washington's tourism promoters.

One tourism promotion plan which the city has used to great effect is the Seattle Super Saver program. Super Saver is a joint marketing campaign and off-season hotel discount program, with 40 hotels participating as well as downtown shops, restaurants and attractions. Begun in the early 1990s, the program seems to have succeeded in attracting a larger share of the regional leisure-travel market to Seattle. In 2002, 29,000 rooms were booked through Super Saver, up from 27,000 in 2001.⁶⁹ It also is designed to boost business during the off-season — an important consideration for industry employees, for whom the seasonal nature of tourism work (jobs available during the season, but not during the off-season) can create considerable difficulty.

In 2002, Seattle emphasized the Super Saver program as a way to get the faltering industry back on its feet. Super Saver was extended for two months beyond the normal period and was heavily promoted throughout the Pacific

Northwest, in an attempt to attract new travelers and locals to Seattle's arts and culture.⁷⁰ When the hospitality industry showed growth in 2002, Super Saver was cut back to its normal 5-month period for 2003.⁷¹

A King County-based company has overcome the recession in another fashion, by leading the way in a relatively new trend — online travel booking. Online travel company Expedia has experienced considerable growth in 2003, becoming the first online travel booking company to expand into the corporate travel market. In July 2002 Expedia acquired Metropolitan Travel, a corporate travel agency in Seattle. Metro Travel provides onsite travel agents to large companies, and Expedia will continue to do so, giving agents and the companies they serve the advantage of customized Expedia sites to reserve and track travel. They will also offer “self-serve” Expedia sites for smaller businesses, but the focus will probably be on large companies with annual travel budgets in the millions or higher.⁷²

Expedia's corporate strategy appears to be garnering considerable success, with new clients signing up for the company's services including Harvard, MIT, and Northeastern University, salesforce.com, Onyx Software, and Akibia. In the first quarter of 2003, Expedia's net earnings increased by more than 400% over 2002 — a remarkable performance in an industry still suffering from the Sept. 11th attacks, the recession, and a general decline in travel. Expedia projects the corporate travel market will grow from \$71 billion to \$124 billion over the next five to seven years, with a sharp increase in the proportion of business conducted online, growing to a projected \$50 – 74 billion.^{73,74}

EMPLOYMENT CREATION AND JOB QUALITY: AN IN-DEPTH LOOK AT THE TRAVEL INDUSTRY WORKFORCE IN WASHINGTON

Often missing in talk of annual visitors, visitor spending, and hotel room occupancy rates is how many and what sort of jobs have been created in the process. Yet tourism development cannot bring much benefit to the city's residents unless it does create jobs, in appropriate quantity and quality. Unlike a new hospital or grocery store, the

construction of a new hotel has little intrinsic value to the surrounding community — its value is in the accompanying growth in employment and revenue, paid for predominantly by spending from outside visitors.

TRAVEL-GENERATED EMPLOYMENT

In 1999, there were 62,950 travel-generated jobs in King County. In Washington State there were nearly 161,000 travel-generated jobs, as well as an estimated 85,000 additional jobs supported through indirect impacts (spending of travel industry employees, etc.)⁷⁵ Since nearly half of all employment in Washington is located in King County, state-level data tell us a considerable amount about what is happening in King County

“Travel-generated employment” is defined here as employment directly supported by expenditures of travelers. Most hospitality firms serve a mix of travelers and locals, so that only a portion of the jobs at that firm are directly travel-generated. For example, an estimated 56,000 jobs in the Washington eating and drinking industry are travel-generated. But these make up only about 25% of all jobs in the industry; another 221,000 eating and drinking jobs are supported by locals’ patronage. The percentage of travel-generated jobs in an industry can indicate the degree to which an industry is dependent on out-of-town customers.

Other major hospitality industries in Washington state include recreation, with 31,000 travel-generated jobs making up 54% of industry employment; accommodations, with 25,000 travel jobs making up 80% of employment; retail sales with 15,000 travel jobs making up 12% of employment; air, water, and ground transportation, with a total of 20,000 travel-generated jobs making up 43% of employment; and others including travel arrangement and food stores. The industries most heavily dependent on travelers are lodging/accommodations and travel arrangement, but by far the largest number of travel-related jobs are found in the eating & drinking industry.

Travel spending in Washington grew steadily over the last decade, from \$5.4 billion in 1991, to \$6.3 billion in 1995, to \$8.9 billion in 2001 (excluding spending on airline tickets.) Travel-generated employment followed

a similar pattern, with an average growth of 1.2% each year from 1999 to 2001. Payroll during this period increased 4.8% annually, indicating that overall wages and self-employment earnings in the travel industry grew as well. However, as discussed above, employment fell in 2001 due to the recession and Sept. 11th.⁷⁶

WAGES AND HOURS BY INDUSTRY

In 1999, the average wage for travel-generated jobs in Washington was \$11.92/hr. Viewed by industry, travel-generated jobs in the eating & drinking industry averaged \$9.82/hr, amusement & recreation averaged \$11.81/hr; accommodations, \$15.39/hr; retail trade, \$10.92/hr; ground transportation, \$11.67/hr; and air transportation, \$16.08.

\$11.92/hr is an exceptionally low average wage for Washington; indeed, travel industry jobs pay less than all other major industries in the state, with the exception of agriculture & food processing. For comparison, manufacturing industries in Washington average between \$16.58 and \$18.69/hr, while aerospace pays an average of \$26/hour, producer services averages \$28/hr, and software (pre-crash) averaged the highest pay, \$36 per hour.

Note that the average wage includes management and other high-paying occupations in each industry; the wage received by the typical line worker is probably well below the average. An analysis of the 16,000 annual job openings posted on Washington State’s job listing service showed even lower wages being offered: the average wage in travel industry job openings was \$7.28/hr, the lowest of any major industry. With the exception of agriculture, other industries averaged \$8.30 – \$11/hr in their job offers.⁷⁷ These offers likely represent entry-level wages.

A comparison to the regional “self-sufficiency” wage — the wage needed for a family to afford its basic needs — can offer additional insight into whether travel industry wages are adequate. The self-sufficiency wage for King County is calculated to be \$9.61 for a single adult with no dependents, \$17.33 for a single adult with one pre-school-age child, and \$11.76/hr each for two employed adults with two children.⁷⁸ This data would seem to

indicate that on average (although not at the entry level) the travel industry pays well enough for a two-parent family with both parents employed to achieve self-sufficiency.

However, these wages assume full-time, year-round employment. There are increasingly few full-time jobs in the Washington travel industry. The average travel-generated job in Washington only provided 24 hours per week of employment in 2000.

When examined by industry, travel-related eating & drinking industry jobs averaged only 21 hours a week in 2000; amusement & recreation also averaged 21 hours, indicating that most jobs in these industries were part-time. The accommodations (hotel) industry was not much higher, with 23 hours a week, and retail trade averaged 28 hours per week. Air transportation provided more full-time work, averaging 36 hours per week.⁷⁹ Again, the travel industry provided significantly fewer work hours than most of Washington's major industries. All other major industries averaged between 35 and 40 hours per week, except for agriculture.

WAGES BY OCCUPATION

Why are wages in Washington's travel industry so low? Part of the answer lies in the occupational structure of the state's travel-related industries. Employment in every industry is divided into a number of occupations with varying levels of pay and responsibility. In the hotel industry, for example, occupations range from housekeepers to front desk clerks to supervisors and managers. But travel-related industries tend to have a disproportionately high number of direct-service occupations — which generally pay less — and very few production, supervisory, technical, or management occupations. 31.7% of all travel-related jobs in Washington are in food preparation & food service occupations. Another 22.2% are in sales occupations — meaning that more than half of all jobs in the industry are in either food service or sales. 11.1% of jobs are in office administration support, 10.7% in transportation occupations, and 10.4% in maintenance & protection. Notably, only 3.4% of travel jobs are in management, supervisory, or technical occupations, compared to

28.6% in comparable Washington industries. While these numbers are from Washington, similar patterns hold true across the nation.

In Washington, the average annual wages for travel-generated occupations are: \$18,522 in food preparation & foodservice; \$25,304 in sales; \$23,327 in office administration support; \$19,836 in transportation; and \$24,881 in maintenance & protection. The average annual wage is much higher in management (\$63,848) and in supervision & technical occupations (\$45,010), but as noted above, there are very few of these jobs available in the travel industry.⁸⁰ This may partly explain why pay in this industry is so much lower than in others.

From a workforce development perspective, this evidence implies that, on the one hand, travel industries offer a much higher proportion of jobs that are accessible to workers with little training or experience. Especially in locations where there are insufficient entry-level jobs, resulting in high employment among young and/or low-skilled workers, this characteristic can be very important. On the other hand, there is very little opportunity to advance up a career ladder, since there are so few higher-level jobs within the industry; a strong possibility is that those who enter the industry will remain stuck in a low-level, low-paying job that cannot support a family.

Dean Runyan Associates (a travel industry consultant) suggests that workers in Washington may start out in entry-level travel industry jobs, then move to better jobs in other service industries once they have gained experience. But the evidence for this claim is unclear. Dean Runyan examined a sample of Washington residents who worked in the travel industry in 1990 to see how they fared a decade later. Low-wage workers (the bottom 80% of workers in the sample) earned an average \$6.25/hour in 1990. 68% of these workers were employed in an industry other than travel in 2000, indicating that most of them left the industry for other jobs. In 2000, these workers earned an average of \$11.95/hr if they remained in the travel industry, and \$15.88/hr if they had moved to another industry. Initially this data suggests that the travel industry did indeed serve as a 'training ground' for workers, and that workers were

able to move from travel to other industries and increase their pay.⁸¹

However, Runyan's data should be interpreted with caution for at least two reasons. First, a full 40% of the travel industry workers from 1990 could not be identified in 2000, and thus were excluded from the analysis. They may have moved out of the labor force or left the state, but their disappearance could also mean that their earnings were too low to be recorded or that they moved into the underground economy — in which case the remaining sample would be strongly biased towards the 'successful' workers.

Secondly, the increasing minimum wage in Washington state may also be responsible for a good deal of this growth, by substantially raising the wages of the lowest-paid workers in the sample. Through a popular initiative, Washington's minimum wage was raised from \$4.90/hr in 1998 to \$6.72/hr in 2001, and subsequently indexed to inflation, bringing it to \$7.01 in 2003. The four industries examined in the Dean Runyan study were lodging, eating & drinking, retail, and recreation. At least three of these — lodging, eating & drinking, and retail — have high rates of minimum wage workers. The majority of minimum wage workers in Washington are employed in the retail trade sector (which includes eating and drinking establishments). And about 50% of all jobs at hotels and other lodging places pay an average wages within \$1.00 of the minimum wage.⁸² If the growth in workers' average wages between 1990 and 2000 can be substantially attributed to the minimum wage increase, this fact would not support the explanation that workers' wages grew because they were able to advance to higher-level jobs.

EFFECTS OF RAISING THE MINIMUM WAGE

Washington's minimum wage increase is also notable for its impacts on the state's hospitality industry. Many travel-related industries have large numbers of minimum wage or near-minimum-wage jobs, so they should be more heavily affected by the minimum wage increase than higher-paying industries. In particular, 'eating and drinking places' and 'hotels and other lodging places' each employ substantial numbers of minimum wage

workers. This provides a useful "natural experiment" to test whether raising the wages of the lowest-paid hospitality workers is feasible, or whether such an increase forces firms to lay off workers or even shut down.

In fact, the minimum wage increase did not prevent growth or force layoffs in the eating & drinking or hotel industries of Washington state. From 1998 to 2001, the minimum wage rose by a dramatic 37%. Yet employment in these two low-wage industries also grew. Jobs at eating and drinking establishments increased from 174,700 in 1998 (annual average) to 181,000 in 2001, and hospitality jobs increased from 28,700 to 29,100. Employment in both these industries fell in 2002 with the recession, but as noted above, they are already showing signs of recovery. In short, evidence is strong that Washington's minimum wage increase raised pay for many hospitality workers without impeding the industry's growth.⁸³

LESSONS FROM SEATTLE

1) The Best Laid Plans... One lesson from Seattle is, unfortunately, a testament to the limitations of even the strongest economic development strategies to fully insulate a community from the effects of a downturn in multiple arenas. Seattle had developed a diversified economy that had as its base a wide variety of industries, from lumber and airplane manufacturing to high-tech and hospitality. But a series of events hit at all of Seattle's major industries, and it did not escape the recession. However, Seattle's hospitality industry responded quickly to the changed economic situation, and the industry now seems to be recovering. The ability and will to quickly analyze changes in the industry and develop an effective response proved crucial.

2) Regional Markets and Regional Competition. Seattle's hospitality industry has regained some of its business in the wake of the recession by focusing on potential visitors from nearby states - and even on Seattleites themselves. San Jose could do the same. How many San Joseans spend all their weekends in San Francisco, Oakland, or Monterey? In addition, Seattle should be watched closely in its own right, because the

city is explicitly competing to win visitors and business away from California.

3) Adding Value through Technology. The Washington-based company Expedia has gained extraordinary growth from its leadership in online travel booking. What other innovative roles might tech be able to play in the hospitality industry?

4) Look Closely at Job Quality and Workforce Development Potential. From a workforce development perspective, the hospitality industry has some very

positive aspects, including its high potential for growth and low barriers to entry for new employees. But the industry also pays lower than average wages — often insufficient to support its workers — and due to the seasonal nature of demand, much of its employment is part-time or insecure. In addition, the structure of the industry makes career advancement difficult, leaving many workers stuck in entry-level jobs. Any economic development or workforce development program should consider these factors carefully before choosing to focus on hospitality.

BALTIMORE

Population: 762,378⁸⁴

Annual visitors: 13 million⁸⁵

Annual spending by visitors: \$2.95 billion⁸⁶

Beginning in the mid-1950s, the city of Baltimore undertook a massive redevelopment project centered in the city's Inner Harbor. This project succeeded in revitalizing the Inner Harbor and, by the 1980s and '90s, transforming Baltimore into one of the region's most popular tourist destinations, with the Inner Harbor its "crown jewel."⁸⁷ Baltimore's efforts are often held up as a nationwide model for downtown redevelopment and tourism promotion.

Yet even this exemplar project is not without its problems. Recent evidence has emerged questioning whether tourism-focused development has done as much good for Baltimoreans as is popularly believed. Job creation has not lived up to expectations, and in some cases neither has the project's ability to attract customers, resulting in expensive efforts that fail or have little business. Bureaucratic changes in the past decade eliminated much of the oversight and accountability for the Inner Harbor, and basic maintenance of the area has suffered. Partnerships and coordination have suffered as well, bringing about poor land management in which developments are built with little planning or consideration of the impact on the overall region. These types of issues are not unique to Baltimore, but the following case study will focus on the difficulties with Baltimore's tourism development by way of example.

BALTIMORE'S RENAISSANCE

Like many other U.S. cities, Baltimore's economy and population declined with the loss of manufacturing jobs, and the city sought to reinvent itself. In 1950, Baltimore was the nation's sixth largest city. But its economy depended largely on manufacturing, with minimal attention to developing other industries. There had been little if any private investment in downtown Baltimore since before the Great Depression, and the downtown business district was beginning to suffer. Baltimore's Inner

Harbor also lost its preeminence as a port, as shipping began to shift to elsewhere on the East Coast. When plants began to shut down or leave in the mid-1950s, Baltimore lost its position as a regional economic and population hub. From 1950 to 1995, 75% of the city's manufacturing jobs disappeared. The population fell dramatically as masses of residents moved out of Baltimore to suburban areas in surrounding counties.^{88,89}

In 1954, the CEOs of the city's 100 largest businesses came together to create the Greater Baltimore Committee (GBC). Its first major redevelopment project, a \$200 million effort focused on the 33-acre Charles Center area, was initiated in 1959. With the success of Charles Center, the GBC began to look towards a more ambitious endeavor.⁹⁰

Seeking to reverse the Inner Harbor's decline from population shifts and the loss of shopping market share, the GBC created a 30-year, \$270 million plan to transform the Inner Harbor, building 240 acres of new tourist attractions and retail, as well as housing and office space.⁹¹ The project won the city's backing, and in 1963, the newly elected mayor of Baltimore promised in his inaugural address to make redeveloping the Inner Harbor a priority. Planning began immediately, and the next year a bond for the Inner Harbor project was passed by voters. City leaders undertook an intensive effort to renew the faltering central business district and build tourism as a leading industry in Baltimore. In 1968, after completing a plan for the first redevelopment phase, the existing area was almost entirely demolished in preparation, with only four buildings remaining.⁹²

The first pieces of the project were completed in the early 1970s, and the new Inner Harbor development gained prominence in 1976 when it became a site for the U.S. Bicentennial celebration. The \$2.2 million

Joseph H. Rash Memorial Sports Park and the Maryland Science Center also opened in the Inner Harbor that year. In the next five years, major new facilities completed included: the 28-story World Trade Center; the \$50 million Baltimore Convention Center; Harborplace, a shopping and dining district; the 2,000-seat Pier 6 Summer Concert Pavilion; the National Aquarium; and several major hotels. Through the 1980s, over 2,500 hotel rooms were added near the Inner Harbor to meet the high tourist demand created by its newfound popularity.

Development continued through the 1990s. Two stadiums for the Orioles and the Ravens were built at Camden Yards, and the Baltimore Convention Center tripled in size with a \$151 million expansion.⁹³ In all, over \$2 billion in public funding was poured into the redevelopment effort. And indeed, the effort succeeded in transforming the Inner Harbor into an immensely popular destination for visitors, and Baltimore's revitalization in the 1970s and 1980s made headlines nationwide. In the late 1990s, Baltimore was the nation's 16th largest tourist destination, and continuing to grow, with annual visitors increasing by more than a third between 1992 and 1997.^{94,95}

HOW DID BALTIMORE'S REDEVELOPMENT PERFORM?

Baltimore's renaissance undeniably reinvigorated the city's image and attracted many new visitors. But evidence from the 1990s suggests that it was less successful in creating quality jobs for Baltimore residents to replace those lost in previous decades. Contributing to this difficulty has been the elimination of oversight and responsibility for the Inner Harbor, especially during the 1990s; lack of coordinated land management; and the absence of accountability standards for public support of development projects.

LACK OF OVERSIGHT

Changes in who was responsible for the Inner Harbor's oversight contributed to the project's difficulties. Initially, planning and development of the Inner Harbor project was overseen by a single dedicated entity, Charles Center-Inner Harbor Management, Inc.,

formed in 1965. Charles Center-Inner Harbor Management worked under contract with the Mayor and City Council to plan the Inner Harbor's progression and make sure that development was appropriately carried out. But in the late 1980s and early 1990s, Charles City-Inner Harbor Management was merged with several other organizations into the Baltimore Development Corporation (BDC). The new BDC had a much broader mission and multiple responsibilities, making the Inner Harbor work much less important in the BDC than it had been under Inner Harbor Management. Maintenance of the Inner Harbor area was now funded through two city departments, the Dept. of Parks & Recreation and the Dept. of Public Works, meaning that BDC had little direct involvement with the project's upkeep. Over the past decade no one entity has had continuing development and management of the Inner Harbor as its primary focus.⁹⁶

The recession of the early 1990s caused a fiscal crisis in the city budget. Funding, resources and staff for the city's Inner Harbor responsibilities were sharply cut back. With no dedicated entity to advocate for the Harbor, maintenance of the Inner Harbor, as well as planning and oversight of new developments, was let slide.

As a result, the quality and attractiveness of the Harbor declined, especially in the portions on public land. Although development in the region continued, it was haphazard, with each developer out for themselves without regard to the overall impact on the Inner Harbor region and its continued attractiveness to visitors.

An October 2003 report on the state of the Inner Harbor concluded:

"The Inner Harbor, and its surrounding area, has become a valuable destination not only for millions of out-of-town visitors and tourists, but also provides enjoyment and a meeting ground for Baltimoreans of diverse economic and cultural backgrounds. This important asset is inherently fragile, and can easily deteriorate in a surprisingly short time. The huge economic and cultural benefits to the city can quickly disappear from the failure to manage them on a day to day basis.

Unfortunately, neglect has begun to be apparent in sev-

eral areas. The term “management” does not apply to the city’s current arrangement for attention to the Inner Harbor. Development often appears to be driven and determined with a primary focus on the immediate economic return on every inch of ground rather than the potential value a project might bring to the entire harbor. Proper husbandry of this valuable asset requires the constant, everyday attention of an individual or group whose sole concern is to defend the city’s primary interest in the continuing maintenance and future development of the Inner Harbor.”⁹⁷

This lack of planning led to city funding being granted to many projects in the 1990s without adequate foresight or safeguards. Some of these projects failed, and many more did not do nearly as well as anticipated. In 1992, it was discovered that developers had failed to repay the city for a total of \$60 million in redevelopment loans granted since the 1970s — one third of which had gone to build hotels. These debtors had either gone bankrupt after receiving the city loan, or were not bringing in enough revenue to repay it.⁹⁸

LACK OF ACCOUNTABILITY FOR DEVELOPMENT FUNDING

Another example of high levels of public spending with little public return is Camden Yards. In the 1990s, two stadiums were built at Camden Yards for Baltimore’s football and baseball teams, paid for primarily by the Maryland Stadium Authority using taxes, lottery money, and bonds. The first, Oriole Park, was built in 1992 with the use of \$208.6 million in public funding. The second, the Ravens’ stadium, was built in 1998 with another \$414 million of public funding and foregone revenues. In 2001, the annual cost (including debt service) to the publicly funded Maryland Stadium Authority of the two stadiums was \$46.1 million. Yet the stadiums generated only \$24.7 million in tax revenues, leaving the MSA over \$25 million in the hole each year.

Similarly, the city spent \$151 million for a massive expansion of the Convention Center in the mid-1990s, anticipating that the expansion would enable Baltimore to host the larger conventions being held in Philadelphia and Washington DC. But convention

bookings after the expansion remained much lower than projected, and business generated by the project did not live up to expectations. In addition, two years ago a large property tax abatement was granted to Lockwood Associates to develop a hotel, office tower, retail spas, and a parking lot in the Inner Harbor. However, the developer has since announced that it will not build the hotel or retail and has put the remainder of the project on indefinite hold. The Lockwood project was supposed to create 1,173 permanent jobs, but now it is likely to yield only 611 office jobs — and the Baltimore Development Corporations estimates that only 30% of those jobs will go to Baltimore residents.

In general, development in the Inner Harbor and nearby areas has received a very high proportion of public funding with a lack of planning and accountability. When the Inner Harbor redevelopment plan was first laid out in 1959, the plan was for private investors to fund 60% of the first phase, with the city kicking in 40%. But the city’s part kept growing, and by the time it was completed, 90% of the costs had been paid by taxpayers. In 2002, the city budgeted about \$40 million for tourism-related economic development. From the late 1970s through today new hotels built in downtown have received an average 30% of construction costs as a public subsidy. In all, over \$2 billion in taxpayer money has gone towards tourism-related facilities since the 1970s. Baltimore has recently begun exploring new ways of putting even more public funding into harbor development; the use of PILOTS (a form of property tax abatement) to fund hotels is a recent and growing trend, and the city plans to begin using tax increment financing (TIF) to pay for waterfront infrastructure.^{99,100}

Spending public money on high-profile development projects means there is less to spend on other programs. In the 1970s and 1980s under Mayor Schaefer, city funds for economic development grew by 400%, while funding for education and social welfare was cut by 25%.¹⁰¹

Another persistent problem with Baltimore’s tourism industry development plans, dating back to the redevelopment program’s beginnings, has been the lack of attention to and accountability for the creation of quality jobs in sufficient numbers for Baltimore residents.

Baltimore's economic development strategy differs from that of many cities and states (including Maryland) in that there are no legal requirements for developers receiving city funding to create jobs providing a certain minimum wage or benefits, and very few requirements for developers to create jobs at all. Baltimore's redevelopment agency provides many businesses with low-interest loans, but there are no job creation criteria for loans, unless the loan is to be converted into a grant. A business could receive a low-interest loan from the city for the purpose of economic development and then create no jobs at all. In contrast, similar loans granted by the State of Maryland include specific targets for number of jobs created and require that jobs pay at least 150% of minimum wage.

In 1999, the city began to take advantage of a recent state law permitting cities to grant "payments in lieu of taxes" (PILOTs), an agreement between the developer and the city under which the developer does not have to pay most of their property taxes. Under state law, PILOTs do have some job requirements: developers must plan to create at least 100 full-time jobs to receive a PILOT and must work with the city Office of Employment Development to give Baltimoreans first chance at the new jobs. But there are no job quality criteria used by the city to determine whether to grant a PILOT, and 100 jobs is not very many for such a large-scale program, which may cost the city millions annually for each PILOT granted.

The city's main economic development agency, Baltimore Development Corporation (BDC), granted a PILOT worth an estimated \$30 million over the next 25 years to the Waterfront Marriott hotel. Together with other loans and grants, the Marriott received at least \$36.6 million in subsidies. The hotel opened in February 2001, creating 652 jobs; the subsidy per job thus works out to be \$56,179. On average, the jobs pay \$20,000 each, but this average includes both wage and salary (management) jobs; the pay for most hotel workers is probably considerably lower.¹⁰²

In sum, this lack of oversight (in the 1990s) and lack of accountability (throughout the development era) have produced multiple negative consequences. Several large

projects failed or did not perform as well as anticipated. Efforts were focused on large, glamorous projects at the expense of an overall plan for the area. The region suffered from haphazard development as each landowner and developer tried to grab the largest possible share of revenue for themselves without regard for the overall impacts on the region. Finally, a large amount of public money was spent on projects that brought fewer jobs than anticipated, and often low-paying jobs at that.

Employment in the downtown area grew by 80% from 1970–1995, with much of this growth in the tourism and hospitality industries. But most of these jobs lack benefits and are low-paying, providing a wage that is less than 50% of the city average (\$18.40/hr). Out of all the tourism-related occupations in the city (other than management positions), almost all pay an average wage of between \$7 and \$9 per hour; only three occupations pay enough to exceed the federal poverty line for a family of four.¹⁰³ In addition, many of the jobs that have been created have not gone to Baltimore residents; only 51% of Baltimore employees were residents as of 1990.¹⁰⁴

In contrast to the city's recent investments in hotels, the convention center, and other travel-related projects, Baltimore has also created a plan for investment in another industry that has a longer-term focus and is expected to create more and better jobs at a lower public cost per job. The city is planning to create a biotech park with an investment of \$150–\$200 million. If the park succeeds, it is projected to create 8,000 new jobs, with a mix of high-skilled, moderate-skilled, and low-skilled occupations. The project includes \$10 million to train area residents for the low-end jobs, which are expected to earn \$22,000–\$25,000 starting salary — considerably more than most equivalent jobs in the hospitality industry. This works out to a public expenditure of \$18,750–\$25,000 per job created. There are some serious concerns about the project, which will probably take 10 to 20 years to become fully established: Will it succeed in attracting biotech companies? Will they hire local residents? Will there be enough education and training programs to enable local residents to qualify for the jobs? Nevertheless, this project has the potential to do a much better job than recent travel industry projects at improving the opportunities for

Baltimore's workforce.¹⁰⁵

LESSONS FROM BALTIMORE

1) Planning and Partnerships. Comprehensive planning and coordination are crucial, as are strong partnerships encouraging cooperation between all stakeholders. Denver was a positive example of how these elements can come together to create a successful development.

The Inner Harbor during the 1990s shows what can happen if coordination is absent and parties involved in development stop working together. Piece-by-piece development, focused on large flashy projects, is unlikely to produce positive results in the long term.

2) Maintenance. Maintenance of existing elements is as important as building new ones, and should be considered from the very beginning. There may be plenty of funding and interest in building a new project, but we also need to plan at the outset for how that project will be maintained decades down the road.

3) Means and Ends. Concentration on tourism to the exclusion of all else may lead to development that does not meet local needs. Remember that tourism-promotion efforts are being undertaken in service of improving the economy and life for city residents, not as an end in themselves.

4) Reality Check. Ambitious goals are fine, but don't lose sight of reality when projecting how many visitors or customers can be brought in by new development. "If you build it, they will come" only works in the movies. Promotion can certainly bring in additional customers, but sometimes no amount of publicity will be able to bring in visitor levels consistent with overly-optimistic projections.

5) Return on Investment. Investing tens of millions of dollars to create only a few hundred jobs may not be the best use of city resources—unless there are strong additional benefits which city residents will gain from the project. Since residents generally do not make much use of hotels, this is especially important to remember when deciding whether to invest in the hospitality sector. How much of an economic boost will the project provide, and will the city's residents benefit from this boost, or will benefits accrue only to the hotel chain?

The preceding has highlighted some of the more negative aspects of Baltimore's experience in order to illustrate some of the challenges that may arise when a region attempts to make large-scale investments in growing its hospitality industry. Of course, Baltimore's revival has had many positive effects as well, and the types of drawbacks described here are certainly not limited to Baltimore.

BEST PRACTICES FOR HOSPITALITY EMPLOYERS: TRAINING, CAREER LADDERS, AND JOB QUALITY IMPROVEMENT

Training and career advancement in the hospitality industry — in particular, in hotels — has the potential to address several problems faced by employers or employees, as well as issues affecting them both. The following section will describe the elements of several “best practice” training and advancement programs at hotels around the country.

A major benefit accruing to employers who offer effective training and advancement is a reduction in turnover. Turnover in the hotel industry is extremely high and quite costly to firms. Average turnover for line workers is estimated at anywhere between 51.7% and 152% annually, and turnover costs the hotel \$3,000 to \$13,000 for each employee who leaves. If we use the high-end estimates for turnover cost and incidence, hotels might be spending nearly as much each year dealing with turnover of line workers as they spend on those workers' wages.

Examining the reasons for turnover, the American Hotel Foundation surveyed hotel employees. The top five internal causes of turnover found by the survey were pay, communication problems, lack of opportunity for advancement, lack of recognition for a job well done, and poor conflict management. The top five external causes were better pay elsewhere, better wages in other industries, low unemployment, a strong regional economy, and low quality of employees overall. Overall, pay is a leading factor inducing hospitality workers to leave their jobs or the industry. Hospitality generally pays less than other industries, even for jobs requiring roughly the same levels of skill and education.

An up-front training program for potential employees has the potential to greatly reduce turnover, both by giving workers a greater investment in the job and by providing a way to screen out workers who are not a good match. After learning more about hotel jobs in an introductory training program, some workers may decide that the job is not for them—rather than deciding this several months after hiring. Other workers may be screened out by failing to successfully complete the program. Those remaining will be more likely to be quality employees, and less likely to quickly decide to leave. In Las Vegas, employees who graduated from CHA's training course have 50% lower turnover than those who did not.

However, to be effective in motivating employees to maintain greater loyalty and provide improved service, a training program must offer tangible benefits for their workers, such as a pay raise, better hours, or (most commonly) the opportunity for career advancement. Yet structural difficulties and hotel culture stand in the way of any large-scale career ladder.

Hotels tend to employ large numbers of entry-level workers and very few higher-level positions. Under these circumstances, training workers for

higher positions is often ineffective, because the vast majority of workers will never be able to advance within the industry no matter how much they are trained: there are simply not enough high-level positions available.

A typical hotel has three employment divisions: rooms, food, and front desk. About 95% of the employees in rooms are entry-level workers, housekeepers and related jobs, making \$6-\$9/hour in metropolitan regions of California. The next highest positions — inspectresses, trainers, and assistant managers — earn \$25,000 to \$35,000 a year, but together make up only 1% to 5% of all jobs in the division. If a hotel has 95 housekeepers and only 5 supervisors, training all the housekeepers for supervisory positions will not be much use. Not surprisingly, a survey of housekeepers at four San Francisco hotels found that 61% believed their prospects for promotion were poor.

Front desk has slightly more opportunity for advancement, but it is still limited. 30–50% of front desk workers are the lowest level of employees, working at phones, valet or bell desk and making \$7–\$10/hour. Another 30–50%, including front desk clerks and accounting clerks, are slightly higher up in the hierarchy and make \$9–\$15 hour. So a good case could be made for training lower entry-level workers to become clerks. After that, however, the career ladder evaporates. As in the rooms division, supervisory positions make up only 1% to 5% of all jobs available.

Food and beverage service, on the other hand, offers some interesting possibilities. About 40 to 50% of employees are on the lowest rung, as dishwashers, bussers, or cook's helpers earning \$6–\$10/hr. Another 30–40% are cooks, server, bartenders, or hosts, all slightly higher-level jobs offering between 9 and 13 dollars per hour. And 20% are in “craft occupations”: banquet servers, servers and bartenders at high-end hotel restaurants, and cocktail waitresses who earn up to \$70,000 annually. A training program for food workers that would help them move up through the ranks to a “craft” occupation could have considerable potential. And indeed, some of the most successful career ladder/training initiatives to date have been in this division, such as SFHP's banquet server training program

and CHA's courses for food or wine servers, cook's helpers, pantry workers, cooks and sous-chefs, both discussed below.

But hotels are increasingly contracting out restaurants and other food service-related duties. This sharply limits the opportunity for internal career ladders in the food and beverage division. Indeed, it means that any kitchen employee who wants to become a server or bartender will have to quit their job at the hotel to do so, which is much more complicated than applying for a promotion. As a result, employees may find it harder to advance, and the hotel may find it harder to retain good workers. Outsourcing of restaurants and food service, although generally implemented to save money, might end up costing the hotel more in turnover and recruitment expenses. (The benefits of and obstacles to skill enhancement in the hospitality industry are discussed in more detail in the WIN's initial hospitality report, *Jobs with a Future: The Hospitality Industry.*)

If career ladders are to succeed, extensive job restructuring will be necessary, particularly in the rooms divisions. Another possibility is moving workers between divisions. But this is, again, restricted by the bottleneck of insufficient numbers of higher-level jobs, as well as a variety of obstacles — notably English language skills and the negative assumptions of management — that make it difficult for “back-of-the-house” workers, such as housekeepers, to move to a “front-of-the-house” job like restaurant server or front desk. Nationally, about 22% of all hotel workers are employed in housekeeping, and only 10% as food service workers (waitstaff, buspersons or bartenders). 9% are clerks and 5% are cooks. Another 5% are personal service workers, 4% are janitors or laundry workers, and 27% are in other occupations. Interestingly, the percentage of workers in management has grown over the last 15 years, and is now at 18.3%. This suggests that career paths to move line workers into management might be feasible after all.

Occupational segregation by race and gender within the hospitality industry also poses a challenge to employees' advancement. Although line workers, particularly those in the back of the house, are likely to be women of color, high-level managers are more likely to be white

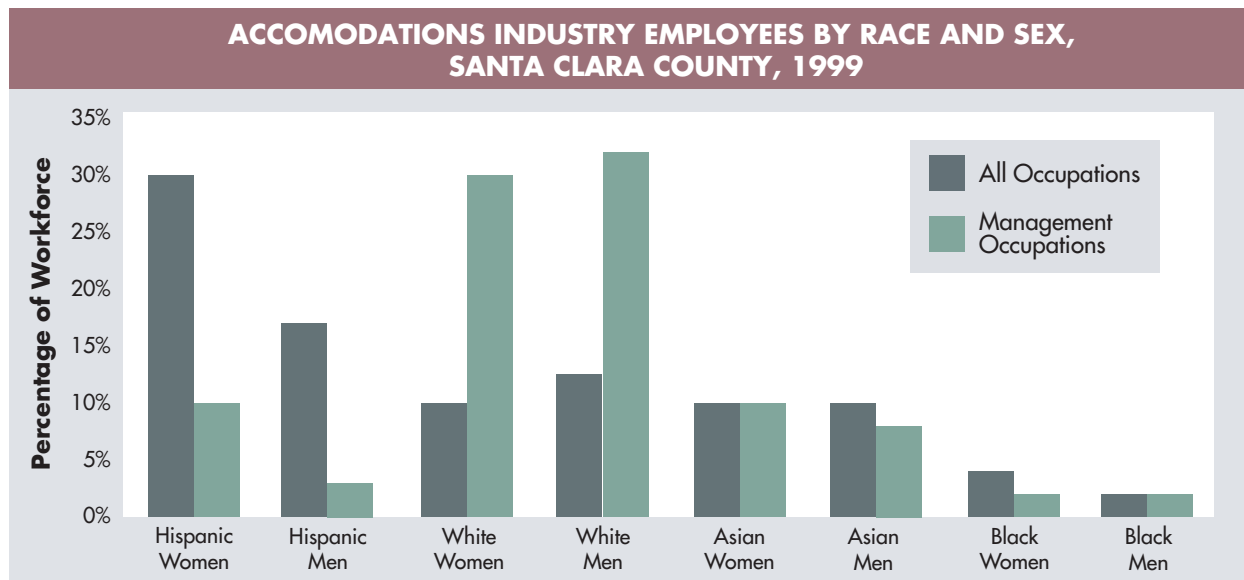
and male. In Santa Clara County, Equal Employment Opportunity data for the accommodations industry from the 2000 Census shows that Hispanics are severely underrepresented and whites considerably overrepresented in management. Hispanics make up 50% of the accommodations industry workforce, but only 10% of management; in contrast, whites are 24% of the workforce and 62% of management. (See chart below.) Unless the barriers keeping Hispanics and others out of management can be broken down, these line employees may find career advancement within the industry difficult or impossible.

The lodging industry has itself begun to examine the diversity of its managerial workforce. In 1999, the American Hotel Foundation surveyed selected member hotels regarding the race and gender distribution of their management. This study looked at a wider range of upper-level occupations, including chefs, steward, and other high-ranking positions as well as titular managers. It found that the racial and gender makeup of managers nationwide approached that of the U.S. population, though women, Blacks, and Hispanics were somewhat underrepresented. (No comparison was made to hotel line employees).

However, women and people of color were concentrated in certain management positions that rarely led to further advancement, while whites and males were concentrated in general manager positions (the highest

position at most hotels) and in those positions that traditionally lead to becoming a general manager. 92% of general managers were white, and 85% were male. The study further noted that historically, general managers are most likely to be promoted from within the food and beverage division or the front office, but not from sales and marketing, housekeeping, or human resources. Women were heavily concentrated in those management positions unlikely to lead to general manager; women made up 82% of catering sales managers, 79% of sales managers, and 74% of human resources managers. A 1994 study observed female managers in the industry earning an average \$6,400 less than male managers. Similarly, Hispanics and blacks respectively made up 45% and 26% of executive stewards, and 25% and 28% of housekeeping managers, even though they were only 3% and 1% respectively of all general managers. This problem could be addressed in part by examining and challenging the factors that prevent women and people of color from entering general manager-track positions, and in part by taking another look at the selection procedure for upper management.

Several case studies are presented below of “best practice” programs. These models have demonstrated effectiveness at improving job quality, service, productivity, and competitiveness. Also discussed are “promising practices” which include innovative ideas whose effectiveness has not yet been fully evaluated.



BEST PRACTICES: SAN FRANCISCO HOTEL PARTNERSHIP PROJECT (SFHP)

Highlights:

- Joint worker-manager "problem-solving" teams dedicated to addressing labor-management conflicts, along with extensive soft skills training for line workers, supervisors, and managers, have led to better industrial relations in the industry. This has improved the hotels' competitiveness and enabled restructuring to be done jointly by management and workers, rather than in a purely adversarial mode.
- Large scale and exemplary coverage has been achieved; nearly a third of the entire 5,000-person workforce has participated in the training program. The result has been a substantial change in workplace culture, coming from the top down and the bottom up simultaneously. Hard-skills training in safety, English, and vocational skills improved the workforce's skill level and lead to more opportunity for advancement from entry-level to higher-paying hotel jobs. ESL classes are especially popular. Several career ladder programs are in development or pilot stage.
- The problem-solving teams have created a training program and hiring hall enabling room and kitchen workers to take shifts as higher-paid banquet servers, a job for which demand peaks at the same time demand for rooms declines. This innovative model offers a solution to the seasonal nature of hotel work and also promotes career advancement.

A multi-employer group (MEG) of eleven high-end hotels and the hotel union HERE Local 3 established the San Francisco Hotel Partnership Program in 1993 to "replace a hostile industrial relations climate with a more cooperative one."¹¹⁹ The SFHP was intended to encourage labor-management cooperation in order to increase member hotels' competitiveness and simultaneously ensure secure, decently paying jobs and advancement opportunities for workers.

The core of the Project is sixteen "problem solving teams" each with a membership of 2/3 workers and 1/3 management, along with a third-party facilitator. The teams' mission has included building cooperation and improved relationships between management and workers within the hotels, helping to implement work restructuring in a way that benefits both parties, trying to resolve problems in the workplace, and designing trainings. For instance, one hotel used the partnership to restructure its kitchen area for greater flexibility and competitiveness. The kitchen workforce moved from 27 job categories to three, raising wages and creating stronger seniority rules as part of the process.^{120,121,122}

The training element began with soft skills training for both workers and managers, especially those on the

problem-solving teams, to help transform the climate of relationships. Program elements included courses in team building, conflict resolution, supervisory skills, and communication. More recently, training has been expanded to cover hard skills such as English, safety, and vocational skills classes. The ESL program is in especially high demand, particularly among entry-level workers who wish to improve their English so that they will be able to advance to higher-level jobs with more customer interaction. The Partnership has also created a program to train welfare-to-work clients for housekeeper positions.^{123,124}

The SFHP training program was created and funded by a wide variety of partners: the union provided \$1 million from its health and welfare fund, San Francisco Community College provided training, the Federal Mediation and Conciliation Service contributed grants and additional training services worth \$500,000, and the project won a \$1 million grant from the state. About 1,600 individuals, including workers, management, and union leaders, have undergone training (the entire union-represented workforce in the MEG hotels totals about 5,000 people.) In 1999, the union and the MEG agreed to extend the program for another five years, committing \$1 million for training and continu-

ing to look for additional funding sources. Another hotel has also joined the MEG, bringing the number of hotels involved to twelve.

One innovative workforce development concept that has emerged from SFHP is a program under which housekeepers, kitchen helpers, and other “back-of-the-house” workers are trained as banquet servers. Banquet server is a higher-paid and more demanding occupation, but it is also highly seasonal; there is high demand for banquet servers during the holiday season and much lower demand the rest of the year, making it difficult for hotels to find enough banquet servers when they are most needed. At the same time, demand for other hotel workers is slack during the holidays (possibly because winter is the off-season for San Francisco tourism), and workers are at high risk of lay-off during this period.

The training program solves both these problems by enabling current workers to become banquet servers

(with accompanying higher pay) during times of higher demand. In winter of 1998, a hiring hall for workers trained under this program placed 5,201 banquet jobs during the 49-day peak period, resulting in the lowest proportion of unfilled jobs the hotels had ever achieved.

This is an excellent solution to the persistent problem of seasonal demand in the hospitality industry, which results in high turnover for employers and poor job security for employees. It also opens up the possibility of a career ladder, as some trainees have been able to become permanent banquet servers. This real access to career advancement is a crucial element of the training program’s success, as is increased compensation for employees while they are working as banquet servers. Many hotels cross-train employees to fill in at multiple positions, but do not pay them the wage normally associated with that position; this practice can be demoralizing for employees and may lead to higher turnover.^{125,126,127}

BEST PRACTICES: FOUR-CITY HOSPITALITY CAREER LADDERS PROJECT

HIGHLIGHTS

- The Quad Cities Project created and tested models for career advancement in four cities in California (San Diego, San Francisco, Los Angeles and San Jose), with the intent of creating programs that other cities can learn from and replicate.
- Study teams composed of workers, management, and community college staff in each city undertook in-depth research into the workforce structure and barriers to advancement. This initial research enabled the study teams to design training programs tailored to the documented needs of managers and workers in that city.
- In the first year, 121 workers at 12 hotels underwent training. Three of the four cities are continuing the project and intend to expand the trainings.
- The number one barrier to career advancement was found to be low English language skills. The cities' experiences emphasize the need for occupational ESL courses, as well as for interpretation in other types of training classes. Varying levels of English ability can be a barrier to successful participation in training, if appropriate interpretation is not provided.
- The Los Angeles study team found that a worker's immediate supervisor is often a barrier to promotion. Employment structures require supervisors to approve promotions while giving them perverse incentives not to promote their employees, especially not exceptionally skilled and productive workers. Several hotels restructured promotion and transfer systems to eliminate this as an obstacle.
- San Jose found that many workers cannot advance their careers because low pay and high cost of living forces them to work two jobs. This means they have no time to participate in training, ESL classes, or other paths to advancement.
- Individual career coaching and/or mentoring was seen as a crucial part of programs aimed at advancement, and as a resource that needed to remain available beyond the end of a particular course.

The Four Cities Hospitality Career Ladders Project (also called Quad Cities) is a coordinated collaboration between unions, hotels, and community colleges in four California metropolitan regions to try to develop effective career ladders in the industry. The project aims to address two problems: the lack of advancement opportunities for hospitality workers, and the difficulty for hotels in finding skilled workers. The two key elements are restructuring the workplace to make career ladder advancement possible—designing job titles, requirements, compensation and hiring policies in such a way that entry-level workers can move up to higher positions—and providing training and career counseling to help current workers advance. The project aims to be the beginning of a long-term effort to bring about systematic change in the relationships between hotel man-

agement, workers, unions and community colleges, leading to substantially more career progression opportunities within the hotel industry

Each city began with a study team composed of workers, managers, educators/trainers, and a third-party facilitator. These teams investigated current working conditions and advancement opportunities and barriers, and used these investigations to design both changes to the workforce structure and a training program that would enable workers to overcome the obstacles to advancement. Two key findings were the need for both English language instruction and for effective simultaneous interpretation in the classes and team meetings themselves, and the need for a permanent career coach who can continue to advise workers and

advocate with management to make career advancement a priority. The teams in the four cities communicated frequently and made site visits to the other cities to share ideas, experiences and challenges.

In 10 months (September 2001 to July 2002), the pilot programs trained 121 employees at twelve hotels. In addition to designing and implementing career ladder training programs, the Project's objectives include providing ongoing, individualized career coaching; creating task groups to improve the workforce system at each hotel; and building stronger relationships among labor, management, and community colleges.¹²⁸ The experiences of each of the four cities are described below.

SAN FRANCISCO: The Palace Hotel, the Argent Hotel, the Mark Hopkins Hotel, HERE Local 2, and City College of San Francisco are the project partners.¹²⁹

A study team including six workers and five managers, and assisted by City College staff, interpreters, and a union liaison, investigated the nature of kitchen stewards' jobs and what obstacles they faced in trying to move up. Based on their findings, the team developed a training workshop for kitchen stewards and managers to overcome these obstacles. The training also offers ways to change the hotel context to facilitate movement along a career track. The workshop includes sessions on navigating the existing promotion process at each hotel; union contract provisions that address promotions and transfers; testimonies and case studies detailing the challenges that workers at the hotel encounter in trying to advance; ways to create a "promotion-friendly" environment in the hotels; and methods to enhance career ladders in the future.

The workshop's goal was to develop a culture of career advancement and promotion from within. Seventy-two workers and managers completed the eight-hour workshop, which included written materials in English and Spanish and simultaneous translation using headsets in Spanish and Cantonese. The study team also developed new ways to improve the system of promotions and transfers at the three participating hotels, beginning with a "Career Ladder Flow Chart" showing advancement opportunities.

SAN JOSE: The Fairmont Hotel, the Hilton Hotel, HERE Local 19, Mission College, and the San Jose/Evergreen Community College District are the project partners.

The hotels and the union spent more than two years studying why most line employees at the hotels are unable to move up. The most prominent obstacle to promotions or transfers was lack of English language skills. Another obstacle found was that, due to low wages and the high cost of living, many hotel employees work two jobs to make ends meet – leaving them with no time to attend a training course.

Seven workers and five managers, along with a facilitator, an interpreter, a city coordinator, an industry liaison, and a curriculum director, formed a study team "to address issues and generate recommendations regarding San Jose's union hotels' system for promotion and transfers and upgrade skills transfer." This team developed a detailed set of recommendations for improving career mobility, some of which include:

- designing procedures for developing training for each craft
- holding in-house job fairs
- informing employees about the different hotel departments and job opportunities through a "career ladders" video shown at orientation and during lunch
- developing a "skills measurement checklist" that tracks new skills each employee acquires as part of their personnel file
- improving internal distribution of job openings with descriptions of necessary skills
- providing copies of transfer forms to employee and HR as well as to the manager, to ensure that manager does not "hold" the transfer form
- offering an option for part-time work while participating in training
- providing night and weekend ESL classes

- attracting new housekeepers (a shortage occupation) by offering flexible schedules, guaranteed work hours, a signing bonus, and/or childcare assistance, working with other hotels to see if they have employees who want to move; and providing a systematic training and mentorship program for managers.

San Jose developed a 32-hour pilot career ladder course for entry-level room attendants, focused on training for basic employment, specific job skills and vocational ESL. Sixteen hotel workers participated in the training, and fourteen successfully completed it. Although the hotels did not guarantee promotions for pilot program graduates, the study team recommended that after training, the graduates cross train in their department of choice (depending upon availability), receive referrals for continuing education if needed, have a follow-up meeting one month and six months after training, and receive preferential treatment for appropriate job openings. In addition, the study team recommended that the partnership establish a mentoring program in which mentors would support workers trying to advance and help them develop and achieve their career goals. Mentors might be line staff or managers who volunteered for the job (though mentoring would be "on the clock", not just on their own time).

The project also helped improve industrial relations between the involved hotels and their union workers. For example, one training session involved a presentation of the Fairmont's existing promotion process by the hotel's human resources director. The employees had quite different perceptions of how promotions were handled, and a discussion between the workers and the HR director helped both to understand how the existing process actually works, and what might be needed to make it more effective and clearer to the rank-and-file workers.

Following the success of the pilot project, the Fairmont and the union applied for and received the support of the state ETP Career Ladders project for an expanded training program. Additional funds of \$250,000 from the California Federation of Labor through a grant from the Employment Development Department made this project successful at the Fairmont and other San

Jose hotels. Over the course of the FY 2003-2004 year, the Fairmont provided up to 200 workers, including front desk clerks, servers, and laundry workers, with 200 hours each of training in ESL, vocational skills, and/or leadership. The Fairmont paid the workers for their time during training and guaranteed that workers who successfully completed the courses would earn a pay increase of at least 5%. The Fairmont's incentive for this program was its need to provide superior service to compete with other locations nationwide for conference and convention guests.

As of June 2004, one hundred and three workers had graduated from the Fairmont Hotel-HERE Local 19 ETP course. The program has received favorable reviews by both labor and management and has deepened the commitment of both parties to this kind of employee development program. Currently, HERE is seeking to replicate this successful program with other large hospitality employers.

LOS ANGELES: The Westin Bonaventure Hotel, the Wilshire Grand Hotel, the Hyatt Regency Hotel, the Sheraton Universal Hotel, HERE Local 11, and Los Angeles Trade-Tech College are the project partners.

The study team in L.A. included hotel workers, union staff, the Human Resource Directors of the participating hotels, and a trade school representative. They collectively reviewed a recent study of current hotel career ladders and advancement at Los Angeles hotels together with their own work and experience, and developed recommendations on how to make career advancement more feasible. These included:

- developing a career counseling system for hotel workers that would operate throughout the region
- providing systematic feedback for workers who are denied promotions or transfers
- recognizing and changing the ways in which a workers' manager sometimes blocks promotions
- following the 'buddy system' model used to encourage promotions at the Biltmore.

The study group found that workers' immediate super-

visors often became obstacles in the way of transfer or advancement, rather than supporting and facilitating employees' career goals. Employees typically need their supervisor's cooperation to apply for a promotion or transfer, and for various reasons, supervisors sometimes would delay or stall, or try to convince the employee not to try. This often occurred because supervisors were worried that they would not have enough workers if the employee left, or because the employee was indeed highly skilled and motivated and the supervisor did not want to lose that worker. Using the study team's recommendations, HR managers at several hotels changed the promotion and transfer systems to try to eliminate this bottleneck.

In L.A., twenty workers began a thirty-two-hour pilot course emphasizing ESL, customer service skills, communication, team building, and basic computer skills. A two-hour pre-training assessment was one of the criteria used to select participants, and workers who successfully completed the course received continuing career advice. The training included computer-assisted learning components to teach English language skills, which simultaneously helped participants gain experience in using a computer.

However, due to external circumstances as well as conflicts which arose in the study team, the relationship between the union and management was strained by the time the project ended, making it difficult to continue and expand this work.¹³²

SAN DIEGO: The Hilton San Diego Resort, Holiday Inn on the Bay, the Handlery Hotel & Resort, HERE Local 30, and San Diego Community College Auxiliary Organization are the project partners. Labor and management in the San Diego hotel industry have frequently cooperated in training workers, and six hotels make contractual contributions to a Training Trust Fund.

San Diego created an introductory career ladder training program that included a pre-training assessment, individual portfolio development and career planning by students, and individual coaching by a professional career counselor. Based on the community college instructors' experience in training low-income workers, the course focused on assessing the students' needs and motivating them towards advancement through developing a career plan and objectives, preparing a resume and a career portfolio, and practicing interview techniques. The portfolios were found to be especially effective as motivational tools. Fifteen workers completed the 41-hour pilot program.

Unlike the other cities' programs, in San Diego prospective candidates underwent a formal language skills assessment, with, at minimum, an intermediate level of English required. 29 were assessed, and 16 chosen to participate. The 13 who did not qualify were offered follow-up consulting to discuss their scores and ESL opportunities, but only two participated.¹³³

BEST PRACTICES: CULINARY & HOSPITALITY ACADEMY OF LAS VEGAS (CHA)

HIGHLIGHTS

- CHA provides pre-employment training to residents who want to enter the hospitality industry. The training is free and open to all, and CHA successfully trains many who are entering the workforce for the first time or after a long absence, such as recent graduates and welfare-to-work clients.
- CHA has reached scale and become the leading source of entry-level hotel workers in Las Vegas, as well as one of Nevada's largest training providers in any industry. To date it has trained over 16,000 workers, and its planned expansion will increase capacity from 2,500 trainees per year to 6,000.
- Graduates of CHA are considered very desirable by employers, and the placement rate is over 70%.
- Graduates of the entry-level program have approximately a 50% lower turnover rate than workers who did not undergo the training.
- The Academy is funded by employer contributions (3 cents per worker-hour) as well as outside grants, and governed by a board representing workers and employers. Training is extremely cost-effective, averaging \$780 per entry-level worker, whereas the equivalent community college courses might cost \$6,000.
- CHA has begun to expand training programs for incumbent workers that will enable them to advance. About 10% of its trainings are for incumbent workers.

Originally called the Culinary Union Training Center, CHA was launched by a partnership between the Culinary Union Local 226, Bartenders Local 18165, and most of the Las Vegas hotels located downtown or on the “Strip”. Established through a negotiated contract in 1990, the CHA began operations in 1993, and in the past decade has trained more than 16,000 workers. (The two unions together represent about 40,000 workers.)¹³⁴ The CHA offers two types of training: it trains people trying to enter the hospitality industry for entry-level jobs, and it provides current workers with additional training to help them advance. The vast majority of trainees, about 90%, are prospective entry-level workers.

The Academy is supported by a training trust fund, to which each employer contributes 3 cents per hour for each employee (contributions are made only for employees who belong to eligible bargaining units). The CHA itself is a nonprofit organization, funded by the training trust fund and governed by a board made up of representatives of the unions and of hotel management.¹³⁵ CHA's scale and narrow focus allow it to train workers much more efficiently than other pro-

grams. The cost to CHA of training one entry-level worker is about \$780; the equivalent courses at a Vegas-area community college might cost \$6,000.¹³⁶

CHA's pre-employment training is available free of charge to anyone looking for a job in the local hospitality industry. The academy is also known for accepting all trainees regardless of disability status.¹³⁷ Most of its entry-level training is focused on one of three occupations: bus person, housekeeper, and kitchen worker. Upgrade/career ladder training is available for current employees at participating hotels; this component has been limited, but with demand from workers and from the hotels it is beginning to expand. Bus persons can take a course to help them advance to food or wine servers, while kitchen workers can undergo training for cook's helper, pantry workers, cook or sous-chef.¹³⁸

The training courses incorporate both classroom lessons and workplace experience and are modified as needed to meet the workforce requirement of each hotel, as well as individual workers' needs for skill development. Courses are provided both on the skills needed for particular occupations, on general skills such

as ESL, and on soft skills. The latter is particularly important for people entering the workforce for the first time or after a long absence, such as recent high school graduates and welfare-to-work clients. These students can take “life skills” courses that help them to learn required behaviors in the workforce such as punctuality, appropriate dress, and interaction with supervisors, coworkers, and customers.¹³⁹

This training program has been successful in improving outcomes for both workers and industry, as is demonstrated by the high demand by workers for training slots and the high demand by employers for CHA-trained workers. The CHA works closely with employers to place trained workers in available job openings. About 70% of CHA graduates find hospitality jobs, and the graduates have become so popular as employees that hotels have taken to setting up recruitment tables at the graduation, hiring many new trainees on the spot. About 60% remain employed in the industry several years after initial training and placement. Employees who graduated from CHA’s entry-level training course have 50% lower turnover than those who did not participate in CHA. Although the unions’ contracts with the hotels stipulate that first-year employees will be paid 80% of the standard contractual wage, one major participating hotel now pays CHA graduates 100% of the wage immediately upon hiring.¹⁴⁰

Between 1992 and 1999, CHA trained over 13,000 hotel workers. (During this same period, 25,000 new hotel jobs were added in Las Vegas.) By 1999 it offered training for sixteen different job classifications, nine in food service or restaurant and seven in other divisions. Experienced incumbent workers teach many of the

courses. Courses are intensive—25 hours a week—but are offered at three different times during the day so that trainees can fit the courses into their schedule. Most courses run for two to four weeks. In 1997, the annual graduation rate was 2,500 workers. CHA has become one of the state’s largest training providers, as well as one of the most highly regarded.¹⁴¹

In October 2003, CHA won a \$2 million grant from the federal Economic Development Administration, which together with other funding sources will enable CTA to construct a new, larger training center, including nine classrooms, a restaurant, and an 11,000 foot square training kitchen. The Academy is seeking additional funding for a housekeeping and hospitality training center, along with a childcare facility. Some of the revenue from a proposed countywide rental car tax may go towards the second building.¹⁴² The new facility is part of a plan to increase CHA’s training capacity from the current 2,500 annual training spots to 6,000, in response to high demand from employers.¹⁴³

Together with other elements of the Las Vegas hospitality industry, CHA has had a considerable positive impact on both industry growth and job quality throughout the region. Out of the 20 U.S. metropolitan areas with the most hotel jobs, Las Vegas is the only one where the average hospitality job pays a wage on which a working parent can support the basic needs of herself or himself and one child. With hotel jobs making up more than a quarter of all employment in Las Vegas, the ability of hotel workers to earn a self-sufficiency wage has been extremely important to the region’s economic and social well-being, and has certainly not impaired the industry’s ability to flourish.¹⁴⁴

PROMISING PRACTICES

TEAM SAN JOSE

Team San José is a collaboration developed by San Jose-area hospitality stakeholders to manage and operate San Jose’s convention center and major cultural/event facilities. Rather than focusing narrowly on the single bottom line of annual profits for the convention center, its operations aim to satisfy a “multiple bottom line” that meets the needs of all stakeholder, and thereby to build a business that is profitable, efficient, customer-friendly, worker-friendly, and an asset to other downtown businesses and residents. Having just won the contract to operate the convention center, Team San José must now begin work to reverse the facility’s declining fortunes.

At the height of the dot-com boom, the San Jose McEnery Convention Center enjoyed an enormous windfall from the city’s position as the heart of the New Economy: the Convention Center landed high-tech and business conferences of every stripe.

But when the boom went bust, the Convention Center could no longer lean so heavily on Silicon Valley’s allure. The Center had difficulty adjusting to the new climate and found itself frequently unable to market San Jose to potential clients or to effectively meet clients’ needs. As a result, the center did not perform to expectations and began to suffer multi-million dollar shortfalls in its budget.¹⁴⁵ Every convention center was hurt by the downturn, but San José’s was estimated to be losing money six times as fast as its competitors.¹⁴⁶

The City of San Jose had to cover these shortfalls out of General Fund dollars: that is, with taxpayer money. The City Council became very concerned about the Convention Center’s performance, and

determined to search for a contractor which could improve management of the center and put it back in the black.

However, local stakeholders worried that the contracting process would not necessarily bring about positive results for the downtown hospitality and tourism industries. An outside management company seemed likely to focus narrowly on the financial interests of the Convention Center, without considering the effects on other businesses and downtown communities. Local hospitality firms in particular felt compelled to address this issue, as the type of conventions booked has a huge impact on hotels; for instance, a Bay Area event and a national convention may bring the same revenue for the Convention Center, but the nationwide event will fill thousands of additional hotel rooms. Hotels were joined in their concerns by the Convention and Visitors Bureau, which promotes tourism in San Jose. At the same time, convention center employees and their representa-

tive unions worried that an outside contractor would not adhere to San Jose labor standards—and that poor management could result in further losses for the convention center, with a corresponding decline in jobs.

These three stakeholders realized that they had a common interest in coming up with a solution that would turn around performance at the Convention Center while providing quality employment supporting local culture and businesses, and bringing in more customers for the entire downtown hospitality industry. Hotels, the Convention Bureau, and organized labor joined together to develop their own proposal for running the Convention Center, bringing in cultural groups as a fourth partner.

The partners came together to form an alternative entity that could take over operations and management of the convention center. Their innovative solution: a local public benefit corporation dubbed Team San José, dedicated exclusively to managing San Jose’s convention center and cultural facilities. Team San José submitted its bid for the project, and in June 2004 successfully won the contract, outcompeting three other bidders.¹⁴⁷

Central to Team San José is the idea of a partnership between the hotel industry, organized labor, the Convention and Visitors’ Bureau and arts groups, formed with the explicit goal of building a stronger hospitality industry in San Jose. Team San José’s unique governance model puts representatives from each of these local stakeholders at the top of the leadership structure. The Board of Directors is composed of representatives from organized labor, the Convention Bureau, hotels, and arts groups. The Executive Committee is chaired by the leader of the Convention Bureau and includes two members from hotels, one from cultural/arts, and one from organized labor. Through this structure, convention center workers, downtown hotels, and local artists and cultural groups all have a “direct line” to the leadership, enabling them all to effectively communicate their needs and their ideas on how to improve the functioning of the Convention Center.¹⁴⁸

A second unique aspect of the new management company is its exclusive focus on San Jose. TSJ is a private entity, incorporated in California as a public benefit corporation, but its sole role will be management and operations of the Convention Center and cultural facilities. Its attention will not be divided between San Jose and projects in other regions, and it avoids potential conflicts of interest that might arise for companies managing multiple conventions centers, or which have pre-established relationships with contractors in other cities. Team San José describes its focus as the “multiple bottom line”: meeting the interests and needs of all stakeholders, some of which include reduced costs, increased convention bookings, improved hotel occupancy and a corresponding increase in TOT (hotel tax) returns, support for community arts and culture, maintenance and growth of quality jobs, and support and customers for downtown small businesses. Balancing all these demands will be a tough act; but it is one Team San José believes it can accomplish through partnership and innovation, developing solutions that are unique to San Jose rather than “cookie-cutter” practices.¹⁴⁹

Finally, Team San José is distinct from other collaborations aimed at improving the hospitality industry because it is not simply developing a report and policy recommendations, but will actually be managing and operating major city institutions.

The effectiveness of Team San José is still unproven; after a transition period, it will take over management and operations beginning August 1, 2004.¹⁵⁰ TSJ’s model will be put to the test over the next few years as it begins to change the way the center operates. Its promised results include:

- Putting the convention center and cultural facilities operations back in the black, going from a loss of \$1.8 million in 2002-03¹⁵¹ to turning a profit of \$28,635 by the fifth year under TSJ management.
- Attracting visitors who will increase hotel occupancy (leading to an additional \$17,303,124 in TOT revenues over five years) and patronize local businesses (bringing an economic impact of \$173 million over five years).¹⁵²

Immediately, the new team will provide \$1.4 million for badly needed maintenance and upgrades, the largest renovation of the convention center in eight years.¹⁵³ It will also retain the existing workforce and honor the city's commitment to quality jobs, while increasing flexibility to better meet customer needs. All rank-and-file employees who want to continue at their jobs can do so. But there will be changes in how they work; for instance, hours will be made more flexible to better fit the needs of customers, such as a large convention which requires a consistent point of contact with the convention center rather than being shuffled to whichever employee happens to be on duty at the moment. TSJ plans to expand this concept by combining event/booking coordinators and catering coordinators, creating a "one-stop shop" for clients.¹⁵⁴

Finally, TSJ will implement new marketing tactics aimed at expanding and diversifying the customer base of the convention center and cultural facilities. It is contracting with Silicon Valley Sports & Entertainment (linked with the San Jose Sharks) and Nederlander Producing Company to become the primary booking agents for all five of the city's downtown theaters: the Civic Auditorium, the Center for Performing Arts, the Montgomery Theater, Parkside Hall and the California (Fox) Theater. SV Sports & Entertainment already books events for HP Pavilion. This coordinated effort is aimed at bringing in more events to the theaters, which are currently underbooked, and increasing crowds in downtown San Jose.¹⁵⁵

MOTEL 6: ADVANCING LINE EMPLOYEES TO MANAGEMENT

Motel 6 has established a training and internal promotion system that enables it to move incumbent employees up to become general managers. This program consists of three steps. First is cross-training: employees can choose to cross-train in order to enter the general manager program. Secondly, employees who complete cross-training in all departments can learn the duties of a manager-on-demand (MOD) using self-training manuals; upon successful completion of qualifying tests, the employee becomes a certified manager-on-demand and assumes an MOD's responsibilities. After a minimum six months as an MOD, the employees can then be chosen to fill a general manager position; MODs who are appointed as general managers undergo an intensive five-week training program.

About 300 employees had become general managers at Motel 6 as of 1998. Anecdotal evidence suggests that most line employees who become managers started out as desk clerks, though there have been some housekeepers who have done so as well. The motel chain saves the cost of recruiting and hiring a manager from outside—about \$6,000 to \$10,000 for each manager. Turnover at Motel 6 also fell by 10% after the program was implemented.

Motel 6 runs four regional training centers, as well as its headquarters in Dallas, to train prospective managers. Certified evaluators observe the on-site work of MODs applying for general manager positions and determine

whether or not they are qualified. New managers can take advantage of a national mentoring program where in a more experienced manager in their region becomes their mentor.

Geoff Castiaux, Motel 6's Vice President of Field Training, described the motivation behind the program, "We have many people who are good and loyal to us, but they were leaving because the gap was too big. What we do by encouraging employees [to train in more departments] is bridge the gap to get them to that GM status. It also helps the company keep retention up. It is like growing our own GMs and this way we don't have to go out and get them. . . . It also makes guests happier [because employees are more motivated] and the guests are more likely to come back."¹⁵⁶

This program is especially notable because (1) it is company-wide, not merely a pilot program, and there is commitment from top management to internal promotions and (2) it has been established at a lower-end hotel, defying the perception that only the very highest-end hotels can benefit from training and career ladder initiatives. The major disadvantage is that there are a very limited number of general manager openings available, and some 16,000 Motel 6 employees nationwide, so only a small percentage of workers will ever have the opportunity to advance through this program.^{157,158}

ROSEN HOTELS & RESORTS: SELF-FUNDED HEALTH PLAN

Rosen Hotels' premier program is not a career ladders initiative, but is noted here for its innovative approach to another problem that has beset the hospitality industry—the rising cost of health insurance. Faced with this challenge, in the late 1980s Rosen Hotels & Resorts (then known as Tamar Inns) began to operate a self-funded health care program at six locations in Orlando, FL. The self-funded plan produces large cost savings for the hotel while ensuring good health benefits for employees. It has negotiated agreements with local health care providers for hospital beds, specialists, dental care, mental health, and prescription drugs, and even runs its own primary care facility exclusively for employees and their dependents, staffed by a doctor, nurse practitioners, and medical assistants.

In 1989, Tamar's self-funded plan covered 436 employees at a cost of \$936 per life—a savings of 65% over the national average cost per covered life of \$2,700. By 1998, Rosen Hotels' plan covered 2,830 lives at a cost of \$1,080 each, 75% less than the national average. The plan saved the company over \$9 million in 1998

alone.¹⁵⁹ The health plan is a key component of Rosen's employee compensation package, credited with attracting and retaining committed workers. In 1997, Rosen Hotels reported a turnover of about 40%, far lower than generally seen in the industry.¹⁶⁰

Today, more than 3,500 employees and family members are insured through the plan. Employees pay a premium of \$9.75/week for single coverage or \$17.50/week for a couple, with corresponding increases for additional dependent and higher premiums for smokers. Primary care visits are free, with modest copayments for specialists and prescription drugs, and higher copayments for hospital visits or other more serious treatment.¹⁶¹

A key element of the plan is a contract with the Florida Hospital Healthcare System (FHHS), which provides most hospital, urgent, and specialist care for the members. Employers operating in locations without an equivalent provider network already in place might find the Rosen model difficult to copy.¹⁶²

OVERCOMING OBSTACLES TO SUCCESSFUL LABOR MANAGEMENT TRAINING PARTNERSHIPS

It is notable that formal training programs for entry-level employees (past the basic training needed to perform the job) are rare in non-union hotels, and large-scale career advancement programs are nearly nonexistent. Why is this? Employers trying to start such a venture on their own face considerable risk that their training investment will not pay off.

First, as mentioned above, hotels experience extraordinarily high turnover. Under these circumstances, a training program amounting to anything more than a few days after initial hiring is unlikely to bring any benefit to the employer, because the employee will probably move on within a few months of completing the training. Of course, a frequently cited advantage of training programs is that they reduce turnover, but this generally occurs when the training leads to some sort of career advance and increase in pay, which can be difficult to achieve due to the workforce structure and hotel culture.

A related problem is that nearby competitor hotels may lure employees away from the hotel that has provided them with training. As a result of “poaching”, in addition to not receiving the benefit of its training investment, the hotel offering training has actually invested in improving its competitors’ workforce! This problem makes all hotels reluctant to invest in training, leading to a far lower level of training investment than the industry needs. All firms would benefit from workers with additional training, but any one firm that invests in training will lose out to its competitors, so the end result is that no one provides training.

A third party to broker a training agreement between all employers in a region can solve this dilemma. Multi-employer partnerships can also broaden the opportunity for career ladders by making it possible for workers to move between hotels to advance; this impact is especially useful for small hotels where internal opportunities may be limited. A third party could be a community college, a non-profit organization, a governmental agency, or even a regional association of hospitality employers. But most often it is a union, perhaps because unions have the trust of workers, an intimate familiarity with the industry, an institutional stake in improving both working conditions and the health of the industry, and the ability to bargain a binding contract with employers.¹⁶³ For these reasons, the most successful best practices described above do involve unions, often acting together with community colleges.

Of course, a labor-management training partnership comes with its own challenges. A successful program hinges upon communication and commitment from all parties: upper management, managers, supervisors, line workers, and union leadership and staff, as well as any additional partners. At the same time, it is important to understand that no matter how strong the partnerships,

labor-management conflicts will continue to arise—while the two have many interests in common, notably making the business more successful, they also have divergent interests.

Relying upon a completely non-adversarial arrangement sets up unrealistic expectations and may doom a program; in the Quad Cities project, the only one of the four cities unable to continue the project was L.A., in large part due to heightened labor-management tensions. To avoid this fate, partners will need to give

thought to designing the effort in such a way that it will be able to go around or get through any adversarial time periods and issues. Controversial matters may best be resolved in a different forum (such as contract negotiations) and kept out of training program development. The remaining three Four Cities pilots may provide useful examples; the HERE union president in San Diego found that the Four Cities pilot career ladder program was “the beginning of a clearer understanding that labor and management, while having their battles, can also collaborate in common, non-threatening areas.”¹⁶⁴

CONCLUSION

BEST PRACTICES FOR WORKFORCE DEVELOPMENT

Training and career advancement in the hospitality industry—in particular, in hotels—has the potential to address several problems faced by employers, employees, or both.

Turnover: Hotel firms face high turnover rates and, in good economic times, often have difficulty recruiting workers with the necessary skills to fill needed positions. The cost of turnover is estimated at \$3,000 to \$13,000 per employee, and average turnover for line workers ranges from 51.7% to 152% annually. As the economy recovers and, in the coming decades, as the proportion of available workers in the U.S. decreases with the graying of the population, hotels and other service industry firms are likely to experience a labor shortage. Rapid turnover and insufficient training can also lead to poor customer service, which damages a hotel's competitiveness.

Job quality: Many employees at hotels must struggle to support themselves in a job that has very low pay, may not offer health benefits, and does not provide a full 40 hours of work per week. Opportunities to advance one's career by working for a promotion are rare, and for housekeepers and other back-of-the-house workers are virtually nonexistent. Workers may try to improve their situations by changing jobs—often moving to another hotel—but such frequent changes are financially and socially unsettling, and do not necessarily lead to improvement.

Seasonality: Both employees and employers incur costs due to the seasonal nature of the industry; workers may be laid off in the slack season, and hotel employers have difficulty finding enough workers during peak periods, as well as facing additional turnover caused by seasonality.

Labor-management relations: Some hotels experience constantly poor labor-management relations which are characterized by tension and lack of communication and are hard on workers and managers alike. Ultimately, anything that makes the hotel less competitive harms both workers and hotel owners and management.

The “best practices” outlined in this report have successfully addressed some of these problems through training and strategies for career advancement. Many of these practices could be made part of a regional plan for hospitality industry expansion and would help ensure that such a plan creates quality jobs. They can also be implemented by individual firms or associations of firms to address existing workforce issues, even if no coordinated hospitality initiative is underway.

The practices reviewed include:

SAN FRANCISCO HOTEL PARTNERSHIP PROJECT (SFHP)

The core of the San Francisco Hotel Partnership Project is a set of joint worker-manager "problem-solving" teams created to fashion improvements and to address problems that arise in the areas of labor-management relations and workforce development. Workers and managers on the teams underwent extensive training in communications, conflict resolution and similar skills, a training program which has now been extended to additional managers and over a third of the entire 5,000-person workforce. The result has been a substantial change in workplace culture. This has improved the hotels' competitiveness and enabled restructuring to be done jointly by management and workers, rather than in a purely adversarial mode.

Among the innovations developed by the problem-solving teams have been several programs designed to improve opportunities for advancement. Training in safety, English, and vocational skills improves the workforce's skill level and helps workers gain the English ability and specific skills they need to move to higher-level positions or to the front of the house. One training program, associated with a hiring hall, enables room and kitchen workers to take shifts as better-paid banquet servers when demand is high for servers and low for rooms, thus addressing seasonality and offering career advancement potential.

QUAD CITIES HOSPITALITY CAREER LADDERS PROJECT

The Quad Cities Project created and tested models for career advancement in four cities in California (San Diego, San Francisco, Los Angeles and San Jose), with the intent of creating programs that other cities can learn from and replicate. Before creating the training programs, labor-management study teams in each city undertook in-depth research into the workforce structure and barriers to advancement. This initial research enabled the study teams to design training programs tailored to the documented needs of managers and workers in that city.

The number one barrier to career advancement was found to be low English language skills, indicating an urgent need both for ESL classes and for simultaneous interpretation in other types of training classes. Other barriers included lack of time to train for promotion due to the need to work two jobs, and promotions being blocked by immediate supervisors who preferred that the worker stay on their crew. Several participating hotels restructured their promotion and transfer systems to deal with the latter obstacle.

In the first year, 121 workers at 12 hotels underwent training. Three of the four cities are continuing the project and intend to expand the trainings. Individual career coaching and/or mentoring emerged as a crucial part of programs aimed at advancement, and as a resource that needed to remain available beyond the end of a particular course.

CULINARY & HOSPITALITY ACADEMY OF LAS VEGAS (CHA)

The Culinary & Hospitality Academy in Las Vegas is a remarkable success story; it is now the leading source of entry-level hotel workers in Las Vegas, as well as one of Nevada's largest training providers in any industry. CHA provides free pre-employment training to local residents who want to enter the hospitality industry, training 2,500 workers per year with plans to more than double that number. Program participants have a better than 70% chance of being placed in a hotel job after graduation.

Employers are the primary funders of CHA, paying 3 cents to the Academy for each hour worked by an employee under union contract. The benefit to employers includes a 50% lower turnover rate for entry-level employees. Training is extremely cost-effective, averaging \$780 per entry-level worker where the equivalent community college courses might cost \$6,000. A joint employer-union board governs CHA. Although its focus has been on the entry level, about 10% of its trainings cater to incumbent workers looking to improve their skills, and career ladder programs are in development.

OTHER PROMISING PRACTICES

TEAM SAN JOSÉ: In downtown San Jose, hoteliers, organized labor, cultural & art groups, and the Convention & Visitors Bureau have come together to manage and operate the city's convention center and theatres. This unique collaboration between hospitality industry stakeholders aims to meet a “multiple bottom line”, which includes improving the Convention Center's profitability, maintaining and creating quality jobs, bringing in more customers for the entire downtown hospitality industry, and supporting local arts and culture.

MOTEL 6: The national chain Motel 6 has created a company-wide system of training and internal promotion by which line employees can become general managers. The motel chain saves the cost of recruiting and hiring a manager from outside—about \$6,000 to \$10,000 for each manager—and also experienced a turnover fall by 10% after the program was implemented. The commitment to hiring from within enjoys support from top management, and is especially notable for being found in an economy chain rather than a

high-end hotel. About 300 employees had become general managers at Motel 6 as of 1998. However, with over 16,000 total Motel 6 employees, only a small percentage are able to advance to the management level.

THE HYATT REGENCY SCOTTSDALE: The Hyatt Regency, in order to meet a rapidly growing demand for entry-level workers, partners with the city, high school district, and local colleges to teach classes in hospitality careers and hotel management to juniors and seniors in high school. It also prepares students to enter an associate or four-year degree program in hospitality

TAMAR INNS: Tamar Inns in Orlando, Florida runs a self-funded health insurance program for its employees. This approach provides health coverage for workers at a time when many employees find their insurance threatened, helping make Tamar a desirable employer and possibly discouraging turnover. By 1998, Tamar's plan covered 2,830 lives at a cost of \$1,080 each, 75% less than the national average cost per covered life. The plan saved Tamar over \$9 million in 1998 alone.

DEVELOPING A REGIONAL HOSPITALITY INDUSTRY: WHAT'S NEEDED, WHAT WORKS, WHAT DOESN'T

INVOLVEMENT AND COOPERATION OF ALL STAKEHOLDERS

In studying hospitality and tourism development initiatives in Denver, Seattle, and Baltimore, several common themes emerge. The first key element to a successful hospitality initiative is the involvement and cooperation of all stakeholders, including the governments of all jurisdictions, affected businesses both small and large, workers, neighbors, unions and community groups. In Denver, community, business, and government all came together to decide what and how to build; the result was a coordinated effort that included a balanced mix of large hotels and attractions, small artistic and cultural endeavors, and local needs such as roads, parks and libraries. In contrast, during the 1990s Baltimore's Inner Harbor suffered from piece-by-piece development and a lack of upkeep due to an absence of coordination and cooperation among all the parties involved in development.

The role of widespread participation in the process becomes crucial when it's time to pay for the project. The public will be more likely to approve funding, and business more inclined to contribute its share of investment, if both feel ownership of the initiative. Denver residents approved bonds and voted to tax themselves several times in order to move forward with the ambitious development project, and the commitment of the business community to the collectively developed vision for the project ensured that this public funding was able to leverage large amounts of private investment.

But in Baltimore, involvement with and support for the Inner Harbor project slipped in the 1990s, and when a budget crisis came along, funding, resources and staff for maintaining the projects were severely reduced. Not only did the level of upkeep at the Harbor fall, but without coordination poor land use practices prevailed, with each development aiming solely at gaining as much revenue as possible without thought for the overall impact on the Inner Harbor.

LONG-TERM PLANNING

After a partnership is established, the second key factor is solid, fact-based, long-term planning. This includes evaluating the city's economic needs and goals and examining how the hospitality industry could be a vehicle to reach those goals -- or whether or not a focus on hospitality is the most effective use of resources. The creation of jobs is usually the primary goal of hospitality development, since hospitality services are by and large not a necessity for local residents in the way that a hospital, bank or grocery store would be. Increased tax dollars can be a benefit as well. So can improving the city's image, although success at image enhancement is difficult to quantify. (Along with job creation may be the goal of diversifying the economy, especially if jobs are currently highly concentrated in just one or a handful of industries.)

Whatever the goals, the planning process for hospitality growth needs to make them explicit and evaluate whether proposals for development or marketing will meet those goals. Denver's development was based on the Citywide Comprehensive Plan, created through a process that took several years. Under the Comprehensive Plan, the city of Denver, while mired in a recession, sunk considerable long-term investment into building up an industry that would create many new jobs (although not immediately) and diversify the economy. The need for diversification had grown acute after a series of industries rose and fell in Denver - and the economy rose and fell with them, causing residents to endure successive booms and busts. Evaluation of the full impact of this investment, however, is still underway.

In Baltimore, a lack of good fact-based planning may have contributed to the failure of several major projects to attract the projected visitors and revenue. Insufficient consideration of how the project would be supported in the future also led to a rearrangement of priorities that has now resulted in a lack of maintenance, reducing the value of investments made in previ-

ous decades and making it more difficult for new development to succeed.

INTEGRATION OF DEVELOPMENT AND MARKETING

Once efforts to increase hospitality business are begun, two components will be needed: improving attractions and amenities in the region, and improving the region's image as a tourist destination. All three of the cities studied run extensive promotional campaigns to attract visitors, often based on the research and experience of a respected travel industry consultant. They have also coordinated with and benefited from the tourism promotion efforts run by their respective states.

REACTING TO ECONOMIC CHANGES

The ability to quickly recognize and respond to change is also crucial. The hospitality industry overall is cyclical, but different segments of it -- business vs. leisure travel, local vs. international visitors -- can respond differently to economic stimuli. In the current recession, business travel has dropped dramatically; leisure travel, though it fell as well, is recovering more quickly. Leisure travelers have also moved towards vacationing close to home rather than taking long flights, especially in the wake of September 11th.

Seattle's hospitality industry responded quickly to the changed economic situation and now seems to be recovering. Some of this improvement has been achieved by focusing on the "drive market," potential visitors from nearby cities and states, or on local residents who could enjoy the city's entertainment, restaurants and cultural attractions. A Seattle-region company, Expedia, has also overcome the recession and leapt forward in revenues with its leadership in adapting technology to travelers' needs through corporate online travel booking.

The following table compares several measures of hospitality industry concentration and employment in each county. It is notable that all three regions studied bring in much more per capita travel spending per resident than Santa Clara County: in Santa Clara, travelers spend less than \$1,900 annually for each county resident, while in Denver County, King County (Seattle) and Baltimore County, they spend approximately \$3,900, \$3,200 and \$3,900 respectively. Relative to the cost of living, all three counties provide a higher average annual wage in major hospitality industries than does Santa Clara. These findings seem to indicate that Santa Clara has the potential to improve both its share of hospitality business and the quality of jobs in the industry, and that we may have something to learn from these other regions.

RECOMMENDATIONS AND NEXT STEPS

The following actions include steps the Silicon Valley Workforce Investment Network are considering taking to strengthen the Hospitality Industry in San Jose:

- Working with / funding training for the hotel and restaurant workers hospitality career ladders program;
- Working with Team San Jose to help meet workforce training needs at the San Jose Convention Center;
- Developing training solutions to the seasonality of hospitality workforce, in cooperation with unions and employers (e.g., training housekeepers and kitchen helpers as banquet servers);
- Funding ESL and VESL assessment and classes for hospitality workers;
- Developing career mentoring training for workers and managers, to facilitate trainees' success on the job;
- Supporting the development and use of curriculum which embeds VESL and job-specific skills into integrated, effective training programs for the target workforce.
- Developing marketing in conjunction with the Airport and Convention Center to increase the visibility of San Jose as a leisure/business destination

INDUSTRY CONCENTRATION AND WAGE ANALYSIS OF REGIONAL HOSPITALITY MARKETS

COUNTY

	SANTA CLARA	DENVER	KING	BALTIMORE
Population	1,668,309	565,769	1,779,300	762,378
Annual spending by visitors	\$3,100,000,000	\$2,215,200,000	\$5,680,000,000	\$2,950,000,000
Visitor spending per resident	\$1,858	\$3,915	\$3,192	\$3,869
Travel-generated jobs	40,050	23,400	59,900	N/A
% of total employment (excluding self-employed)	3.9%	5.0%	5.2%	N/A
Tax receipts from travel	\$84,800,000	\$107,560,000	\$352,478,000	N/A

LOCATION QUOTIENTS (1999):

Amusement and Recreation Services	0.88	0.80	0.97	1.11
Eating and Drinking Places	0.84	1.04	1.02	1.08
Hotels and Other Lodging Places	0.56	1.25	0.78	0.37

AVERAGE WAGE BY INDUSTRY (1999):

Amusement & Recreation Services	\$29,927	\$46,523	\$27,138	\$31,176
% of county self-sufficiency wage	67%	149%	74%	97%
Eating and Drinking Places	\$14,219	\$14,147	\$15,256	\$11,803
% of county self-sufficiency wage	32%	45%	42%	37%
Hotels and Other Lodging Places	\$20,504	\$19,071	\$20,766	\$17,294
% of county self-sufficiency wage	46%	61%	57%	54%

"Location quotient" is a measure of how concentrated an industry is in a particular region compared to other regions in the U.S. A location quotient of 1.0 is the U.S. average. A location quotient less than 1 indicates that a region has a lower concentration of employment in that industry than the national average. A quotient greater than 1 indicates the concentration is higher than average.

The "self-sufficiency" wage used for each county is that calculated by Wider Opportunities for Women for a single-parent family with one preschool-age child.

ACKNOWLEDGEMENTS

The authors would like to thank the following colleagues for their time contributing information and editing to this project: Dr. Howard Wial, Working for America Institute, Chris Nevitt, Executive Director, Front Range Economic Strategy Center, Kenneth Aldridge, Rosen Medical Center, Lisette Golden, Rosen Hotels & Resorts, Steve Shertell, HERE, John Carrese, San Francisco Hotels Partnership Project, City College of San Francisco, Sarah Muller, Working Partnerships USA. Numerous employer representatives in the industry dedicated their time to offer their perspectives on the hospitality industry, including the San Jose Convention Center, the Hispanic Chamber of Commerce, the Hilton, the Black Chamber of Commerce of San Jose, the Malaysian Business and Professional Association, the Adlon Hotel, Raging Waters, and Hayes Mansion. Jeff Ruster, director of the SJSVWIN, and WIN Board Members oversaw the project. Finally, the San Jose City Council continues to lead the region with a vision for bringing about a high-road downtown renaissance.

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SILICON VALLEY WORKFORCE INVESTMENT NETWORK

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