

Our Pain Their Gain

THE HIDDEN COSTS
OF PROFITABILITY IN
SEATTLE HOTELS



April 2012

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ACKNOWLEDGEMENTS

First and foremost, we extend a debt of gratitude to the following hotel workers for agreeing to courageously share their stories in this report: Neftali Cabrera, Dumitru Sandu, Laurie Hamilton and Jian Hua Wu. We also warmly thank Jasmine Marwaha and Stefan Moritz at UNITE HERE Local 8 for helping us identify the above workers and providing background on working conditions in the local hotel industry. Finally, we thank the following people for review and contributions to this report: Blake Pendergrass, Nari Rhee and Jackie O’Ryan.

We also thank the following foundations for their generous support of Sage’s research and policy program on good jobs and the economy: Public Welfare Foundation, Marguerite Casey Foundation, Seattle Foundation, Discount Foundation and Panta Rhea Foundation.

ABOUT SAGE

Puget Sound Sage works to promote good jobs, quality employment opportunities for disadvantaged adults, a cleaner environment, and affordable housing for low/moderate income families in the metro Seattle area. Our mission is to ensure that all families benefit from economic growth, and that local and regional policy decisions meet the social and environmental needs of our communities.

FOREWORD

By King County Councilmember Joe McDermott

Seattle's iconic Space Needle is celebrating its 50th anniversary as this report is released. Fifty years ago, the 1962 Seattle World's Fair presented an optimistic vision of our future and the dawn of the "space age." Our civic leaders dreamed large dreams. Families were supported by good jobs and could safely raise their children in a middle-class life.

Our region's tourism industry is in a revival since the recent economic downturn, and hotels are now reporting impressive and consistent rising profits. Having worked as a tour guide for much of the last decade, I know first-hand the significant impact tourism and hospitality have on our economy. However, another disturbing picture is emerging of the industry's hidden costs to workers — poverty and pain. This report shines a new light on labor practices, where workers are required to take on heavier workloads and work at an unhealthy pace. It reveals how the industry's low wages and sketchy health benefits compel the need for public dollars to cover worker's health care costs, and even provide subsidies for their food and housing.

The rising profits of our hotel industry are due in part to the off-loading of costs to all of us. Hotel workers not only earn wages close to poverty level, they endure pain and injury at higher rates than almost any other industry—some that may surprise you, such as construction or coal mining. When workers don't have health insurance they don't see a doctor when they should, and chronic conditions advance. By the time they're finally forced to seek emergency care, the costs have skyrocketed—and we all pay the

bill. After reading this report, it's clear that something must be done.

When people are living paycheck-to-paycheck, can't afford food, adequate insurance or health care, and cannot take time off to care for themselves, a sick child or an elderly parent, our communities pay, by becoming places deprived of strong healthy families. This is our gravest loss—and one we can ill afford.

Tourism dollars are crucial to our region's economy and we applaud the expansion of the industry. The planned Washington State Convention Center expansion, the proposed hotel development on the Greyhound bus terminal site, the "North Lot" development, and a potential new basketball arena are all examples of expected growth that will undoubtedly bring more visitors to our beautiful city. The question that we must all ask is: how do we assure that these dollars become a strong investment in our local economy, in our communities and in our families?

There are solid recommendations put forward at the end of this report that we should all study and consider. Let's develop tourism the right way. I'm eager for my colleagues in King County government and the City of Seattle to work together. As we look into the next 50 years, let's realize a new dream, a dream where the communities throughout this great region are places where all families can thrive.

Joe McDermott
King County Councilmember
Chair of the King County Board of Public Health

EXECUTIVE SUMMARY

As the Seattle hotel sector recovers from the recession to strong projected growth and profitability, an awareness is emerging of an underside to the industry. Our hotel workforce endures poverty wages as well as pain and injury resulting from the industry's unsustainable management practices. Likewise, the public bears the cost of public assistance to workers who are not paid enough to make ends meet. This workforce includes both the people you see in the front of hotels—desk clerks, bellhops and servers—and those in the back you don't—housekeepers, food preparers and laundry workers.

Moreover, the economic hardships and hazardous conditions endured by hotel employees are disproportionately borne by workers of color and immigrants. Pain and injury are disproportionately borne by women, who comprise most of the hotel housekeeping workforce.

The Seattle hotel market ranks among the 25 largest in the country and represents a local industry with robust historic growth. With the hotel sector poised to grow by thousands of rooms over the next few years—including hotels near the convention center, at the Seatac Airport terminal, and near the recently proposed basketball arena—addressing the hardships these workers face is both critical and timely. Moving the Seattle hotel sector to a “high road” labor market will be good for public health, good for public budgets and good for hotels.

Report Highlights

Profits and Productivity Come at Worker Expense

- Over the past several decades, dramatically increasing hotel profits have been tied to

increasing workloads per employee. By 2010, the nation's top five publicly traded hotel corporations made a combined \$6 billion in profit.

- More recently, the post-recession bounce back to profitability by national hotel corporations—with profits up by 10% between 2009 and 2010 alone—has relied heavily on shaving labor costs, reducing benefits and outsourcing jobs. At the same time, hotel CEOs saw an average annual salary bump of \$1.2 million.
- From 2008 to 2010, the Seattle area hotel sector shed 7% of its jobs, while the number of rooms occupied in all hotels increased by 2.4% (and by 7% in Downtown Seattle).
- With room demand projected to continue growing, the local industry is on track to completely recover from the recession by 2013.

Poverty Earnings and Inadequate Benefits Leave Workers Vulnerable

- With average annual earnings of \$22,960, non-management hotel workers barely make enough to stay above the poverty threshold. Most worker earnings would qualify a family of three for public assistance programs, such as food stamps, public housing and Medicaid.
- As is true for many low-wage workers, the recession hurt the hotel workforce. From 2007 to 2010, average monthly earnings fell by 3%.
- An estimated three out of five hotel workers (59%) do not receive any employer paid health insurance, leaving many uninsured. By denying their employees health insurance, the

hotel industry puts workers and their families at risk for long-term health problems.

Pain and Injury Plague Hotel Workers At Higher Rates than Coal Miners

- Housekeepers bear the true costs of increased hotel profits with their bodies. Heavy lifting and working at a fast pace lead to shockingly high rates of pain and injury—even higher than among construction workers and coal miners.
- While 30% of the general population reports back pain, 60% of housekeepers report severe or very severe back pain.
- Lifting requirements for housekeepers can exceed Federal occupational safety standards by 30%.
- A growing national trend toward the outsourcing of housekeeping and other hotel jobs threatens to further degrade safety and working conditions.

Poor Working Conditions in Seattle Hotels Are a Matter of Racial Justice and Social Equity.

- A majority of non-management hotel workers are people of color (61%) and immigrants (56%). This group of workers average 40 years in age and most support families.
- In non-management hotel jobs, workers of color earn 20% less than white workers. Over three in four (78%) of customer-facing jobs are held by white workers while the majority of behind-the-scenes jobs (71%) are held by workers of color.
- The vast majority (over 80%) of hotel housekeepers, who bear the most pain and injury, are women.

Hotel Profits Are Enhanced by Public Subsidies for Worker Health Care

- With 59% of hotel employees left without employer-paid health insurance, many workers rely on public health insurance programs and hospital emergency care.
- From 2006 to 2010, the State of Washington spent at least \$44 million to cover an average of 4,224 uninsured hotel workers per year. Even this figure is not comprehensive and understates the total taxpayer bill for hotel worker health care.
- Uninsured workers who cannot use public health programs often rely on uncompensated care through hospitals and emergency rooms. The State Office of the Insurance Commissioner estimates that uncompensated care costs the public \$1 billion a year, increasing the cost of private insurance by \$1,000 for Washington families.

Local Public Officials and Hotel Managers Can Help Take the Sector on a “High Road” Path

We call on both public institutions and the private sector to set tourism and hospitality on a path to contribute to prosperity and sustainability for all communities. Sage advances the following guiding principles as a framework for decisions about the future of the tourism and hospitality sector in our region.

- Invest in Seattle area hospitality while investing in Seattle area workers.
- Strive for true sustainability by sustaining our families.
- Healthy businesses should also create healthy communities.



INTRODUCTION

THE ECONOMIC IMPACT OF SEATTLE VISITORS: WHO BENEFITS?

Seattle is the 20th most visited city in the US.¹ As a result, the hospitality industry in the Seattle metro region has been growing steadily for two decades and its continuous expansion makes it a key sector of the local economy. From 1990 to 2010, jobs in the hospitality sector (also called “accommodations”) grew by 25% while jobs in the manufacturing sector declined by 26%.² Although the recession has slowed the pace of growth, forecasters project that hotels in the downtown Seattle market will expand by 1,000 rooms over the next three years.³

Boosters for the broader visitor and tourism industry in Seattle frequently cite the sector’s contribution to the local economy.⁴ Recent estimates from the State Department of Commerce show that travelers to King County in 2009 generated 49,650 jobs, \$160 million in local tax receipts and \$5 billion in total spending.⁵ Nearly one-fifth of that spending

While visitor spending in the region brings outside dollars into the economy, we must evaluate the benefits to local communities and workers, not just the international hotel chains that dominate the market.

A SNAPSHOT OF THE DOWNTOWN SEATTLE HOTEL INDUSTRY

Number of hotel rooms in King County (2011):	35,817 ⁸
Number of hotel rooms in Downtown Seattle (2011):	13,265
Number of hotel workers in King County (2010):	12,564 ⁹
Number of hotel workers in Downtown Seattle (2010):	4,653

BIGGEST HOTELS (OVER 300 ROOMS)¹⁰

Hotel	Rooms	Workers
Sheraton Seattle Hotel	1,258	400
The Westin Seattle	891	300
Renaissance Seattle Hotel	553	246
The Fairmont Olympic Hotel	450	322
Grand Hyatt Seattle	425	325
The W Seattle	424	250
Crowne Plaza Seattle	415	170
Seattle Marriott Waterfront Hotel	358	135
Hyatt at Olive 8	346	199

and nearly half of the jobs generated from these visits are in hotels and motels. Industry leaders and associations use these figures to make the case to local and state government that public resources should help promote tourism and attract conventions in order to boost spending in their sector.⁶

These estimates may seem like a powerful argument for public support of any industry—but the total numbers rarely tell the whole story. While visitor spending in the region brings outside dollars into the economy, we must evaluate the benefits to local communities and workers, not just the international hotel chains that dominate the market.⁷

HOTELS ROOMS UNDER CONSTRUCTION OR IN PLANNING

	Rooms
Greyhound Site Hotel	1,200
1200 Stewart Towers	300
"1" Hotel & Residence	200
Ava Hotel	140
1931 2 nd Ave	135
North Lot LLC	120
Kauri Seattle Center Hotel	116
Emerald Hospitality Aurora	101
1900 1 st Ave	100
Olympic Athletic Club	30

The purpose of this report is to bring to light the hotel industry's hidden costs to both workers and taxpayers that undermine the value of the sector to the greater Seattle economy. The findings draw attention to the relationship between hotel profits, worker pain and injury and the public subsidies that help maintain a productive workforce.

Hotel workers and the public do not need to continue paying these previously unseen costs. As the Seattle hotel industry strongly emerges from the recession, public officials, community leaders and employers have the opportunity to support expansion of this important sector and, at the same time, address the problems highlighted in this report.



SECTION 2

SEATTLE HOTEL FIRMS RECOVERING, WORKERS WORKING HARDER

For both US hotel corporations and the Seattle hotel market, profitability and performance are on the upswing. But a long-term trend of fewer hotel employees having to do more work indicates that those profits come at a price for workers.

Hotel Corporate Profits Recovering to Pre-Recession Levels

While many industries in the U.S. are still reeling from the Great Recession, the hotel sector as a whole is rebounding and poised to continue a twenty-year trend of growing profits.

For the past two decades, the U.S. hotel industry has enjoyed dramatic growth in profits, reaching

a peak of \$28 billion in 2007 (see Figure 1).¹¹ Even after a sharp drop from 2008, 2009 profits were \$4 billion higher than the prior recessionary low in 2003.

Figure 1 also shows that from 2009 to 2010, U.S. hotel profits grew by nearly 10%.¹² The top publicly-traded, full-service hotel firms (Starwood, Marriott, Intercontinental, Wyndham, Accor and Hyatt) had a combined net income of \$6.4 billion in 2010, exceeding their pre-recession high of \$3.7 billion.¹³

Even after a sharp drop from 2008, 2009 profits were \$4 billion higher than the prior recessionary low in 2003.

Figure 1: National Hotel Industry Profit Growth, 1993-2010

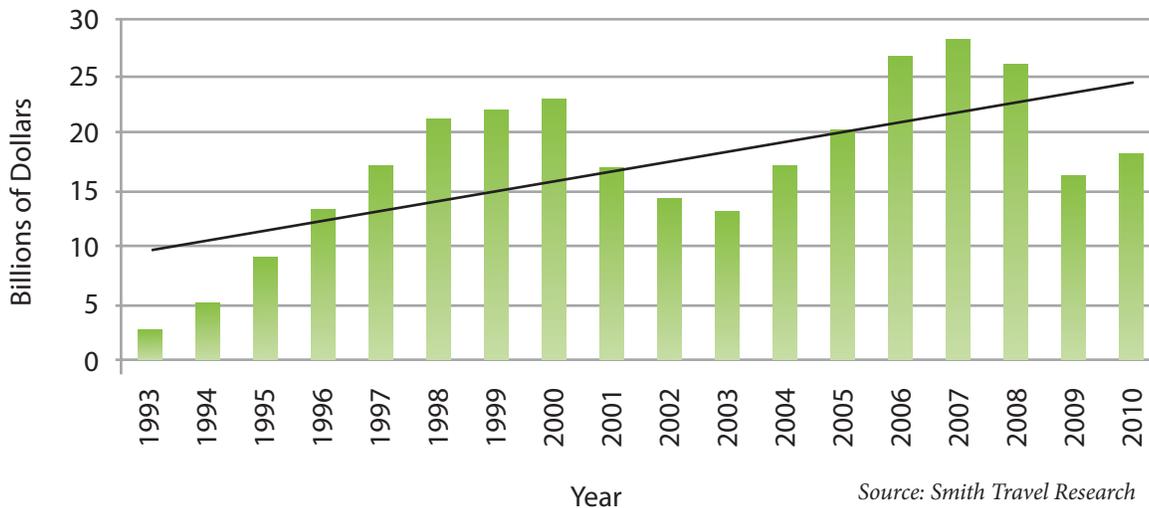


Figure 2: Top Corporate Hotel CEO Pay, 2010



Source: *Travelweekly.com*

In late 2011, hotel industry leaders pronounced strong profit potential in the coming years. R. Mark Woodworth, president of leading industry watcher, PKF—Hospitality Research, believes that the industry is “... entering one of the most promising periods of performance in U.S. lodging history.”¹⁴ Recently, Mr. Woodworth Industry projected that profits will increase 10% each year through 2014.¹⁵ The CEO of Marriott International, Arne Sorenson, is also optimistic, predicting that, “[w]ith strong demand and low supply growth, returning to peak 2007 [revenues] is on the horizon.”¹⁶

Strong performance gains resulted in industry-wide pay increases for hospitality corporate CEOs, with average compensation jumping dramatically from \$4.1 million in 2009 to \$5.3 million in 2010.¹⁷ Marriott, Starwood (Sheraton, Westin and W hotel chains) and Wyndham CEOs received nearly \$10 million each in 2010 (see Figure 2).

Downtown Seattle Hotel Market Strongly Rebounds From Recession

Business travel generated by strong local aerospace and technology industries, as well as tourism and conventions, places Seattle among the top 25 hotel markets in the US.¹⁸ After a large drop in demand for hotel rooms in 2009, hotel use in the downtown Seattle market surged in 2010 to reach an average of 9,294 occupied rooms per night, exceeding the pre-recession peak (see Figure 3).¹⁹ As of the writing of this report, 2011 was projected to be another record year for room demand in downtown Seattle. Industry experts estimate that demand will grow to over 10,135 rooms per night by 2013.²⁰

Rising demand for hotel rooms will bring the hospitality market back to strong revenue performance in the near future. Seattle hotels reached a low of \$93 in RevPAR (revenues per available room) in 2009, a sharp drop from a high of \$120 in 2007.²¹ However, industry observers project this measure

to climb to \$128 by 2013, exceeding the pre-recession peak by 6.8%.

As another sign of strong growth, the Urban Land Institute declared Seattle the seventh best city for hotel investment in 2012.²²

Profits Up as Workloads Increase for Hotel Employees

Many industry observers attribute rebounding profitability following the recession to reduced labor costs, a continuation of a long-term trend in the sector.

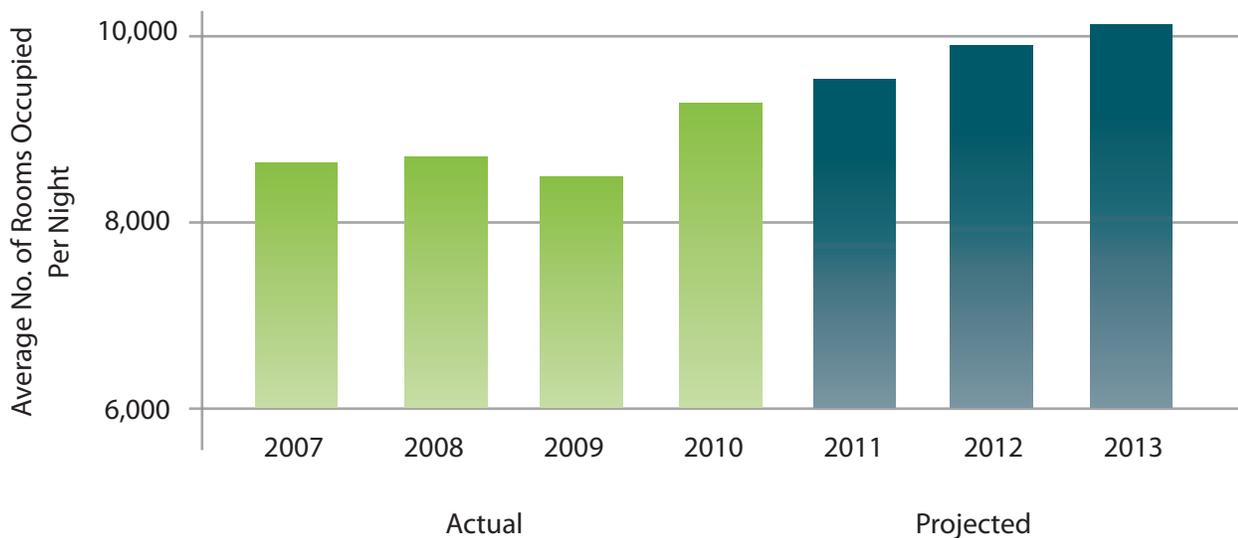
From 2009 to 2010, US hotels spent 3.4% less on labor costs per occupied room (a measure of workload or level of service).²³ Robert Mandelbaum, director of research information services at PKF Hospitality Research, stated, “In 2010, it was management’s ability to control labor cost that was the

main reason for profitability growth.”²⁴ In a presentation to investors, Frits van Paasschen, CEO of Starwood Hotels, noted that his company strongly profited during the Great Recession by “cutting costs, reducing leverage and increasing liquidity. The crisis made us better and faster.”²⁵

In the Seattle region, evidence points to similar increases in per-employee workloads. From 2008 to 2010, average occupied rooms per night increased by 2.4%, yet total employment in the industry declined by 7.1%.²⁶ Demand for downtown Seattle rooms grew even more—by 6.9% in the same time period.

“In 2010, it was management’s ability to control labor cost that was the main reason for profitability growth.”

Figure 3: Steady Increase in Demand for Downtown Seattle Hotel Rooms, 2007-2013



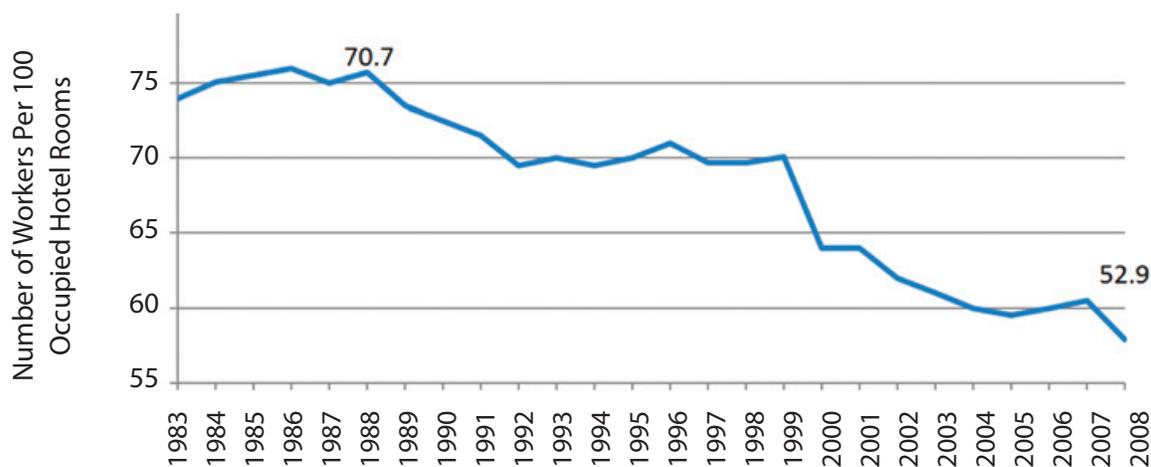
Since long before the recent recession, growing corporate hotel profits have been tied to a decrease in the ratio of workers to the number of occupied rooms. Over the past twenty years, hotel corporations have reduced labor costs by dramatically reducing the ratio of workers to occupied rooms.²⁷ In 1988, hotel firms employed 70.7 workers per 100 occupied rooms (see Figure 4).²⁸ By 2008, the second year of the current recession, hotel firms employed only 52.9 workers per 100 occupied rooms.²⁹

Reduced overall labor costs and decreased worker-to-room ratios translate to increased productivity in

the nation's hotel workforce. While in many goods-producing industries, productivity increases largely through technological improvements, service-heavy sectors like hospitality depend instead on changing management practices.³⁰ In the following sections, we explore the full implications of falling labor costs and increased workloads in the hotel industry. Hotel corporations are making substantial savings by shifting the costs for a productive workforce onto the public, as well as workers themselves. An expanding Seattle hotel market means that the public will be asked to shoulder more and more costs for a workforce unable to make ends meet.

In 1988, hotel firms employed 70.7 workers per 100 occupied rooms. By 2008, the second year of the current recession, hotel firms employed only 52.9 workers per 100 occupied rooms.

Figure 4: Nationwide Decrease In Workers Employed Per 100 Rooms, 1983-2008



Source: Wachovia Capital Markets

DUMITRU SANDU

My name is Dumitru Sandu, and I originally come from Romania. I've been in the US for 20 years. I work two jobs at two hotels to support myself, my younger brother and my mother.

It's very hard to live day-by-day, because the cost of living is very high in Seattle. Many of my coworkers have second jobs.

This year has been the busiest in three years. Yet we've been understaffed for months.

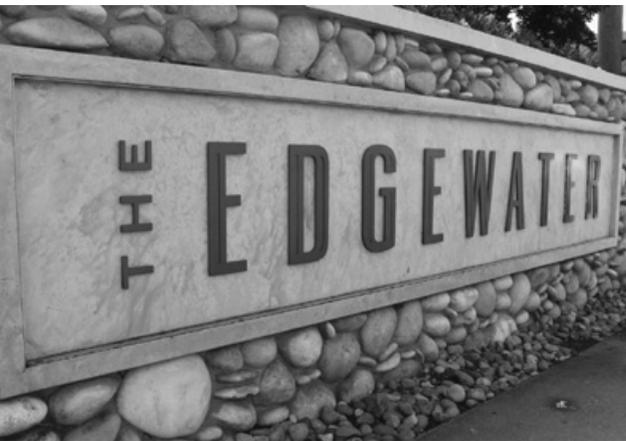
Management thinks that it's great for us workers. They say 'you don't want to have five servers in room service fighting over work.' But no, when we are short on staff, why should they not hire someone? When it gets really bad they get the restaurant staff to do room service. They are trying to squeeze the most they can out of the workers they have now, instead of hiring who they need to keep the hotel running smoothly.

It is very stressful, physically and mentally. They short staff us, they get other workers to do our jobs who aren't trained, and service is poor. When the guests complain, they blame the room service department. And we get more grief from management to work faster and harder.



There are a lot of people who are struggling, but can't speak their minds. If you fight for your rights, or stand up against something that you know is not right, then management may write you up or make your life difficult, or just fire you to get rid of you. So most of us stay silent to keep our jobs.

“They are trying to squeeze the most they can out of the workers they have now, instead of hiring who they need to keep the hotel running smoothly.”



SECTION 3

HOTEL WORKER WAGES FALL BEHIND AND FALL SHORT

Despite steadily increasing profits and rebounding revenues for hotel firms, hotel employees remain among the lowest paid workers in Seattle. Industry experts cite the effects of high unemployment among low-skilled workers, which results in employers offering lower wages, as a key factor in labor cost control and increasing profitability.³¹ Because most hotel jobs offer low wages and few benefits, many hotel workers earn so little that they live paycheck to paycheck, and their families would qualify for public assistance.

Recession Takes a Toll on Service Sector Wages: Hotel Workers Hit Hard

The ongoing jobless recovery for the U.S. economy has resulted in falling incomes for many workers across the US and exacerbated the long-term decline in wages at the bottom rungs of our economic ladder.

From 1979 to 2009, hourly wages in the bottom fifth of earners dropped by 10%, after adjusting for inflation.³² Since the official beginning of the recession in 2007, median earnings for all workers in the US have dropped by 4%.³³ Workers in service occupations, such as hotel workers, have been hit even worse, losing 7% in wages over the same time period.³⁴

Unsurprisingly, hotel workers in the Seattle area have also suffered during the last several years. In addition to over 1,000 jobs disappearing³⁵ as a result of the recession, wages and salaries for hotel workers have eroded. From 2007 to 2010, average monthly earnings for King County workers in the accommodations sector dropped 3.3% (after adjusting for inflation).³⁶ With unemployment in low-skilled sectors predicted to remain high for the region, hotel sector wages are unlikely to grow in the near future.

Many hotel workers earn so little that they live paycheck to paycheck, and their families would qualify for public assistance.



Fairmont Olympic Hotel, Seattle, WA

Downtown Hotel Workers Struggling To Meet Basic Needs

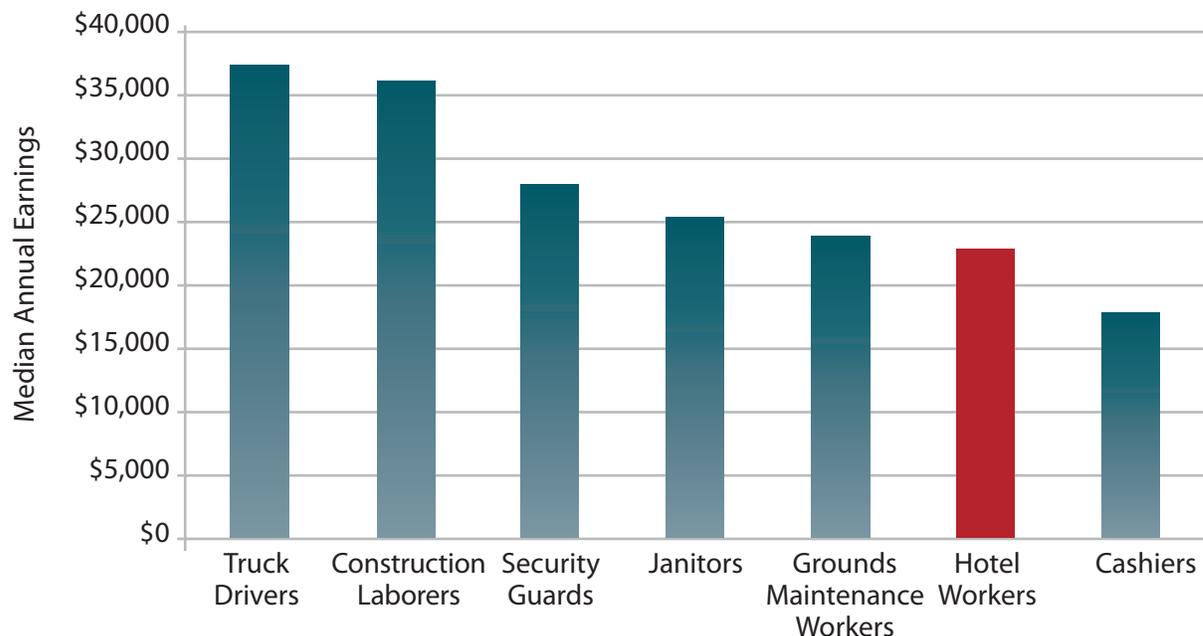
Hotels in the downtown Seattle market pay relatively low wages that would place most families just above poverty and fall well below the level required to support a family in our region's expensive economy.

Compared to workers in other occupations that do not require more than a high school degree, the average hotel worker in the core Seattle market earns at the bottom end of the wage scale (see Figure 5). In 2010, median earnings for non-management hotel workers were \$22,960 a year compared to \$26,683 for downtown janitors and \$40,232 for truck drivers.³⁷ This category of hotel workers comprises largely of housekeepers (31%), desk clerks (19%), waiters and waitresses (9%) and cooks (4%).³⁸ Together, these four occupations

account for two out of three workers in the industry.

Annual earnings for downtown hotel workers fall below several broadly recognized standards of economic hardship. Figure 6 shows that for a family of three (the median family size for downtown hotel workers), median earnings are only a few thousand dollars above the 2010 Federal Poverty Guideline of \$18,310. Earnings also lag significantly behind the threshold for Washington's Basic Food program (also known as food stamps). In fact, the earnings of nearly 90% of non-management hotel workers would qualify a family of three for food stamps as well as other "low-income" public services.³⁹ Finally, median hotel worker pay provides an income well below what it takes to survive in the Seattle metropolitan region, sometimes expressed as an "essential family budget" or "self sufficiency standard."⁴⁰ This standard represents the minimum amount of annual income needed to make ends meet without

Figure 5: Downtown Hotel Workers Annual Earnings Near Bottom for Seattle Workers



Source: Authors' analysis of ACS PUMS 2006-2010

public assistance and with no capacity for saving. For a family of three, average hotel worker earnings falls over 50% below this standard.

Saving Labor Costs by Underinsuring Workers

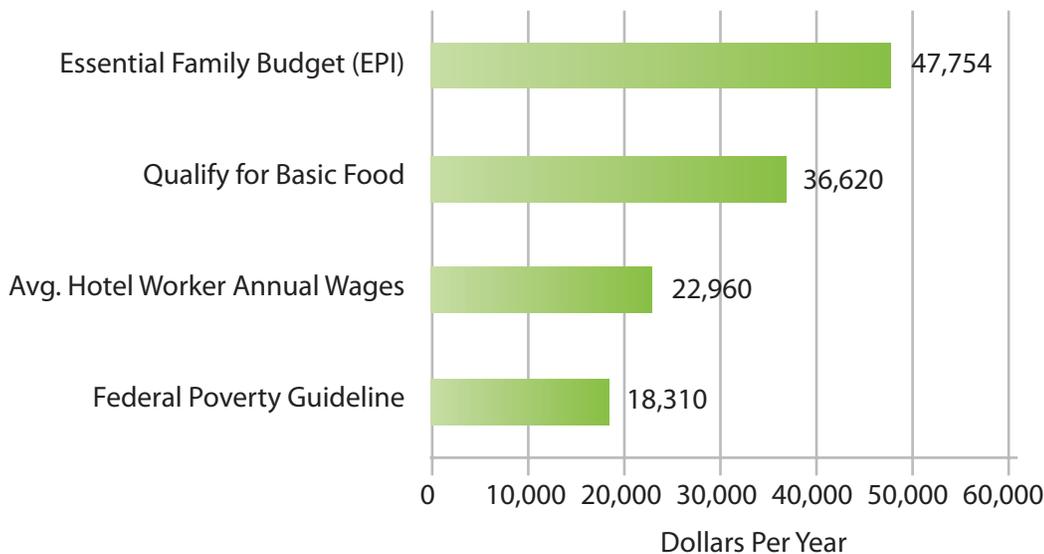
In Washington, workers access to health insurance in accommodations (hotel) and food service businesses is among the lowest, second only to the agricultural industry. Figure 7 shows that only 66% of full-time workers in hotels and restaurants are eligible for employer-provided health plans, while workers in most sectors are eligible at rates of 80% or more. The picture for part-time workers is significantly worse, with employers offering insurance to only 7.1% of such workers.

Unfortunately, even if employers offer health insurance, increasing costs to employees for coverage means many workers can't afford it. One typical

The earnings of nearly 90% of non-management hotel workers would qualify a family of three for food stamps as well as other “low-income” public services.



Figure 6: Downtown Hotel Workers Fall Short of Hardship Thresholds (For Family of Three)



Source: Economic Policy Institute, WA State DSHS, Authors' Analysis of ACS PUMS 2006-2010, Federal DHHS

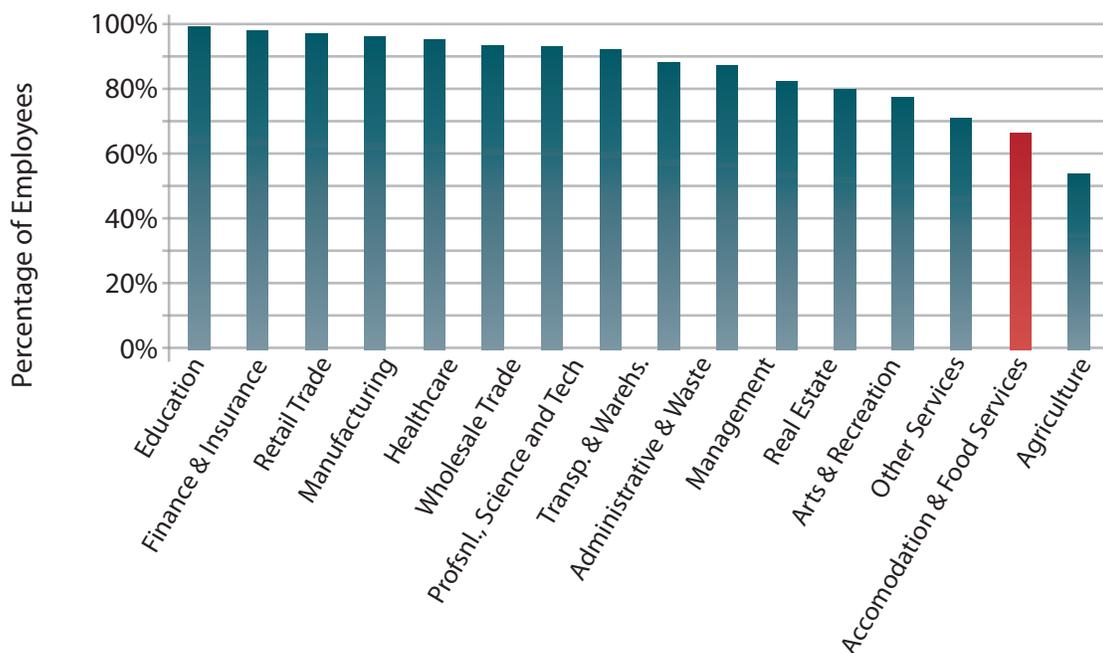
plan from a local hotel employer requires monthly payments of \$150 for individuals and \$480 for families, the latter adding up to about one-fourth of a hotel worker’s average annual earnings.⁴¹ In addition, plans with affordable premiums can have high co-insurance costs, where workers pay up to 40% of most services and the insurer pays 60%. One family plan made available to the authors allowed a staggering \$10,500 in cost sharing—nearly half the average worker’s annual earnings. Since the recession, average insurance costs for workers in Washington have only increased. From 2008 to 2010, families with insurance from private employers saw premiums rise by 13%, deductibles rise by 40% and co-pays rise by 15%.⁴²

Unsurprisingly, the principal survey by the Federal government on health and health insurance in the US shows that the rate of actual coverage by

hotel employers is only 41%.⁴³ If Seattle hotel employers reflect the national industry, three out of five hotel workers and their families have to find other insurance options or go without.

The consequences to workers and their families who have no health insurance are dire. Uninsured workers and their families are at greater risk for serious medical emergencies. Lack of adequate health insurance is a consistent barrier to seeking health care services.⁴⁴ Uninsured workers are more than twice as likely to forgo or delay needed care as those with health insurance.⁴⁵ As patients delay necessary care, the likelihood of a worsened and more costly illness increases.⁴⁶ Delayed care, reliance on government sponsored health insurance, and lack of insurance coverage are all associated with increased morbidity and mortality, including adverse cardiac events,⁴⁷ and poor cancer care.⁴⁸

Figure 7: Percentage of Full-Time Employees Eligible for Health Insurance by Industry in Washington, 2010



Source: WA ESD 2010 Employee Benefits Survey Report

LAURIE HAMILTON

I have been working at the front desk of an upscale hotel for a year and a half, soon after I moved to Seattle from a small town in Utah. I love the Seattle culture. I feel accepted for who I am here. I also love my coworkers. But my job causes me constant pain.

Every day for almost eight hours I stand on a small mat that is barely better than standing on the marble. My feet feel like they are on pins and needles. I have a bad hip and I often feel a deep aching pain in my legs and hips. All my coworkers at the desk are in some degree of pain. When my coworkers and I take our break, the first thing we do is find someplace to sit and we stay off our feet as long as possible. In addition, we constantly strain our neck and shoulders because our computer screens are placed at waist-level, due to "brand standards."

I can't afford to go to the doctor for my chronic pain, and I know that they will probably tell me to find another job, which is not realistic in this economy. I have health insurance in case of



"All my coworkers at the desk are in some degree of pain."

emergencies. Even with insurance, when I had to go to the ER recently I qualified for charity care, which paid a large portion of my bill.

My wages barely cover rent and food. I live in low-income housing in a small apartment. I don't own a car, or buy new clothes. I save everything I can. And it still isn't enough.

Hotel Housekeeper Tasks—

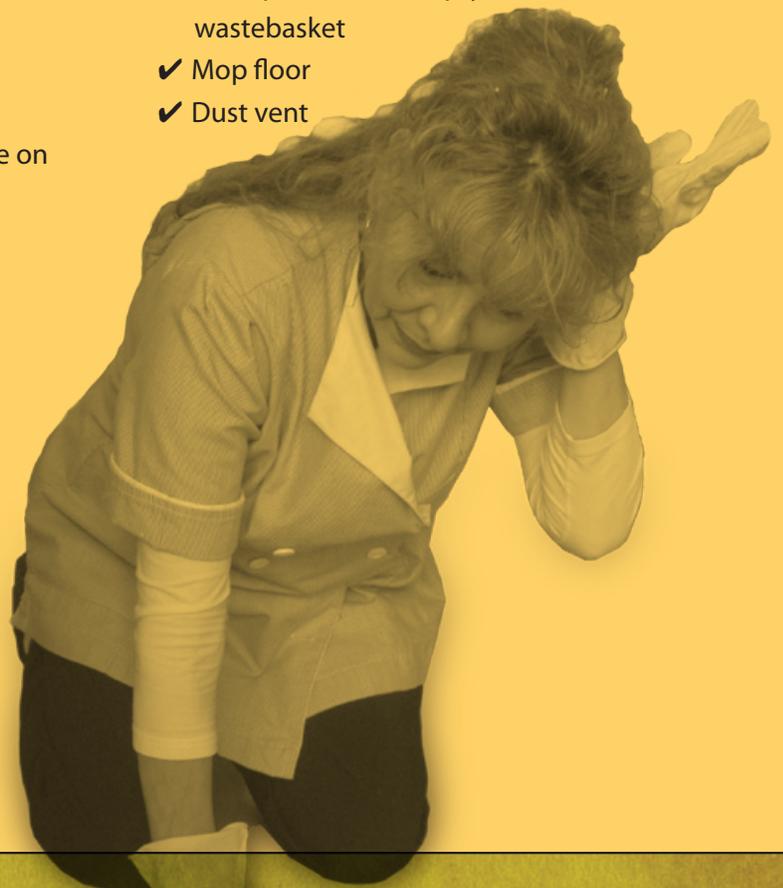
Can You Do This in Less Than 30 Minutes?

BEDROOM TASKS

- ✓ Remove all room-service items from room
- ✓ Strip bed(s) of all sheets, blankets and duvets
- ✓ Place bottom sheet on each bed and tuck 4-8 times
- ✓ Place top sheets and blanket on each bed and tuck 4-8 times
- ✓ Spread duvet on bed
- ✓ Remove 4-8 pillowcases per bed and stuff pillows into fresh cases
- ✓ Dust all nightstands and desk
- ✓ Carefully restock and arrange pens, papers and other written materials (i.e. room service menus) on desk
- ✓ Dust armoire or dresser, including behind the TV
- ✓ Clean TV screen
- ✓ Retrieve TV remote and rearrange TV channel guides
- ✓ Pick up trash and empty bedroom's wastebasket
- ✓ Wash and dry ice bucket and rearrange on counter
- ✓ Collect, wash and dry dirty glasses
- ✓ Dust vents
- ✓ Put away all ironing boards and other equipment
- ✓ Vacuum all floors

BATHROOM TASKS

- ✓ Pick up soiled towels and place on cart
- ✓ Replace soiled towels
- ✓ Clean and disinfect toilet bowl
- ✓ Wipe down top and side of toilet
- ✓ Restock toilet paper
- ✓ Wipe down counter tops
- ✓ Clean sink(s) and polish faucets
- ✓ Replace and arrange toiletries (i.e. shampoo, soaps)
- ✓ Clean bathroom mirror
- ✓ Wash and dry coffeepot and cups and rearrange on counter
- ✓ Scrub inside of bathtub
- ✓ Clean/replace shower curtain or scrub shower door
- ✓ Clean bath and shower walls
- ✓ Pick up trash and empty bathroom wastebasket
- ✓ Mop floor
- ✓ Dust vent



SECTION 4

HOTEL LABOR PRACTICES HURT WORKERS WITH PAIN AND INJURY FOR PROFITS

While many hotel occupations are physically demanding, hotel housekeepers in particular suffer dramatically high rates of on-the-job injury. Due to the repetitive, grueling and rushed nature of their work, hotel housekeepers often work in pain and frequently sustain life-long injuries. Given that housekeepers comprise the largest group of workers within the hotel industry, injury rates are high for the whole sector.

A Hazardous Work Environment

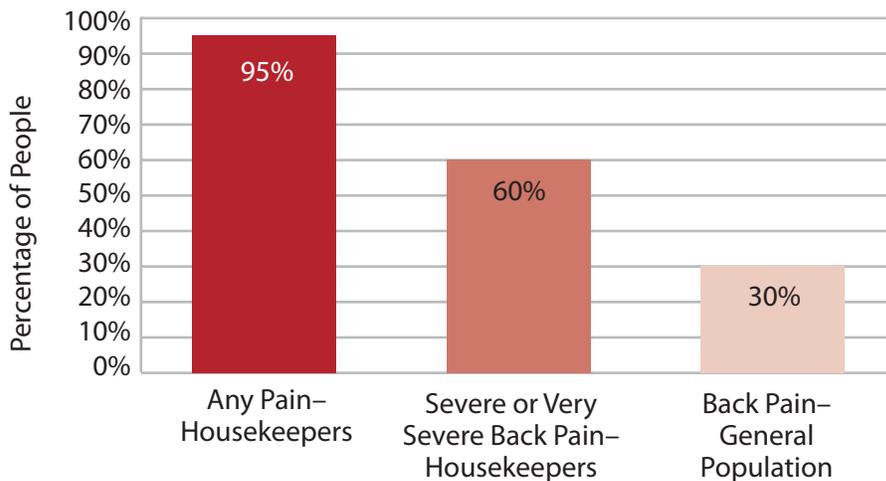
Intense time pressure, large workloads and constant lifting characterize housekeeping work. Most housekeepers clean 15 or more rooms per day, at a rate of 30 minutes per room. They are typically required to complete task lists of 33 items or more

within only 30 minutes (see sidebar), followed by reloading supply carts that often weigh more than 300 pounds.⁴⁹

Recently upgraded guest amenities, such as luxury beds, exacerbate already physically demanding work.

A typical housekeeper cleaning 15 rooms a day strips over 500 pounds of soiled linen and replaces it with 500 pounds of clean linen, and lifts a mattress over 60 times in one day.

Figure 8: Housekeeper Pain vs. The General Population



Source: American Journal of Industrial Medicine

GROWTH OF OUTSOURCING THREATENS TO WORSEN CONDITIONS FOR HOTEL WORKERS

Hotel firms throughout the country are turning to third party agencies to staff significant components of hotel operations, including housekeeping, food service and laundry, a practice referred to as outsourcing. These staffing agencies offer to lower labor costs for hotels by taking on recruiting, hiring, training and even supervision. Those lower costs, however, appear to put hotel workers at even more risk of pain, injury, and economic hardship.

One cautionary tale from Boston area Hyatt hotels illustrates the downside of this practice.⁵⁹ In 2009, Hyatt fired its entire housekeeping staff at three hotels in the Boston area, replacing 98 women who had worked at Hyatt for decades with workers from the staffing firm Hospitality Staffing Solutions (HSS). The former Hyatt housekeepers earned \$15 an hour and cleaned 16-18 rooms a day. Their replacements earn minimum wage and clean up to 30 rooms per day.

Subsequently, housekeepers working for HSS filed wage violation complaints with the Massachusetts State Attorney General. One complainant was fired for reporting excessive back pain and requesting a reprieve from cleaning four more rooms that day. Of her experience in this situation she stated to a Boston Globe reporter, "They think that we're slaves."

HSS practices also led to 14 hotel workers at 10 hotels in Indianapolis to file a lawsuit alleging their employers for failing to pay overtime.⁶⁰ Among the hotels included in the lawsuit were JW Marriott, Holiday Inn, Embassy Suites and the Omni Severin. As the largest supplier of hourly workers to hotels nationally, HSS has 4,800 employees working in 450 hotels across the country. The firm has already faced multiple complaints and lawsuits for labor violations in several states. The company's website states that HSS operates in Washington state. In all likelihood, the situations seen in Boston and Indianapolis will be repeated.

Partly due to increased outsourcing, the U.S. Department of Labor has labeled the hospitality industry as "high risk" of frequent federal wage and hour law violations, stating that the practice "increases the incentives for employers at lower levels of industry structures to violate workplace policies."⁶¹

The Hilton "Serenity Bed" mattress, for example, weighs 113 pounds with linens weighing 16 pounds. A typical housekeeper cleaning 15 rooms a day strips over 500 pounds of soiled linen and replaces it with 500 pounds of clean linen, and lifts a mattress over 60 times in one day.⁵⁰ One study that examined the impact of heavy beds found that lifting the hotel industry's new luxury beds scored a 1.29 on the "Lifting Index," a standard developed by the U.S. Institute for National Occupational Safety and Health. A score of more than 1.0 means that the weight of the load is heavier than that which "nearly all healthy workers could (lift) over a substantial period of time (e.g. up to eight hours) without an increased risk of developing lifting related low-back pain."⁵¹

Hotel housekeepers endure grueling, day-to-day pain from their daily workload. A survey of 1,000 housekeepers working in Las Vegas hotels found that 95 percent reported workplace pain, and 60 percent experienced severe or very severe back pain (see Figure 8).⁵² This rate is roughly double the amount of back pain suffered by the general population, which ranges from 29-31 percent.⁵³ Dr. Niklas Krause, University of California at San Francisco Medical School states, "Most (hotel) room cleaners experience severe back and neck pain. Severe pain showed strong associations with physical workload, work intensification, and ergonomic problems."⁵⁴

Hotel managers create an even more dangerous work environment by organizing housekeeping assignments based on a high pressure “room quota” system. Under this system, the number of rooms that housekeepers must clean can vary from day to day, based on hotel occupancy and other factors. On days with higher quotas, housekeepers must work faster to accomplish the same level of performance per room. Studies have shown that working more quickly without reduction in expected performance increases housekeepers’ likelihood for on-the-job injury and permanent disability.⁵⁵

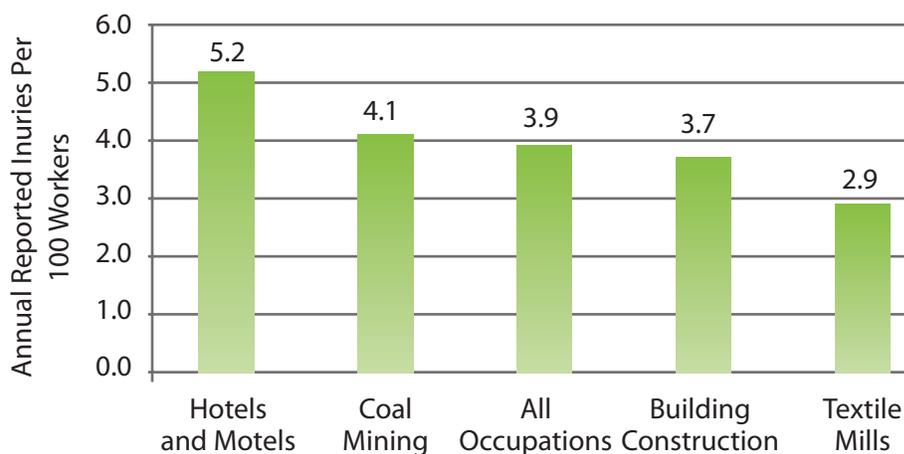
Higher Injury Rates for Housekeepers than Coal Miners

The reported injury rate by housekeepers is even higher than occupations commonly recognized as dangerous, including coal mining and building construction (see Figure 9). Yet, hotel workers’ wages

are half of what these seemingly more dangerous occupations provide. Nationwide, hotels and motels pay housekeepers an average of \$21,000, while construction companies pay \$43,870 and coal mines pay \$48,300, on average.⁵⁶

As highlighted in Section 2, reducing the ratio of staff to occupied rooms has been a long-term trend in the hotel industry, placing increased performance demands on all workers. More recently, between 2008 and 2010 the accommodations industry within King County laid off 1,000 workers, or seven percent of its workforce.⁵⁷ During those same years hotel occupancy fully recovered and exceeded pre-recession levels, increasing by seven percentage points.⁵⁸ With a smaller workforce, but the same number of rooms to be cleaned, hotel companies have exacerbated risks of injury and pain by making workers both do more and lift more.

Figure 9: Rate of Injury For Housekeepers Higher than Most Professions



Source: Bureau of Labor Statistics 2009, Industry Injury and Illness National Data

JIAN HUA WU

I came from China in 2005 because my mother wanted me to come to America to take care of her. I didn't know the language, and I needed a job. An organization in Chinatown gave me job training and sent me to a big downtown hotel.

I had no idea before I started how hard the work would be. I soon found out that housekeeping is very difficult. The most difficult part is making the beds. We have to lift them up from each corner, and they weigh a lot.

One of my family members used to work in the laundry department of a hotel. Management was always telling her to go fast. If management saw her doing something more slowly, they would call everyone together and pressure everyone to go faster. They treat people like they are machines. Her body couldn't handle it. When she quit, she told her manager that it was dangerous work, and that by forcing everyone to go faster the management was hurting people.

I played professional basketball in China for 5 years, then had a career selling medicine to



“I had no idea before I started how hard the work would be.”

doctors [pharmaceutical sales], so I know how to take care of my body. To protect myself from injury, I always go to the gym to exercise. At work, I also use my mind, I don't just use my body. I think about how I do things in a way that's easier for my body.

People who've worked here longer know better how to take care of themselves. New people get injured the most. It's because they don't know the job as much. Often they don't speak the language, so they don't know how to ask for help. I also think they are afraid.

SECTION 5

SEATTLE'S FACE OF HOSPITALITY: A PERSON OF COLOR. . . AND A FAMILY'S BREADWINNER

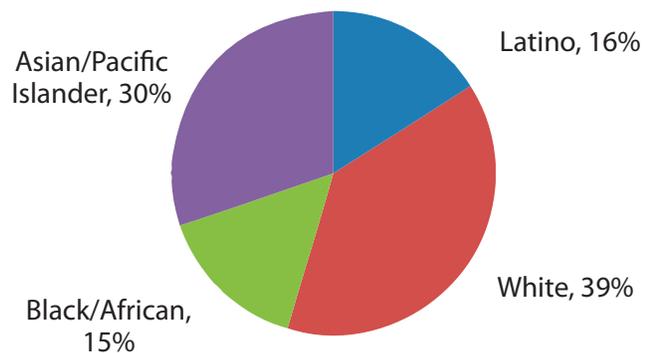
The men and women who work in Seattle's downtown hotels come from around the US and the world and serve as the face of hospitality to people visiting the Emerald City. The workforce comprises mostly of people of color, and over half are immigrants. Consequently, the economic and health burden on hotel workers described in this report falls disproportionately on marginalized communities.

Hotel workers are typically older employees with significant family responsibility.⁶² Four out of five workers (83%) are older than 25 years, with an average age of 40 years. Hotel employees represented in our data work an average of 49 weeks a year and 37 hours per week. Further, two out of three (61%) support immediate or extended families and one out of three (32%) lives in households with children. Their average family size is over three and ranges from two to seven persons.

Like many low-wage workers in Seattle, the hotel workforce is disproportionately comprised of people of color. Three out of five hotel workers (61%) are people of color, with the highest share represented by Asian and Pacific Islander workers (see Figure 10). This compares to people of color representing 32% of the region's population and 38% of the region's workforce. Just over half (56%) of hotel workers were born outside of the US.

The hotel workforce is disproportionately diverse, and therefore the hardships described in this report fall disproportionately on workers of color and on women. Also, white workers are more likely (78%) to hold customer-facing jobs considered the "front of the house," while workers of color are more likely (71%) to hold "back of the house" jobs such as housekeepers, janitors, dishwashers and security guards. Back of the house jobs typically pay less than front of the house jobs, resulting in a lower median annual income (\$21,916) for workers of color than white workers (\$26,561)—a difference of over 20%. Disproportionate pain and injury fall on women as well. Over 80% of housekeeping staff in downtown Seattle hotels are women.

Figure 10: Downtown Seattle Hotel Workforce Comprises a Majority People of Color



Source: Authors' Analysis of American Community Survey 2006-2010 PUMS

NEFTALI CABRERA

I came to the US 20 years ago. When I came to California, I worked hard to get a college degree, to learn English, and to have a successful career. I got a job selling commercial time for Spanish TV in Los Angeles.

I moved to Seattle for a fresh start and started working at an upscale hotel restaurant in September 2009 as a server assistant, thinking that I could advance as I learned more about the industry.

I have applied to be a server three times. The first time was January 2010. I later found out they never even filed my application. I kept working, trying to be a “good employee”, fawning over management and trying to be as perfect as possible. I applied again in April 2011. I didn’t hear anything back. I later found that they didn’t file that application either. The next time a position became open, in June, I applied immediately. After a few weeks, after they interviewed many other people, they finally interviewed me — after they had filled the position.

The company can make all kinds of excuses why they don’t want to promote me. But in my heart I feel discriminated against. One time I saw there was an open position the in-room dining department. When I told the manager for that position that I was thinking about applying there, he was surprised, and told me not to apply. He said “You don’t speak f***ing good English!”



“Working two full time jobs is taking a very bad toll on my health. But I’m going to keep going and prove to myself and others that I can make it. I just need one chance.”

In California I was able to hold business meetings with companies wanting commercial time at my TV station. Those meetings were in English. I sold thousands of dollars in television airtime. And my employer doesn’t think I can sell a plate of food?

When people see me and hear my accent, people make assumptions. I’m dismissed on a daily basis because of my appearance. I’m just “the busser” to people. I want to prove that I’m so much more. If I got a job as a server, I would be able to quit my second restaurant job and just live on one income. Working two full time jobs is taking a very bad toll on my health. But I’m going to keep going and prove to myself and others that I can make it. I just need one chance.

SECTION 6

THE STATE SPENDS MILLIONS ON HEALTH SERVICES FOR HOTEL WORKERS

With the lowest rates of employer-provided health insurance amongst all industries in Washington state, many hotel workers are forced to seek publicly funded services and charity care for themselves and their families. Every year the State of Washington spends millions of dollars on health services for hotel workers, effectively allowing hotel companies to offload part of its labor costs to the public.

The Cost of Public Health Insurance for Washington Hotel Workers

Workers in the accommodation (hotel) and food service sector receive the largest share (20%) of medical assistance from the Washington State Department of Social and Human Services (DSHS) workers in any other industry.⁶³ Between 2006 and 2010, DSHS spent at least \$44 million dollars over five years for administering medical services to an average of 4,224 hotel workers and their dependents per year.⁶⁴ The average cost over this time period to taxpayers for hotel workers and their family members was over \$10,000 per worker. Note that these figures do not include the State's Basic Health program, which, if incorporated, would show an even higher health bill passed on by hotel corporations to taxpayers.

Recent dramatic cuts to social service programs such as Basic Health and other DSHS programs will likely result in large numbers of hotel workers being turned away from these State-sponsored health programs.⁶⁵ This shrinking of public programs and the

lack of affordable, employer-provided health insurance forces low-wage hotel workers and their families to turn to health providers of last resort, such as the emergency rooms and free clinics.⁶⁶

We All Pay the Cost of Uncompensated Healthcare

When low-wage industries do not insure their employees, workers have little choice but to turn to emergency and urgent care, at great public expense. Like other industries, the hotel sector can rid itself of labor costs by shifting them to everyone else.⁶⁷

Public and private hospitals are required by law to provide critically needed health care,⁶⁸ leading to a billion dollars each year spent on uncompensated care.⁶⁹ Emergency room based care offered by hospitals make up the majority of uncompensated care in Washington State.⁷⁰ While emergency room care is the most expensive of all health care options, many low-income workers—including hotel workers—are forced to use these services because their employer does not provide insurance.

In 2009, Seattle hospitals provided \$288 million dollars in uncompensated charity care (See Figure 11).⁷¹ Public and private hospitals pay for uncompensated care by raising the cost of health care services for insured patients and through state sponsored financing mechanisms that depend on taxpayer dollars.⁷² The State Office of the Insurance Commissioner estimates that the burden

of uncompensated care in Washington raises private insurance costs by \$1,017 per insured family throughout the State.⁷³

The Patient Protection and Affordable Care Act (ACA), signed into law in 2010, will likely reduce the number of uninsured hotel workers. However, who pays for the costs of that insurance and how many workers will still be left out remains unclear.

Many of the provisions in the ACA directly support low-wage workers and their families, including expansion of Medicaid and subsidies for families making up to 400% of the Federal poverty threshold who have any form of private health insurance. The Office of the Insurance Commissioner estimates that the ACA could reduce the State's

uninsured population by 38%. In addition, Washington state will establish a health insurance exchange in 2014 that allows individuals to shop more easily for insurance. In theory, hotel employers will have to pay their share with a \$2,000-\$3,000 fee per each worker that they do not insure.

However, several factors may still leave many workers without insurance, including exclusion of undocumented workers from the exchange and the option for workers to refuse individual insurance if the public subsidies are inadequate. And while some of the costs for uninsured workers will be borne by the employer, the mandate will cover at most half the cost of annual insurance for single workers and an even smaller share for workers with families.

Figure 11: Uncompensated Charity Care at Seattle Hospitals

Hospital	Amount of Charity Care in 2009
Harborview Medical Center	\$ 155,174,000
Swedish Health Services	\$ 43,269,942
Swedish Medical Center Cherry Hill	\$ 20,748,838
University of Washington Medical Center	\$ 18,650,391
Seattle Children's Hospital	\$ 19,304,852
Virginia Mason Medical Center	\$ 16,826,510
Highline Medical Center	\$ 6,964,190
Northwest Hospital & Medical Center	\$ 7,830,616
Total Amount of Charity Care Reported	\$288,769,339

Source: Department of Health, "Charity Care in Washington State"

COLLECTIVE BARGAINING AGREEMENTS: A BETTER WAY FOR WORKERS

Collective bargaining creates better working conditions for employees, especially in lower-skill industries requiring less education. Collective bargaining is a process that allows workers to jointly negotiate with an employer the terms of their employment, such as wages, benefits, safe working conditions and other protections. In the US, workers have a right to collectively bargain when they are represented by a union. Despite the benefits of collective bargaining, only 17% of downtown hotel employees currently work under such agreements.⁷⁴

Decades of research demonstrate that the benefits of collective bargaining, through union membership, accrue disproportionately to lower-skilled, blue collar workers and workers of color. One compilation of such research shows that workers with college degrees make on average 5% more under collective bargaining agreements, while workers with only high school degrees make 21% more.⁷⁵ Workers of color also disproportionately benefit from such agreements. The difference in wages between union workers and non-union workers, by race, are 22% more for Hispanics, 18% more for African Americans, 17% more for Asian Americans and 12% more for whites.⁷⁶ Collective bargaining agreements are also more likely to result in health and retirement benefits for workers of color.

Collective bargaining already makes a difference for some hotel workers in Seattle. In 2010, the median annual earnings for hotel housekeepers in King County were \$21,619.⁷⁷ Comparatively, the median earnings for a hotel housekeeper at a major downtown hotel working under a collective bargaining agreement

were \$26,492, a difference of 23%.⁷⁸ In addition, housekeepers at this hotel have access to high quality, full-family medical coverage for \$30 per month or less.

Local collective bargaining by hotel workers also results in improved safety and other working conditions. Seattle housekeepers covered by collective bargaining agreements have a maximum room quota of 15 standard rooms per eight-hour

Seattle housekeepers covered by collective bargaining agreements have a maximum room quota of 15 standard rooms per eight hour shift for housekeepers, a standard negotiated to lower risk of injury.

shift for housekeepers, a standard negotiated to lower risk of injury. Comparatively, housekeepers not covered by collective bargaining agreements are often required to clean an average of 16-19 rooms, with peaks of up to 30 per shift.⁷⁹ Other provisions negotiated in Seattle hotel agreements include pension benefits, paid sick leave and paid vacation time, job security through protections from outsourcing and a process to resolve workplace unfairness without fear of retribution.

CONCLUSION

The Seattle hotel industry has survived the Great Recession and is poised for significant expansion. The US and global hotel corporations that dominate the local market are rebounding and likely to see multi-billion dollar profits grow even more. This should be good news for Seattle.

But when this profit growth depends on industry practices that shift operational costs to workers and the public, we must take a critical look at the impacts of industry expansion.

This report documents, for the first time in Seattle, that the benefits of an expanding hotel industry could be undermined by hidden costs to workers, our communities and taxpayers. More low-wage jobs and falling wages will only increase working poverty in the region. Increasing workloads for hotel workers, especially housekeepers, will worsen pain and injury. Disproportionate impacts on people of color, who make up a majority of the lowest paid hotel workers, will worsen chronic economic and public health problems that many Seattle and King County communities already face. And, a larger hotel workforce, if undercompensated through low wages and inadequate health insurance access, will require even more public subsidies.

There is good news, however. Local governments, in partnership with workers and hotel employers, can put in place common sense policies and practices that benefit employees, communities, government and the industry itself. In essence, such “high road” policies and practices would seek to increase productivity by maximizing investment in workers,

including compensation, benefits, training and professionalism. Local officials and employers can look to examples of such high road strategies by exploring best practices from around the country.

Below are recommendations that draw on those best practices and could help establish the Seattle hospitality market as a model for maintaining a self-sufficient, healthy and productive workforce.

RECOMMENDATIONS

Sage advances the following guiding principles to create a framework for decisions about the future of the tourism and hospitality sector in our region.

1. Invest in Seattle area hospitality while investing in Seattle area workers.
2. Strive for true sustainability by sustaining our families.
3. Healthy businesses should also create healthy communities.

We call on both public institutions and the private sector to set tourism and hospitality on a path to contribute to prosperity and sustainability for all communities. The public sector can help shape this transformation of the industry into a living wage segment of our economy and end the drain on public budgets through both public policy and political leadership. Hotel owners and operators in Seattle can become more responsible to a public bottom line, as well as their own, with smart partnerships, higher standards and commitment to workers’ rights.

Immediate Steps

- Hotel employers should closely examine the impacts of cost-cutting labor practices, such as outsourcing, and **reduce excessive workloads** – especially for housekeepers.
- A more thorough, **independent study of workplace pain and injury** is needed for the Seattle hotel sector. This could be done by a university-level school of public health or the Seattle/King County Public Health agency and would lead to development of local safety standards. An example is a state-funded study currently being done of occupational health issues for deli workers in the grocery sector.
- Hotel employers should **provide high quality health insurance** for families at an affordable price. Good health care for all workers will free up resources now being used for both public insurance programs and uncompensated care that we can invest, instead, in education, neighborhoods and our economy.
- Both the public and private sector should **provide maximum protections for the right to organize**. When workers can collectively bargain for living wages, health insurance and better working conditions, the hotel industry becomes less of a burden on our communities and public budgets.
 - Public officials should demonstrate support for worker organizing through non-binding resolutions and scrutiny of employer actions in the midst of worker organizing.
 - Employers should agree to be neutral if workers choose to organize, and recognize the union if a majority of workers signs authorization cards.

- The City of Seattle should be **proactive in enforcing** the recently passed Paid Sick and Safe Days Ordinance and Wage Theft Ordinance for low-wage industries that provide few benefits and lack collective bargaining protections.

Intermediate Steps

- When using public resources to promote the hospitality and tourism industries, local and State government should use those opportunities to **promote better working conditions and labor standards**.
 - The recently adopted Seattle Tourism Improvement Area tax, adopted jointly by the City of Seattle and downtown hotels, should be an opportunity for the City to require annual reporting on the quality of hotel jobs supported or created by the revenues.
 - When King County and the Washington State Convention Center Board negotiate to place a new hotel over the proposed Convention Center expansion, there will be an opportunity to ensure safe working conditions and quality jobs.
 - Although not in downtown, the new SeaTac Airport hotel proposed by the Port of Seattle could set quality jobs standards that impact downtown and the larger King County hotel market.
- Local governments should **explore laws and standards** adopted by other jurisdictions that address economic hardship, workplace safety and racial inequality. These best practices include:

- Living wage requirements – to set minimum standards for family-supporting wages.
- Overtime compensation for excessive housekeeping workloads.
- Carry through minimum employment standards to hotel outsourcing operations.
- “First source” hiring that connects low-income communities of color to high quality jobs.
- Worker retention when hotel jobs get sub-contracted or hotels get sold.
- Local public health and occupational safety experts, in conjunction with employers and unions, should **create a hotel safety training curriculum** that can become a standard for the whole Seattle hotel market.
- Local governments should **protect public investment in the hospitality industry** through policies and contract language that minimize disruption to revenue generation and operations. Many best practices from around the country should be explored.
 - This should include application of “labor peace” requirements, where a high degree of investment is being made. Labor peace requires recipients of public resources to guarantee that no labor strife will disrupt revenue generation.
 - Local governments should set worker retention policies that minimize massive layoffs of experienced hotel workers, resulting in unemployment.

Forward Looking Solutions

- Hospitality employers should invest in worker training that increases professionalization of hotel occupations and **increases upward mobility for all workers**. Joint labor-management training programs such as the Culinary Training Academy in Las Vegas, which is successful at training thousands of workers each year, are providing promising results improving skills and creating career opportunities for workers in the tourism sector.
- **Partnerships between employers and community-based organizations** could improve customer service, working conditions, and issues affecting our communities. Areas for partnership include English language training and safety training.

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