HVS

Is Mars the Next Destination for Recruitment?

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Manpower and its shortage has been the hot issue of discussion and debate for a long time now, but reality has struck it to be restricted to pen and paper only. With the impending hotel explosion right around the corner, the country and its hoteliers are standing perilously close to a crisis where they actually might have to do away with the ideologies of 'Warm Indian Hospitality' and adopt a more mechanised and vending machine approach towards hoteliering.

The past years have seen an exodus of service providers from the Hospitality sector to supposedly more lucrative industries of business process outsourcing, information technology, retailing, airlines and other areas requiring people with relatively higher customer service orientations. This trend, however, is expected to reverse from this year onwards. With the opening up of the Indian market and a number of hotels finally on the rise, the market is expected to become an employees' market with sufficient alternatives to choose from. The growth of the Indian hotel skyline is also expected to send employee salaries north.

Manpower Demand and its Supply:
The long-standing issue of manpower shortage has had no reprieve. The slight down-swing in global economies has already seen a slowdown in hiring of expatriates into the hotel industry in India owing to the higher pay packages commanded by them. The rise in payroll costs fuelled by the skewed manpower demand and supply ratio is expected to attract a lot of employees back to the hotel industry. The situation however still seems grim, with an extrapolated manpower requirement showing a shortfall of more than 85,000 employees till 2013/14 - a growth of 201%. This is assuming that there would be no attrition to the other industries vying for the same talent. The table below shows a breakup of the projected manpower requirements for various hotels till the year 2013/14. The current man-power requirements have been calculated assuming an average employee to room ratio of 1.75. The projected manpower requirements have been computed by estimating the room supply and the average of the employee to room ratios for each market segment of the hotels.

Key Cities	Existing Room Supply	Current Manpower[1] 2007/08	Projected Additional Manpower Requirement 2013/14					Total Requirement 2013/14	Percent Increase
			Luxury[2]	First Class[3]	Mid Market[4]	Budget[5]	Extended Stay[6]		
Agra	1,336	2,338	-	270	624	-	-	894	38%
Ahmedabad	675	1,181	500	2,111	1,614	536	176	4,937	418%
Bengaluru	3,456	6,048	6,022	8,883	5,632	1,337	986	22,859	378%
Chandigarh	340	595	570	940	460	498	-	2,468	415%
Chennai	2,826	4,946	3,826	4,014	1,342	941	488	10,610	215%
Delhi (NCR)	9,019	15,783	11,204	11,965	8,281	1,869	699	34,018	216%
Goa	2,768	4,844	2,374	2,801	288	296	-	5,759	119%
Hyderabad	2,554	4,470	5,774	3,467	2,390	1,604	461	13,696	306%
Jaipur	1,556	2,723	-	873	1,849	729	-	3,451	127%
Kolkata	1,396	2,443	2,796	3,231	2,498	440	112	9,077	372%
Mumbai	8,454	14,795	6,486	5,719	2,608	894	530	16,236	110%
Pune	1,346	2,356	3,628	4,343	3,103	1,646	238	12,959	550%
Other Cities	11,256	19,698	1,122	11,192	10,336	5,793	221	28,664	146%
Total	46,982	82,219	44,302	59,809	41,024	16,583	3,910	165,629	201%

[1]Assuming Employee to Room Ratio of an average 1.75   [4]Assuming Employee to Room Ratio of 1.2

[2]Assuming Employee to Room Ratio of 2.0   [5]Assuming Employee to Room Ratio of 0.8

[3]Assuming Employee to Room Ratio of 1.8   [6]Assuming Employee to Room Ratio of 0.8

HVS projections indicate that by the year 2013/14, the Indian hospitality industry would require a total of 165,629 employees. The current manpower availability however, is 82,219, thereby showing a shortfall of approximately 84,000 employees across various levels in the hierarchy. While the maximum number of vacancies would be at Delhi - NCR (34,018), the manpower crunch would be felt at its worst in Pune. Pune would require approximately 12,960 employees as compared to its current base of 2,356 - a growth of 550% over the existing manpower base.

Compensation:

Compensation for all Human Resource Managers has been the single-most powerful tool to leverage and retain employees. This instrument, however, has not been utilised to its fullest potential up to now. With reality staring hotel companies in the face, organisations are scrambling to revise salary structures across the board in a bid to retain high-potential employees, attract good talent and stem the growth of their competition. We believe that in order to retain base line managers and develop them into future heads of department, it may be prudent to revise the existing salary structures by adding the variable components into the base salary and distribute their vestment over the year rather than giving it to individuals as a bonus at the year end. Another effective long-term retention tool that might be considered is the Employee Stock Option Scheme, which would ensure a more vested interest in the peak performance of the company or unit in question.

The findings of the first-ever pan-India survey of the Indian hospitality industry - *HCE Hospitality Compensation Exchange India Survey 2008* - indicate that salaries have increased by over 40% in the past 2-3 years. HVS estimates that the trend will continue and the industry can expect to see a growth of around 25-30% in salaries over the next year.

The survey has also brought to light some surprising and some expected compensation trends. Our findings indicate that amongst the metropolitan cities, Mumbai and New Delhi have the highest pay packages across the board for individual hotel properties with Kolkata and Hyderabad paying the least. Upon comparing the hierarchy of hotels within these cities, we observed that the difference between some positions is as low as 25% and as high as 88%.

The table below shows a comparison of the annual midrange salary figures for various positions across metropolitan cities in India. As is evident, the General Manager in Mumbai has the highest pay scale closely followed by the counterpart in New Delhi. The position, however, is at its lowest pay scale in Bangalore with the differential being 58%.

Metropolitan Cities	General Manager	All Day Dining Manager	Room Service Steward	Pastry Chef	Reservations Agent	Security Manager
Bengaluru	2,639,700	462,000	102,100	640,900	230,600	930,100
Chennai	3,582,100	503,200	110,200	798,100	195,100	885,500
Delhi (NCR)	3,372,300	397,900	96,300	694,000	161,400	811,600
Hyderabad	3,499,000	485,300	111,000	392,100	195,000	651,000
Kolkata	4,540,250	635,100	143,100	656,600	249,300	1,157,800
Mumbai	4,397,250	527,000	147,500	760,500	222,400	1,073,200

All figures represented above are in Indian National Rupees

Simplification of Job Roles:

Job roles and profiles in the hotel industry have been complex and relatively undefined. With the advent of new accommodation products and the apparent scarcity of long-experienced executives to manage them, hotel companies have resorted to The McKinsey Way of managing their properties. Job roles have been simplified to an extent that there are literally manuals available for handling every conceivable situation in a hotel operation scenario. This has resulted in younger, lesser experienced individuals taking on the helm of operations for a unit. Past HVS surveys show that the average age of a Unit General Manager has dropped from 40-45 years to 35-40 years. The reduction in age profiles is prominently visible for all positions across the hotel hierarchy.

Availability of Choices:

Hotel developments of late have not been restricted to the domain of hotel companies alone, but have rather been taken up keenly by real estate developers. With newer entrants creating budget hotels to cater to the burgeoning middle class travellers and mixed-use developments, the Indian market has over 600 hotels and related projects in various stages of development.

HVS estimates the developments to add around 115,000 hotel rooms. The impetus of growth is expected to ensure hotel developments into the year 2013/14.

The rampant development of hotels in Tier A and B cities has also ensured that executives and hotel employees have sufficient employment opportunities. The phased and sustained development is expected to allow employees to get employment in their preferred cities as well as in preferred hotels and brands. The development of Tier B cities as extensions of metropolitans across India, such as Pune along with Mumbai and Faridabad and Ghaziabad along with Delhi, would see an outflow of manpower from the more expensive metros to these satellite towns with a relatively lower cost of living.

All these aspects definitely shine a bright path ahead for hoteliers across the board and hold the promise of a more satisfying and rewarding career ahead.