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SHORTAGE IN WORKFORCE TO PULL THE BREAK ON THE GROWTH OF TOURISM IN HUNGARY

After long years of recovering from the global recession, the Hungarian but especially the Budapest hotel market is yet again in its full speed of growth.

Hoteliers across the board feel that their increasing profits should not be pulled back by sky rocketing payroll expenses, but shortages in staff has already become a pressing daily problem.

According to the Hungarian Competition Authority the size of the active population decreases by 40-50 thousand annually as a result of decreasing and aging population. In addition to the natural decline in the potential workforce, the main causes for the shortage in Hungary are:

- The migration of Hungarians to other EU countries and elsewhere for higher paying jobs;
- Active population not currently employed is small and diluted – 650,000 people (the sum of unemployed and people in-between positions);
- Underqualified/trained available workforce;
- Little flexibility in geographical mobility within Hungary.

The situation is most severe in line staff positions but the phenomenon is present at all job levels.

At countryside tourist destinations like Lake Balaton, hoteliers and restaurateurs are in desperate need for cooks, waiters and housekeepers, but for the barely 90-day summer season, more and more workers choose to go for better paying seasonal jobs abroad.

The situation is not much more promising in the capital where, not only the other industry sectors and the lure of higher paying jobs abroad are absorbing the workforce, but also hotels with year-round high occupancies are competing heavily for them.

Is there a way out?

According to Horwath HTL Hungary research, the situation can be approached as follows:

- 1. Approach recruitment from a completely different angle**
 - When hoteliers are not receiving any applications for jobs posted for months or only unqualified people apply, it suggests that the traditional ways of recruiting are over and hoteliers have to stop pretending that they have done everything in their power to solve the problem. After all, GMs ask their employees to go that extra mile and apply the same thinking when faced with any operational problem. The same goes for promoting out of the box thinking in finding staff. Sales people are instructed not to just wait for the RFPs to come to their door steps, and encouraged to be proactive and go for the leads, the same applies to recruitment.
- 2. If it isn't already, HR should be among the key priorities, and as such, sufficient time should be dedicated to it by top management and owners**
 - Although hotel sizes do differ greatly and in some instances HR departments are in house, in times like these, the issue can only be tackled with the entrepreneurial mind-set and quick decision making ability of a GM and the owner in the case of independent hotels, which typically cannot be expected from HR personnel.
- 3. Hoteliers should prepare a realistic SWOT analysis on the subject of staffing.**
 - Findings of a proper reflection of the status quo will give the benefit of clear vision, and not making the mistake of fooling oneself with delusions of grandeur about what a particular hotel could competitively offer.
 - A property's success, positioning, brand, high occupancies, and central location, do not necessarily make it any different to what the other dozen similar properties can offer.
- 4. Talk with your employees about what they consider real benefits working at your property. You might realise that it is not only all about the salary**
 - It is equally important to differentiate between the motivations of people in various roles: a housekeeper has different priorities than a receptionist or a sales executive. Do not waste your time selling your global

brand recognition to a maid who does not speak foreign languages, nor have any aspirations to look beyond the daily responsibilities of getting a job done in her/his hometown. Belonging to a global brand, if not communicated properly means mostly a long list of standards only. Instead, highlight easily understandable facts, like stability, well equipped working environment, and a company culture that recognises first and foremost the individual in the organisation.

5. All of the above is of no real use if the remuneration package is not competitive

- Competition, however has gone way further than your district, city, or even country. In Budapest hoteliers are competing for employees with the rest of Europe and beyond.
- The barriers of entry to working in the more advanced economies of the EU are practically limited only to one's ability to communicate the given language or the comfort of leaving home, something the younger generation of Hungarians are getting more and more comfortable with.
- Why would a young Hungarian in his/her twenties speaking foreign languages stay in Hungary working as a receptionist, if for the same job he/she could earn two or three times more in a country a train ride away? Not to mention that the other sectors of the local economy are luring away employees, often offering higher salaries or at least a more convenient Monday to Friday work schedule.

What other options are out there?

TAX reductions

Many hoteliers are looking for a solution from the government, which already lowered the VAT on the foodservice industry as of 2017. But real difference would be the VAT reduction extending to the accommodation sector from the current 18% to 5%. The Hungarian Hotel & Restaurant Association has been relentlessly lobbying for the tax reduction. The tax savings could be used to directly fund the increases in salaries and wages in the sector.

Foreign labour

Bringing in foreign labour to Hungary is a lot more difficult than it seems.

According to the European Migration Network (EMN)

immigration in Hungary, constitutes approximately 2% of the whole population compared to the 7-9% in Slovenia and Austria. The reason for this lies in the fact that Hungary is not a main destination for immigrants, but rather a typical transit country along the migration routes towards more established economies of the European Union. After all, if people are already taking risks to move to a different country, they want to earn the highest possible return on the inconvenience of living away from their families.

Immigrants who stay to work in the country mainly arrive from neighbouring countries and most of them are ethnic Hungarians with no language barriers. At present Hungary still lacks both a comprehensive migration and integration strategy, which shows that the solution to the shortages in workforce will not likely be solved through immigration in the short term.

Increasing salaries

Hoteliers in Hungary could of course simply continue increasing salaries (which they have been doing since 2013), but very often they cannot get to a position to negotiate as fewer and fewer people are applying for advertised positions.

GMs report that even often increased salaries are not the solution. With travel becoming less and less of a luxury younger generations have experience working or living abroad and they naturally compare destinations for finding the best opportunities. An increasingly repeated reason for moving to other EU countries is culture.

Although, difficult to describe, cultural differences are almost tangible when visiting different countries. Work ethic and managerial styles are all part of these cultural differences.

Perhaps improving these intangible factors could be a key solution to many hoteliers, as these are practically free improvements costing 'only' a clear vision and time and energy to implement them.

In conclusion, the problem is multifaceted and cannot be solved by any of the stakeholders single-handedly. All parties need to take steps including hoteliers increasing salaries, government reducing VAT in the sector and high burdens on payroll related expenses, and the local workforce in general becoming better trained and willing to contribute to the local economy.

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