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# Low Wage Service Workers: A Profile

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## Executive Summary

This study has put low-wage service work under focus. They are the largest group of workers in our research team's three-way classification of the workforce, forming roughly 40.4% of Ontario's workforce. Our analysis from the Labour Force Survey (LFS) and the Workplace & Employee Survey (WES) data show that this group is generally less well educated, earns less and is more likely to hold part-time and temporary jobs. Proportionately more of these jobs are held by women and immigrants. Their unionization rates are lower and they have fewer benefits attached to their jobs relative to jobs held by high wage service workers and workers in non-service industries.

A number of organizations are bucking the trend in managing low-wage service work, and we highlight four cases in this paper. By investing in workers skills and by strategic use of benefits, they are able to motivate these workers to perform to a higher standard. This appears to be a win-win for both employers and employees because it enhances employee identification with the organization and with the job. Workers take pride in their work and are motivated to learn new skills so that they can progress to higher paying jobs.

These results suggest that the "high road" strategy should be given serious consideration by public and business policymakers. There is an alternative to the traditional view of low-wage service work and it is within our reach. The key to this approach is to invest in the skills of the people and to translate those skills into the delivery of higher quality services. However, creating the public and private infrastructure for skill enhancement for this group of workers is very difficult in the decentralized structure of our economy and of our decision- and policy-making processes. Within each sub-sector of the service industry there is a need for some aggregate level coordination that would lead to the creation of skill-building infrastructure for all workers and employers. The process would be long and the journey would be fraught with difficulties. However, if we have the patience and the will to make a difference then there is a way to bring this large (and growing) segment of the workforce into the Canadian mainstream. They hold the key to Ontario's future prosperity.

## Introduction

Lower wage work in service industries is a little different from lower wage work in other sectors such as construction, manufacturing or primary industries. Such workers in many service industries such as tourism, hospitality or care-giving, have direct contact with the customer or client. Even when they do not directly communicate with the consumer, the product or service produced by the worker goes directly, and in many cases immediately, to the consumer. Thus, the consumer has direct contact with the output of the worker. In this sense, the role of the low-wage worker is much more central to the success of an organization in the service industry than it would be in, say, a manufacturing operation.

The traditional view of low-wage service work does not align well with the assumption that these workers play a critical role in the service industry value chain. Historically, such work has been viewed as being low in skill and in value-added and therefore, deserving not only of a low-wage but also of low (or non-existent) on-the-job training and other inputs we direct at higher wage jobs. This view may have served a purpose in the 20<sup>th</sup> century phase of early-to-mid period of industrialization. However, going forward to the service economies of the 21<sup>st</sup> century, it is likely that these workers will play an increasingly important role in the growth and prosperity of our economy. This study is predicated on this assumption.

The alternative view, in contrast to the traditional, holds that since the consumer comes in direct contact with the output of such workers, the success (or failure) of the organization would depend on the quality that can be achieved, delivered and sustained over time. The output quality would be poor if low-wage workers receive little training, low attachment to their work, and suffer from low self-esteem. On the other hand, much higher service quality levels can be achieved if these workers are selected carefully, given adequate training, opportunities of advancement and decent working conditions. It does not necessarily mean that they have to become highly-paid workers. But they need to feel wanted, to identify with goals of the organization and to take pride in their

work, if they are to deliver a higher quality service at a reasonable cost. This alternative view can be called the “high road” for service work.

The objective of this study is two-fold. First, it presents a profile of low-wage service work in Ontario. Although many studies have examined low-wage work and service industry jobs, much less attention has been focused on the intersection of the two. Hence, there is a dearth of information on this group of workers. Second, it examines, with the help of case studies, how elements of the “high road” strategy are implemented by some leading-edge organizations. The normative goal of this report is to focus the attention of policymakers on this group of workers. Towards this end, the first step is gathering more information, learning about the needs of this group and drawing lessons from the experience of some organizations that have taken the “high road”. It is not suggested here that this approach is without attendant difficulties or that it may be universally applicable. But this alternate view deserves serious attention from policymakers if there is a desire to sustain and enhance prosperity in a largely service-oriented Ontario economy.

## **Organization of this Report**

This report is divided into three sections. The first section uses the Labour Force Survey (LFS) to develop a profile of the low-wage service worker in terms of demographic characteristics, industry, region, etc. The second section uses the Workplace & Employee Survey (WES) to examine job quality for the same group of workers. The last section outlines key learnings from a handful of case studies of workplaces where low-wage service jobs have been made “attractive” by improving selection and recruitment, training, and other conditions of work.

## **Section I: Who are the Low Wage Service Workers? (LFS Analysis)**

This section examines the characteristics of lower wage workers in the service industry using the Labour Force Survey (LFS). It allows us to examine a host of personal and work-oriented characteristics. The LFS is the only source of monthly estimates of total employment, unemployment and self-employment, carried out monthly by Statistics Canada. It is a representative sample of the civilian, non-institutionalized population 15 years of age or older. The LFS follows a rotating panel sample design in which households remain in the survey for six consecutive months. Outgoing households are replaced with households in the same or similar geographical area. The sample of the LFS is drawn using geographic strata in order to ensure the representativeness of the sample across Canada.

### **Methodology**

Everyone in the household is interviewed in the LFS (a proxy-respondent is assigned if an individual within the household was not available to be interviewed). Responses to the survey questions are directly captured by the interviewer using a computerized questionnaire. This helps to reduce areas associated with data-entry. The sample data are weighted to enable tabulations of estimates at the national and provincial level. This data set ensures that the results are nationally and provincially representative. In order to capture a snapshot of the data for comparability purposes, we have elected to use data corresponding to the Census years of 1991, 1996, 2001 and 2006 in the Labour Force Survey. Since the LFS is a monthly survey, we selected the month of April as one that is least likely to have a large seasonal effect. In addition, for comparability purposes, the estimates can be compared on a month-over-month basis, thereby eliminating the biases due to seasonality.

We focus the analysis on workers in Ontario. In order to generate an accurate portrait of low-wage workers in the service sector, we first divide the

sample into service industries and non-service industries. Workers in the Agriculture (11), Mining (22), Construction (23) and Manufacturing (31-33) were grouped into the Non-Service Industries Workers category (NAICS 2-digit codes are in parentheses); all other remaining industries were classified as service industries.

The service industry workers are then divided into two groups: the high wage workers and the relatively lower-wage workers. We accomplish this division using the occupations identified by Florida (2000) in his definition of the service class as the lower-wage group. There is only one exception: we excluded “Other Managers (A3)” from the lower-wage group because the median wage for these managers is closer to the higher wage group (i.e., Florida’s creative class) rather than to the wages of the lower wage service class. This group of workers is referred to as Modified Service Class (MSC) worker throughout this report. Included are the following occupations in our definition of the MSC (with 2-digit NOCS-codes in parentheses):

Managers in Retail and Food (A2)	Sales Specialists and Buyers (G1)
Secretaries (B2)	Retail Salespersons (G2)
Admin and Regulatory (B3)	Cashiers (G3)
Clerical Supervisors (B4)	Cooks (G4)
Clerical Occupations (B5)	Food and Beverage (G5)
Assistants in Supports of Health (D3)	Protective Services (G6)
Paralegals and social service workers (E2)	Travel and Accommodation (G7)
Sales and Service Supervisors (G0),	Childcare and Home Support Workers (G8)
	Sales and Service (G9).

All other occupations within service industries were placed into the high wage service workers (HWSW) category. The occupations in the HWSW category are as follows (with 2-digit NOCS-codes in parentheses):

Senior Management (A0)	Contractors and Supervisors Trades (H0)
Specialist Management (A1)	Construction Trades (H1)
Other Managers (A3)	Engineers in Telecommunications and Electricity (H2)
Professionals in Business and Finance (B0)	Machinists (H3)
Finance and Insurance Admin (B1)	

Professionals in Sciences (C0)	Mechanics (H4)
Technical in Sciences (C1)	Other Trades (H5)
Professionals in Health (D0)	Operators (H6)
Nurse Supervisors and RN (D1)	Transportation Operators (H7)
Technical and Related Occupations in Health (D2)	Trade Helpers and labourers (H8)
Judges Lawyers religious officers (E0)	Contractors in Agriculture (I0)
Teachers and Professors (E1)	Heavy Equipment Mining and Oil (I1)
Professionals in art and culture (F0)	Primary Production Labourers (I2)
Technical Occupations in Art and Culture (F1)	Manufacturing Supervisors (J0)
	Manufacturing machine operators (J1)
	Manufacturing Assemblers (J2)
	Labourers in Processing (J3)

Thus, we have three groups of workers whose characteristics are compared against each other in this section:

- a. the modified service class (MSC) consisting of lower-wage service workers in service industries;
- b. higher wage service workers (HWSW) in service industries; and,
- c. all workers in Non-Service Industries (NSI) irrespective of wages and occupations.

## Research Design

The rationale for the three-way classification of workers flows from the need to put the focus on low-wage work within the service industry. So, although low-wage work, some in the same occupations, exists in non-service industries (e.g., manufacturing), we have argued that such work is viewed (and rewarded) differently in service industries. Our analysis follows some of the larger concerns expressed in previous writings on low-wage work: how do low-wage workers compare in their demographic make-up from other groups of workers? Are certain demographic groups under- or over-represented in the low-wage category? How do the earnings of this group compare over time with the earnings of other groups?

To this end, we proceed by first examining average wages for the three groups and then a breakdown of these wages by age groups and occupations. This is followed by an estimate of the relative importance of the modified service class

to Ontario in comparison to the rest of Canada. The next few charts (and tables) are devoted to examining three groups by various demographic characteristics such as gender, education, marital status; and, by work arrangements such as full-time vs. part-time, permanent vs. temporary.

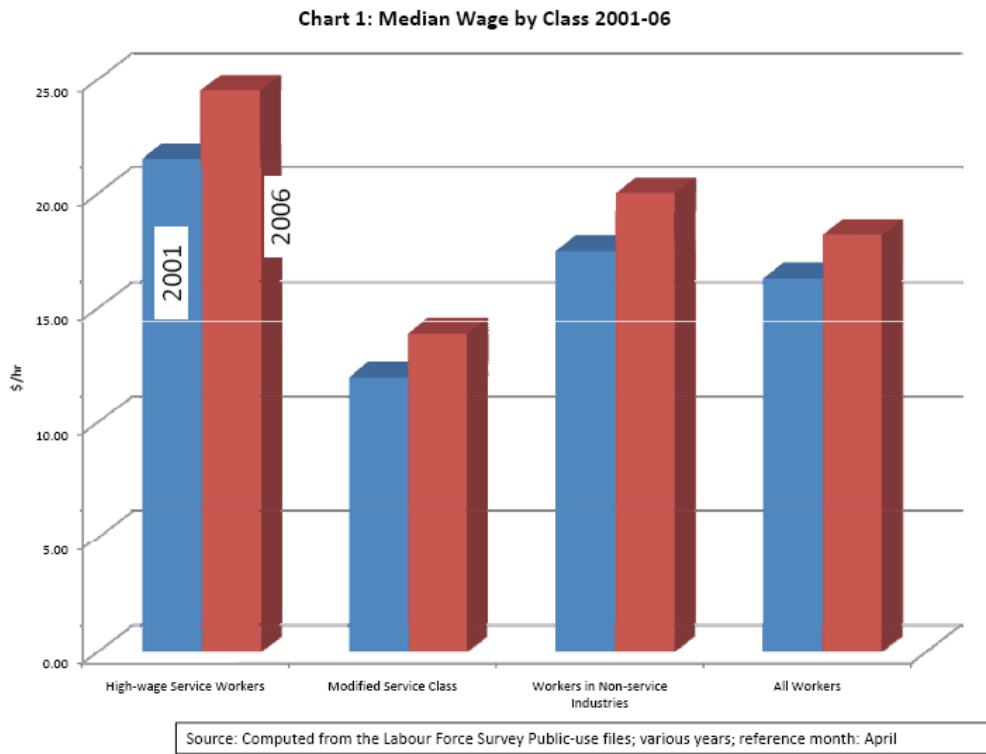
Lastly, the descriptive analysis is followed by a two multi-variate models that assess the probability of belonging to the modified service class given certain personal characteristics. This model tells us the relative contribution of each factor (say, gender) to one's membership in the MSC while we control for other factors (e.g., age and/or education). A similar model is estimated for the probability of being covered by a union contract. These results tell us about the extent of unionization within the service class and the factors that make it less or more likely that a MSC worker would be covered under a union contract.

### **Key Findings from the Labour Force Survey (LFS)**

The overall statistics show that workers are quite evenly divided between high-wage service workers and low-wage service workers. After scaling the sample to the population by applying the appropriate weight, the sample in 2006 represents about 6.4 million people in Ontario. Of this, about 24.1% of all workers work in the non-service industries. Approximately 35.5% of all workers are categorized as high-wage service workers. About 2.59 million people or 40.4% of all workers are categorized as low-wage service workers. These low-wage service workers fit into our definition of the modified service class.

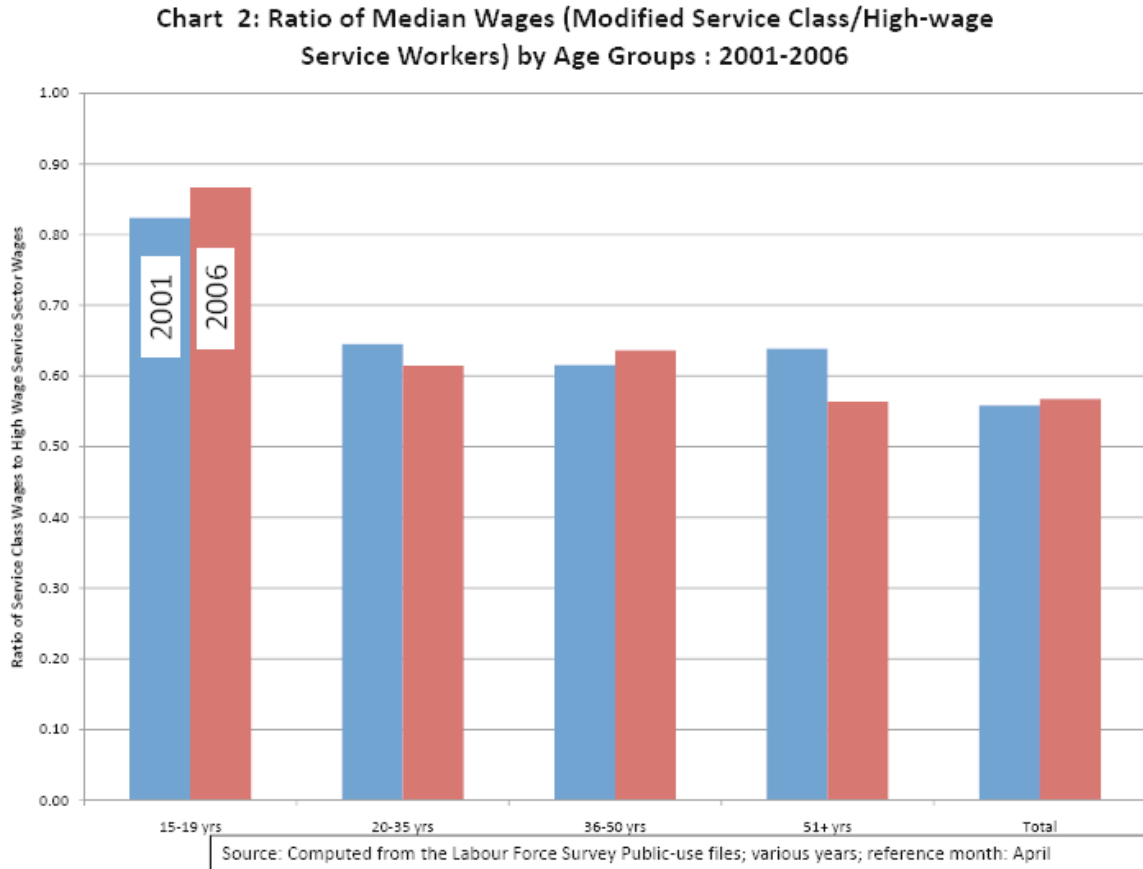
**How much do the Low-Wage Service Workers Earn?**

Chart 1 (based on data shown in Table 1) shows median wages for high wage service workers, low-wage service workers and non-service industry workers. High-wage service workers made a median wage of \$21.50/hour in 2001 which rose 13.95% to \$24.50/hr in 2006. In contrast, lower-paid service workers (i.e, the MSC) had a median wage of \$12/hr in 2001. These workers had a slightly higher rate of increase (39% to \$15.63/hr) during 2001-06. Despite this increase, the median wage of higher-paid workers is a little less than two times the median wage of lower-paid workers, which highlights the discrepancy in wages between these two classes of workers.



## What is the Age Distribution of Low-Wage Service Workers?

Chart 2 (based on Table 2) shows the ratio of median wages of low-wage service workers to high-wage service workers. It is apparent that the wage gap

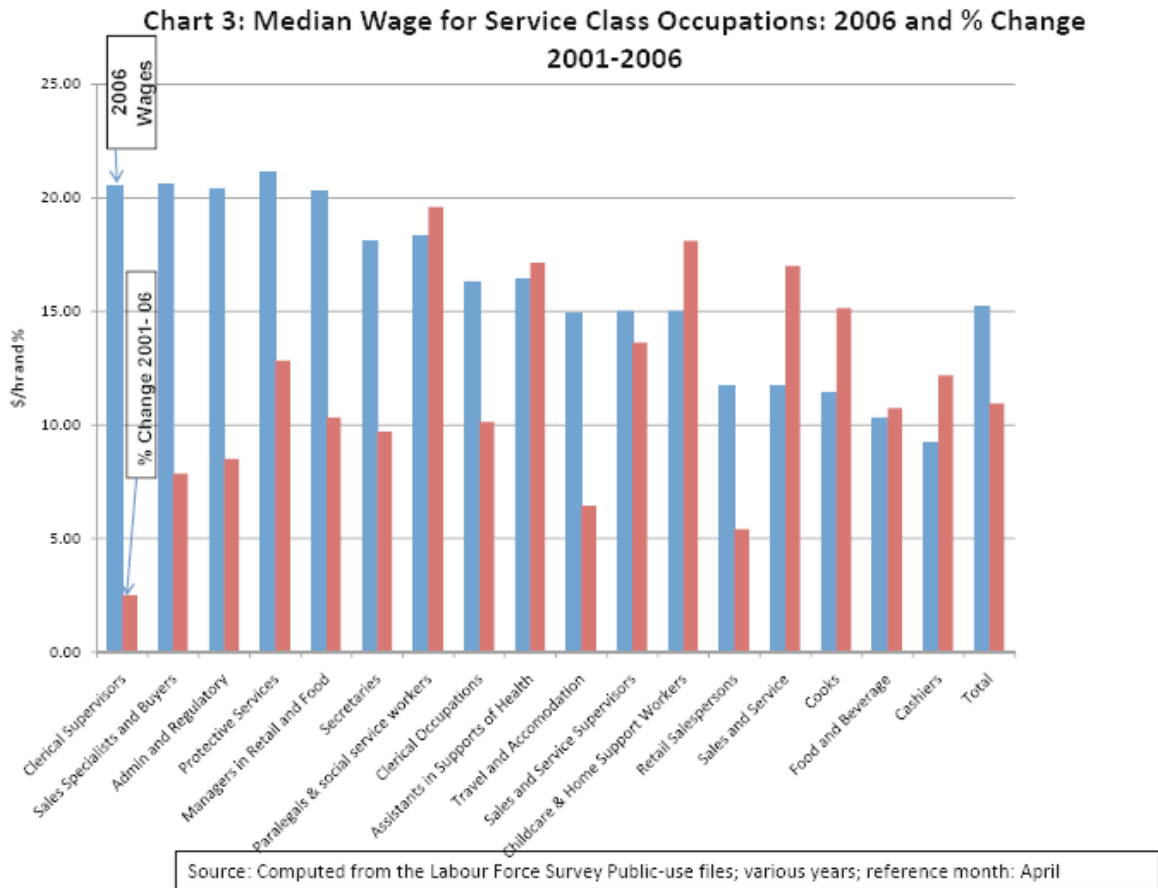


between the two classes of workers is the smallest for teenagers, but increases as workers become older. There is a noticeable decline in the wage ratio for older workers in 2006. One possible explanation for this trend is that high-wage service workers accumulate human capital while low-wage service workers do not. As a result, the wage gap between these two groups widens as workers age. Table 2 displays the age profile of low-wage service workers. In 2001, a disproportionately high percentage of MSC workers (28%) consisted of teenagers and young adults between the ages of 15 and 24. It is important to note that more than 72% of MSC workers were younger than 45 in 2001. Comparatively, only

61% of high-wage service workers and 64% of non-service industries workers were younger than 45 in the same year.

### What is the Occupational Distribution of Wages?

Chart 3 (data shown in Table 3) shows the distribution of median wages by MSC occupations. It ranged from \$8.20/hr for cashiers to \$18.60/hr for administration and Regulatory occupations in 2001. In contrast, median wages for the HWSW ranged from a low of \$17.70 for mechanics to \$33/hr for senior management in 2001. Table 3 shows their wages in 2001 and 2006 and the percent change over this period.

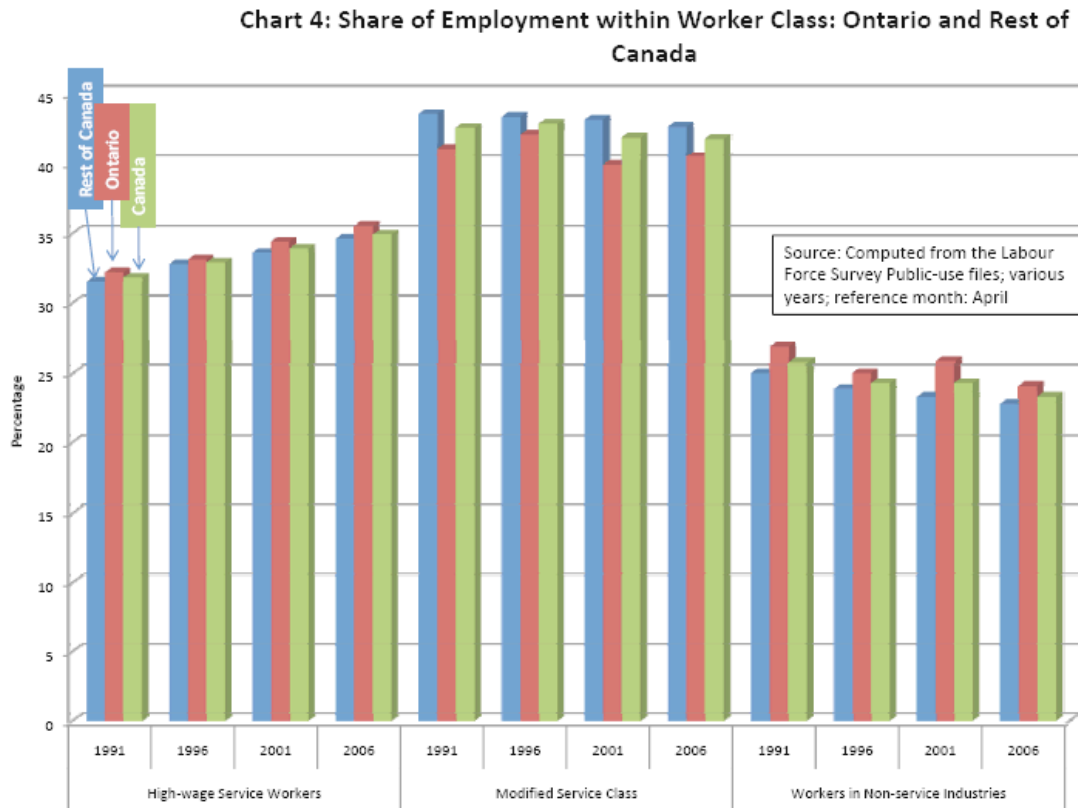


## **What are the Hours of Work for Low-Wage Service Workers?**

Low-wage service workers participate with significantly fewer number of hours compared to high-wage service workers. Data from 2001 indicate that the median number of hours worked by high-wage service workers is 40. Conversely, low-wage service workers are at work for a median of about 34 hours. From the evidence generated, not only do low-wage service workers get paid less, they also work fewer hours which leads to a significant difference in total employment income between these two groups. Given that MSC workers work fewer hours, it follows that a higher percentage of these individuals also work part-time. According to one definition, individuals who work less than 30 hours a week may be categorized as part-time workers. About 64% of low-wage service workers were employed full-time in 2001. Conversely, 88% of high-wage service workers and 94% of non-service industries workers are employed full-time. These statistics indicate that MSC workers are disadvantaged in the number of hours that they work compared to the other categories of workers.

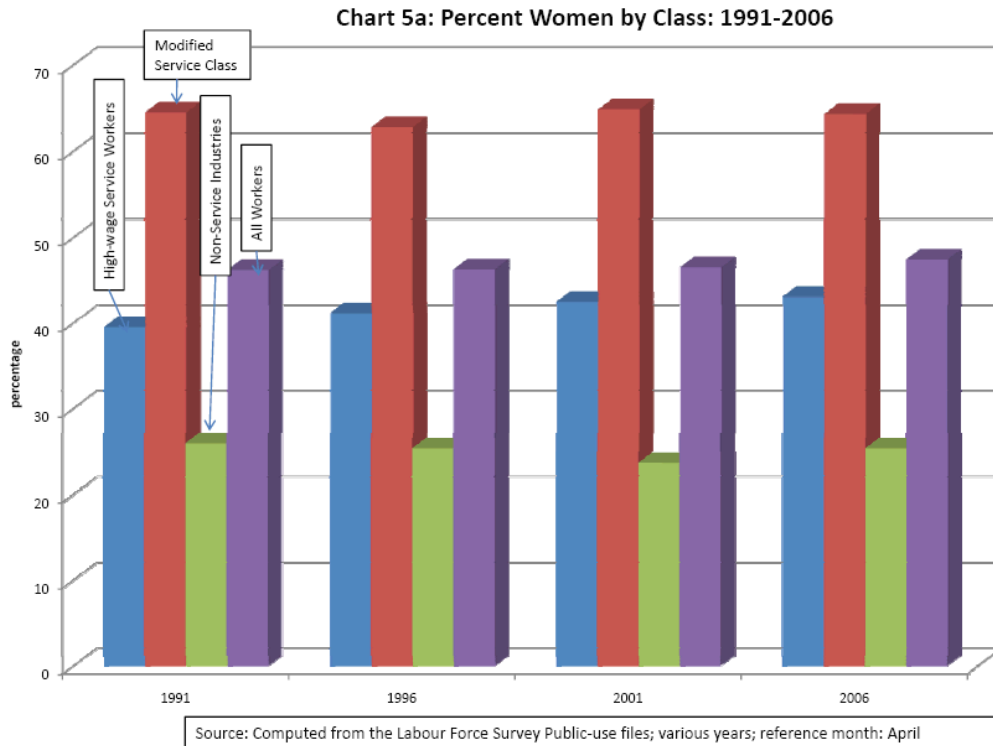
## What is the Distribution of Workers by Class in Ontario and Canada?

Chart 4 (data in Table 4) shows that the MSC in Ontario was a smaller fraction of the workforce (41%) than in the rest of Canada (43.5%) in 1991. In 2006 the fraction of MSC in the workforce (40.4%) remained about the same in Ontario. However, the share of MSC fell slightly in the rest of Canada from 43.5 to 42.6%. The share of high wage service workers rose in Ontario from 32.2% in 1991 to 35.5% in 2006, a rate of increase that exceeded the rate in the rest of Canada (from 31.5% to 34.6% over the same period).



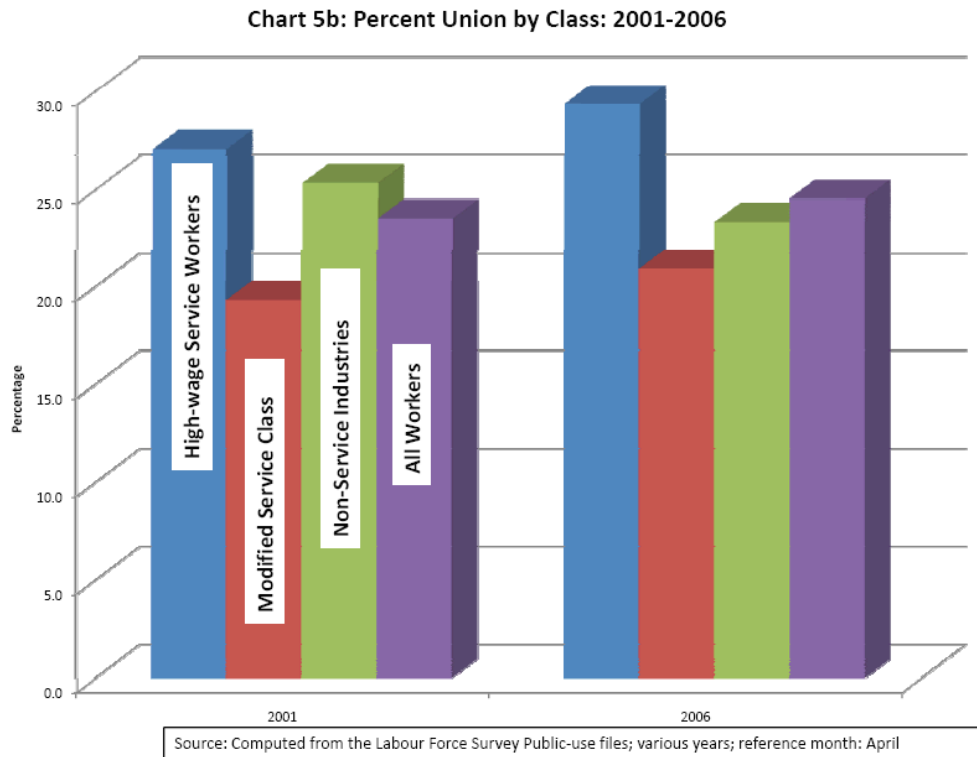
## What are the Demographic Characteristics of MSC Workers?

Table 5 displays the gender status and union status for individuals across the three worker categories. It is interesting to note that across the three worker categories, low- large compared with the high-wage service workers (42.5% in 2001) and the non-service wage service workers are the only group that is predominantly female. Over the years nearly 64% of MSC workers are female (Chart 5a). This fraction is quite high compared to women’s share of jobs in the non-service industries (23.7% in 2001).



Since the unionization question was not asked in the LFS until 1997, we have data on union status for 2001 and 2006 only. Chart 5b (data in Table 5) shows that the MSC has very low rates of unionization (19.3% in 2001 and 20.9% in 2006). The unionization rates are higher for both the high-wage service

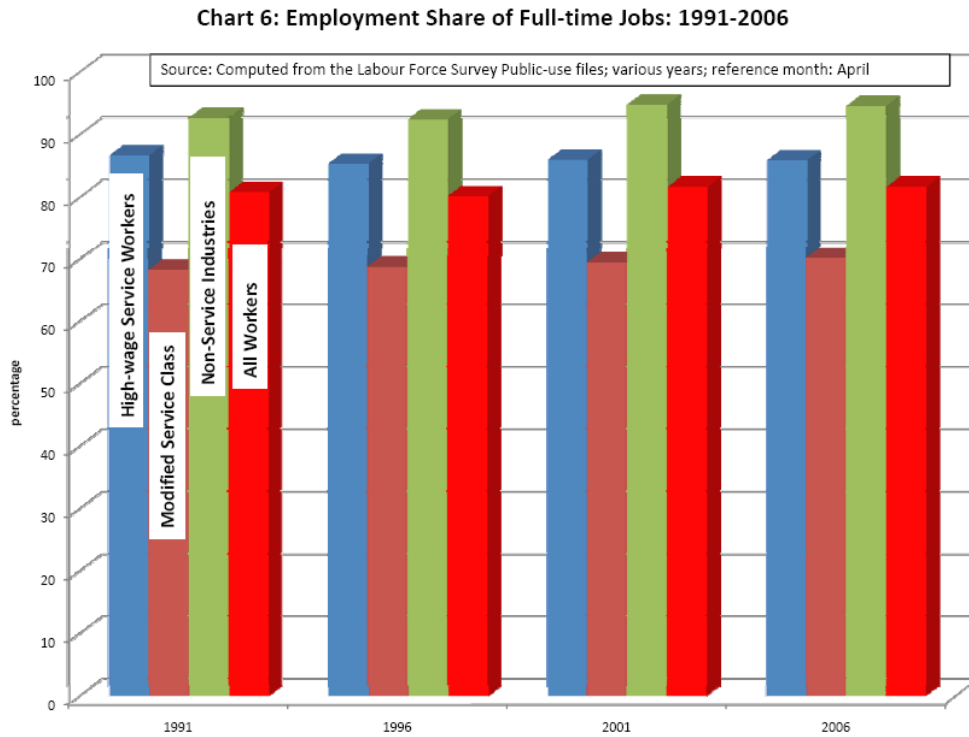
workers as well as for workers in non-service industries. So, it is likely that lack of unionization also plays a role in the wage gap between the MSC and other workers.



For this study, this difference becomes important in that lower wages lead to perceptions of low skill content and thereby the inference that such jobs do not need much training. The ultimate consequence is for workers in these jobs whose opportunities for skill enhancement are considerably diminished compared to other workers.

## Share of Full-time Jobs

Chart 6 (data in Table 6) shows the share of full-time jobs in each worker class. Once again, the MSC has the smallest fraction of full-time jobs compared to the other two groups.

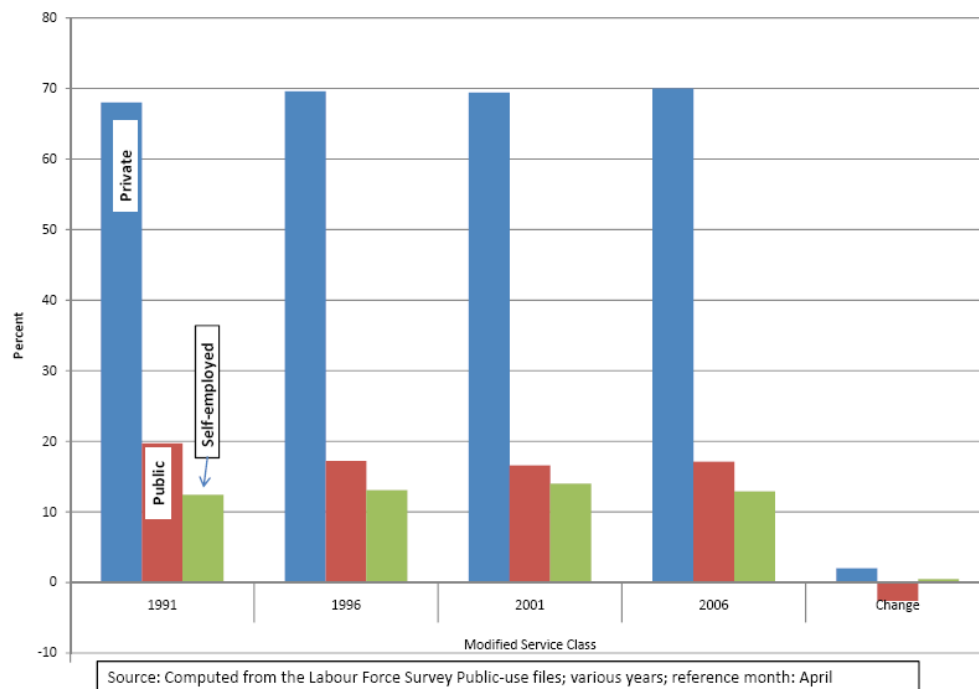


Only 68.4% of all MSC jobs were full-time in 1991 while 86.6% of high wage service jobs and 92.7% of non-service industry jobs were full-time. This fraction of full-time employment grew for MSC jobs between 1991 and 2006 to 70.3%. Thus, there is marginal improvement across time, but the overall deficit relative to the other two groups remains high.

## In which sectors are MSC workers employed?

Chart 7 shows the employment share across three different sectors (private, public and self-employed) of MSC workers. Data for all worker classes are shown in Table 7. MSC workers are employed mostly in the private sector (68% in 1991, rising slightly to 70% in 2006) with about 12.9% (in 2006) in self-employment and 17.1% in the public sector (in 2006).

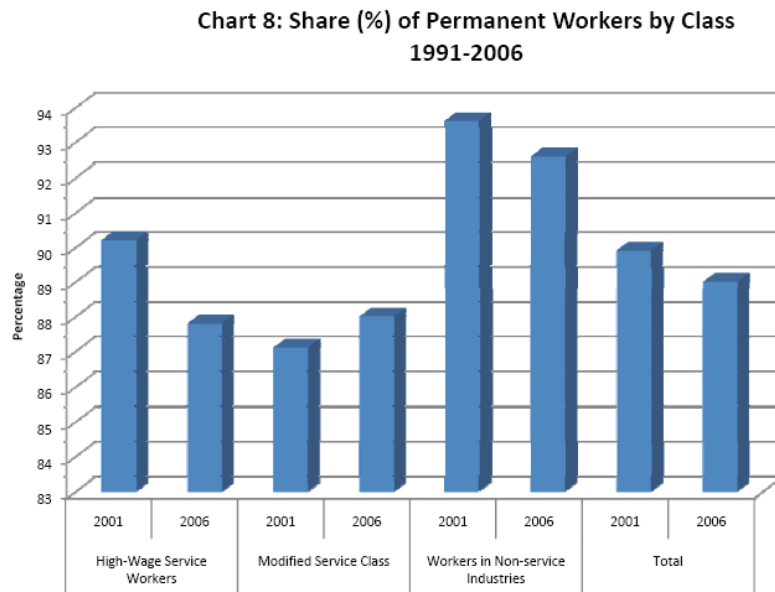
Chart 7: Employment Share (%) by Sector of Modified Service Class  
1991-2006



The public sector share of the MSC has declined since 1991 when it was 19.7%. Conversely, the majority of high-wage service workers are employed in the public sector (51% in 1991; 50.5% in 2006). Finally, the private sector employs the highest percentage (84.6%) of workers in non-service industries.

## What is the share of permanent employment within the MSC?

Chart 8 (data in Table 8) shows that non-service industries have the highest fraction of permanent jobs: 92.6% in 2006, although the share declined modestly from a high of 93.6% in 2001. The same figures for high-wage service workers are 87.8% in 2006, down slightly from 90.2% in 2001.

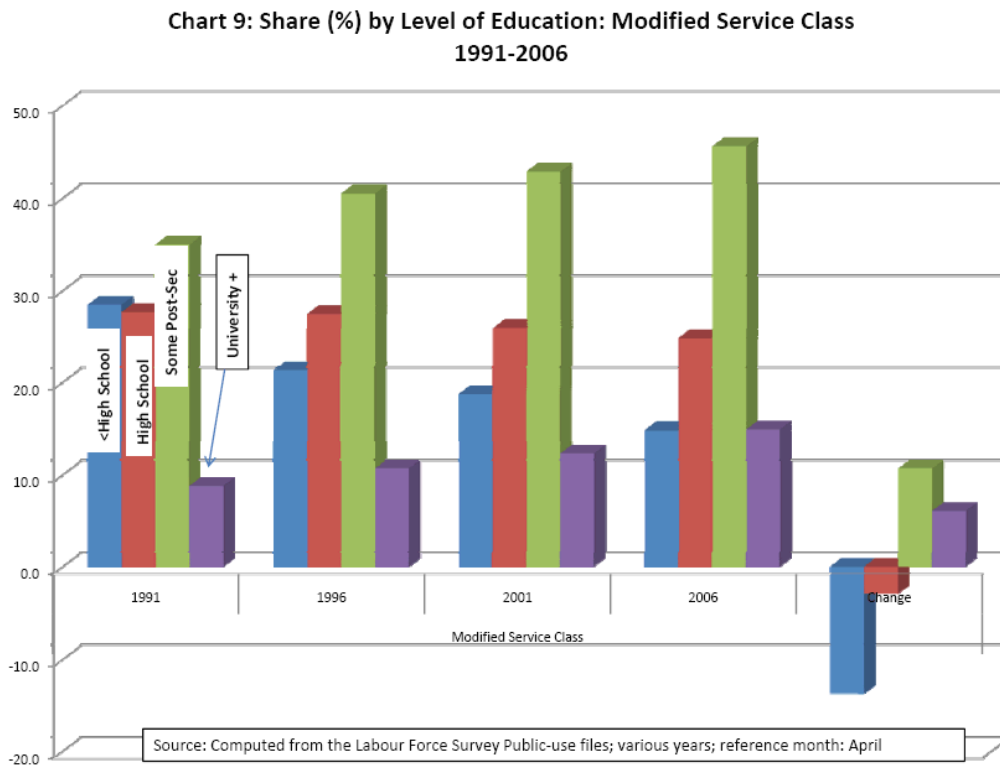


Source: Computed from the Labour Force Survey Public-use files; various years; reference month: April

Conversely, the MSC has the smallest fraction of jobs that are permanent: 88% in 2006, which remained relatively constant (87.8%) in 2001. These numbers fit the pattern that emerges from other indicators of the MSC as being less attractive in terms of job attributes.

## Level of Education

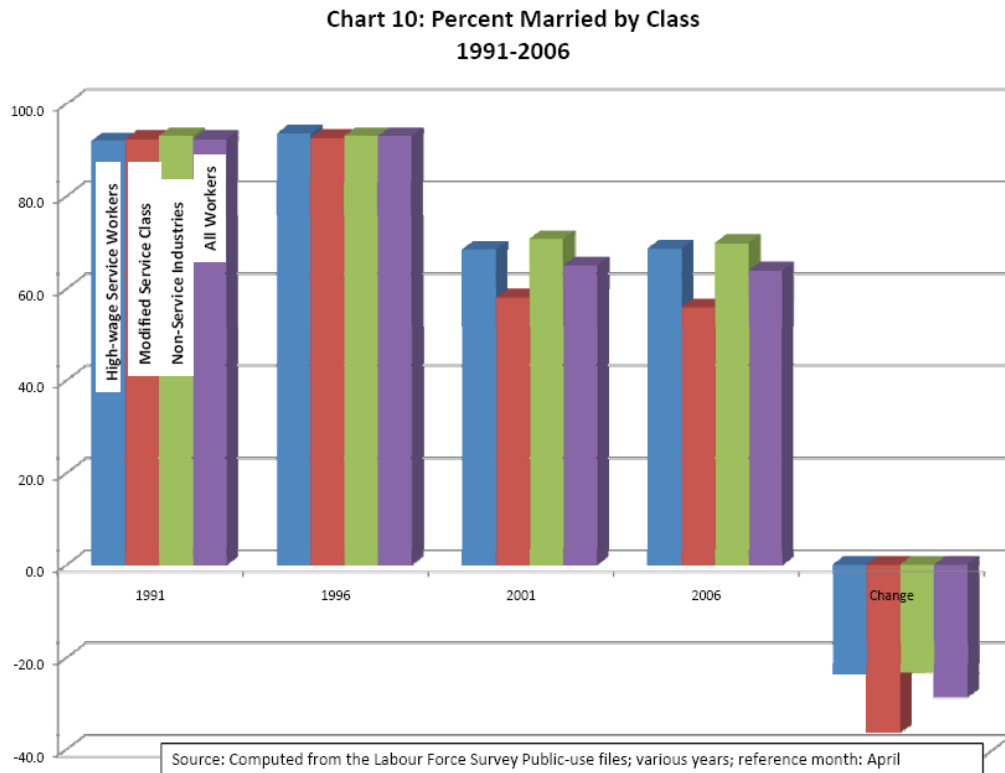
MSC workers are less educated than the other two class of workers (Chart 9; data in Table 9). Nearly 40% of MSC workers have a high school diploma or less as their highest level of educational attainment; with roughly 60% having some post-secondary education. In comparison, a sizeable majority (>80%) of high-wage service workers have some post-secondary or university education as their highest level of educational attainment.



Workers in non-service industries are also on average better educated than MSC workers. Nearly 68% of workers in the non-service industries category have attained some post-secondary education.

## Marital Status

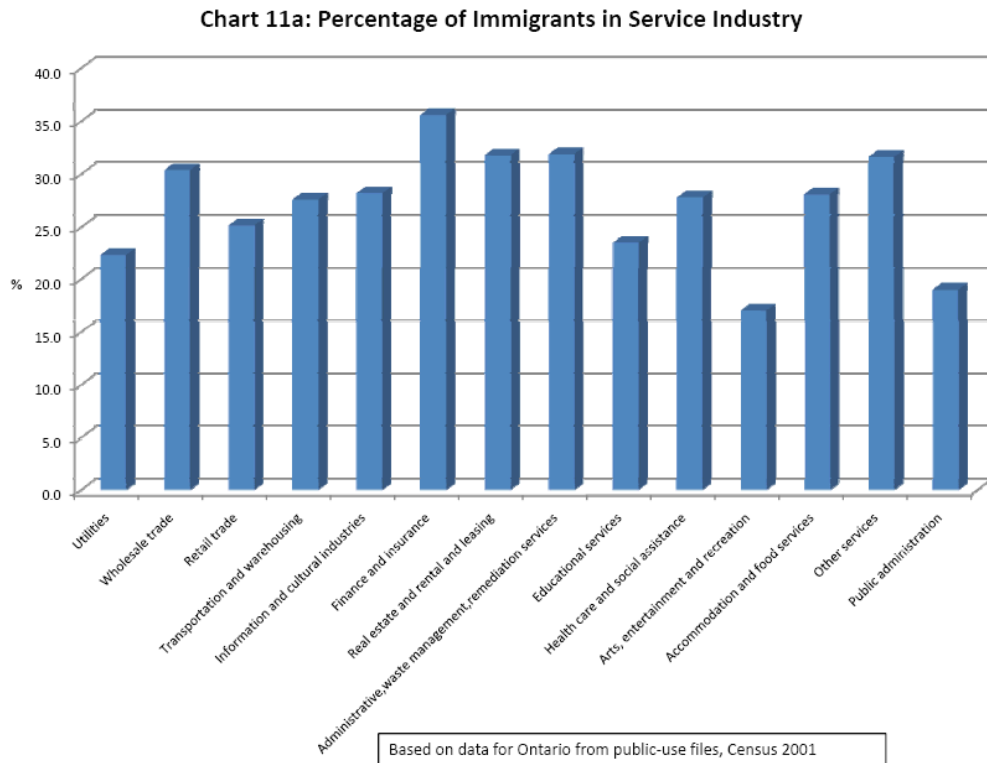
There are also distinct differences in marital status across these worker categories. The majority of high-wage service workers (68.5% in 2006) and non-service industries workers (69.7%) are married. But, only 56% of MSC workers are married.



Status as “married” has declined for all groups since 1991 but the decline is steepest for the MSC. The declining incidence of being married in Canada may be related to many factors but the relatively lower earnings of the MSC may be adding to economic pressures to stay unmarried.

## Immigrant and Visible Minority Status

Immigrant workers form a sizeable proportion of MSC workers. Since immigrant status is not available from the LFS, we have relied on Census data for the immigrant composition of the MSC.<sup>1</sup> Chart 11a shows the fraction of the MSC that are classified as immigrants in selected service industries. Finance and

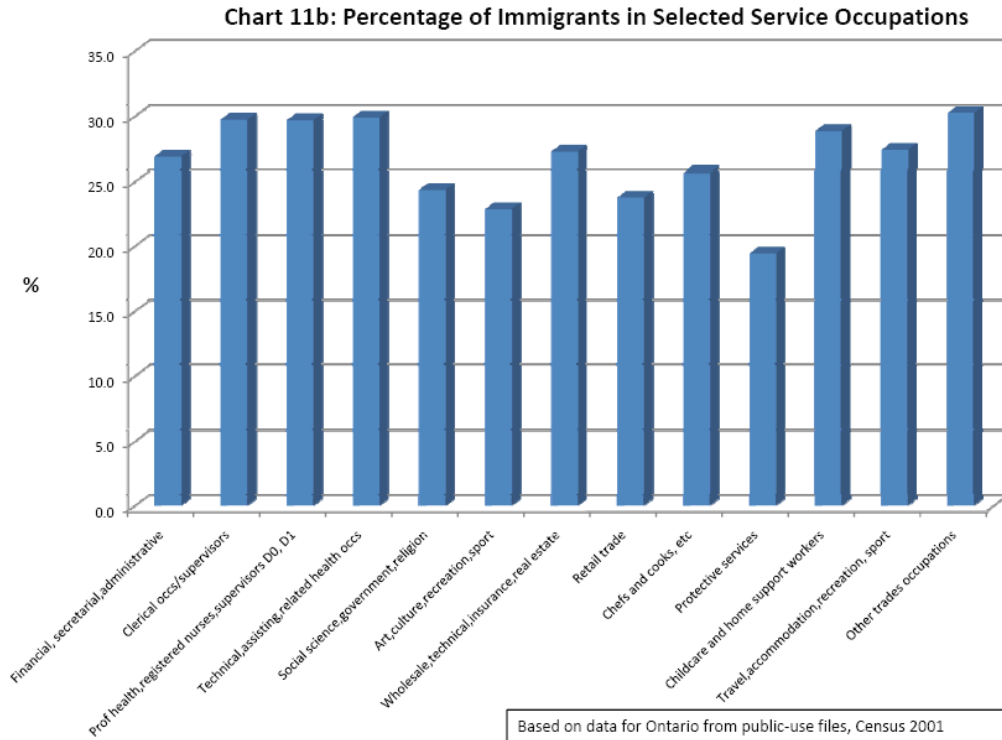


Insurance industry has the highest incidence of an immigrant workforce (~35%), followed by real estate, waste management, and other services (each ~30%).

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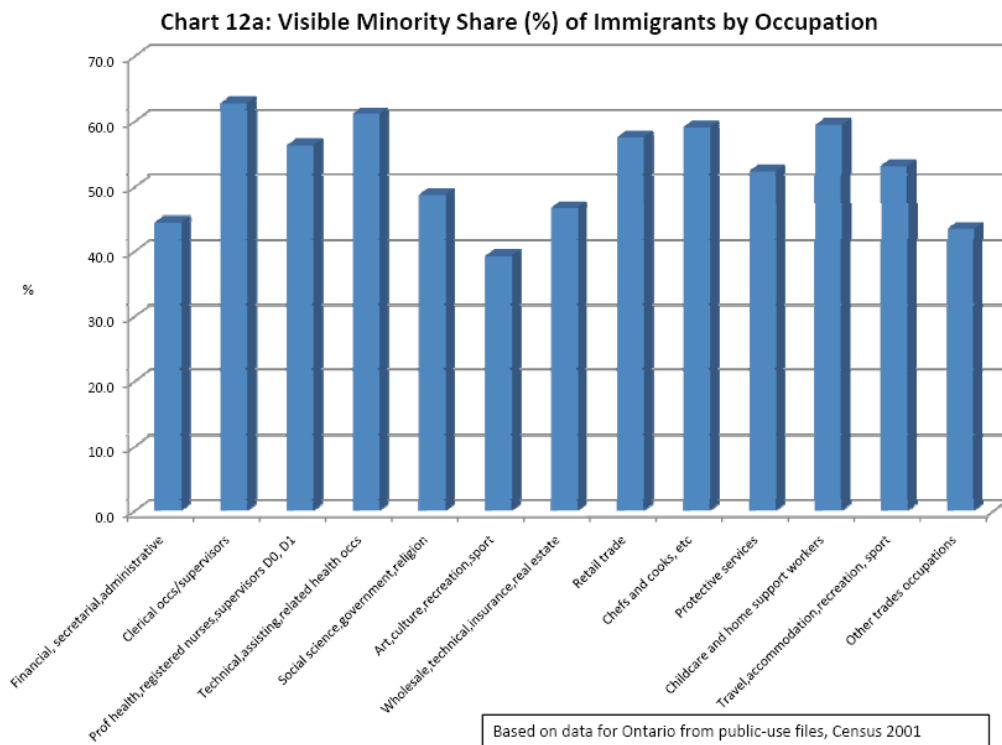
<sup>1</sup> These data are drawn from public-use files of the Census of Canada, 2001. Occupational breakdown of these data are available only for 25 occupations. Hence, the match between the definition of service class used so far in this report and the Census data is not perfect. We have selected those occupations from the given 25 that provide closest matches to the service class defined on page 6 of this report.

Chart 11b shows immigrant share of MSC jobs by occupation. Among the highest share of immigrants (27-29%) can be found the following occupations: Clerical, professionals in health, technical occupations in health, other trades, childcare and home care occupations.



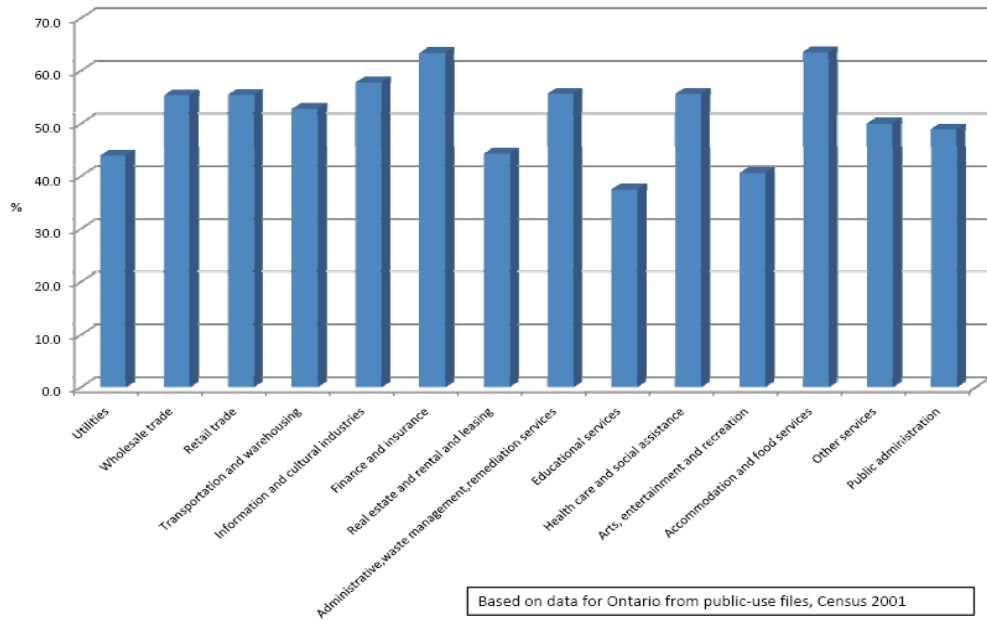
## What is the share of visible minorities in service work?

As the number of immigrants has gone up within the workforce, the number of visible minorities has also increased, as expected. Chart 12a shows that nearly 60% of immigrants in clerical and technical-assisting-health occupations were visible minorities.

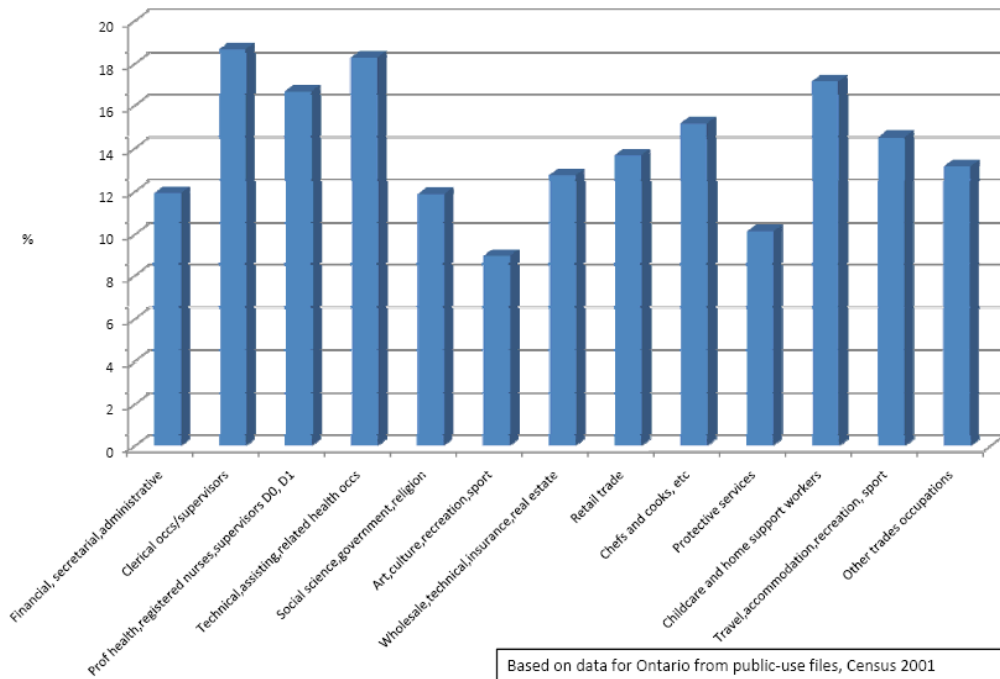


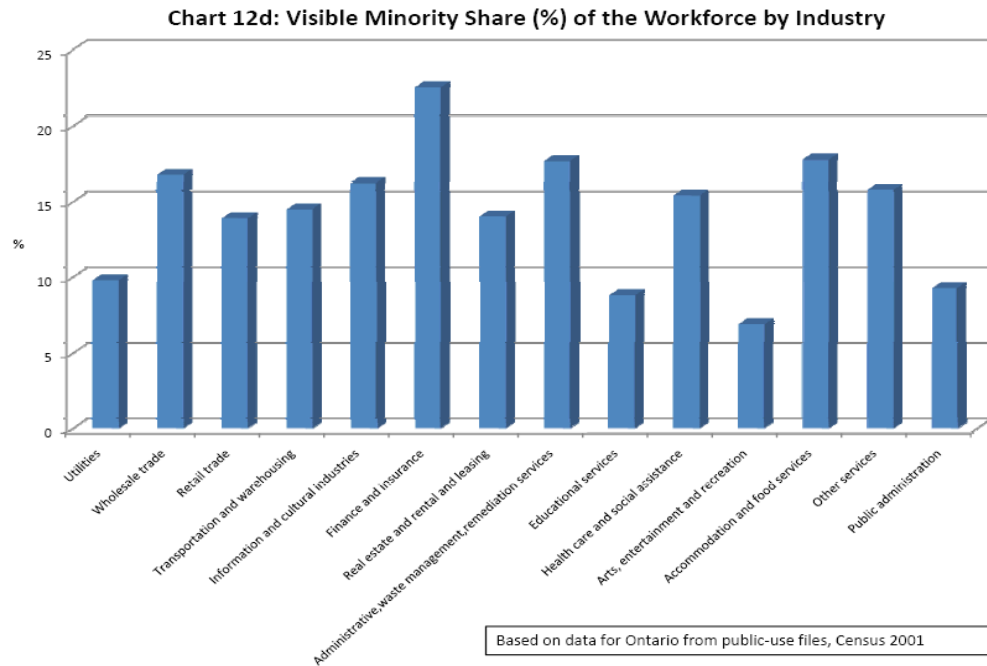
Out of all immigrants in most occupations, the share of visible minorities ranges from 40-60%. Similarly, the visible minority share of immigrants across most service industries lies in the 40-60% range (see Chart 12b). Even within the total workforce, the share of visible minority in most service occupations is in the range of 10-18% (Chart 12c) and within 10-22% in most service industries (Chart 12d).

**Chart 12b: Visible Minority Share (%) of Immigrants in Service Industries**



**Chart 12c: Share (%) of Visible Minorities in the Workforce: Selected Service Occupations**





## What factors influence the probability of being a MSC worker?

The tables and charts above give us an idea of the composition of the MSC in relation to other groups of workers. However, these two-way (i.e., MSC by education or by union status) tables do not provide an accurate idea of the gaps in education between the MSC and (say) high-wage service workers while *controlling* for the effects of all other factors such as union status, immigrant status, age, gender and other relevant factors. To accomplish this task we used multivariate analyses. This analysis allows us to determine which demographic variable has the strongest impact on the likelihood of being in the MSC worker category. We ran a PROBIT analysis to measure the probability of being in the MSC worker category (compared to being in the other two worker categories). These results estimate the effect of the impact of a covariate on the outcome while holding constant other characteristics which may impact the probability of being a MSC worker.

We run the analysis for all of Canada and solely for Ontario. The results (shown in Table 11) are quite similar across these two analyses. One of the largest

coefficients for the regression estimates indicate that full-time workers are 21% less likely to be in the low-wage service workers category. After controlling for the other covariates, one of the most surprising results was that workers with permanent employment were not less likely to be in the MSC worker category. This indicates that it is the other covariates which may drive our tabular results, indicating that there is a negative relationship between permanent employment and MSC worker. Finally, the regression estimates found a significant effect between firm size and the probability of being a low-wage service worker. Individuals who were in a medium-sized firm (100 to 500 people) were 2.5 percentage points less likely to be in the MSC worker category compared to individuals with less than 20 employees. Conversely, individuals in a large firm (more than 500 people) were 2 percentage points more likely to be in the MSC worker category compared to individuals with less than 20 employees. This shows that the relationship between firm size and low-wage service workers is not linear, perhaps due to the need for low-paid service workers once economies of scale are achieved. The other regression estimates are significant and similar to the patterns observed and described in the cross-tabulations and summary statistics detailed above.

## **Determinants of Wages**

Table 12 shows the results of regression analysis of wages. We run ordinary-least-squares (OLS) regressions on log of wages ( $\ln wage$ ) using age, gender, marital status, education, multiple jobholder status, permanent (vs. temporary) job, full-time (vs. part-time), job tenure, hours worked and union membership. Three regressions are run for each class of worker (modified service class, high-wage service workers and non-service industry workers) using 2001 data and the same three regressions for 2006 data. These results show the differential impact of the explanatory variables on wages across the different wage classes.

Age has a lower effect on wages of the MSC worker compared to this effect for the other two worker groups. Since age is in categories, this may indicate that

the majority of MSC workers are grouped in the same age group. Being a male has a greater effect on wages of the MSC compared to the high-wage group but this effect is smaller compared to the non-service industry group. Similarly, the returns to education are lower for every level of education with the effect becoming smaller at higher levels of education. One of the few factors that adds more to MSC wages than to wages in the other two groups is having a permanent job. This may reflect the fact that MSC temporary jobs pay very little.

The effect of full-time employment on wages is the lowest for the MSC especially in 2006, suggesting that full-time employment is valued much more outside the MSC. The effect of job tenure and hours worked on wages is small and mostly similar across the three groups of workers. The effect of union membership on wages is positive but declining (from 2001 to 2006) for MSC jobs. This effect is negative for high-wage workers and high and rising for non-service industries (from 2001 to 2006).

### **What factors determine union status?**

We ran a PROBIT analysis of the probability of belonging to a union. These results are shown in Table 13. Belonging to the MSC reduces the probability of being a union member relative to the reference group (non-service industry workers) although this effect became less negative from 2001 to 2006. The same is true for the high-wage group. With age, the probability of becoming a union member improves but levels out after 50. Being male also improved the likelihood of belonging to a union although this effect (relative to being a woman) declined between 2001 and 2006. The level of education has no effect (at the lower end of the education scale) and when it does, the effect is negative, suggesting that as education levels rise, the probability of finding a union job declines. Having a permanent job increases the chances of being a union member significantly, an effect that rises modestly between 2001 and 2006. Job tenure also has a positive effect which is stable over time. The effect of hours worked is negative in 2001 but almost zero in 2006. Lastly, having a higher wage reduces the chances of holding a union job in 2001, an effect that is almost absent in 2006.

## **Section II: Quality of Low Wage Service Occupations (WES Analysis)**

Having considered the profile of the low-wage service worker, this section uses other data to examine the “quality” of these jobs. There are many ways to measure job quality. Based on available data, analysis was undertaken to examine the two dimension of job quality: unionization rate and benefits. Union representation for workers is generally known to improve wages and benefits. It also argued by many that apart from tangible benefits, unions also provide workers with voice or “say” in workplace matters. Most unionized workplaces negotiate a grievance procedure for workers giving them due process and recourse against unfair treatment.

### **Methodology**

Analysis of WES data was performed on 2005 employee files available at the Research Data Centre (RDC) of Statistics Canada located on the St George campus of the University of Toronto. This data source was chosen because it provides detailed information on jobs held by the respondents. Unfortunately, disaggregate data at the provincial level were not available at the Toronto RDC. Hence, this analysis reports on the full Canadian sample.

### **Key Findings**

Table 14 shows the average unionization rate for full-time and part-time workers in MSC and high-wage service worker class.

#### ***Unionization***

Unionization is lower among the MSC compared to the high-wage group. Since unionization is associated with higher wages, these results point to one of the sources of a larger wage gap between MSC and the high-wage group. The gap in unionization is of the order of 8 percentage points for full-time workers and considerably higher (~15 percentage points) for part-time workers.

### ***Access to Grievance Procedures and Filing Grievances***

Fewer MSC workers report access to a grievance procedure at work. The gap is of the order of 7 percentage points for full-time workers and higher (~15 percentage points) for part-time workers.

Despite less access, a greater percentage of MSC workers report filing a grievance. This suggests that if we adjust the data for lack of access to a grievance procedure, MSC workers file, relatively, a much higher number of grievances per capita than do higher wage workers in the same industry. It is possible that conditions at work for these workers might be quite poor leading to a high likelihood of filing a grievance.

### ***Benefits – overall***

When asked if they received any benefits in addition to their wage, almost 10 percentage points fewer MSC workers reported receiving benefits compared to the high wage group. The gap was still wider (more than 20 percentage points) for part-time workers. This confirms the intuitive thinking that MSC workers occupy jobs that on average pay fewer benefits.

### ***Benefits – specific***

The WES also asks questions about specific benefits such as: pension plans, RRSPs, supplemental medical, dental, life insurance coverage, supplemental unemployment insurance and stock ownership plans. The general result on all these questions confirms the finding for overall benefits, i.e., that fewer MSC worker receive each of these benefits compared to high wage service workers.

## **Conclusions**

These results show that in general MSC workers have lower rates of unionization and lower rates of benefits attached to their jobs. This evidence is supportive of the traditional view of low-wage service work, i.e., that it is low in skill and hence it does not warrant further investments in human capital. These results raise the issue first hinted at in the introduction to this report: can low-

wage work take the “high road”? In other words, are the outcomes described above in some sense inevitable? Or, can these jobs be enriched in certain ways through greater investment in skills such that they could add more value and command better benefits or unionization or both? These questions are hard to answer using survey data. In the next section, we turn our attention to case studies of organizations that have tried to take the “high road” in low-wage service work.

## **Section III: Case Studies of Taking the “High Road”**

### **Rationale and Objectives**

The so-called “high road” is fraught with difficulties. First and foremost, not everyone in the economy can be a high wage worker. No matter what the distribution of incomes in the economy at large, there will be some jobs (and jobholders) who will be at the bottom. However, no job in the economy needs to be demeaning or devoid of opportunities for making a significant contribution; nor should any job be devoid of opportunities to acquire skills and move up the wage scale over time. This section of the study was undertaken to develop a better understanding of the challenges and choices that face anyone wanting to take the “high road”. In each of the cases described here, the management or the union or both have tried and succeeded, to a large extent, in adding value to the jobs of low-wage service workers. There are obviously challenges and frustrations along the way. The case studies are presented here in the spirit of learning from their experiences. They are not meant to suggest ideal models to follow.

### **Methodology**

Case study sites were chosen for their relatively higher utilization of low-wage service workers. This includes hotels, hospitality and long-term care sectors. Interviews were carried out with key informants and where available, secondary sources were used to supplement directly collected data.

As part of the investigation, this study examined four examples of value creation in work done by low-wage workers. The cases considered two workplaces in long-term care and hotel industry, and two examples of training infrastructure in the hospitality industry in Las Vegas and Toronto. Low-wage service workers are employed in significant numbers in these workplaces. For them, organizational success depends on the performance of these workers. Our purpose here was to learn more about workplace practices that can make such jobs attractive. In other words, lower-paid jobs in the service industry need not

be “bad” jobs; they can be turned into “good” jobs through certain workplace policies and practices.

There are several common characteristics across these workplaces even though they are in very different industries and serve very different clientele. There are several ways in which these cases can be compared to draw some lessons. First, we compare the key characteristics of the long-term care facility, Kensington Gardens Health Centre (KGHC) and Four Seasons Hotel to see how the two different industries, one from the non-profit sector and the other from the private, for-profit sector, have implemented the “high road” strategy for their service class workers. Both cases can be found in the appendix.

## **Sample Characteristics**

### ***Sector & Location:***

- Long-term care (private, not-for-profit); hotel (private, for-profit);
- All workplaces located in Toronto.

### ***Size of workforce:***

- Long-term care: 320
- Hotel: 35,000 world-wide

## **Key Findings**

### ***Management Philosophy***

In both workplaces, the outcomes observed in respect of service employees appear to be directly related to management’s vision of their core business. Management views service class employees to be central and critical to their mission of delivering excellent services. They recognize the need to invest in these employees at all steps of the human resource process (described below).

### ***Physical Environment***

Both of these workplaces stand out among their respective peer groups as clean, comfortable, well-lit, safe and fair places to work. Many of the employees

wear uniforms that are always clean and elegant. Both workplaces fully meet and often exceed regulated standards of safety, hygiene and other labour conditions.

### ***Recruitment & Selection***

Both workplaces report that they have many qualified applicants for most service class jobs whenever a vacancy occurs. Thus, they are able to recruit some of the best talent from a relatively larger talent pool. The hotel “recruits for attitude and trains for skill”. The long-term care facility recruits from a variety of sources including employee referrals.

### ***Training***

Long-term care: There are extensive connections between the facility and educational institutions to bring in students as interns. Many of these students become employees upon completion of their training. The workplace also places a strong emphasis on internal training and encouraging employees to get additional certifications in their field.

Hotel: New employees get nearly six weeks of on-the-job training before they are expected to be fully productive. This represents a level of training that is several multiples of the industry average.

### ***Benefits***

Both workplaces provide extensive benefits to low-wage employees.

### ***Unionization***

Both workplaces are unionized and management in both workplaces has developed and maintained a proactive policy of engaging the union through consultation, dialogue and negotiations. While neither workplace would describe their relationship with the union as “ideal”, both emphasized that they have positive working relationships to an extent that allows them to deliver excellent services to their clients/customers. Both workplaces point out that differences between management and the union occur on a regular basis and that disagreements are tackled through active engagement of the parties with each other.

These two case studies show that service class jobs can be made attractive by adopting certain workplace policies and practices. This ability to turn service class jobs into “good” jobs can be accomplished in both private and not-for-profit sectors. The employer ability to pay does not appear to be a determining factor.

## **Training Academy for the Hospitality Industry**

This study also examined two other cases of training infrastructure for the hotels and restaurants. Two characteristics of the hospitality industry make it suitable for industry-wide and industry-specific training infrastructure. First, although some employers are larger, the average employer is not large enough to undertake significant skill development on its own. Second, many workplaces are organized by the same union which creates a potential role for the union in the skill development process.

We examined the Culinary Training Academy (CTA) in Las Vegas, a centre that trains new entrants to the industry in skills in demand by the employers. It is jointly run by the employers and the union, Local 226 of UNITE-HERE, the largest union local in the U.S. This case is highly instructive of one possible route by which skill development of the low-wage occupations can occur in an industry like the hospitality industry. We followed up this case with an examination of a similar effort, albeit at a much more modest scale, in Toronto. Both cases can be found in the appendix.

## **Key Findings**

The skill development needs of the hospitality industry are unlikely to be met adequately by public infrastructure. Given the structure of the industry and the perception of low-wage work as low-skill, there is a need to pool resources within the industry and across employers to create shared infrastructure for skill development of low-wage workers. Most hotel workers, but especially those working as housekeepers and in food services, are seen as being low-skilled and hence attract few investments in their skills.

Building a training academy for the industry is a difficult task because it requires funds as well as a common vision among various parties such as labour,

management, various levels of government and other training and educational institutions. Labour and management, if they share a common vision, can begin the process but they need the engagement of the government and the community to make it successful and sustainable.

Cooperation and collaboration between labour and management on the training front is possible but only when they go beyond their traditional attitudes and engagement in collective bargaining. A training academy within this industry can be successful only if the parties think creatively about mutual cooperation and raise resources to adequately, and sustainably, fund training activities.

### **Overall Conclusions of this Study**

This study has put low-wage service work under focus. They are the largest group of workers in our three-way classification of the workforce, forming roughly 40.4% of Ontario's workforce. Our data show that this group is generally less well educated, earns less and is more likely to hold part-time and temporary jobs. Proportionately more of these jobs are held by women and immigrants. Their unionization rates are lower and they have fewer benefits attached to their jobs relative to jobs held by high wage service workers and workers in non-service industries.

A number of organizations are bucking the trend in managing low-wage service work. By investing in workers skills and by strategic use of benefits, they are able to motivate these workers to perform to a higher standard. This appears to be a win-win for both employers and employees because it enhances employee identification with the organization and with the job. Workers take pride in their work and are motivated to learn new skills so that they can progress to higher paying jobs.

These results suggest that the "high road" strategy should be given serious consideration by public and business policymakers. There is an alternative to the traditional view of low-wage service work and it is within our reach. The key to this approach is to invest in the skills of the people and to translate those skills into the delivery of higher quality services. However, creating the public and

private infrastructure for skill enhancement for this group of workers is very difficult in the decentralized structure of our economy and of our decision- and policy-making processes. Within each sub-sector of the service industry there is a need for some aggregate level coordination that would lead to the creation of skill-building infrastructure for all workers and employers. The process would be long and the journey would be fraught with difficulties. However, if we have the patience and the will to make a difference then there is a way to bring this large (and growing) segment of the workforce into the Canadian mainstream. They hold the key to Ontario's future prosperity.

## **Appendix A: Case Studies**

1. Four Seasons Hotels
2. Kensington Gardens Health Centre
3. Culinary Training Academy (CTA), Las Vegas
4. Toronto Training Academy for the Hotel Industry

## **Four Seasons Hotels<sup>2</sup>**

### **Historical Overview & Operations**

In the 1960s, architect Isadore Sharp designed and built the first Four Seasons property named The Four Seasons Motor Hotel, located in Toronto. Sharp focused on designing a structure that not only provided privacy but also comfortable physical spaces. By 1972, Four Seasons had expanded to five diverse hotel properties. Their strategy focused on developing a worldwide chain of mid-sized luxury hotels and resorts with the finest comforts and distinctive service.

Throughout the years, Four Seasons has continued to take the course of expansion, opening hotels in major city centers and desirable resort destinations around the world. As of early 2009, Four Seasons managed 83 hotels in 34 countries with more than 31 properties under development. Four Seasons employs more than 35,000 employees worldwide (of this 5,000 are in managerial positions) and conducts business in 30 different languages.

### **Business Philosophy**

The Four Seasons approach to building a growth-oriented business rests on four pillars: quality, service, culture and brand (see text box). These factors were identified and refined over a number of years. Underlying these pillars are key business objectives. The primary goal is to achieve and maintain very high service quality standards in a traditional industry by building a strong organizational culture. Another dimension of this philosophy is to introduce innovative new services for the business and leisure traveler to build up the brand. Their assumption is that a segment of the market is willing to pay higher prices for a superior service in an otherwise commoditized industry.

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<sup>2</sup> This case was written by Sarita Patel with input from Anil Verma. The authors are grateful to Four Seasons management for information gathered through interviews and a site visit. Additional information was gathered from Four Seasons' website and two case studies published by the Harvard Business School in 2000 and 2002.

Over the years, Four Seasons transformed itself from a hotel owner into a management company. This intensified focus freed Four Seasons to concentrate on its greatest strength: serving the luxury traveler. By this time, the company had become the world's most-skilled organization in the design, operation and

## **A brief overview of “The Four Pillars”**

The Four Seasons business philosophy rests on four pillars identified over many years: Quality, Service, Culture and Brand.

### **Quality – 1972**

Over its history, Four Seasons would make four strategic decisions that formed the pillars of its business platform. The first was about quality. Rather than being all things to all people, Four Seasons would focus on one thing: being the best in each location, with medium-sized hotels of exceptional quality.

### **Service – 1976**

The second key strategic decision that formed the business platform was about service. True luxury is defined not by architecture or décor, but by service. So Four Seasons must make the quality of their service their distinguishing feature and a competitive advantage.

### **Culture – 1982**

The third of the four strategic decisions that formed the business platform was about culture. Four Seasons had always had an implicit operating philosophy. As the company expanded, Issy Sharp decided to make it explicit. He knew that shared values were essential to the service culture he wanted to create. Therefore, he and his team developed a formal credo, founded on the Golden Rule: We treat others – all others: customers, employees, partners, suppliers – as one would wish to be treated.

This has become the cornerstone of the Four Seasons culture.

### **Brand – 1986**

The final strategic decision that formed the pillars of the company's business platform was about the brand itself. In 1986, a decade after winning its first hotel management contract, Four Seasons made its fourth strategic decision – to grow as a management company and build a brand name synonymous with quality.

*Based on material from: [www.fourseasons.com/aboutus/four\\_seasons\\_history](http://www.fourseasons.com/aboutus/four_seasons_history)*

marketing of luxury hotels.

## **HR Philosophy**

Human resources management at The Four Seasons adopts “The Golden Rule”, which states that one should treat others as one would wish to be treated. This guiding principle is, in the words of the founder, “...a deeply felt ethical belief”, regardless of diverse national cultures from which its workforce is drawn. Kathleen Taylor, President and Chief Operating Officer, explained the Golden Rule’s operationalization at Four Seasons: “We give employees several uniforms so they can change when they become dirty. That goes to their dignity, but it is uncommon in the hospitality industry. People around the world want to be treated with dignity and respect, and in many organizational cultures that doesn’t happen”.

Four Seasons bills itself as an equal opportunity employer, where all employees are treated with the same dignity and respect. Furthermore, Four Seasons seeks to select and retain the best qualified individuals.

### ***Unionization***

Unionization varies by location. The Toronto location is unionized with the workers represented by the United Food and Commercial Workers International Union Local 333. The current collective agreement runs from March 28, 2006 to March 27, 2011. Wages and benefits are outlined in the agreement. A copy is attached at the back of this case. In 2008, the union represented 312 workers out of a total of 516. The employment declined slightly (<2%) between 2007 and 2008.

## **HR System**

### ***Recruitment & Selection***

The Four Seasons approach to finding new employees is to “hire based on attitudes and to train for skill”. Four Seasons recognizes that sustaining service excellence (their key competitive edge), depends on their ability to carefully select employees who exhibit Golden Rule attitudes of courtesy and helpfulness. Each

candidate is assessed on six core competencies known by its acronym, ASPECT: Adaptability/ Flexibility; Service Passion; Professionalism; Ethic for Work/Integrity; Communication; and Team Player. The assessment is done using a Behaviour Based Interview, in which candidates are asked how they behaved in certain historical job or personal life situations . Candidates who score high on these attributes are then interviewed a minimum of four times, sometimes five, by different levels of management.

Questions such as, “Tell me about a time when someone was upset with you. What happened and what did you do?” are asked. The answers provide a wealth of knowledge about a person’s attitude to work and life. Such information has shown to be more valid and reliable in hiring the right candidate than information elicited through traditional interviewing methods.

In new markets that Four Seasons enters, the strength of the brand draws a large number of applications. In a recent example the Four Seasons in Mumbai opened after having received 40,000 applications; 20,000 of whom were interviewed four times resulting in 400 new hires – 50% of whom had no hospitality experience. Working conditions and development opportunities available to employees have also become better known to potential applicants over the years, leading to a large pool of talented people who wish to work for Four Seasons. Fortune Magazine has named Four Seasons one of the best 100 companies to work for in America and it is one of only eleven companies to remain on the list year after year since its inception in 1998.

***Performance Management, Promotions & Career Growth:***

Most employees start at relatively junior levels of employment and move up in the company through the individual career planning and development system and training programs offered by the company.

In terms of career development, Four Seasons encourages employees to take responsibility for planning their own career path, while providing them with information, guidance, support and access to opportunities and programs that contribute to an enduring mutual commitment.

Each hotel is expected to fill 50% or more of their management vacancies through internal promotions, and each hotel is expect to promote or transfer 10% or more of its managers to other Four Seasons hotels each year. To support these goals, a robust performance management and development planning system is in place.

Each employee and manager undergoes an annual Development. For employees this is a review of performance in six competency areas known by its acronym, ASPECT, described earlier. Managers are assessed on a set of behaviour statements (called Behaviour Based Assessment) applicable to the level at which they are expected to perform. Managers can also see the list of expected behaviours at levels above them in order to plan for promotion.

Within 30 days of each manager's review there will be a Development Planning discussion to create a learning plan for the coming year. This is based on the current level in each competency and desired and potential future position, and includes development options such as classroom events, e-learning, workplace assignments and projects, mentors or skills coaches – all of which are provided by the company.

The senior management teams of each hotel plan for and manage this process by participating in People and Succession Planning meetings three times a year. The performance and potential of these hotel senior management teams are in turn reviewed during an annual global succession planning review which takes place over two days each January in Toronto.

As a result of these systems and the culture of promotion from within, managers and employees alike may aspire to rich and diverse career paths. In a large number of cases these careers take place across the globe, providing not only opportunity and adventure, but also career advancement beyond expectations for many.

Although the system of skill development and career progress described above applies primarily to managers, it is highly relevant to our discussion of adding value to workers at non-management levels because roughly half of the promotions to managerial ranks come from internal employees who have

prepared themselves for promotions. Thus, the process for managers acts as motivator for non-management employees to follow similar standards of personal development and high service standards.

### ***Compensation and Benefits***

As part of its commitment to employees, Four Seasons offers compensation and benefits including: competitive pay and benefits, well-tailored uniforms, career development programs, job training, complimentary meals and promotion from within.

Employees are guided by a set of core standards to help them deliver the very best guest experience. These standards are more detailed and rigorous than in a hotel with much lower levels of service, and yet the average level of pay at Four Seasons is not significantly higher than those found in the industry. The Housekeeper, for example, earns \$17.84/hr while a Certified Mechanic earns \$25.83/hr (eff. 28 March 2009). Most employees' wages would fall within this range. Some staff such as a Coat Check Attendant (\$11.99/hr) and Bell Desk staff (\$11.01/hr - \$11.96/hr) would earn less.

A pension plan is offered to which the employer contributes \$0.45/hr for each employee. The employer also contributes \$145 per month for each employee to a union-run Health & Welfare Fund.

### ***Recognition***

Four Seasons utilizes a variety of techniques to ensure that employees are aware that their efforts are appreciated. Letters of praise from guests are prominently posted on "heart of house" bulletin boards at every property. Each month between 12 and 15 employees at each property are recognized with an "Outstanding Service Award"; some properties also name an "Employee of the Month". Each recipient of the Employee of the Month is recognized at the hotel holiday party with one them honoured as the "Employee of the Year", and given in many cases, one extra week's vacation with an all-expenses- paid trip to any Four Seasons property for two and \$1,000 in cash.

## ***Training & Orientation Programs***

Four Seasons' philosophy towards training is summed up by two beliefs: training not only ensures that employees can deliver the desired standards of skill and service, but it also ensures strong employee identification with the company's values and goals. Training and development initiatives are at the core of the Four Seasons' business strategy because training provides career development opportunities that in turn help fuel the growth of the company.

Each hotel has a full time dedicated Learning Manager who has access to over 400 hours of instructor-led and Four-Seasons-specific electronic learning. Hotels are measured by their approach to learning and must attempt to provide a minimum of 10 hours for each employee and average of 40 hours for each manager of customer service and leadership learning per year, in addition to any job specific training.

Four Seasons recognizes that employees have a variety of needs such as the ones described by Maslow's Hierarchy of needs. Thus, the company tries through a variety of training programs, job assignments and career progression to meet every level of employee needs.

An employee orientation program and pre-employment training prior to their first day on the job is now part of the standard procedure across the entire company. The orientation program was developed at one hotel and is now typically held over six weeks at all hotels worldwide.

Training programs communicate both 'hard' information regarding standards of performance and 'soft' cultural messages. Training programs are designed to be fun and engaging, yet challenging and results-based. Orientation materials are translated into 20 languages to accommodate non-English speaking employees. A hybrid approach combining classroom lecture and on-the-job training is used. Employees spend time learning techniques inside the classroom and then practice their skills under the guidance of a peer mentor. All managers are expected to deliver learning to other employees, and this continues up the organization to the CEO. Each year, Kathleen Taylor, President and Chief Operating Officer, and the Management Committee (consisting of senior

corporate executives), for their part, deliver a week-long, residential learning program to General Managers.

During pre-employment training the employee uniform is given to all employees. Experiential learning (with the exemption of testing) is also utilized to make all employees feel comfortable before their first day on the job. To ensure each employee is familiar and empathetic towards the quality of “the guest experience”, each employee (along with a guest) is encouraged to stay at the hotel for one night free of charge as part of their initial orientation training. This provides each employee an opportunity to experience the standards as a guest and to provide feedback to management on possible improvements. The experience also gives employees a sense of pride in the service they deliver to guests.

Along with a large variety of other training programs, English as a second language (ESL) training is offered to all employees. In many locations, computer-based teaching programs have been developed. From these programs standards of English competence have been developed as criteria for selection, transfer and promotion.

## **Outcomes**

### ***Turnover***

Four Season employees tend to stay with the organization for a long time. The term of service among senior executives and general managers average over 15 years. For example, at the Toronto location, voluntary turnover in 2007 was 14% (74 out of 524) which decreased slightly to 13% (66 employees out of 516) in 2008. These results are better than the industry average.

### ***New Hires***

The number of new hires in 2008 was 57 employees or roughly 11% of total employment. This figure was higher at 17% in 2007 when 89 new people were hired.

### ***Absenteeism***

Four Seasons Toronto tracks the number of absences in number of days. In 2008, there were 860 absences for a total employment of 516 or an average of 1.66 absences per employee. In 2007, there were 1.32 absences per employee.

### ***Layoffs***

Layoffs are not very common but they do occur during business downturns. At the Toronto location, no persons were on layoff in 2007. By the end of 2008 as the economy had begun to slow down, ten employees were on layoff.

### ***Health & Safety***

The Four Seasons is a relatively safe workplace. Data for the past five years (2004-2008) show that the number of accidents is in the range of 21-25 per annum with an increase in 2008 to 34 accidents. The vast majority of accidents are minor in nature as measured by the number of days lost due to injuries: 6 days in 2004, none in 2005 and 2006, 3 days in 2007 and 16 days in 2008.

### ***Employee Reactions to Working at Four Seasons***

We met with a group of eight employees from different levels at the Toronto location to discuss their reactions to working at the Four Seasons. It should be noted that we did not have the time or resources to seek feedback from a large group of employees. In that way, the feedback reported here is indicative but not conclusive of employee opinion. Nonetheless, it is instructive to listen to a group of employees, no matter how small, to get an idea of their reactions. Overall most employees stated that they were generally happy with the working conditions, environment and culture at the hotel. Most employees are satisfied with their compensation (wages and benefits) and feel they are being treated fairly. Many mentioned that they enjoy having their meals paid for, having a newly renovated ladies' room and having multiple uniforms.

There were some concerns expressed over the new Four Seasons location under construction in late 2008. Employees felt some uncertainty regarding job

security. It was not clear to them if the current location would be declared closed and the employees terminated or whether they would be transferred as employees to the new location. Other concerns had to do with inequity in relocation allowances that are payable to managers but not to employees.

## **Conclusions**

The Four Seasons organization has created a “high road” employment system for relatively low-skill, low-wage work in a traditional industry where the product (or service) is often viewed like a commodity by many producers and consumers. In the Four Seasons’ view of the world, more value can be created for the customer if workers are better trained and engaged in their work. A higher level of skill and involvement helps the worker deliver a superior service for which the customer would be willing pay more. Thus, the low-wage worker in this organization is directly and intimately connected to the value chain within the organization.

The “high road’ leads to better outcomes for the employer as well as for the employees. The employer builds a large customer base of people who keep returning to the hotel for future stays and talk-up the high quality standards to others. The employee, in turn, performs a job that requires higher levels of skill. Such jobs come with opportunities to move up which in turn, encourages workers to be fully engaged with their work. Such jobs also give employees a higher level of pride in their work and identification with the goals of the organization.

The best measure of success for this strategy is growth in the business which creates more profits for the owners and more opportunities for employees. At an operational level, the organization benefits from lower turnover, lower absenteeism and fewer layoffs.

Four Seasons Hotels have created a unique niche for themselves in the marketplace by leveraging the skill and involvement of their lowest-paid workers. Is this lesson relevant to other hotels or other service-oriented organizations? Can organizations that do not operate in the luxury-end of the market be able to benefit from this lesson? These are pertinent questions that can be answered at

two levels. First, we can use logic (and theories) to extend this lesson to other organizations. In the Four Seasons' case wages for lower level workers are not much higher than at other large hotels in Toronto. So, it is not wages *per se* but other inputs that Four Seasons makes in their workers that make the difference. So, within certain bounds, the Four Seasons' "high road" strategy can be applied by other organizations. Moreover, other hotels or service organizations do not have to replicate precisely the same policies. Rather, they need to translate the "high road" approach into policies that make sense in their particular industry or niche.

Another way to examine the issue of applying lessons from Four Seasons to other organizations is to carry out separate case studies to see if leading-edge employers adopt and succeed at "high road" strategies in other industries. In the next section, we follow three other case studies which suggest that many of the lessons we draw from Four Seasons' experience are applicable to a variety of other organizations.

## **Kensington Gardens Health Centre<sup>3</sup>**

Kensington Health Centre is a not-for-profit health care organization that focuses on health and wellness services for seniors and people of all ages. The centre evolved from the former Doctors Hospital, continuing the hospital's strong commitment to care and further affording health and social services available in the community.

The Kensington Health Centre has two facilities; The Kensington Clinic which offers a wide range of medical and health services, and Kensington Gardens which is a comprehensive, 350-bed long-term care home. Kensington Gardens provides a home-like setting that assists residents with daily living under the direction of professionally registered staff. Each nursing unit in Kensington Gardens is home to 24-26 residents. Each resident has their own room, with basic and semi-private accommodation sharing a washroom. The Kensington Eye Institute, providing cataract surgery services, and The Kensington Screening Clinic, providing colon cancer screening services, are also associated with The Kensington Health Centre.

Besides assisting residents in their daily living, The Kensington Health Centre provides various activities for residents such as exercise programs, yoga classes, cultural and religious services, music therapy, arts, and movie matinees to eliminate the feelings of helplessness, loneliness, and boredom.

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<sup>3</sup> This case was written by Basak Yanar with input from Anil Verma. The authors are grateful to KGHC management for information provided during interviews.

The Kensington Health Centre operates under the Ministry of Health and Long Term Care and is governed by a volunteer Board of Directors. The Board of Directors varies in range of experience and is committed to serving a multicultural population, and to having a strong and positive impact on all of neighbouring communities. New board members are referred and directed by existing board members. The Centre is a member of Ontario Long Term Care Association and Ontario Hospital Association. The centre is governed by the requirements of the Long-term Care Act and Nursing Home Act.

The Kensington Health Centre receives funding for the nursing and personal care costs, food and social programs. Other accommodation costs (laundry, housekeeping, building maintenance, and administration) are reimbursed by the residents. However, the government subsidizes the residual amount of facility rates of low-income residents who cannot afford the full rate.

Every year the centre goes under an annual inspection by the Ministry of Health and Long-Term Care inspectors to ensure compliance with long-term care program standards and policies from year to year. The licensing inspection is done by registered nurses, registered dietitians and environmental health professionals, typically takes 5 & days and is unannounced. The centre`s license needs to be renewed by the regulator every year for it to remain in operation.

## **Staff & Union Relations**

The Kensington Health Centre has 320 employees in various categories such as registered nurses (RN), registered practical nurses (RPN), activity aides, and personal support workers (PSW).

Out of 209 of the employees are PSWs who provide assistance with personal care for the seniors living at the centre. Personal support workers need to attend 12- 24 weeks of PSW programming at an educational institution and after finishing the program successfully they become qualified to work in long-term care facilities and other community support settings.

All the employees in the Kensington Health Centre are unionized under the service workers union, affiliated with the Canadian Union of Public Employees Union (CUPE). CUPE represents 24,000 workers in 217 long-term care homes across Ontario both in the non-profit sector and for profit sector.

Kensington Health Centre has a collective agreement with the service workers union on issues such as grievance procedure, arbitration, discharge, suspension & discipline, seniority, job postings, layoffs and recalls, hours of work, overtime and premium payments holidays vacation, sick leave, leave of absence, wages, and benefits.

The wages are mostly comparable among the long term care facilities in Ontario. However, one distinction is the municipal homes run by the city that offers slightly higher wages to the employees.

## **Recruitment & Selection**

The Kensington Health Centre employs full time, part time, and casual employees. Job postings contain information on the classification, qualifications, and rate of pay. No outside advertising is made until employees have an opportunity to apply to job postings. However, if no applications from qualified employees are received by the end of the seventh calendar day of posting, the jobs are posted to secure applications from outside the bargaining unit.

In cases where two or more employees apply, the employee with seniority receives priority when all employees under consideration have the required ability, experience and qualifications.

The turnover rate is 5 percent per year within the professional staff (mostly nurses). There is a general shortage of nurses industry wide, and hospitals offer higher wages to RN's and RPNs, so long-term care becomes a second tier option for registered nurses.

## **Training & Development Opportunities For Staff**

Some of the programs offered to the employees in the Kensington Health Centre include flexible work hours, job sharing, continuing education, as well as establishing a teaching affiliation with the local universities and colleges.

### *Development Opportunities:*

- The nurses use computer and internet-based documentation system which offers them opportunity for advancing their personal skills

- There are career development opportunities for PSWs who want to become RPNs. PSWs who wish to enrol the academic prep program for becoming RPN get paid leave 2 days a week. In the year of 2007, 1 PSW in the centre advanced to RPN
- Opportunities for nurses to become managers
- Employees take leadership roles in mentoring individuals entering the health profession as RN and personal care assistants
- There are recognition programs for the staff

***Training:***

- Both existing and newly hired employees receive "Customer Service" training to provide quality, consistent customer service to the clients
- The home offers "Diversity Training"
- All department supervisory staff, including RN's and RPN's received "Coaching for Excellence" training that aims to give employees who supervise other employees an opportunity to enhance their leadership skills

***Partnerships with Other Organizations:***

KHC has a relationship with colleges/universities for student practicum placements such as George Brown College, Community Adult Learning Center, Humber College/University of New Brunswick, Centennial College, Ryerson University, and University of Toronto. These students provide care for residents as PSWs, RPNs, RNs, food service supervisors, physical education students,

administrative assistants, physicians in training and kinesiology students.

Altogether 125 students spend more than 15,000 hours training at the centre. The students who work at the Kensington Health Centre enter into the pool of potential.

#### **Student Profile of the Colleges/Universities:**

- George Brown College (RPN, 2nd and 3rd year; PSW)
- Community Adult Learning Centre (PSW)
- University of New Brunswick/Humber College (RN students, 1st, 3rd, 4th year)
- George Brown – RN students (1st year)
- Centennial College – Food Service Supervisor - Dietary students
- University of Toronto –Physical Education students- Kinesiology students – medical students

### **Company Culture And Performance**

#### **Mission Statement:**

“The Kensington Health Centre will exceed client expectations and improve the health of its community; working with clients and other providers to deliver culturally appropriate, long term care and related community services for people of all ages.”

**Vision:** “To be recognized as Leaders in Promoting Quality of Life”.

The Kensington Health Centre developed an “Accountability Framework” that identifies five critical factors of success which provide the staff and

management a clear vision of how to achieve the organization's goal of promoting values of "Excellence, Respect, and Teamwork". These success factors are "being community driven, providing caring service, professional people, promoting innovative approaches, and being financially responsible" (see <http://www.tkhc.org/pdfs/TKGHFrameworkHandout.pdf>).

These factors are integrated with quality assurance program to closely monitor employees' and management's activities which results in more effective information gathering and analysis, and plan for improvements.

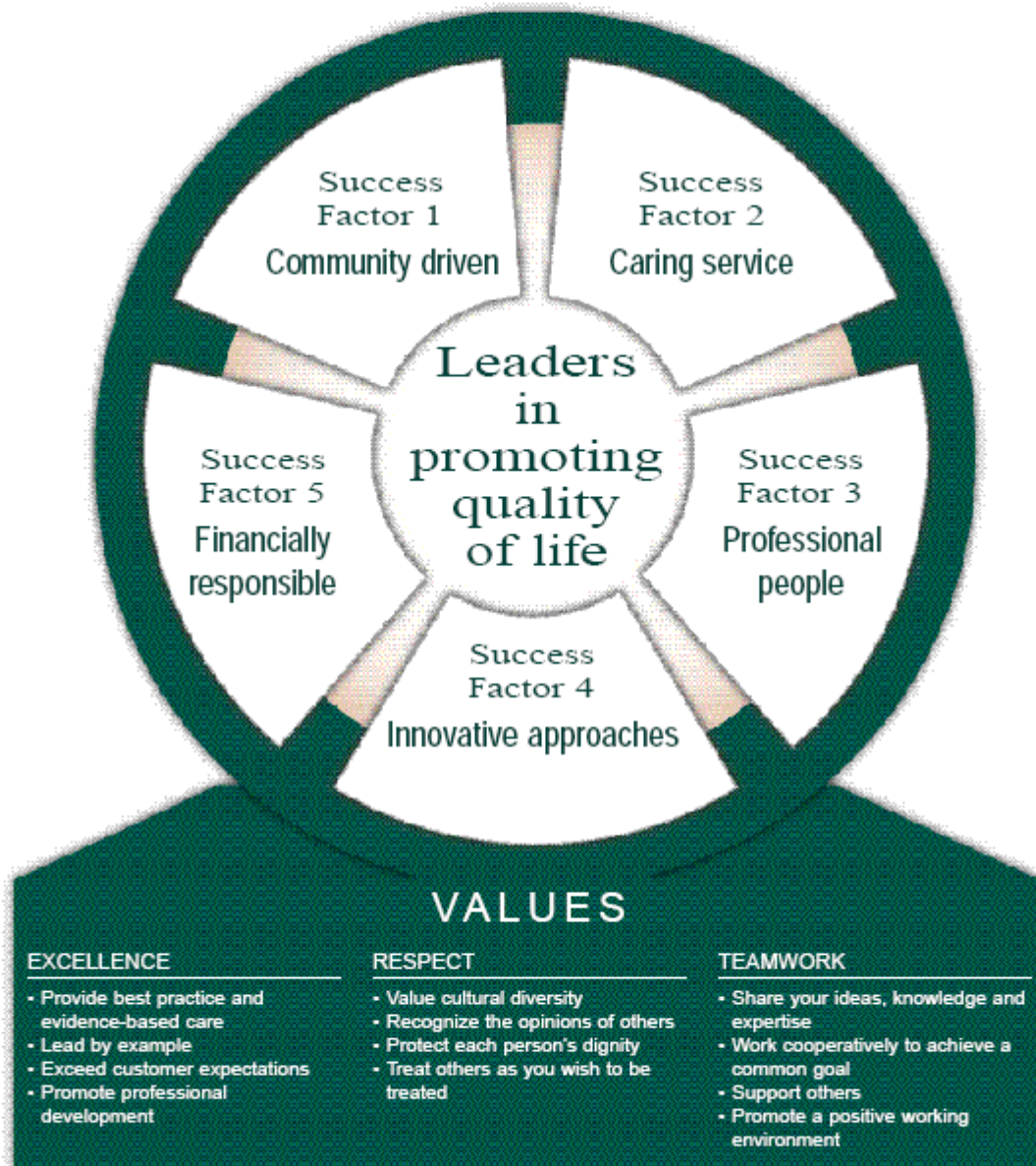
The centre identified performance indicators for the five critical success factors which are evaluated each quarter for every department. The performance indicators for being community driven include organization of cultural programs, community events, religious services, and coordination of volunteers. The performance indicators for caring service include skin breakdowns, restraints, medication errors, weight changes, incidents infections, complaints, unusual occurrences, and customer satisfaction. The performance indicators for professional people include labour issues, employee satisfaction, orientation services, employee education and turnover rates. The performance indicators for innovative approaches include creation of ~~and~~ new ideas, implementation of new ideas, and quality of projects initiated and completed. The performance indicators for being financially responsible include absenteeism/sick time and occupancy. The results are reported to the board of directors and to the quality and risk team by the responsible parties at the end of each quarter.

## Conclusions

In contrast to the Four Seasons which creates high quality services in response to market competition for private gain, KGHC accomplishes similar outcomes in the non-profit sector in response to a different set of factors. It is subject to provincial regulation as a long-term care home. Many of its services delivered by professionals (RNs, etc.) and para-professionals are also subject to standards set by the professional and occupational regulatory bodies. But beyond these regulated standards it is primarily the organization's vision and commitment to high quality care that drives the commitment to investing in skills and training. This case shows that by investing in skill development it is possible to give low-wage workers a sense of pride in their work which in turn helps the organization maintain high service quality.

# Kensington HEALTH CENTRE

## Our Accountability Framework<sup>®</sup> System



## **The Culinary Training Academy (CTA), Las Vegas<sup>4</sup>**

The Las Vegas hotel industry offers the visitor one of the largest concentrations of casinos in the world. It employs tens of thousands of workers in low-wage jobs in hotel housekeeping, preparing and serving meals and other casino care occupations. Las Vegas is also home to the largest union local in the U.S. Local 226 of UNITE-HERE, which has close to 60,000 members. The agglomeration of the industry and a large size of the union allowed them to create one of the largest industry-specific, jointly-run training centres in the U.S. The low-wage workers and the hotels are the primary beneficiaries of this investment in training.

### **Methodology**

The following case study was written with the assistance of information from several sources. The CTA website ([www.theculinaryacademy.org](http://www.theculinaryacademy.org)) provided much of the information pertaining to the CTA history and current operations. The Culinary Workers Union website ([www.culinaryunion226.org](http://www.culinaryunion226.org)) was a primary source for the 'History of the Union' section. Various journal articles and papers, for which complete citations can be found in the References section, supplied facts and information found throughout the case study. Finally, a telephone interview was conducted with Senator Steven Horsford, the CEO of the CTA and also of Nevada Partners, a charitable organization that has close links with the CTA. A visit to the site and additional materials provided by the CTA were also used.

### **History of the Culinary Training Academy**

In 1989, the Mirage Hotel and Casino opened in Las Vegas, marking the start of a rapid boom in Southern Nevada's hospitality industry. The Mirage

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<sup>4</sup> This case was written by Sarah Rainboth with input from Anil Verma who conducted the interview with Steven Horsford. The case benefited also from materials provided by Janet Dassinger of UNITE-HERE.

would require hundreds of qualified workers to staff its operations. Around the same time many of the major hotels and casinos underwent extensive remodeling and built new properties, in addition to a number of new hotels and casinos entering the market. This expansion created a high demand for trained professionals in the gaming and culinary professions. The labour supply in Las Vegas lacked the necessary training and skills to fill the large number of open positions, leaving many employers in the industry faced with staffing difficulties. Hotel managers collectively recognized the need for a reliable supply of skilled workers. Most labour agreements recognized a hiring hall arrangement, which meant that unions needed to find a means of providing properly trained workers to hotels through the hiring hall. In 1990, in order to fulfill the need for skilled workers, the Culinary and Bartenders Unions and the majority of the major hotel-casinos in the area began working on establishing a joint training program. The training facility, known as the Culinary Training Academy, was officially established on July 5, 1993 as an independent, non-profit training trust. Among the early supports of the CTA were R.D. Nathan of the Wynn Group, who became the CEO of Nevada Partners in 2001, and John Wilhelm, the national president of UNITE-HERE.

The CTA began operations in a much smaller (i.e. roughly 3,000 square feet) building, compared to the current facilities, which are built on a ten-acre campus and total 70,000 square feet of working space. The cost of building the new CTA facilities was about \$12 million, of which approximately \$5.7 million came from public sources with the remainder coming from private donors. The local government provided grants to cover the costs of searching for a building site and making building plans. The Federal government also provided \$2 million dollars in matching funds, and the Clark County government provided \$3 million dollars. The remaining donations from private sources included a significant amount from the Mirage in exchange for naming rights.

In 2001, the CTA entered into a partnership with Nevada Partners, an organization whose primary objective is to provide career counseling, education, and training services to youth, adults and dislocated workers. Nevada Partners

was set up in 1992 by the Lindsay Foundation. Originally, Nevada Partners ran a training facility that provided skilled workers to the MGM Grand. After the CTA was formed, Nevada Partners funded some of their training programs. Following the events of September 11, 2001 the CTA asked permission to use land near the offices of the Lindsay Foundation. These early engagements lead to increasing cooperation between the two organizations, until it was agreed that the CTA would take over all of Nevada Partners' training activities. A five-person Board, including two Directors from the CTA, governs Nevada Partners. Steven Horsford remains the CEO of both programs.

There are approximately 25 gaming resorts currently participating in the CTA. Participating employers cover roughly 60% of the cost of CTA operations. Operating funds come from all employers contributing 4 cents per hour to a Training Fund. The balance comes from fee-for-service activities such as a restaurant operated on the premises or special events organization by the CTA. When asked about future funding needs, Steven Horsford said:

*“This level and form of funding is adequate for now but to ensure future growth we will need to find more funds in the future.”*

## **History of the Union**

The Culinary Workers Union Local 226 was chartered in 1938 and has a long, noteworthy history in Las Vegas. Local 226 is the largest affiliate of UNITE HERE, which formed in 2004 as a merger between UNITE (previously the Union of Needletrades, Industrial and Textile Employees) and HERE (Hotel Employees and Restaurant Employees International Union). HERE initially came to Las Vegas in the 1950s, when the original Strip hotels were being built and the hospitality industry was vastly changing, as corporations replaced family-owned companies. By the late 1970s, the union was struggling to keep up with the city's growth and by the mid 1980s six hotels had decertified the union and four other hotels had illegally reneged on their contracts (Meyerson, 2004). In 1984, a city-wide strike occurred that lasted for 67 days. The impetus for the strike was the hotels' demand that new hires be paid only 80% of the wage stipulated in the

collective agreement during their first year of employment. The union eventually agreed to the request, but not before the lengthy strike “inflicted financial and public relations damage on both sides of the conflict” (Waddoups & Eade, 2002).

New local union leaders were elected in 1987 and turned to the international union for help in dealing with the declining industrial relations environment in Las Vegas. In response, the international union sent in a team determined to establish a new approach to unionism. HERE put two men, John Wilhelm and D. Taylor, in charge of creating a new type of union. Taylor and Wilhelm established workers committees in hotels in an attempt to avoid further decertifications. They also set their sights on organizing the Mirage, which was to open in 1989. The union hoped to sign an agreement with Wynn, the developer of the Mirage, asserting that management would not engage in an anti-union campaign. In order to persuade Wynn to agree, the union offered to get rid of obsolete work rules that created unnecessary job classifications. Moreover, the union leveraged their political influence to stop a pending IRS plan to withhold casino winnings of noncitizens, which would have negatively impacted much of the high-roller business. Wynn eventually agreed to sign the neutrality contract and the union continued its organizing efforts at other Nevada hotels and casinos.

Although the union was making headway, in 1991, the United States witnessed the longest strike in the history of the country’s labour movement (Waddoups, 2002). Five hundred and fifty workers from five unions walked out of the Frontier Hotel and Gambling Hall for six years, four months and ten days, without a single unionized worker ever crossing the picket line (Meyerson, 2004 & Waddoups, 2002). By 1998, the Frontier owners faced a nearly ruined business and sold the property to new owners who agreed to card check.

Today the Culinary Workers Union Local 226 is one of the largest local unions in the United States, representing more members than any other union in Nevada. Despite declining union membership rates in the hospitality industry, membership in Local 226 has grown from 18,000 in 1987 to roughly 60,000 presently (culinaryunion226.org). Much of Local 226’s success is a result of their

ability to unionize 90% of the jobs in Las Vegas' major hotels. UNITE HERE now represents over 450,000 active members and over 400,000 retirees across North America. UNITE HERE's membership is quite diverse, including immigrants, Latinos, African-Americans and Asian Americans. UNITE HERE's membership is also predominantly made up of women.

## **Current Culinary Training Academy Operations**

According to the CTA website, "The Culinary Training Academy (CTA) is a nationally and internationally recognized labor-management partnership between the Culinary Union Local #226, Bartenders Local #165, and major resort/gaming properties on the famed Las Vegas Strip. The partnership has created the largest provider of employment and vocational training for entry-level and incumbent workers for the hospitality industry in Las Vegas."

As for governance of the CTA, a ten-person Board of Directors, of which an equal number come from the union and management, runs the Academy. All decisions require a majority vote from each side, such that there are at least three votes from the labour representatives and three votes from the management representatives. Steven Horsford described CTA governance as:

*"[...] a true form of joint governance because there is no mechanism for breaking a tie. In practice, this arrangement leads to decision-making by consensus. There is a lot of synergy in the way we make decisions."*

Individuals seeking employment at a Las Vegas hotel under contract with Local 226 are given a skill assessment at the union hall. Individuals without relevant experience and those wishing to increase their skill level are sent to the CTA. Essentially anyone seeking employment in the industry is eligible for free training in every nonmanagerial aspect of hotel work. The objective of the CTA is to provide underemployed or unemployed individuals with the necessary skills to realize a positive career change. According to the CTA website, the academy graduates approximately 1,500 students each year for entry-level hospitality positions. Training is available for many entry-level positions including *banquet*

*server, bus person, guest room attendant, houseperson, and professional cook, amongst others.*

Not only does the CTA provide training for new workers, but also for incumbent workers wishing to improve their skills and move up the career ladder. Training courses for incumbent workers include *culinary apprenticeship, gourmet food server* and *sommelier*, amongst others. By 2001, there were over 16,000 graduates of the CTA, with a 70% job placement rate. Tracking data reveals that roughly 60% of graduates are still employed in the industry several years after graduation (Waddoups, 2002). Today the CTA trains roughly 3,000 students annually. By providing employees with the necessary skills and training to succeed on the job, the CTA seems to have created a significantly more dedicated and skilled workforce. As a result, hotels report a 50% lower turnover rate among CTA graduates compared to hires who do not attend the CTA (Bernhardt, Dresser & Hatton, 2003).

In addition to vocational training, the CTA offers courses such as *employability skills, safe food handling certification, customer service education, and vocational English training*. Data from 2002 shows that roughly 25 percent of hotel industry employees in the United States are non-citizens (Waddoups & Eade, 2002). Las Vegas in particular has a high concentration of immigrant workers, which is one of the reasons why the CTA decided to create their HI-DEMAND program in 2004, with the help of a \$1.9 million grant from the US Department of Labor. The HI-DEMAND program is also known as VESOL – Vocational English to Speakers of Other Languages, and was designed in response to the recognition that many immigrants lack the English language skills necessary for employment in the United States. HI-DEMAND offers vocational English courses to both new job seekers and incumbent workers. More than 2,500 workers have completed the program since its instigation, and students in these classes account for roughly 40% of CTA enrollment.

The curriculum for CTA classes is designed jointly by labour and participating employers. As such, the CTA is able to meet the needs of both labour and management. For workers and unions it provides decent jobs and skill

development. For employers it generates qualified workers who are much more likely to succeed on the job and much less likely to turnover. The CTA trains “to demand” (i.e. trains only in those skills for which management indicates a demand). Courses generally involve both classroom learning, as well as hands-on experience and training manuals are created based on established vocational resources and are then tailored to the needs of individual hotels. The Academy offers flexible class schedules to accommodate the diverse needs and availability of students. The CTA is also committed to assisting employees in advancing their careers. Once graduates have completed six months in an eligible classification at a participating employer, they qualify for free upgrade training in order to equip them with the skills needed to receive a potential promotion.

### **Analysis: What can we learn from this case?**

The case of the CTA and the role it plays in the gaming resort industry of Las Vegas, particularly in regard to skill development of low-wage service workers, is atypical in the Canadian/US context. Training academies for low-wage work are not commonly found. Where training programs do exist they are offered by educational institutions (public or private) in most cases. Very few are run jointly by industry in cooperation with unions and other government agencies for the benefit of all workers within the industry. By going down this road less traveled, the CTA sets an example in two ways. First, the case demonstrates that it is possible to take jobs with the lowest skills in an industry commonly perceived as not requiring a great amount of skill (i.e. the hospitality industry) and turn them into “good” jobs by systematically investing in training to enhance the value they bring to the employer. Second, the CTA experience shows that a multi-lateral governance structure that includes labour, management, government and community organizations, to oversee the investment in skills, creates multiple resources for sustaining training efforts. Each of these ideas is discussed below.

The CTA has created formal training modules for a large variety of jobs ranging from simple cooks to housekeeping to casino staff. In most workplaces in

the hospitality industry, holders of many of these jobs receive minimal training, if any at all. The CTA recruits many of its new entrants literally off the streets with almost no skills and gives them a chance at obtaining a decent job with benefits. That being said, the CTA-provided training meets many of the skill needs of the hotels but does not supplant the need for hotels to provide some custom form of training to its employees. The CTA-provided training is complementary to training provided by hotels directly. For many workers, their affiliation with the CTA and eventually with the union the first job also gives them access to a career in the industry. Wages for the graduates of the CTA are generally higher than the industry norm.

Thanks to continuous growth in Las Vegas, the CTA has not yet faced a downturn in its operations. At the time of this writing in January 2009, it was expected that the local economy would face a significant recession in the coming year. The opening of the new MGM Mirage in downtown Las Vegas in 2010, however, will likely keep the CTA busy through the latter half of 2009 and beginning of 2010. The MGM Mirage will require roughly 12,000 workers.

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## A Training Academy for the Hotel Industry in Toronto<sup>5</sup>

### Background

The hotel industry in Toronto employs many workers whose wages are at the lower end of the wage spectrum in Canada. However, this industry is a significant player and contributor to the local, regional and national economy in terms of value-added, jobs generated and spillover effects into other industry sectors. Given that lower wage workers receive very low levels of investment in human capital, the issue of sustaining high standards of performance and growth of this industry needs to be addressed. This was the question that a Taskforce on the Hotel Industry addressed in 2007. The Taskforce emphasized the need for focusing on a “high road” strategy aimed at building “an economy based on skills, innovation, opportunity, sustainability and equitably shared prosperity rather than on low-road practices that lower living and working standards and weaken communities.”

Developing a skill strategy for the industry is central to the “high road” strategy of developing high value-added capability of the industry. Training and skill development needs of the Toronto hotel industry have been met historically through a variety of sources. Employers do some of their own training while others enter the industry after completing educational programs at colleges. The Ontario Tourism Education Corporation (OTEC) develops curricula and training programs for many occupations in the tourism industry. However, none of these existing avenues for skill development adequately fill certain gaps in training needs for a high value-added hotel industry. This gap is best illustrated by comparing Toronto with the industry infrastructure that exists in the Las Vegas hotel industry where a dedicated training academy trains entrants to the industry

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<sup>5</sup> This case was written by Anil Verma with input from Janet Dassinger, Training Coordinator, UNITE-HERE and Anna Chartres, Director of Human Resource Development, the Fairmont Royal York. The author is grateful to both for providing key facts of the case. All statements of inference and conclusions are the author’s own.

in a large variety of skills and occupations (see the accompanying case on the Culinary Training Academy - CTA - in this report).

## **The Toronto Initiative – Physical Space**

The Toronto arm of the union, UNITE-HERE, began to push for a dedicated training academy for the sector with a number of parties as early as 2006. Apart from proposing to work with hotel employers, the union approached community groups, city councilors, representatives of the provincial government, federal government and others. What follows is an account of the progress they have made so far. The successes and frustrations of this initiative teach us some important policy lessons that can be useful to policymakers in the future.

An opportunity for finding a physical location for a training academy came up when a city-owned building was demolished at 60 Richmond Street. Councilor Pam McConnell worked hard to prevent the city from selling the land and was instrumental in leasing the property to the Toronto Community Housing Corporation (TCHC) for a nominal sum (\$1/yr) on the condition that the TCHC build affordable housing for hotel workers at the site. Providing affordable housing to people who work in the city is an identified priority of the local government. This project has come to fruition because of the support and cooperation of three principal stakeholders: the city government, TCHC, and UNITE-HERE Local 75.

The Toronto version of the CTA in Las Vegas will make a very modest beginning by using the ground floor of this building (roughly 3000 sq ft) as a training centre. A teaching kitchen will be built (2000 sq ft) while the rest of the space would consist of classrooms (1000 sq ft). In addition, the training centre would rent one of the apartments in the building to set up a teaching hotel suite for housekeeper training.

## **Labour-Management Cooperation**

If Toronto is to take a cue from the success of Las Vegas, the training academy would need significant support and cooperation from hotel employers. To this end, UNITE-HERE's Janet Dassinger approached major hotel employers

in the city with the idea that they join with the union in running the training academy. Among the first to support the initiative is the Fairmont Royal York Hotel.

In many industries and organizations, the first hurdle in any labour-management cooperative venture is to persuade management that it is worth their time to engage with the union. The Toronto initiative has made some concrete progress in this direction by persuading some large hotels to join the effort. The initial motive for supporting the initiative may be varied for employer but it is instructive to take the case of The Fairmont Royal York. Anna Chartres, the Director of Human Resources agreed to serve as an employer representative on the Board of the training academy. The Royal York extended significant cooperation early on even at the planning stages. The Head Chef at the hotel helped in the design of the teaching kitchen by using his influence to get a design firm to donate *pro bono* services.

At The Fairmont Royal York, employer cooperation with the union on the training academy is seen as a “smart” move. According to Anna Chartres:

*“We are already involved [by agreeing to the 2-cents-an-hour training contribution]. So, it is smart for us to be involved in the joint operation of the training academy and in joining forces to lobby the government for training funds. The upside potential for us is significant.”*

In an interview, she expanded on the ‘upside potential’ within the larger context of the hotel organization and their relationship with the union. Within the Fairmont ‘culture’, there is a strong belief that quality service can be delivered only through well-trained and committed employees. So, any effort to develop skills for the hotel is well aligned with their strategic goals. Moreover, the hotel chain has developed a policy of dialogue and engagement with the union. Another concrete example of cooperation given is that of union-run but employer-paid dental care centres for hotel employees. In bargaining, management and union have been generally successful at achieving a high level of involvement and participation from both sides. Their common vision for training is leading the

parties to join forces in developing proposals for funding by the government and in lobbying the government more generally to support the industry.

## **Governance**

It is proposed that the training academy will be governed by a Board comprising of an equal number of members (4 each) from the union and the employers.

## **Other Capital Costs**

The training centre would also receive \$500,000 from a developer under Section 37 provisions of city by-laws that require developers of urban sites to invest a small portion of their profits in community infrastructure. Councillor Pam McConnell was instrumental in obtaining this grant. This money would be used to equip the kitchen and buy other necessary hardware such as computers, furniture, etc. As mentioned above, the kitchen design was made using *pro bono* services of a design firm.

## **Operating Costs**

There are several possible sources for covering operating costs of the training academy depending on the policy direction the Board assumes. At the time of this writing in early February 2009, these details remain fluid. First, some large hotels such as the Fairmont Royal York, have agreed to a provision in their respective collective agreements to contribute 2-cents-an-hour into a training fund (The Equal Opportunities Training Fund) beginning January 1, 2009. Under the existing agreement, this fund is under the control of the union. So, one possibility is to direct this pool of money to cover direct and indirect costs of training provided by the training academy. A jointly trusteesd labour-management Board for the training academy would likely persuade more employers to join the effort and convince the union that job opportunities for workers would be greater if training efforts were co-managed rather than run by the union.

Second, the training academy could approach the provincial government to fund specific training programs targeted at specific training needs of the

industry or of the workers or both. To pursue this source effectively, the training academy will need to develop a professional staff whose objective would be write proposals that can be funded by the government. Some funding may be available also from the federal and the local governments.

Third, the training academy could undertake activities that could bring in additional revenue. The CTA in Las Vegas runs a restaurant and offers fee-based catering and teaching services. However, the Toronto academy will need to build up a physical and staff infrastructure before it could look to these sources of revenue.

There is no easy or simple solution to the issue of funding operating costs. The academy's activities in the first few years will be modest and any growth will require creative thinking on part of the Board to make it a significant player in the industry.

## **Summary and Conclusions**

This case provides a good illustration of several key issues regarding skill development in the hotel industry. Briefly:

1. The current skill development infrastructure in the province does not serve the hotel industry very well. Toronto has no industry-specific training facility for industry-specific skills.
2. Most hotel workers but especially those working as housekeepers and in food services, are seen as being low-skilled and hence attract few investments in their skills.
3. Building a training academy for the industry is very difficult because it requires both funds as well as a common vision among various parties such as labour, management, various levels of government and other training and educational institutions.
4. Labour and management, if they share a common vision, can begin the process but they will need the engagement of the government and the community to make it successful and sustainable.

5. Labour and management need to go beyond their traditional attitudes and engagement in collective bargaining, to build a training academy for the industry. The training academy can be successful only if the parties think creatively about mutual cooperation and raising resources to adequately fund training activities.

## Appendix B: Tables

**Table 1: Median Wage by Class 2001-2006 (\$/hr)**

	2001	2006	% Change
High-wage Service Workers	21.50	24.50	13.95
Modified Service Class	12.00	13.90	15.83
Workers in Non-service Industries	17.50	20.00	14.29
All Workers	16.30	18.20	11.66

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 2: Median Wage by Age Groups 2001-2006**

	15-19 yrs		
	2001	2006	% Change
High-wage Service Workers	8.50	9.00	5.88
Modified Service Class	7.00	7.80	11.43
Non-service Industries	8.80	9.20	4.55
All Workers	7.00	7.80	11.43
	20-35 yrs		
High-wage Service Workers	18.60	20.50	10.22
Modified Service Class	12.00	12.60	5.00
Non-service Industries	15.90	17.80	11.95
All Workers	15.00	16.40	9.33
	36-50 yrs		
High-wage Service Workers	23.40	26.40	11.36
Modified Service Class	14.40	16.80	14.29
Non-service Industries	18.50	21.00	11.90
All Workers	18.50	21.00	11.90
	51+ yrs		
High-wage Service Workers	23.50	27.70	17.87
Modified Service Class	15.00	15.60	4.00
Non-service Industries	19.30	20.20	4.66
All Workers	18.30	20.00	9.29
	Total		
High-wage Service Workers	21.50	24.50	13.95
Modified Service Class	12.00	13.90	15.83
Non-service Industries	17.50	20.00	14.29
All Workers	16.30	18.20	11.66

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 3: Median Wage (\$/hr) by Occupation: 2001-06**

Occupation at main job	High Wage Service Workers			Service Class			Non-service Industry Workers		
	2001	2006	% Chng	2001	2006	% Chng	2001	2006	% Chng
Senior Management	33.00	40.70	23.33				35.10	48.70	38.75
Specialist Management	30.40	34.50	13.49				33.20	36.30	9.34
Other Managers	30.20	34.90	15.56				30.20	36.90	22.19
Professionals in Sciences	28.60	32.10	12.24				29.50	34.20	15.93
Contractors and Supervisors Trades	27.00	24.70	-8.52				21.70	22.70	4.61
Professionals in Health	25.60	30.90	20.70				31.00	36.50	17.74
Teachers and Professors	24.90	28.90	16.06				24.80	28.80	16.13
Nurse Supervisors and RN	24.30	28.70	18.11				36.10	31.60	-12.47
Professionals in Business & Finance	24.20	29.70	22.73				23.70	31.10	31.22
Judges Lawyers religious officers	23.70	29.40	24.05				27.90	31.10	11.47
Engineers in Telecom & Electricity	22.90	23.90	4.37				22.40	23.00	2.68
Professionals in art and culture	21.90	23.70	8.22				22.90	24.50	6.99
Technical in Sciences	21.60	24.50	13.43				22.70	26.90	18.50
Manufacturing Supervisors	21.60	28.60	32.41				21.50	22.30	3.72
Technical & Related Occu. in Health	21.20	25.10	18.40				32.60	27.10	-16.87
Heavy Equipment Operators	19.10	18.50	-3.14				18.00	20.70	15.00
Construction Trades	18.70	22.10	18.18				19.50	21.00	7.69
Finance and Insurance Admin	18.40	20.30	10.33				16.80	20.50	22.02
Machinists	17.80	18.90	6.18				19.20	21.90	14.06
Mechanics	17.70	19.80	11.86				21.80	23.70	8.72
Transportation Operators				15.30	17.30	13.07	15.90	18.70	17.61
Teachers in art and culture				15.10	17.20	13.91	16.10	20.80	29.19
Manufacturing machine operators				14.70	15.80	7.48	15.30	17.40	13.73
Other Trades				14.10	17.10	21.28	16.10	19.00	18.01
Contractors in Agriculture				13.70	15.80	15.33	10.80	12.10	12.04
Trade Helpers and labourers				13.40	13.90	3.73	16.30	18.70	14.72
Primary Production Labourers				12.30	15.60	26.83	16.80	15.20	-9.52
Mining and Oil	11.40	22.30	95.61				20.90	24.30	16.27
Manufacturing Assemblers				9.90	13.30	34.34	16.80	20.00	19.05
Labourers in Processing				9.50	12.80	34.74	13.50	14.70	8.89
Clerical Supervisors				20.00	20.50	2.50	19.10	23.30	21.99
Sales Specialists and Buyers	19.10	20.60	7.85				21.60	22.90	6.02
Admin and Regulatory				18.80	20.40	8.51	20.30	22.80	12.32
Protective Services	18.70	21.10	12.83				17.80	15.80	-11.24
Managers in Retail and Food				18.40	20.30	10.33		15.40	
Secretaries				16.50	18.10	9.70	15.40	18.10	17.53
Paralegals & social service workers				15.30	18.30	19.61		22.00	
Clerical Occupations				14.80	16.30	10.14	15.40	17.70	14.94
Assistants in Supports of Health				14.00	16.40	17.14		11.00	
Travel and Accomodation				14.00	14.90	6.43			
Sales and Service Supervisors				13.20	15.00	13.64		24.30	
Childcare & Home Support Workers				12.70	15.00	18.11	7.00		
Retail Salespersons				11.10	11.70	5.41	26.20	11.90	-54.58
Sales and Service				10.00	11.70	17.00	13.20	14.20	7.58
Cooks				9.90	11.40	15.15	16.90	9.00	-46.75
Food and Beverage				9.30	10.30	10.75			
Cashiers				8.20	9.20	12.20		8.10	

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 4: Percentage Employed in Ontario and Rest of Canada (1991-2006)**

	High-wage Service Workers				Modified Service Class				Workers in Non-service Industries			
	1991	1996	2001	2006	1991	1996	2001	2006	1991	1996	2001	2006
Rest of Canada	31.5	32.8	33.6	34.6	43.5	43.3	43.1	42.6	25	23.9	23.3	22.8
Ontario	32.2	33.1	34.4	35.5	41	42	39.8	40.4	26.8	25	25.8	24.1
Canada	31.8	32.9	33.9	34.9	42.5	42.8	41.8	41.7	25.7	24.3	24.3	23.3

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 5: Percent Women & Percent Union by Class (1991-2006)**

	High-wage Service Workers			
	1991	1996	2001	2006
% Female	39.5	41.2	42.5	43.1
% Union	-	-	27.0	29.3
	Modified Service Class			
	1991	1996	2001	2006
% Female	64.5	62.8	64.8	64.3
% Union	-	-	19.3	20.9
	Workers in Non-service Industries			
	1991	1996	2001	2006
% Female	26	25.4	23.7	25.4
% Union	-	-	25.3	23.3
	All Workers			
	1991	1996	2001	2006
% Female	46.2	46.3	46.5	47.4
% Union	-	-	23.5	24.5

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 6: Percentage in Full-time and Part-time Jobs (1991-2006)**

	High-wage Service Workers			
	1991	1996	2001	2006
Part-time	13.4	14.7	14.1	14.2
Full-time	86.6	85.3	85.9	85.8
	Modified Service Class			
	1991	1996	2001	2006
Part-time	31.6	31.1	30.4	29.7
Full-time	68.4	68.9	69.6	70.3
	Workers in Non-service Industries			
	1991	1996	2001	2006
Part-time	7.3	7.6	5.3	5.5
Full-time	92.7	92.4	94.7	94.5
	Total			
	1991	1996	2001	2006
Part-time	19.2	19.8	18.4	18.4
Full-time	80.8	80.2	81.6	81.6

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 7: Employment Share (%) by Sector (1991-2006)**

	High-wage Service Workers				
	1991	1996	2001	2006	Change
Private	51	52.3	52.9	50.5	-0.5
Public	35.1	31.4	29.3	32	-3.1
Self-employed	13.8	16.3	17.8	17.5	3.7
	Modified Service Class				
Private	68	69.6	69.4	70	2
Public	19.7	17.2	16.6	17.1	-2.6
Self-employed	12.4	13.1	14	12.9	0.5
	Workers in Non-service Industries				
Private	83.8	84.5	86.2	84.6	0.8
Public	0.9	0.7	0.6	0.4	-0.5
Self-employed	15.4	14.8	13.2	14.9	-0.5
	Total				
Private	66.7	67.6	68.1	66.6	-0.1
Public	19.6	17.8	16.9	18.4	-1.2
Self-employed	13.6	14.6	15.1	15	1.4

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 8: % Permanent Workers by Class (1991-2006)**

	High-Wage Service Workers		Modified Service Class		Workers in Non-service Industries		Total	
	2001	2006	2001	2006	2001	2006	2001	2006
Non-permanent	9.8	12.2	12.9	12	6.4	7.4	10.1	11
Permanent	90.2	87.8	87.1	88	93.6	92.6	89.9	89

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 9: Percent Educated by Class (1991-2006)**

	High-wage Service Workers				
	1991	1996	2001	2006	Change
< High School	13.1	10.3	7.6	5.7	-7.4
High School	15.2	14.5	13.5	13.0	-2.2
Some Post-Sec	37.3	36.2	37.3	36.7	-0.6
Univ+	34.4	38.9	41.6	44.6	10.2
	Modified Service Class				
< High School	28.5	21.3	18.7	14.8	-13.7
High School	27.7	27.5	26.0	24.8	-2.9
Some Post-Sec	34.9	40.5	42.9	45.6	10.7
Univ+	8.8	10.7	12.3	14.9	6.1
	Workers in Non-service Industries				
< High School	33.2	27.1	20.0	16.5	-16.7
High School	26.1	25.3	27.7	25.7	-0.4
Some Post-Sec	32.4	36.9	38.7	42.0	9.6
Univ+	8.4	10.6	13.7	15.8	7.4
	Total				
< High School	24.8	19.1	15.2	12.0	-12.8
High School	23.3	22.7	22.1	20.8	-2.5
Some Post-Sec	35.0	38.2	39.9	41.6	6.6
Univ+	16.9	20.0	22.8	25.7	8.8

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 10: Percent Married by Class (1991-2006)**

	1991	1996	2001	2006	Change
High-wage Service Workers	91.9	93.5	68.3	68.5	-23.4
Modified Service Class	92.3	92.6	58.1	56.0	-36.3
Workers in Non-service Industries	93.0	93.0	70.6	69.7	-23.3
All Workers	92.3	93.0	64.8	63.7	-28.6

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 11: Probit Estimates of being a Low-Wage Service worker (ref. All other workers)**

	Canada	Ontario
Ontario	-0.04 [0.006]***	
<i>Age (15-19)</i>		
Age 20-34	-0.151 [0.014]***	-0.155 [0.024]***
Age 35-49	-0.18 [0.015]***	-0.163 [0.025]***
Age 50+	-0.152 [0.015]***	-0.15 [0.025]***
Male	-0.189 [0.006]***	-0.164 [0.010]***
Married	-0.094 [0.007]***	-0.093 [0.012]***
<i>Education (less than HS)</i>		
High School	-0.037 [0.010]***	-0.043 [0.016]***
Some post-secondary	-0.142 [0.009]***	-0.125 [0.015]***
University	-0.356 [0.008]***	-0.327 [0.013]***
Public Sector (Private)	-0.007 [0.009]	-0.012 [0.015]
Full-Time (Part-Time)	-0.219 [0.010]***	-0.243 [0.017]***
Permanent (Temporary)	0.013 [0.010]	-0.008 [0.018]
Job Tenure	-0.001 [0.000]***	-0.001 [0.000]***
Hours of Work	-0.003 [0.000]***	-0.003 [0.000]***
Unionized	-0.023 [0.008]***	-0.03 [0.013]**
<i>Firm Size (1-19)</i>		
Firm Size 20-99	0.005 [0.010]	0.004 [0.018]
Firm Size 100-500	-0.025 [0.011]**	-0.022 [0.018]
Firm Size 500 +	0.02 [0.009]**	0.018 [0.015]
Observations	50971	16284
Pseudo_R-squared	0.1764	0.1847
Robust standard errors in brackets		
* significant at 10%; ** significant at 5%; *** significant at 1%		

Source: Statistics Canada, Labour Force Survey, Public Use Microdata Files, December, 2001

**Table 12: Determinants of Wages by Worker Class**

	Modified Service Class	High-wage Service Class	Non-Service	Modified Service Class	High-wage Service Class	Non-Service
	2001	2001	2001	2006	2006	2006
Dependent variable →	lnwage	lnwage	lnwage	lnwage	lnwage	lnwage
Age 20-35 [15-19 yrs]	0.176 [0.016]***	0.288 [0.049]***	0.343 [0.033]***	0.182 [0.018]***	0.255 [0.038]***	0.323 [0.037]***
Age 35-50	0.212 [0.019]***	0.4 [0.050]***	0.398 [0.036]***	0.264 [0.021]***	0.386 [0.039]***	0.377 [0.040]***
Age 51+	0.201 [0.021]***	0.333 [0.052]***	0.385 [0.039]***	0.206 [0.022]***	0.362 [0.040]***	0.297 [0.042]***
Male	0.131 [0.012]***	0.1 [0.014]***	0.245 [0.016]***	0.087 [0.012]***	0.055 [0.016]***	0.249 [0.018]***
Married	0.083 [0.012]***	0.089 [0.016]***	0.057 [0.016]***	0.077 [0.013]***	0.072 [0.017]***	0.057 [0.017]***
High School [ < HS]	0.103 [0.015]***	0.174 [0.031]***	0.096 [0.017]***	0.095 [0.016]***	0.158 [0.029]***	0.088 [0.021]***
Some post-secondary	0.175 [0.015]***	0.302 [0.026]***	0.25 [0.017]***	0.156 [0.016]***	0.297 [0.026]***	0.216 [0.020]***
University+	0.28 [0.023]***	0.534 [0.028]***	0.482 [0.029]***	0.236 [0.024]***	0.518 [0.028]***	0.43 [0.031]***
Multiple job holder	-0.021 [0.020]	-0.079 [0.031]**	-0.062 [0.040]	-0.033 [0.021]	-0.041 [0.029]	-0.16 [0.040]***
Permanent	0.154 [0.015]***	0.071 [0.018]***	-0.024 [0.053]	0.213 [0.015]***	0.113 [0.020]***	0.033 [0.078]
Full-time	0.209 [0.026]***	0.241 [0.035]***	0.17 [0.051]***	0.161 [0.028]***	0.384 [0.042]***	0.243 [0.063]***
Job tenure (months)	0.001 [0.000]***	0.001 [0.000]***	0.001 [0.000]***	0.001 [0.000]***	0.001 [0.000]***	0.002 [0.000]***
Hours worked	0 [0.001]	-0.004 [0.001]***	-0.003 [0.002]**	0.002 [0.001]**	-0.006 [0.001]***	-0.004 [0.002]*
Union membership	0.061 [0.013]***	-0.036 [0.016]**	0.067 [0.014]***	0.039 [0.014]***	0.026 [0.019]	0.094 [0.016]***
Constant	1.834 [0.018]***	2.052 [0.043]***	1.891 [0.043]***	1.887 [0.019]***	2.111 [0.035]***	1.988 [0.045]***
Observations	6588	5030	4323	6523	5085	3758
R-squared	0.46	0.3	0.366	0.441	0.316	0.32

Note: Robust standard errors in brackets

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 13: Determinants of Union Status**

	2001	2006
Dependent variable →	Union	Union
Modified Service Class	-0.151 [0.011]***	-0.125 [0.012]***
High-wage Service Class	-0.134 [0.011]***	-0.128 [0.012]***
Age 20-35 [15-19 yrs]	0.075 [0.027]***	0.104 [0.032]***
Age 35-50	0.108 [0.028]***	0.105 [0.032]***
Age 51+	0.09 [0.031]***	0.092 [0.034]***
Male	0.07 [0.010]***	0.036 [0.010]***
Married	-0.017 [0.010]*	-0.008 [0.011]
High School [ < HS]	-0.021 [0.015]	-0.04 [0.017]**
Some post-secondary	-0.021 [0.014]	-0.051 [0.016]***
University+	-0.088 [0.015]***	-0.105 [0.017]***
Multiple job holder	0 [0.021]	-0.017 [0.021]
Permanent	0.581 [0.012]***	0.598 [0.011]***
Full-time	0.016 [0.021]	0.005 [0.024]
Job tenure (months)	0.001 [0.000]***	0.001 [0.000]***
Hours Worked	-0.002 [0.001]**	0 [0.001]
Wages	-0.001 [0.001]*	0 [0.001]
Observations	15941	15366

Notes: Robust standard errors in brackets

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

Source: Computed by the author from Labour Force Survey Public-use files; various years; reference month: April

**Table 14: Unionization & Benefits Rates for Service Workers in Service Industries**

		<b>Higher-paid Service Workers</b>	<b>Modified Service Class Workers</b>
		Percent covered (weighted)	Percent covered (weighted)
<b>Unionization</b>	Part-time	40.1	24.7
	Full-time	30.0	21.6
<b>Access to a Grievance Procedure</b>	Part-time	57.0	42.5
	Full-time	56.3	48.9
<b>Benefits – overall</b>	Part-time	67.6	45.8
	Full-time	84.4	74.4
<b>Pension Plan</b>	Part-time	56.5	39.2
	Full-time	57.1	49.7
<b>Stock-ownership Plan</b>	Part-time	2.9	2.8
	Full-time	9.6	7.3
<b>RRSP</b>	Part-time	20.4	15.5
	Full-time	28.2	23.3
<b>Supplemental (Un)Employment Insurance</b>	Part-time	53.7	49.5
	Full-time	46.8	46.7
<b>Life Insurance</b>	Part-time	67.2	51.4
	Full-time	86.8	79.3
<b>Extended Medical Insurance</b>	Part-time	58.3	41.6
	Full-time	75.6	69.6
<b>Dental Insurance</b>	Part-time	58.0	47.6
	Full-time	83.0	76.0
<b>Sample size (unweighted)</b>	Part-time	<b>1,120</b>	<b>2,022</b>
	Full-time	<b>6,997</b>	<b>5,974</b>
	Total	<b>8,117</b>	<b>7,996</b>

Note: Based on employee file of the Workplace and Employee Survey, 2005. Workers from non-service industries are excluded. Modified Service Class Workers include 18 occupations listed by Florida except one; Other Managers (NOC=A3) are excluded because their median wage is much higher than the median wage for all service workers. Service industries are defined in the WES industry aggregation as:

- 7 - Transportation, warehousing, wholesale
- 8 - Communication and other utilities
- 9 - Retail trade and consumer services
- 10 - Finance and insurance
- 11 - Real estate, rental and leasing operations
- 12 - Business services
- 13 - Education and health services
- 14 - Information and cultural industries

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Dr. Anil Verma is Professor of Industrial Relations and Human Resource Management at the University of Toronto where he holds a joint appointment at the Rotman School of Management and the Centre for Industrial Relations. He earned a B. Tech. in electrical engineering from I.I.T., Kanpur (India), an M.B.A. from the University of Saskatchewan, Saskatoon (Canada) and a Ph.D. in management from the Sloan School of Management, M.I.T., Cambridge, MA (USA). He has taught previously at the University of California, Los Angeles, the University of British Columbia, University of Saskatchewan and worked in the steel industry as an engineer for five years.

His primary research interests are in the area of management responses to unionization, participative forms of work organization, wage and employment outcomes, and the contribution of workplace innovations to organizational effectiveness and performance.

He has served as President of the Canadian Industrial Relations Association and on the Executive Board of the International Industrial Relations Association, Geneva. Professor Verma consults with a wide range of businesses, unions, governments and international agencies including the Advisory Committee on Labour Statistics, Statistics Canada.

He has published over sixty articles in research journals and books. He is a member of the editorial board of several journals. He has co-edited seven books including: *Unions in the 21st Century: An International Perspective* (London: Palgrave Macmillan, 2004); *Restructuring Work and the Life Course* (Toronto: University of Toronto Press, 2001); *Contract and Commitment: Employment Relations in the New Economy* (Kingston, ON: IRC Press, 1999); *Regionalization and Labour Market Interdependence in East and South-east Asia* (London: Macmillan, 1997).

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