

# LODGING

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## Pay-for-Skill

An Idea That's Time Has Come

Over the last couple of weeks I have had the opportunity to discuss an extensive property renovation and expansion project coupled with some staff retention issues that are confronting this particular operation. I have also reviewed the schedules of a few of our partner properties and found that there were quite a few individuals who were scheduled for less than a full week, with the prospect of the same scheduling over the next few months. While considering these two situations, I also had an extensive discussion regarding employee retention and job enrichment.

This led me to consider if there was a system or approach that could address these various, apparently differing challenges—all revolving around a property's most important asset, namely its staff.

And what came to mind is a concept I learned about over 30 years ago, but one that has rarely been fully applied in the hospitality industry. Specifically, a Pay-for-Skill structure in the workforce.

For those not familiar with the concept, it is basically an approach where an individual earns more per hour, the more skills they have and therefore the more jobs they can work in. For example, a PBX operator may start at \$7.50 per hour. As a reservationist the pay rate may increase to \$8.25 per hour and a front desk individual can get \$9.00 per hour. While each of these individual jobs has its own base wage rate, a person who can work in all three categories may be paid at either \$9.50 per hour for all hours worked, or at a premium for any hours worked in a specific job class (\$8.75 for reservations).

At first blush one may consider this to be simply a way to inflate an operation's costs as a person who is a reservationist (only one skill) is paid \$8.25 while the multi-skilled individual is paid \$8.75 while doing the same job. And undoubtedly, there is some increase in average hourly pay. BUT, when you step back and look at the big picture, a pay for skill structure coupled with an effective scheduling system that fully cross utilizes people based on skills can improve productivity, reduce overall operating costs as well as reduce turnover.

Job enrichment has been talked about ever since I can remember. What better way to enrich the work environment than to work in a variety of areas, with a wider range of team members? It has been quite common to have servers work in restaurants and banqueting, but this cross utilization can be applicable across an entire organization. Further, when a front desk individual experiences an issue due to a lack of accuracy on a reservation, they are more likely to understand the need for accuracy and get the information right when they take reservations.

This job enrichment is now not only related to a person's single job, but the enrichment actually addresses the employee's overall relationship with the operation. This type of enrichment has been shown to reduce controllable turnover as it increases the level of engagement of the staff, which not only reduces direct costs, but has a positive impact on guest experience as higher skilled individuals remain at the property.



Additionally, when markets have to address significant fluctuations in business volume, the team that has greater cross utilization can help to ensure that its key staff members are more fully employed.

Secondarily, fully utilizing staff helps reduce some of the overhead benefit costs that are fixed once an employee averages a certain number of hours per week. Some benefit costs are variable but some are fixed and utilizing more full time individuals who are working 35 or 40 hours impacts those fixed overhead expenditures.

Productivity is also improved with a motivated team who is rewarded for being multi-skilled. There is a better understanding of the varying tasks and responsibilities that make up the entire business and most importantly, the guest experience. Job combinations (where feasible) sometimes are an outcome of effective cross utilization while frequently inter-department tasks are streamlined when employees fully understand that entire work flow.

And while I have mostly focused on the benefits of cross utilization, a fundamental means of motivating a team to embrace this optimization of staff use is to implement a Pay-for-Skill structure. If an employee knows that by adding a skill to his/her abilities they will personally benefit with an increase in wage rate, this can be a key motivator for an individual to learn new tasks.

No matter how hard an organization may try to optimize cross utilization, the Pay-for-Skill system will help to motivate everyone in the same direction and with very measurable benefits. It is a structure our industry should be embracing as we continue to look for new ways to create further engagement while driving net operating income

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