

UNITED STATES DEPARTMENT OF LABOR
COMMUNITY AUDIT
FOR THE
SOUTHERN NEW JERSEY HOSPITALITY INDUSTRY

Conducted by:



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In cooperation with:



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ATLANTIC COUNTY OVERVIEW

INTRODUCTION:

The New Jersey Department of Labor received a grant from the U.S. Department of Labor to perform a regional Community Audit of the hospitality industry in Southern New Jersey. The Community Audit program is one of several labor market demonstration projects funded by the federal government for the 2001 – 2003 funding cycle.

The NJ Department of Labor has contracted with the Center for Regional and Business Research (CRBR) at Atlantic Cape Community College to perform a number of services encompassed by the grant. This county overview is one of those services. The CRBR will complete similar overviews for each of the other counties in the region – Burlington, Camden, Cape May, Cumberland, Gloucester and Salem.

For the purposes of the Community Audit, the hospitality industry has been defined as those businesses and their employees in Standard Industrial Classification (SIC) #70: Hotels, Motels, and Other Lodging Places. This is in conformance with other USDOL projects focusing on this industry.

This overview will present:

- a brief overview of the economy of the county
- a description of the structure and geography of existing hospitality firms
- an evaluation of the county's current labor market in the skill and wage levels which characterize the industry

ECONOMIC OVERVIEW:

A broad picture of the economy of Atlantic County is given by the information presented in **Table 1** below. Its labor market implications are clear. Relatively high growth in population and low growth in employment have resulted in higher than average unemployment and poverty rates. The result is one of the lowest per capita income levels in New Jersey. The growth sectors have been almost completely confined to retail, construction and health services. Casino sector employment grew rapidly in the 1980s

but slowed in the 1990s, despite substantial revenue growth, as no new properties opened and consolidations took place.

The population growth in the County has added to the expansion of the retail sector and personal services. These have provided employment opportunities for those with the same skill levels demanded by the hospitality sector which tend to be relatively low.

Because the County’s hospitality industry is very large, it competes directly with high growth in the retail sector. In addition, the casino sector has very high turn-over rates which increase the number of people needed to fill each job over time. All of these factors suggest a tight labor market for entry-level or low-skilled jobs. This is compounded by the lack of mass transit access to surrounding areas due to low population densities, requiring that most low-wage employees be from nearby communities.

Southern New Jersey Community Audit		
Table 1: County Overview		
Atlantic County		
	Atlantic	New Jersey
Population Growth (1990 - 2000)	12.6%	8.6%
Private Sector Employment Growth (1990 - 1999)	2.3%	6.8%
Unemployment Rate (2001)	5.4%	4.2%
Per Capita Income (1999)	\$21,034	\$27,006
Poverty Rate (2000)	10.5%	8.5%
HS Graduate or Higher	78.2%	82.1%
Bachelor Degree or Higher (2000)	18.7%	29.8%

This general evaluation is supported by the listing of occupations in excess demand in the County. The ability to find workers at current wage levels is shared by

other industries competing for the same labor pool. **Table 2** lists the occupations in demand in the hospitality industry:

Table 2:

Atlantic - Cape May WIB

Code	Program Title	Demand
09-000000	Hospitality and Tourism	
09-010000	Food and Beverage Services	Y
12.0501	Baker/Pastry Chef	
12.0503	Culinary Arts	
12.0505	Kitchen Personnel/Cook and Assistant Training	
20.0401	Institutional Food Workers and Administrators General	
09-020000	Lodging Services	Y
08.0902	Hotel/Motel Services Marketing Operations	
52.0902	Hotel/Motel and Restaurant Management	
09-030000	Travel and Tourism	Y
08.0901	Hospitality and Recreation Marketing Operations General	
52.0903	Travel-tourism Management	
09-040000	Recreation, Amusements and Attractions	Y
12.0204	Umpires and Other Sports Officials	
31.0101	Parks Recreation and Leisure Studies	
31.0301	Parks Recreation and Leisure Facilities Management	
09-050000	Casino Services	Y
12.0203	Card Dealer	

The same labor market imbalances are found in industries which compete with hospitality for workers: construction, wholesale and retail trade, health services, eating and drinking places, amusement and recreation, and social services.

STRUCTURE OF THE HOSPITALITY INDUSTRY:

Information about the characteristics of the hospitality industry is available to construct a profile of the firms in Atlantic County. This information is from both the NJ Department of Labor and Dunn & Bradstreet's Marketplace database. The data for the non-casino businesses is summarized in **Table 3a** below:

Southern New Jersey Community Audit				
Table 3a: Number of Hospitality Businesses, Non-Casino				
Atlantic County				
SIC Code		No. Bus.	% Total	Total Emps
7011	Hotels and motels	163	85.3	6,753
7032	Sporting and recreational camps	20	10.5	99
7033	Trailer parks and campsites	4	2.1	12
7021	Rooming and boarding houses	4	2.1	42
Total/Avg		191	100	6,906

The continued reliance of the County's economy on the hospitality industry is obvious from the size of the industry. When the casino properties in **Table 3b** are added, the employment level is nearly 40% of all County jobs. This industry clearly has heavy influence on the labor market in the County.

Southern New Jersey Community Audit				
Table 3b: Number of Hospitality Businesses, Casino				
Atlantic County				
SIC Code		No. Bus.	% Total	Total Emps
7011	Hotels and motels	12	100	43,299
Total/Avg		12	100	43,299

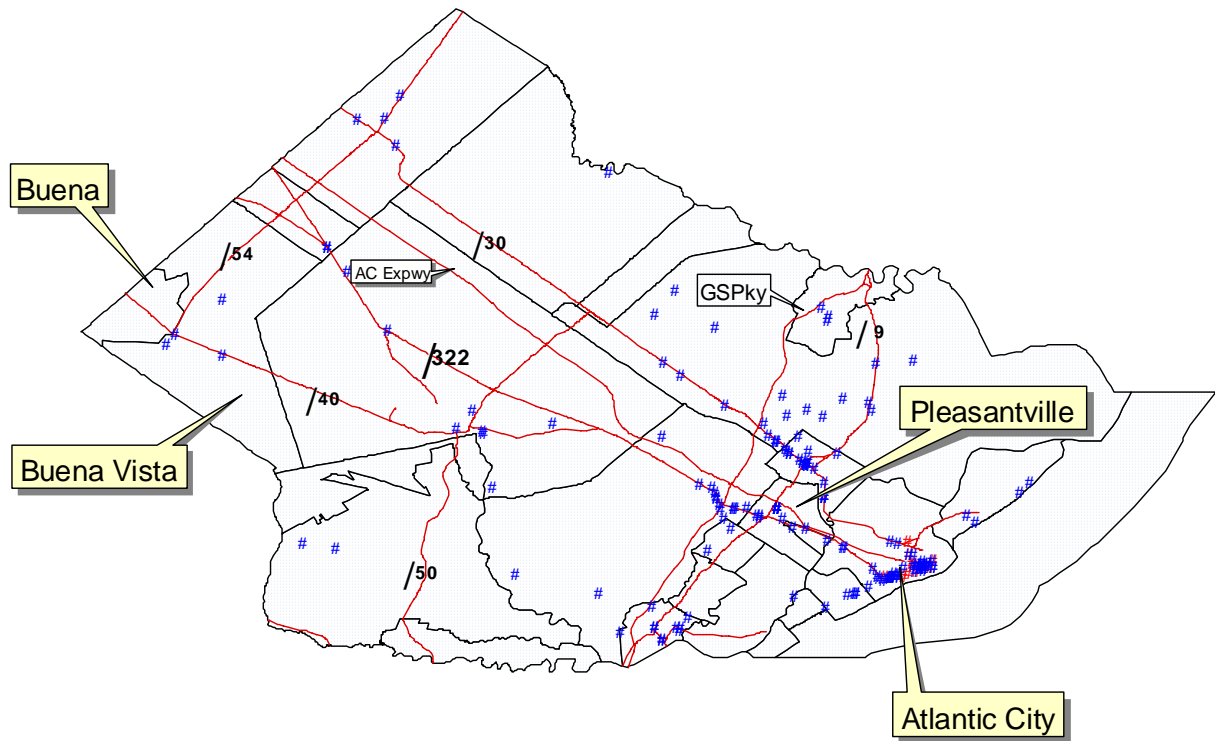
Of interest is the performance of the industry in the recent past. As **Table 4** reports, there have been 26 new businesses introduced in the past five years. Hospitality is a growth industry in the County. This will be accelerated when the Borgata casino-hotel project opens in 2003 with almost 5,000 new employees. In addition, three large retail projects are currently under construction in Atlantic City with the potential to add an additional 2,000 retail jobs to the labor market.

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Table 4: Non-Casino Hospitality Businesses by Age			
Atlantic County			
Yrs. In Business	No. Bus.	% Total	Total Emps
not applicable/unknown	51	26.7	887
21 years or more	38	19.9	770
6 to 10 years	28	14.7	2,278
16 to 20 years	26	13.6	377
11 to 15 years	22	11.5	311
4 or 5 years	12	6.3	196
1 year or less	7	3.7	2,026
2 or 3 years	7	3.7	61
Total/Avg	191	100	6,906

While scattered properties appear in the western part of the County, the hospitality industry is concentrated near the shore area. In order to utilize available labor, the location of hospitality businesses in relation to areas of relatively high unemployment in 2001 was examined. The need for entry-level employees in other counties to pay high transportation costs will limit the available labor supply to the industry. **Figure 1** shows the four municipalities with the highest unemployment rates. These include: Atlantic City (9.3%), Pleasantville (8.3%), Buena Township (10.2%), and Buena Borough (6.5%).

The continued high unemployment rates in Pleasantville and Atlantic City, despite their proximity to employment centers and excess demand in the hospitality sector, indicate a mismatch between the supply and demand characteristics in the labor market. Clearly, workforce development issues need to be further addressed. Some of the limiting constraints like criminal and drug records, the lack of single-parent support services, and scheduling issues need to be overcome.

Figure 1: ATLANTIC COUNTY HOSPITALITY INDUSTRY



THE HOSPITALITY INDUSTRY'S LABOR MARKET:

The wage structure of the hospitality industry is both low and narrow. Looking ahead to **Table 7**, the average annual wage is \$25,600 in the Atlantic City Labor Area (Atlantic and Cape May counties). In addition, the range from the bottom quartile to the top quartile is not particularly narrow, from \$15,935 to \$30,930. These will be compared to other industries later in this section. However, this wage structure includes the entire casino labor force. In reality, this part of the hospitality industry is characterized by well-defined internal sub-markets which include relatively low and narrow wage bands in the entry-level, low-skilled jobs.

Moreover, the County's hospitality industry does offer a wider spectrum of job opportunities than is found in other counties. While there are few other growth industries in the County which offer opportunities for vertical movement, the hospitality industry has a higher average wage and a wider array of jobs for those with the requisite skills. Whether the movement from positions in low-paid sub-markets to better ones within the industry is possible depends a great deal on the ability to attain these skills.

It is clear that the hospitality industry must compete in the low-skill part of the labor market with a number of other growth industries. The demand for labor by all of these industries results in some pressure on wages and benefits. **Table 5** below shows the County's expected growth sectors of the economy over the next six years. Many of these are also characterized by low-wage employment, especially social services, wholesale trade, eating and drinking places, and amusement and recreation services. However, the other industries include a wide range of occupations which include both low and high wage positions. Unfortunately, these are limited.

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Table 5:					
Atlantic County					
Private Sector Industries with the Greatest Employment Growth, 1998-2008					
SIC Industry Title	1998 Number	2008 Number	Change: 1998-2008		
			Number	Total	Percent Annual
70 Hotels & other lodging places	50,300	61,200	10,900	21.7	2.0
80 Health services	10,850	13,700	2,800	26.0	2.3
73 Business services	4,900	7,050	2,150	44.2	3.7
58 Eating & drinking places	7,550	8,800	1,250	16.5	1.5
41 Local & interurban passenger transit	1,600	2,450	800	50.9	4.2
79 Amusement & recreation services	1,650	2,500	800	49.2	4.1
83 Social services	2,150	2,850	700	33.1	2.9
87 Engineering & management services	1,900	2,450	550	30.3	2.7
51 Wholesale trade-nondurable goods	2,150	2,550	400	18.1	1.7
53 General merchandise stores	2,650	3,000	350	13.0	1.2

While the non-retail industries have higher wage structures than hospitality, they all employ people in some low-wage occupations. **Table 6** reports the high growth occupations that are expected to accompany these industries. Waiters and waitresses will be the occupation with the most annual openings (370). There is not a good balance of skills that will be in demand. This indicates that the County will continue to have a relatively low income profile despite employment growth.

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Table 6:

Atlantic County

Occupations With The Most Average Annual Job Openings, 1998-2008

Occupation	1998		2008		Change: 1998-2008		Annual Average Job Openings		
	Number	Percent	Number	Percent	Number	Percent	Total	Growth	Replacements
Dealers, Casino	7,250	4.8	8,900	5.1	1,650	22.7	320	160	150
Waiters & Waitresses	5,000	3.3	6,000	3.4	1,000	19.5	370	100	280
Maids & Housekeeping Cleaners	3,900	2.6	4,700	2.7	800	20.6	150	80	70
Janitors & Cleaners	4,250	2.8	5,000	2.8	700	16.7	170	70	90
Retail Salespersons	4,700	3.1	5,350	3.1	650	13.3	220	60	160
Service Supervrs/Mgrs Super, NEC	2,550	1.7	3,200	1.8	600	24.2	120	60	60
Cashiers	3,850	2.6	4,400	2.5	550	14.1	220	50	170
Dining Rm/Cafe Attnds/Bar Helpers	2,600	1.7	3,100	1.8	550	20.5	130	50	80
Casino Cage Cashiers	2,250	1.5	2,750	1.6	500	22.6	100	50	50

The education and training requirements for all employees in the year 2008, as reported by the NJDOL, are among the lowest in the region with only 18% requiring a college degree. This stresses the need for non-degree training programs to prepare the remaining workers for the workplace.

Finally, **Table 7** compares the wage structures of the growing and the competing industries with that of the hospitality industry. In general, wage levels indicate the skills required in that industry. In addition, the wage spread is an indicator of the opportunities for advancement within that industry. There is nothing, of course, which restricts any employee from moving into a higher wage industry, but the spread does give some evidence of the limits of internal career and promotional ladders.

The average annual wages in some of the industries which compete with hospitality for entry-level workers are lower. These will find it hard to compete with the expansion of the casino industry for employees. Retail and personal services, in particular, will struggle to find help.

However, for those with the appropriate training and education, the growth industries of business and health services offer a wide spectrum of skill and wage levels. In addition, the construction industry continues to expand and pays very high wages. Their wide wage ratios are in stark contrast to the more narrow ones found for the closest labor market competitors.

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Table 7: Comparative Wages					
Atlantic County					
	Comparative Wages				
	Avg. Annual	25th Percentile	Median	75th Percentile	Ratio: 75th/25th
Hospitality Industry	\$25,600	\$15,935	\$22,040	\$30,930	1.94
Top 5 Growth Industries: 1998 - 2008:					
Hotels & other lodging places	\$25,600	\$15,935	\$22,040	\$30,930	1.94
Health services	\$37,300	\$21,000	\$28,800	\$47,125	2.24
Business services	\$34,760	\$18,710	\$25,830	\$40,355	2.16
Eating & drinking places	\$19,110	\$12,995	\$16,585	\$22,500	1.73
Local & interurban passenger transit	\$26,700	\$15,760	\$20,710	\$27,090	1.72
Competing Labor Market Industries:					
Building Construction	\$47,910	\$30,075	\$49,320	\$64,650	2.15
Retail - General Merchandise	\$17,225	\$13,480	\$15,790	\$18,435	1.37
Amusement and Recreation Services	\$23,905	\$14,290	\$17,345	\$25,240	1.77
Personal Services	\$19,660	\$13,335	\$17,210	\$22,560	1.69

SUMMARY:

Since the size of the hospitality industry in Atlantic County is large, it presents formidable competition for other industries with comparable labor needs. The advantage is that the existence of low-skill, entry-level jobs allows people with little training to enter the job market, learn basic work skills, and be exposed to other opportunities. In many cases, these lead to the acquisition of more training and advancement.

However, the hospitality industry itself presents limited opportunities for significant career ladders. The limited number of managerial and technical jobs creates these limits. In the case of Atlantic County, this is of greater consequence since the industry is the dominant one. The need to diversify the economy in order to create a wider spectrum of employment opportunities and higher incomes is apparent. The question which remains is whether the hospitality industry can spawn and foster other industries which provide these opportunities.