

## *INDUSTRY REPORT ACCOMMODATION (AIRBNB)*



Research for this report stems from three interviews (due to conflicting schedules a focus group format was not possible) conducted by PLUS team member Valentin Niebler. Sebastian Riesner from the union NGG (Gewerkschaft Nahrung-Genuss-Gaststätten) was interviewed on the outcomes for workers in the hotel and accommodation industry on April 28, 2021, Thomas Lengfelder from the accommodation company association DEHOGA (Deutscher Hotel- und Gaststättenverband) was also interviewed on April 28, 2021 on the effects for companies and employers in the industry. For the perspective of the municipality, Uwe Münkemüller from the Berlin Senate administration on city development and housing was interviewed on April 29, 2021. Interviews took around 30 to 45 minutes.

### **Employment in the Berlin accommodation industry**

In Berlin, around 80.000 workers have been employed in the accommodation and gastronomy sector by 2019.<sup>1</sup> Altogether, 787 accommodation companies (hotels, hostels and camping grounds) were counted for the same year; this number had shrunk to 608 by the end of 2020 due to the outcomes of Covid-19. Until the outbreak of Covid-19 in Germany, the industry was doing economically well and had been in a phase of expansion. For 2019, 34,5 million bednights were counted in Berlin according to the DEHOGA representative, the highest number in the history of the city (this is excluding Airbnb, which added another 4 million bednights). These numbers reflect a development of Berlin in the last two decades from a municipality grappling with the difficulties of German reunification, with low investment rates and high unemployment rates towards becoming the administrative capital of Germany with growing international appeal and becoming a magnet for travelers, tourists and business events from around the world. The accommodation industry therefore faced growing demand and also an influx of workers. Some segments of the accommodation industry have also specifically focused on young and low-budget travelers, a group that appears to use Airbnb frequently as well.

Given this situation, Airbnb's start has been seen critically by the industry and led to several reactions against it, although competition is higher in some segments and lower in others. However, conflicts between the accommodation industry mostly appear to be a conflict around the share of a growing pie and not a fight against the decline of the industry as such. The main complaints from businesses and their associations is focused around a double standard concerning legal requirements and taxation. Businesses and associations complain about a distortion of competition, pointing to the fact that Airbnb hosts often do not need to adjust to certain security standards (fire protection etc.) which are costly for Hotels and can therefore offer rooms and apartments for lower prices. Generally, Airbnb appears to have

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<sup>1</sup> Since statistics do not separate accommodation and gastronomy, the number of workers in accommodation is unclear. The numbers of 2019 have declined since due to the Corona pandemic, but exact numbers could not be accessed at the point of the report research.



contributed to the already high competition on the market for accommodation as well as the shortage of housing in Berlin.<sup>2</sup>

As in most comparable cities, work in the accommodation industry is composed of low-wage and often migrant workers. Formally, the accommodation industry in Germany is integrated into the country's vocational system which includes qualified training of several years depending on the level of skill and coordinative capacity. According to the research institute WSI of Hans-Böckler-Foundation, monthly wages before taxes vary between payments slightly above the minimum wage<sup>3</sup> with 9,80 EUR/hour (for a kitchen assistance) and 13,93/hour EUR (for head waiters).<sup>4</sup> Wages in the industry are subject to collective negotiation processes between the business association DEHOGA and the industry union NGG. Negotiation processes take place regionally for each state. As almost all accommodation companies in Germany are part of DEHOGA, collectively bargained wages appear binding.<sup>5</sup> The degree of informal work in the sector is unknown and likely dependent on the size of the companies. Most workers are employed full-time at their jobs, although a bigger share of women (12 percent) are working part-time. A common issue among workers in the accommodation industry is overwork. According to the above mentioned study, almost 66 percent of workers are working longer hours than they are supposed to.<sup>6</sup>

Workers in the accommodation industry are rather passively influenced by the spread of Airbnb. The NGG representatives emphasizes that competition with Airbnb is mentioned in wage negotiations with DEHOGA and that this increases wage pressure. The NGG union representative points to this issue:

*“That's what we're told in the collective bargaining / [...] it's not the only argument. But it is brought forward, of course. According to the motto: Well, so we have to sell a hotel room here, which we possibly [...] [can sell] for 100€ at the market [...], so we must deliver it possibly more inexpensive, because we determined, and that is also very systematically from the hotels there is yes a market observation, so. So they look very closely at: at what prices, for example, um, vacation apartments are rented out. [...] And since the cost factor of personnel is a decisive factor in the service sector of hotels and restaurants, it always has an*

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[https://www.diw.de/de/diw\\_01.c.796644.de/publikationen/diskussionspapiere/2020\\_1890/airbnb\\_and\\_rents\\_evidence\\_from\\_berlin.html](https://www.diw.de/de/diw_01.c.796644.de/publikationen/diskussionspapiere/2020_1890/airbnb_and_rents_evidence_from_berlin.html)

<sup>3</sup> Minimum wage in Germany is 9.35 EUR/hour as of 2020. It presents a contrast to the threshold of a living wage in Germany, which studies suggest would be 12 EUR/hour; comp. [https://www.boeckler.de/pdf/p\\_wsi\\_report\\_55\\_2020.pdf](https://www.boeckler.de/pdf/p_wsi_report_55_2020.pdf)

<sup>4</sup> <https://www.lohnspiegel.de/hotelfachleute-13909.htm>

<sup>5</sup> <https://www.dehoga-bundesverband.de/branchenthemen/tarifvertraege/>

<sup>6</sup> *ibid.*



*impact, for example, in collective bargaining such topics, um, that they are then addressed and of course also countered."*

Besides this, Airbnb hosts are not usually competing for the staff of hotels or hostels as it might be the case with other platform business models.

### **Scope of the industry and company strategies**

For companies in the accommodation industry in Berlin, the biggest economic threat in recent years appears not to be Airbnb, but booking platforms such as Booking.com and Expedia, which have established themselves as indispensable for most businesses and intensified the market pressure. Only larger hotel chains appear to have a leverage in negotiating conditions with these companies, resulting in difficulties for companies of a smaller size.

Outsourcing has been a well-established strategy by companies in the last decades already. Hotels and hostels reduce their employed staff to a minimum and work together with external service providers to ensure flexibility and profits. The DEHOGA representative, who has been a hotel manager for decades, reflects on this development as a continuous reduction of staff:

*"In the end, one has also saved more and more in recent years and the hotel industry. So I say, in 1976 I learned in such an Atlantic hotel in Hamburg. 351 rooms, 500 employees. So the last hotel I managed had 700 rooms and 170 employees. So a lot has already been digitized, a lot outsourced. In the area of room cleaning, basic cleaning, window cleaning. Even stewarding has been partially outsourced. We no longer have so many permanently employed waiters in the banquet area, but only get them from outside companies when the events are running. A significant reduction."*

The dispersion of platforms and gig work has not been part of outsourcing in the accommodation business so far. Instead, companies work together with conventional service providers or temp work agencies. Cleaning services through Helpling are not an issue so far, although the company recently announced it would enter the B2B business.<sup>7</sup> However, platform appear to also approach the industry. Associations such as DEHOGA receive offers by companies such as Uber Eats prior to their market entry, and are offered cooperation contracts. The DEHOGA representative stated that for Berlin, such offers have been declined because partnerships with delivery companies are harmful to most accommodation businesses own gastronomy. Still, 'passive outsourcing' towards delivery might be an option in the future.

### **Section Industry regulation**

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<sup>7</sup> <https://www.deutsche-startups.de/2021/02/28/philip-huffmann-helpling-currywursttalk/>



On the issue of regulation of Airbnb and short-term rental platforms, two forms of demands evolved from the perspective of incumbent industry associations and the general public. First, the demand of 'fair competition', mainly voiced by the accommodation industry and related to both tax obligations and security arrangements that influence pricing on the market. Secondly, regulation of short-term rentals due to the commercialization of residential spaces which have become scarce in the last decade in Berlin, an issue that has been raised by tenant and renter associations as well as other social movements in the city. Both issues are to some extent tackled by the Misappropriation Ban Act ("Zweckentfremdungsgesetz"), which demands registration and limited use of private premises for short term rentals.

Different from most other major cities in Germany, Berlin did not prohibit the commercial use of residential spaces until 2014. Although such regulation existed before, it was lifted in 2000 by a court due to vast amount of empty houses in the city. The Berlin Senate representative describes the situation as such: *"Around 2000, there were about 140,000 vacant apartments in Berlin. And that's when the Higher Administrative Court [Oberverwaltungsgericht] said, [...] the real basis for such a drastic law of a misappropriation, a ban on misappropriation no longer exists."*

As this situation changed rapidly to the opposite from 2010 on (and substantially through the spread of Airbnb), new regulation appeared necessary and was passed by the Senate administration for city development and housing in 2014 in the form of Misappropriation Ban Act, which was made more restrictive in April 2018. The Misappropriation Ban Act states that home sharers that rent out more than 49% of their apartment need a license, which can be acquired at the district authorities and must be displayed in online offerings too. In this case, license costs around 225 euro. Additionally, it is only allowed to rent out second homes for a maximum of 90 days per year.

According to this regulation, all users of home-sharing platforms need to acquire a registration number at the local housing offices, which should be displayed in the online listings. Applying for the registration number is free of charge and is easy to obtain, once all documents are presented. However, to get it, it is necessary also to provide a declaration by the landlord. If no license is issued and a flat is being found on Airbnb anyway the fine can be as high as 500.000 EUR. As it is difficult for the local housing offices (on a district basis) to control and identify holiday flats, the department of housing has developed an online procedure, through which neighbors can "denounce" illegal holiday flats. The license aims at commercial Airbnb-Hosts, hoping to rise the quota of flats permanently available for Berlin residents. For this type of rental another license needs to be issued which costs between 220 and 300 EUR and the allowed renting period a year is also limited to 90 days.

The Misappropriation Ban Act only applies to residential housing and does not touch the use of spaces declared as commercial premises. This makes it possible to circumvent the limitations through the regulation, especially for professional agencies. Also, as of August



2020, only 17 percent of all Airbnb offers in Berlin had a registration number.<sup>8</sup> According, to our experts interviewed, there has been at least partial success in regulating Airbnb in Berlin, which also led to significantly less listings on the platform. An important means for the Senate administration to better control and enforce regulation is to have access to Airbnb's host data, an issue which is at the moment negotiated on a European level.

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<sup>8</sup> [https://www.rbb24.de/wirtschaft/thema/2020/coronavirus/beitraege\\_neu/2020/10/airbnb-wohnungen-vermietungen-anstieg-corona-berlin.html](https://www.rbb24.de/wirtschaft/thema/2020/coronavirus/beitraege_neu/2020/10/airbnb-wohnungen-vermietungen-anstieg-corona-berlin.html)

