

Industry report – hotels – Paris

- PA_AC_1 : Representative of an hotel business association
- PA_AC_2 : Paris city hall employee

Employment and working conditions in the incumbent industry

Labor conditions in the sector of hotel and accommodation

Before the health crisis of the Covid-19 and the consequent lockdowns, the annual growth in the number of employees in the sector was higher than in the rest of the French economy as a whole¹. The sector is characterized by high labor mobility (turnover rates are from two to three times higher than in the rest of the economy as a whole) and by long working hours. Part-time work and “atypical” working hours (night shifts, Saturdays and Sundays work) are widespread. Fixed-term contracts are frequent: from 15% for cooks to 18% for employees and supervisors, against 10% in all the other sectors of the economy taken together².

According to expert PA_AC_1, there has been no major impact on employment in the hotels linked to the development of Airbnb: “In a hotel, whether it is 50% or 100% full, you need the same number of staff. There's not much room for maneuver on hotel staff. So the impact on the volume of employment is limited. Moreover, and more importantly, the occupancy rate (the number of rooms occupied) of the hotel industry, especially in Paris, remained stable during the last years, despite the development of Airbnb³. What has been greatly impacted by the expansion of short rentals via the platforms, is the pressure on prices: they have decreased, while the fixed costs for hotels are still the same”.

However, the effects of the development of Airbnb depend on the category of hotels under consideration: “unclassified” (lower standards) hotels are the ones that suffer the most from Airbnb competition. We can therefore hypothesize that it is in this type of hotels that the working conditions of employees have deteriorated the most. Research has also shown that

¹ The number of employees has increased by 23% between 1993 and 2010.

² Forté Michèle, Monchatre Sylvie, « Recruter dans l'hôtellerie-restauration : quelle sélectivité sur un marché du travail en tension ? », La Revue de l'Ires, 2013/1 (n° 76), p. 127-150.

³ The “occupancy rate” in Paris before the health crisis was 85%.

in Paris the competition between hotels and Airbnb intensifies in the weekends. This suggests that Airbnb is more an alternative for tourists than for business travelers⁴ (see below).

Impact of Covid-19 pandemic

The impact of the Covid crisis has been significant on the sector, but unevenly: extremely strong in large cities, it has been less important in tourist areas, as well as for green tourism and seasonal tourism⁵: “Last summer for hotels on the coast it went very well and even in the mountains because people were looking for a bit of nature” (PA_AC_2). The experts stressed that the greatest impact of the health crisis on the sector was in Paris, since the city is much more dependent than the rest of France on business travelers who are today largely teleworking. PA_AC_1: “We don't think we will see a return to normal for several years, simply because business travels will not automatically start again. Teleworking has developed a lot and it is not going to disappear like that, nor will videoconferencing”.

Regarding State programs and aids toward the sector - that was included in the list of “protected sectors” by the government - the experts considered that they have been “sufficient”. As far as the hotel industry employees are concerned aids consisted in measures of “partial unemployment” financed 100% by the State.

On the business side, hotels had access to the “solidarity fund” (that goes up to 200,000 euros per month for the companies of the protected sectors). Moreover, large companies have also received additional aids for fixed charges, and a state-guaranteed loan (that allows companies to get a loan from their bank with a state guarantee) has been reinforced⁶.

PA_AC_1: “We've been on a total aid drip for a year and fortunately the State has played its role as a shock absorber to avoid dramatic crises because we're in a sector that employs almost 3 million people, and which finds itself losing 60% of its turnover, which is dramatic in terms of employment. The real question for us is how to deal with the fact that the State will

⁴ Ewen Gallic, Vincent Malardé. Airbnb in Paris : quel impact sur l'industrie hôtelière?. 2018. (halshs-01838059)

⁵ The same tendency has been observed for Airbnb: <https://www.forbes.fr/business/airbnb-les-locations-en-baisse-a-paris-mais-une-hausse-record-des-reservations-dans-toute-la-france/>

⁶ The state guarantee amounts to 70% of the loan amount. For smaller companies (SMEs), it can cover 90% of the loan.

gradually withdrawing aid. Because we consider that we are a sector that will not automatically recover, at least until 2023 or 2024”.

Scope of the industry and company strategies

[Private short-term rentals are not only mediated via platforms but also increasingly rely on paid concierge and cleaning services. Are incumbents forced to also use platform-based matching services (such as booking.com)? Do you observe a tendency that the traditional hotel business outsources ancillary services?]

According to the experts, between 2005 and 2015, up to 80% of the turnover of Parisian hotels (almost 80% of the guests) came from platforms like Booking.com. However, during the last years, according to PA_AC_2 “hotels were trying to use Booking.com type platforms less and less for several reasons, the first of which is financial, because Booking.com charges 18%, so it's a significant amount of money”.

A strategy to avoid using these platforms, according to experts, is to attract more business travelers: “Parisian hotels try to attract mainly professional clients, business clients, who are more likely to return than leisure clients and who - for billing reasons - do not use Airbnb or Booking.com. From the moment you succeed in retaining this business clientele, it's also a clientele that has more important needs and that can spend more. So the Parisian hotel industry is seeking to renew itself by offering co-working spaces, personal care services...” (PA_AC_1).

Nevertheless, the platforms allow to reach an international clientele and the platforms are still used as a loss leader to sell abroad.

Trends observed

The experts have highlighted important changes in Airbnb's strategy that could affect Parisian hotels in the future. In particular the alignment of the business model of Booking.com and Airbnb:

“We've noticed over the last year or two that Airbnb's business model is beginning to look like that of Booking.com, and this is something that worries Booking.com or Expedia a lot. Airbnb is a fairly considerable strike force in financial terms. They need to find a margin for external growth, and the margin for external growth is the hotel business, because flats are extremely

fluctuating, whereas hotel rooms, once they are there, are stable. And we can see that Airbnb is starting to change its business. So that's how I see it, I think that on Airbnb in a short time we will offer hotels and flats at the same time" (PA_AC_1).

Industry regulation

[With new market entrants there could be brought forward changes in regulations or industry standards. In accommodation this could relate to tightening or loosening health and safety or some hygiene standards to either allow new competitors easier market entry or to protect existing providers. How have regulation and standards changed due to the market entrance of online platform providers?]

In addition to the measures regulating Airbnb implemented by the Paris City Council and in particular the mandatory registration number for Airbnb listings (see WP 2 report), which aim to reduce the platform's impact on the real estate market and on housing, the historical players of the sector are also lobbying for regulation and taxation of platforms.

In January 2017, for example, 800 hotel and tourism professionals in France made a complaint to oppose the practices of short-term rental platforms. They criticize an "unfair competition", because Airbnb is not subject to the same standards of safety and hygiene, which are regularly updated and have a strong impact on the hotel and tourism industry.

Moreover, according to the experts, the pressure on prices also has an impact on the capacity to modernize the Parisian hotel park and the capacity for investment (banks being less willing to grant loans).