



Investing in At-Risk Youth

# Closing the Talent Gap of the Brazilian Hospitality Industry

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By Nicole Etchart and Anette Kaminski

## CLOSING THE TALENT GAP OF THE BRAZILIAN HOSPITALITY INDUSTRY: INVESTING IN AT-RISK YOUTH

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## Preface

In May 2016, the Conrad N. Hilton Foundation commissioned NESsT Brazil to conduct research centered on assessing the potential of the hospitality industry, particularly in the cities of Rio de Janeiro and São Paulo, to provide skilled employment for Brazilian at-risk youth.<sup>1</sup>

The framework of the research focused on better understanding the opportunities for building a workforce development program for youth that responds to the needs of the hospitality industry while addressing the skills gap that exists among Brazilian at-risk youth to meet these needs. Furthermore, the research assessed the potential of existing organizations and programs, and particularly social enterprises, to bridge this skills gap by best preparing at-risk youth for a permanent career in the industry, and what would need to happen to help grow and strengthen these enterprises for this purpose.

To carry out the research, NESsT Brazil's methodology included extensive secondary research about the state of the hospitality industry in Brazil, particularly highlighting the employment trends and opportunities in São Paulo and Rio de Janeiro. It also mapped out the offer of vocational education in Brazil aimed at preparing talent for the hospitality industry, again with particular emphasis in these two geographic markets.

The second phase of the analysis sought to gather a large spectrum of viewpoints on the key challenges and opportunities that currently exist to close the skills gap from both the supply (employer) and demand (employee) sides. On the supply side, the research included in-depth qualitative interviews with stakeholders operating directly in the hospitality sector, such as executives and human resource practitioners, officials from public institutions, representatives from professional and trade associations

and non-governmental organizations. The data that emerged further expanded and validated earlier findings.

On the demand side, in the month of September 2016, NESsT held focus groups both in Rio de Janeiro and São Paulo with at-risk youth that are supported by vocational training programs for the hospitality industry offered by Brazilian NGOs in partnership with hotels in both cities. These discussion with more than forty low-income young people between the ages of 17 to 24, both female and male, allowed NESsT to learn more about the experience of youth in the hospitality industry and to assess their views in relation to that of employers,

In the third phase, NESsT documented best practices that currently exist in Brazil that are specifically addressing the need to build the skills of at-risk youth to prepare them for the hospitality industry. These best practices shed light on some of the key drivers that need to be present for these models to succeed.

Finally, the last phase encompassed a roundtable held in Rio de Janeiro in October 2016 with hospitality sector stakeholders gathered to discuss the key findings of the research and exchange further views.

The following executive summary presents the main views and key findings captured throughout all of the research phases, building a case on why a longer term strategic approach to prepare at-risk youth for a career in hospitality is needed, from both the demand (employee) and supply (employer) sides. The high growth of the hospitality industry in the country, coupled with the urgent need to include millions of young people in the labor market, presents a unique opportunity to develop a sustainable workforce development strategy. The research includes key recommendations on how this should happen.

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<sup>1</sup> For purposes of this study, NESsT defines at-risk youth as youth ages 17-24 who are low-income, unemployed, or at risk of becoming unemployed or of dropping out of school.

## Hospitality Sector in Brazil

ONLY 50 YEARS AGO, THE BRAZILIAN HOTEL INDUSTRY WAS STILL IN ITS INFANCY. IN THE LAST DECADE THIS INDUSTRY HAS EXPERIENCED A GROWTH OF APPROXIMATELY 5% PER YEAR, ACCORDING TO THE BRAZILIAN HOTEL INDUSTRY ASSOCIATION (ABIH), AND BRAZILIAN URBAN HOTELS AND CONDO HOTELS HAVE POSTED A POSITIVE REVENUE PER AVAILABLE ROOM FOR THE TENTH CONSECUTIVE YEAR.

In fact, Brazil's hotel industry is set to experience a significant boom, as research from the Brazilian Hotels Operators Forum (FOHB) reveals that investment in the sector is expected to reach almost US\$4.5 billion over the coming years. The current nationwide capacity of 94,000 rooms is expected to rise substantially by more 23% and reach 164,000 rooms by 2020 with the potential to generate approximately 200,000 new jobs. In primary hotel markets in Brazil—specifically Rio de Janeiro, São Paulo, Salvador, Curitiba, Porto Alegre and Belo Horizonte—each booked hotel room generates 0.4 to two jobs, depending on the hotel class. The International Labor Organization estimates that every new job created in the hospitality industry supports 1.5 jobs along the supply chain, and boots the local economy by a proportionate amount.

The current debate within the Brazilian government regarding the regulation and legalization of casinos and gambling parlors (banned in the country since 1946) is being closely monitored by the country's tourism industry and its stakeholders. Legalized casino gambling and a regulatory framework for online

gambling could generate up to R\$20 billion (US\$5.7 billion) annually in new tax revenue coupled with new investments and employment generation.

Additionally, in 2016 the Ministry of Foreign Affairs in partnership with the Brazilian Tourism Board (EMBRATUR) lifted entry visa requirements for tourists from Australia, Canada, Japan and the United States in an effort to maximize the foreign tourism flow into Brazil and encourage travel to the Olympics in Rio de Janeiro. Based on the number of visas issued, these four countries accounted for 759,087 visitors to Brazil in 2015. The Brazilian government has recognized the benefit of lifting entry visa requirements, and the Ministry of Foreign Affairs is currently considering extending the waiver until August 2017. The expected continuation of Brazil's visa waiver program will result in a greater influx of foreign tourists requiring accommodations in the country's top markets.

### Rio de Janeiro

The 2016 Olympic Games also had a significant impact on the hotel market in Rio de Janeiro, supported by local legislation that offered tax incentives to developers. According to Rio Negócios, a public agency focused on encouraging investors to open new businesses in Rio de Janeiro, the city attracted about US\$2 billion in investments to increase and improve the quality of accommodations for the Olympics. In the past six years alone, the number of accommodations in the city has grown from 26,000 to 52,300 rooms.



As a result of the Olympics building spree, there were 70 hotels operating in Rio de Janeiro by August 2016, generating 15,000 new direct jobs and 45,000 indirect ones (i.e. local economic development). This construction boom has expanded beyond Ipanema and Copacabana to areas once off the tourist radar, such as Barra da Tijuca, a southwest region in the city where hotels have been built near beaches, new office buildings, retail developments, Olympic venues, rapid-transit bus lines and a new subway line connecting the district to the city's urban rail network for the first time.

### São Paulo

Meanwhile, São Paulo is home to the largest hotel market in Latin America. With 45,000 rooms, São Paulo has doubled the supply of Buenos Aires, the second largest market. About 65% of the accommodations in the city are in mid-scale hotels, comprised of condominiums (condos), which are known locally as “flats” or “apart hotels.” In recent years, there has also been a rise in the construction of budget and economy hotels, mainly managed by international hotel chains. Currently, about 32% of the room supply in the city falls into this category.

More than 75% of the tourism demand in São Paulo is driven by business travel, including meetings, conventions and exhibitions. Altogether, the city hosts more than 90,000 events annually.

### Talent Needs

Of the 200,000 jobs that will need to be filled in the hospitality industry in the next five years, approximately 60-70% will be in operational roles (most often sought by youth accessing first-time employment opportunities) including positions in the front office, food service, the kitchen, housekeeping, maintenance and security, among others (see Figure 1 on page 7). Although not necessarily a requirement, entry level job seekers that have attended some level of previous vocational training in these areas are of particular interest to hotels since they are better prepared to enter these positions without a great deal of additional training. The remaining 30-40% of these jobs are at supervisory and managerial levels including positions in sales and marketing, finance and accounting, human resources, as well as investment and growth. These positions require a certain level of university education and/or equivalent work experience.

The majority of luxury and upper scale hotels based in Rio de Janeiro and São Paulo seek basic English skills in candidates for operational roles that have direct interaction with guests, such as front office positions. Although they are not a prerequisite for positions such as housekeeping and food services, having some level of basic English is always helpful when dealing with customers even indirectly. Supervisory roles require stronger English skills and managerial roles must demonstrate proficiency in English.

FIGURE 1: KEY OPERATIONAL POSITIONS FOR THE HOSPITALITY INDUSTRY



**Front Office/  
Guest Services**

Clerical Assistant  
Bell Desk Attendant  
Porter  
Valet  
Telephone Operator  
Receptionist  
Reservationist  
Cashier  
Front Office Supervisor  
Night Auditor  
Concierge  
Assistant Manager



**Food &  
Beverage  
Service**

General Manager  
Bus Person  
Server  
Snack Bar Attendant  
Restaurant Cashier  
Host/Hostess  
Cocktail Bar Attendant  
Sommelier  
Restaurant or Catering Manager



**Kitchen**

Kitchen Attendant  
Sandwich/Salad Assistant  
Catering Assistant  
Short-Order Cook  
Pasty Chef  
Station Chef  
Sous Chef  
Chef  
Executive Chef  
Caterer  
Kitchen Manager



**Room  
Services/  
Housekeeping**

Laundry Attendant  
Housekeeping Attendant  
Floor Supervisor  
Housekeeping Supervisor  
Butler  
Rooms Division Manager



**Maintenance  
& Security**

Warehouse Attendant  
Warehouse Supervisor  
Maintenance Attendant  
Maintenance Supervisor  
Security Officer  
Security Supervisor  
Purchasing Officer

Sources: Job Monkey, Inc. "Food Service Jobs at Hotels and Resorts." Hotel Food Services Jobs - Hotel Restaurant Jobs. 2016  
Job Monkey, Inc. "Types of Position at Hotels." Hotel Positions - Types of Jobs, Career Paths. 2016

Human resources professionals from global and national hotel chains in both cities agree that career pathways and mobility are directly linked to the amount of hands-on experience, additional related education and English language skills acquired by employees. They also have greatly to do with their personality traits and socio-emotional soft skills that demonstrate empathy and desire to ensure that customers are happy with their service and the services of the hotel overall. Additionally, employers consider that honesty and integrity underpin their people-centered business performance and customer satisfaction philosophy and insist these traits are vital to employees' success, including entry-level ones.

The average length of time to move up the career path from operational to managerial roles is about ten years and promotions tend to be based on a combination of all of these factors.

Despite relatively low entry barriers for operational roles, hotels have difficulties filling these positions in any given year given the lack of candidates that have the basic technical and soft skills. Although this situation has been temporarily abated by the large supply of job prospects due to the economic downturn, hotels expect that it will reappear in the future, since the lack of qualified operational personnel has been a long-term systemic issue for the industry. Due to the ongoing inability to address these gaps and the highly competitive characteristics of the industry, hotels face even greater constraints when it comes to retaining employees. As will be shown in the section on skills gaps and barriers, the rate of turnover for the industry is quite high, and a great deal needs to be done to ensure that incoming personnel is provided with the right training as well as career development and growth opportunities.



## Labor Market & Vocational Education for At-Risk Youth

ACCORDING TO THE BRAZILIAN INSTITUTE OF GEOGRAPHY AND STATISTICS (IBGE), THE NUMBER OF JOBLESS PEOPLE IN THE COUNTRY IN AUGUST 2016 EXCEEDED 12 MILLION, REFLECTING AN UNEMPLOYMENT RATE OF 11.8%.

This was the third consecutive increase in as many months. The total number of unemployed Brazilians from June through August 2016 was 36.6% higher when compared to the same period last year.

There are signs of improvement in the economy. According to updated forecasts from the International Monetary Fund, the drop in consumer and business confidence has reached a plateau, and the contraction in the country's gross domestic product during the second quarter of the year was milder than anticipated. Consequently, the 2016 recession is now projected to be less severe with a return to positive growth expected in 2017. The increased economic outlook has not yet impacted outcomes in the labor market, however.

Among the millions of Brazilians currently unemployed, youth are one of the most impacted demographic groups in the country. Young people in Brazil are more than two times likely to be unemployed than adults. A recent Brazilian Institute of Geography and Statistics (IBGE) study revealed that the unemployment rate among youth ages 18-24 was 26.3% in the second quarter of 2016, compared to the overall 11.3% unemployment rate for the same period.

Moreover, according to Brazil's Ministry of Education in 2013, 8.5 million Brazilian ages 15-24 did not finish basic education, and a third of those 20-24 years old left school without obtaining an upper secondary qualification. The quality of public education remains a major cause for concern, and specialists in Brazilian education have pointed out that curriculum lacks relevance for many students who are not particularly interested in the humanities or more advanced science and math. The low emphasis on vocational education tends to demotivate students who are more suited for more hands-on, practical skills. As a result, grade repetition is high and many students lose interest and drop out of school, joining the ranks of youth who are neither in employment nor in education or training (NEET), or *nem-nem* (the Portuguese term for neither-nor) as they are more commonly known in Brazil.

Approximately half of Brazil's unemployed youth are considered at-risk either because they are low-income, dropped out of school, and/or lack the skills needed for formal employment and therefore risk being left permanently behind in the labor market. Currently, Brazil has a high share of vulnerable youth in comparison to OECD countries: 10.6% of young people aged 15-29 in Brazil are low-skilled, compared to 5.6% in OECD countries on average.

### Vocational Education for the Hospitality Industry in Brazil

Vocational education for the hospitality sector is mostly delivered by SENAC (National Service for Commercial Education) which offers more than 200 professional qualification courses ranging from ones that can be taken at any level of the educational system (without the requirement of any other educational attainment) to technical secondary education and technological tertiary education levels. SENAC is the country's largest provider of multi-level training programs including courses for bartenders, bakers, chefs, confectioners, cooks, concierges, event organizers, housekeepers, receptionists, sommeliers, waiters and other professions relevant to the hospitality sector.

SENAC is officially responsible for training apprentices for the hospitality sector. Brazil's Apprentice Law (*Lei do Aprendiz*) calls for all medium-size and large companies to hire youth between the ages 14 and 24 years while they undergo technical and professional training in the occupations for which they were hired. The law requires these companies to employ between 5% (as a minimum) and 15% of their workforce as apprentices. This is done under a special employment contract of up to two years. While working, the apprentices must also be enrolled in training courses provided by technical educational vocational providers.

However, according to SENAC in São Paulo, only 10% of the companies comply with the legislation and they opt not to use SENAC's services despite the fact that their taxes offset the costs of the agency's training

services. Many companies consider it "easier" to recruit young apprentices from other training providers since they perceive SENAC as too judicious by requiring full compliance with the legislation or not always able to provide the right skills training to meet their needs. In addition, many companies end up recruiting apprentices through their own networks of contacts and partners, leaving at-risk and low-income youth aside.

More than 1.5 million students pass through SENAC every year and at least one million are enrolled in free courses through its 620 units all over Brazil, due to its scholarship grant policy catering to low-income students. SENAC's pedagogical model and methodology are based on competencies, combining theory and practice and the schools tend to be well-managed and equipped, thus attracting students. Their branches offer modern facilities equipped with laboratories, modern technological equipment, libraries for students and the community, among other facilities, including professional kitchens that meet international standards. SENAC's internal surveys indicate a high employability level for its students: 60% tend to immediately secure jobs and 90% of employers' surveyed feel the institution offers the best courses and consider its students as the best ones to be employed.

Despite this track record, SENAC is not able to meet the training demands of all youth interested to start a career in the hospitality industry. For example, human resources professionals in the newer hotels located in the Barra da Tijuca area of Rio de Janeiro believe that

SENAC is not physically present in the city's Western region, thus depriving at-risk youth from the surrounding low-income communities with access to training, as required by the Apprentice Law. Nor is the agency equipped to provide its graduates with ongoing practical and soft skill support after they have secured their first job.

This scenario has opened space for other players to become providers of vocational education related to the Apprentice Law and it is estimated that more than 200 institutions offer courses to young apprentices, including ones for the hospitality sector. Many of these providers are NGOs and some are private learning institutions. In the case of NGOs, these organizations do a very good job of preparing and supporting at-risk youth for employment. They are locally-based, know their target group well, and provide the youth with the kinds of soft skill and real-life experience support that is needed. However, these organizations are not necessarily known by corporations and there are no readily available mechanisms to make this happen. In those few cases where relationships with companies exist, they tend to be based on philanthropy, rather than on a market-driven strategy that would allow NGOs to scale their impact (see Box 1 on page 11).

Another important provider of vocational education for the hospitality sector is Paula Souza State Center of Technological Education (*Centro Paula Souza*), a public learning institution linked to the São Paulo state government. The organization runs 220 state technical

### BOX 1: A DISCONNECT IN THE MARKET

There are many non-governmental organizations (NGOs) in Brazil focused on connecting low-income young people to apprenticeship opportunities by providing training and certifications endorsed by the Municipal Council for the Rights of Children and Adolescents (*Conselho Municipal dos Direitos da Criança e do Adolescente*).

However, there seems to be a disconnect between the work of these organizations in preparing youth and the hiring needs of corporations. This is partly due to a general lack of knowledge about the Apprentice Law in Brazil among hiring companies, the public sector and potential beneficiaries.

Hiring companies in need of apprentices do not know the NGOs nor that they could be vehicles for them to find skilled employees. Additionally, NGOs do not know how to approach companies to make a convincing case that they can be this vehicle.

As a result, some NGOs approach the training through a philanthropic model, offering companies the opportunity to “sponsor” apprentices through their Corporate Social Responsibility programs, but not as part of their ongoing recruitment efforts.

A more market-driven approach on the part of these organizations, whereby they are able to demonstrate the value-added of their training and placement services would help to address this disconnect while allowing more at-risk youth to secure employment.

Source: NESsT, 2016.

schools (*Escolas Técnicas*) distributed throughout 162 municipalities in São Paulo state and serves more than 213,000 enrolled in high school studies. The organization aims to be inclusive with the majority of its students coming from the public education system. All courses are offered free of charge and interested students need to undergo a test-based selection process. According to Centro Paula Souza's evaluations, in recent years 79% of students graduating from its industrial, agricultural and service sector (including hospitality) technical schools have secured employment within one year following graduation, and 52% of these jobs are aligned with the courses taken. The Center does not disaggregate the data for the hospitality sector, nor does it know whether its graduates continue to be employed given the high costs of tracking this information.

Despite the presence of the Apprentice Law and several national agencies offering extensive training in hospitality, and some successful outcomes, the data shows that the Brazilian vocational education system is not preparing youth with the skills needed to attain and keep these jobs. The main reason according to vocational education specialists in the country and coherent with feedback provided by hotel recruiters and youth currently in training or working for the industry, is because programs tend to lack an on-the-job training component and are entirely classroom-based with pedagogy that rarely uses real-life case studies or focus on solving real-world challenges faced in hotels. In addition, they are not accompanied with the ongoing support that is needed by job entrants, particularly during the first year of employment.

The following section further explores the nature of this skills gap and considers other recruitment and retention challenges that the hospitality industry must overcome to successfully employ young people over the long-term.

## Skills Gaps and Barriers

**FEW TOPICS HAVE ALARMED BRAZILIAN EMPLOYERS MORE THAN WHAT THEY CONSIDER TO BE THE GROWING GULF BETWEEN THE KNOWLEDGE, SKILLS AND ABILITIES OF YOUNG PEOPLE ENTERING THE WORKFORCE AND WHAT THEY BELIEVE TO BE CRUCIAL TO THE SUCCESS OF THEIR ENTERPRISES.**

The 2015 Talent Shortage Survey by the global employment agency Manpower Group revealed that 68% of Brazilian employers had trouble recruiting the rightly skilled workforce—by far the highest score in the Latin American region—and 76% of Brazilian CEOs recently polled by Pricewaterhouse Coopers (PwC) see the shortage of qualified labor as one of the greatest threats to the country's growth prospects.

In Brazil, the skills gap is felt acutely by employers in all industries, but it is especially pronounced in the hospitality sector. Frequently, this skills mismatch refers not to a lack of technical skills but to a lack of the soft skills required by young people to persevere in their jobs and successfully interact with coworkers, supervisors and guests. Excellent customer service directly impacts business performance in the hospitality industry, and as such is considered of critical importance for employees.

### Skills Gap for the Tourism Industry

It is not unusual for entry-level staff in a global chain or premier brand hotel in Rio de Janeiro or São Paulo to interact daily with hundreds of people with different cultural backgrounds, languages, service expectations and needs.

However, many young people enter the job market without the range of skills required to meet the high service standards. Even if young workers come into their positions with vocational training, hotels have found their lack of real-world experience in corporate and business environments to be problematic. They often lack the necessary soft skills sought by employers and expected by customers, such as teamwork, communication skills, customer service, critical thinking, problem solving, interpersonal skills, enthusiasm, dependability, responsibility, cultural sensitivity, professionalism and work ethics.

For this reason, the majority of hotels in Rio de Janeiro and São Paulo provide in-house training for their entry-level staff during a three-month probationary period. This period allows new employees to improve their customer service skills and on-the-job performance. It also gives employers the opportunity to evaluate new employees on their ability to meet hotel standards.

However, although these induction programs help employees to improve their customer service skills in the short-run, they don't necessarily address their longer term career development needs.

### Other Recruitment Challenges

Hotels in Brazil face fierce competition from telemarketing companies to employ young people. Many young people prefer employment in call centers, as they consider the physical conditions to be better. For the same wage level, they can work sitting down in

air conditioned offices and closer to technology, though they often underestimate the pressure and mental stress typically found in the daily operational environment of call centers.

Furthermore, many at-risk youth lack the practical information to understand the long-term career opportunities that may be available to them in the hospitality industry. As job seekers, they only learn about the entry-level and operational roles. They are not given exposure to the other career tracks and types of positions that may be available to them in the industry, including financial management, information technology, marketing and other back-office roles. Without an understanding of the opportunity for long-term career growth, these young people may choose entry-level roles elsewhere.

### Retention Challenges

Another significant challenge faced by hotels in Brazil is how to retain employees and help them advance to higher level positions. The turnover rate can average of up to 35%. It's not uncommon for newly trained workers to be lured away by competitors in the same sector or even other industries. Since entry barriers

for these positions are not high, workers are easily able to move to other jobs that offer the same level of remuneration. In many cases, employees migrate towards informal entrepreneurial activities (i.e. street vendors, manicurists, etc.).

Again, a lack of understanding of career growth opportunities in the hospitality industry among at-risk youth may be the blame. Neither vocational education programs nor hotel human resource departments have consistently focused on providing this type of career counseling, which means hotels have a hard time retaining employees who perceive entry-level positions as their only options for employment and leave to seek growth and higher incomes in other sectors.

High staff turnover results in higher personnel costs for recruiting and training new replacements. In the meantime, this high turnover can overload the remaining employees and cause a loss of productivity. Retention experts estimate the cost of losing a seasoned hotel employee can be between half and one-and-a-half times his or her annual salary.



## Best Practices in the Industry



Graduates of the Carvalho Hosken Hospitality School benefit from hands-on training in operational roles at the Hilton Barra in Rio de Janeiro, which allows them to secure positions in the industry.

### PROVIDING AT-RISK YOUTH WITH TRAINING AND SUPPORT TO LAUNCH CAREERS IN THE HOSPITALITY INDUSTRY REQUIRES MULTI-STAKEHOLDER PARTNERSHIPS AMONG THE PUBLIC, PRIVATE AND CIVIL SOCIETY SECTORS.

Public-private partnerships ensure that each party is bringing their expertise and unique experience to best train and support young people in starting and growing their careers. Public agencies and educational institutions contribute specialized knowledge in training methodology and support of at-risk communities, while private companies, such as hotels, are able to offer the real-world experience and engagement with mentors that are so vital to ensuring young people are ready for jobs in the sector. By working together, partners are better positioned

to address the existing gaps including providing young people with necessary soft skills training and support, as well as offering them insight into the long-term career opportunities in the hospitality sector. Following are examples of successful public-private partnerships that are preparing young people for careers in the hospitality industry in Brazil.

#### Carvalho Hosken Hospitality School

The Carvalho Hosken Hospitality School in Rio de Janeiro stands out as a successful partnership model that is creating real change in the lives of its students and graduates. Founded in November 2015, the school offers training and employment opportunities to at-risk youth in Rio de Janeiro's hotel industry. Students need to be between 18-24 years old and either be enrolled in or already completed their last year of high school. Recruitment strategies are focused on young people residing in low-income communities throughout Rio de Janeiro.

The school engages several partners to deliver this high-quality training program for at-risk youth.

- Carvalho Hosken: Founded in 1951, Carvalho Hosken is one of the largest construction companies in Brazil. It is committed to contributing to social development through education.
- Rio Solidário: Rio Solidário is a non-governmental organization (NGO) whose work is centered on generating employment opportunities for at-risk youth.

- SENAC Rio de Janeiro (National Commerce's Training Service): Provides training in hospitality industry skills.
- Brazilian Hotel Industry Association, Rio de Janeiro Chapter (ABIH-RJ): ABIH-RJ is a nonprofit organization and the local affiliate of the national trade organization for hotels and lodging businesses in Brazil.
- Hilton Hotel Rio de Janeiro: Known as Hilton Barra, this hotel is the chain's second hotel in Brazil and the first in Rio de Janeiro. It opened in April 2015 and is located the Barra da Tijuca region.

The classes are taught on site at the Hilton Barra by SENAC, providing students with hands-on training in daily hotel operations, as well as engagement with mentors who are established in their careers in the hospitality industry. Courses in core operational areas are free for students.

The school's first class of 76 students graduated in June 2016—just in time for the Olympic Games. The Hilton Barra immediately hired 36 graduates for positions within the hotel's housekeeping, food and beverage service, and front office departments. The remaining students were eligible for employment among upscale and luxury hotels in the same vicinity.

### Youth Career Initiative (YCI)

Another example of a successful model is the São Paulo-based Youth Career Initiative (YCI), a hands-on education program that provides disadvantaged young people with life and work skills geared for the hospitality sector. YCI's mission is to empower young people with the information and skills they require to choose a career path in the hospitality industry. Students are high school graduates seeking further training to launch their careers.

YCI is one of the flagship programs of the International Tourism Partnership (ITP) and is implemented in collaboration with ITP member hotels, local NGOs and YCI regional coordinators based in London, India, Ethiopia and Brazil. YCI is funded by large international hotel chains (including Hilton Worldwide), philanthropic foundations, and hospitality and trade organizations in several countries.

YCI started in Brazil in 2005 and has trained more than 500 low-income youth to date. Over the six-month course, students have the opportunity to rotate and train in different operational areas on site at partner hotels, which gives them the real-world experience they need to secure positions in the industry after graduation. The rotations also give them exposure to the various career

opportunities available in the industry and the opportunity to receive ongoing mentoring support from hotel managers and staff. About 80% of YCI graduates were employed six months after completing the program, with many opting to pursue further education related to the hospitality industry.

Partner hotels benefit from the YCI program, which provides them with a source of skilled workers to meet their recruitment needs. In São Paulo, YCI currently partners with several major five-star hotel chains (including Hilton Morumbi) that provide further support for YCI graduates, by offering subsidies for transportation, life insurance, uniforms and meals.

According to YCI Brazil and Rede Cidadã, the partner organizations responsible for recruiting and selecting the youth, the partnership with the hotels is very well-received by participants. They especially value the opportunities for employment after graduation, as well as the direct access and relationship building with hotel staff and exposure to all core operational areas. Thanks to the time they were able to spend exploring their interests and opportunities, graduates are more satisfied in their employment, resulting in lower turnover for the hotels.



The Youth Career Initiative (YCI) offers a six-month program in job skills for the hospitality sector. About 80% of its graduates in Brazil are employed within six months of completing the course.





CASE STUDY

## Leveraging Partnerships to Empower Youth

Rede Cidadã  
São Paulo



**IN 2002 FERNANDO ALVES, A BRAZILIAN SOCIAL ENTREPRENEUR AND SOCIOLOGIST, SAW HIS DREAM COME TRUE WHEN HE CREATED AND LAUNCHED REDE CIDADÃ, A SOCIAL ENTERPRISE FOCUSED ON GENERATING EMPLOYMENT AND INCOME FOR LOW-INCOME YOUTH.**

After spending more than 20 years working with young people — including serving as a university professor and in the Belo Horizonte city government — Alves became convinced that a lack of opportunity to generate a sustainable livelihood was at the core of many of Brazil’s social challenges. He was especially concerned about the obstacles and challenges faced by low-income youth in Brazil. Their weak educational backgrounds and low-level of technical skills preclude them from accessing jobs with the best employers in the country. He founded Rede Cidadã to develop new solutions for training and supporting low-income individuals, allowing them to secure employment that would better their livelihoods over the long-term.

Rede Cidadã targets the following individuals with its employment and income generation programs:

- Youth apprentices aged 16-22 years of age, including those with special needs
- At-risk youth who may have difficulties entering the labor market
- Unemployed adults over the age of 55 who are interested in re-entering the labor market
- Micro and small entrepreneurs over the age of 18 who require mentoring in business management

In developing its training methodology, Rede Cidadã has rejected the idea that low-income people should accept any type of employment for the sake of having income. Rather, Rede Cidadã seeks to empower people to dream and build sustainable careers in industries that interest them and where they can best contribute to society with their talents and skills.

Rede Cidadã leverages best practices in human resources to allow its students to identify their competencies, explore relevant career paths, develop long-term career plans and gain the necessary skills training to pursue their aspirations. The organization further supports its students by providing mentoring with seasoned professionals and ongoing support once the apprentice is placed with a hiring company.

Critical to the success of its programs is its network of partners, including other educational and support institutions, hiring companies, financial supporters, volunteers and employees. Each of these partners addresses a critical factor involved in preparing at-risk individuals for dignified employment.

Through the use of best practices and the support provided by its partners, Rede Cidadã is able to offer its corporate hiring partners a pool of qualified and skilled employees. These workers are more confident and capable employees, because they are clear on their own competencies and career goals. They also remain three times longer in their jobs than workers who did not participate in Rede Cidadã’s programs. In this way, the

organization is helping its hiring partners to reduce their turnover rate.

To sustain its work, Rede Cidadã receives financial support from its hiring partners who are required by law to hire young apprentices but who also see the value provided by the enterprise in preparing youth for longer term employment. These partnerships need to be renewed and negotiated on a yearly basis and include well-known corporations such as Natura, Carrefour, Vale, Coca-Cola Femsa, Gol, Centauro, Tam and Starbucks, among others. Rede Cidadã is currently considering expanding its business model to include the sale of services to its clients—both the trainees as well as the companies who hire them.

The impact of Rede Cidadã on the lives it seeks to empower has been impressive. As of July 2016, more than 50,000 people have joined the labor market thanks to the training and support offered by Rede Cidadã, including more than 22,000 youth apprentices, seniors and people with special needs. Additionally, 1,670 micro and small enterprises have benefited from business mentoring and support from the organization.

Rede Cidadã's success has been recognized internationally, and it received the 2014 Visionaris Social Entrepreneurship Award for Brazil. In 2016, it was also rated as one of the top 500 organizations in the world by NGO Advisor, a Geneva-based organization committed to highlighting innovation and impact in the social sector.



Rede Cidadã leverages best practices in human resources to allow its students to identify their competencies, explore relevant career paths, develop long-term career plans and gain the necessary skills training to pursue their aspirations. It further supports its students by providing mentoring with seasoned professionals and ongoing support post placement in a position.

The organization is not shying away from more ambitious goals in the future. Rede Cidadã seeks to reach 100,000 youth employed in the formal labor market by the end of 2020.

By combining strong multi-sector partnerships with comprehensive training and career development programs, Rede Cidadã demonstrates the potential that social enterprises offer in bringing about transformative social change for job seekers in at-risk communities.



## Conclusion

**THE SKILLS GAP IS A PHENOMENON THAT CONSTRAINS ECONOMIC AND SOCIAL DEVELOPMENT, LIMITS THE ABILITY OF YOUTH TO GET MEANINGFUL JOBS AND IMPROVE THEIR STANDARD OF LIVING, AND HINDERS THE OPERATIONS, PRODUCTIVITY, COMPETITIVENESS AND GROWTH OF HOSPITALITY COMPANIES.**

The good news is that the research demonstrates that employers, employees and other stakeholders in the industry seem to have a common understanding of why the gap exists and recognize the urgent need to close it. However, perhaps the less positive news is that with the exception of a few best practices, these actors are for the most part not currently working together to address the problem. It seems that the entities that are training youth and supporting youth are not well-resourced, are not reaching all youth, and do not have strong links to the companies that are employing them. And the companies that are employing them, are not necessarily informed about these programs, nor incentivized nor motivated to work closer with these entities.

The best practices highlighted in the research demonstrate that by working through a more comprehensive approach, it is possible to prepare youth for longer term and more rewarding careers in hospitality while at the same time, reducing the high turnover rate that currently exists in the industry. These practices indicate that resources need to be allocated to ensure that young people, particularly those at-risk, receive training in both the hard and soft skills needed by the industry, but that they also need to receive on the job experience in a variety of roles, as well

as continued mentoring and support. They also indicate that it's critical for the organizations that are preparing young people, to have a close understanding of the skills needed by the industry but also to build solid relationships with specific companies to ensure their commitment to provide mentoring and eventual employment. In addition, it's vital for them to have good rapport with SENAC and other entities that are dedicated to providing vocational education also ensuring that the training that is provided is relevant and reaches those most in need.

For this to happen, it seems that organizations working with youth, and particularly those addressing their labor inclusion needs, are well-positioned to take a leadership role in these initiatives. There are already many NGOs and some social enterprises in Brazil (some in NESST's portfolio) that are working to prepare youth for work, albeit not necessarily for work in the hospitality industry. These organizations are particularly suited to focus on this target group due to the following reasons:

- They have an established local presence in socially excluded and low-income communities.
- They have a strong knowledge of and empathy towards at-risk youth, which provides an advantage in developing successful recruitment and training activities.
- They approach work with at-risk youth holistically, seeking to strengthen life skills alongside traditional cognitive and technical skills to improve learning outcomes and increase workforce readiness.

- They may also have experience incorporating internships, job placement services, administration of Brazil's Apprentice Law, English language training and career counseling support into their youth employment programs.
- They are strongly motivated and have the capacity to participate in and influence the public policy debate, especially regarding vocational education and youth access to Brazil's labor market.

Starting with these organizations, and strengthening their capacity to train and prepare youth for this industry, and to establish the relationships they need with hospitality companies seems to be a low hanging fruit in the current scenario given their already existing commitment to at-risk youth and their knowledge of how training and vocational education is provided in the country. To do this, they must also have sustainable models that provide the capacity to leverage their own resources as well as the resources-financial and non-financial- of other stakeholders.

Global practices in the area of youth unemployment, demonstrate that social enterprises are often able to provide at-risk youth with first-time work opportunities either directly, through their own enterprise activities, or indirectly, by accompanying them through their first job placement. NESsT Empowers, a program that is especially designed to help social enterprises develop sustainable business models that provide high quality training for at-risk youth and placements with high growth industry companies, is currently fostering these practices in several emerging market countries. In the case of Poland, the program is working with enterprises that are offering high quality training with a soft-skill component to place at-risk youth in the Business Process Outsourcing industry.

An integrated and strategic approach to addressing the hospitality skills gap challenge in Brazil will accelerate the preparation of youth for the 120,000-140,000 operational jobs and even the 60,000-80,000 managerial jobs that the industry will need to fill in the next five years. If taken, this strategy should aspire to achieve the following impact:

- The hospitality industry is motivated to actively communicate and share all possible career paths for young people to pursue.
- At-risk youth are able to explore the spectrum of meaningful careers the hospitality industry offers, empowering them with a clear vision concerning their futures and long-term professional and life goals.
- Hotels are able to employ qualified and well-prepared youth with the required basic, technical and soft skills for entry-level positions and further career mobility in the industry.
- Hotels are also better able to retain an optimal number of young workers and decrease the costly turnover of employees. Hardworking, happy and engaged employees are essential for the smooth running of a hotel. The longer staff members stay in their roles, the more they will have to offer the company.
- Better designed and inclusive partnerships with multiple stakeholders—including corporations in the hospitality industry and social enterprises—can improve the quality and sustainability of training and placement services.
- Social enterprises, partners, businesses, investors, academia, industry associations and public sector agencies work cooperatively towards a common policy agenda centered on employment opportunities in the hospitality industry for Brazilian socially neglected groups.
- Organized collaboration can result in the systematization and wide dissemination of best and innovative practices for the entire ecosystem.

The industry needs to hire young people, and young people need jobs. The solutions seems simple enough. However, as the research indicates, closing the skills gap of the hospitality industry in Brazil is not simply recognizing the problem and the needed solution. It will require a set of stakeholders who are willing to collaborate and co-invest in preparing young people for this career and life option.

## ABOUT NESsT

NESsT has been working for 20 years to provide dignified employment to lift people out of poverty in emerging markets. NESsT achieves its mission by raising philanthropic capital to invest in and develop social enterprises that create employment and viable income opportunities for the poorest communities facing isolation, discrimination, lack of job skills and poor education.

NESsT uses an engaged investment approach to accelerate the growth of social enterprises that offer access to dignified employment. In selecting these enterprises, NESsT places less importance on the legal form of the enterprise—nonprofit, cooperative, for profit—and looks for the intent or purpose as the most important element. In other words, does the social enterprise practice what it preaches? Does it try to balance the social, financial and environmental bottom line in its everyday running of the business in order to solve a critical social issue? Setting a broad definition such as this is especially helpful in emerging countries where the sector is still very small, as it provides the space for the sector to grow and include many types of enterprises whose main purposes are to create social impact through a sustainable business model.

Once NESsT completes its due diligence, it invites social enterprises to join its portfolio. By committing to these enterprises for five to seven years, NESsT supports them through the tough transition of moving from start-up to fully scaling businesses. During this time, NESsT provides several rounds of patient capital investments and connects the enterprises with other co-investors. Its team also offers one-on-one business development support to help them consolidate and grow their businesses, and leverages the expertise of more than 200 mentors for specialized support. NESsT contributes to strengthening the ecosystem, working with other stakeholders to ensure that its grantees and the entrepreneurs it supports are equipped with the tools and resources needed to thrive and maximize their impact.

To date, NESsT has invited 167 social enterprises to enter its portfolio providing them with an average of four years of support and investing over US\$11.5 million in capacity building and direct funding. More than 31,000 marginalized individuals have attained employment or income opportunities, and more than 509,000 have experienced an improved quality of life.

