THE HOTEL WORKFORCE RESET

The Year Ahead 2026

THE STAFFING AGENCY

Executive Summary

As the hotel industry enters **2026,** demand has stabilized, financing remains constrained, and labor costs have permanently reset. Across luxury, extended stay, and midscale hotels, one reality now defines performance: labor is the primary constraint on execution and profitability.

Key forces shaping hotel performance in 2026:

- **Demand is normalized, not booming**. Growth now depends on disciplined execution and operational consistency, not post-recovery rate lift.
- **Labor is structural, not cyclical.** Wage floors are permanently higher, turnover persists, and competition for talent extends beyond hospitality.
- **Segment dynamics are diverging.** Extended stay remains the most resilient; midscale wins on value and simplicity; luxury faces the greatest gap between expectations and available talent.
- **Brands are rewriting the operating model.** Marriott, Hilton, Hyatt, IHG, and Accor are simplifying standards, accelerating conversions, and leaning on technology faster than workforce capacity can follow.
- **Technology reshapes work, not service.** Automation reduces friction, but human delivery remains the differentiator.
- **Workforce strategy is now a financial strategy**. Labor efficiency, staffing flexibility, and retention directly impact guest satisfaction, brand compliance, and asset value.

In 2026, labor is no longer a support function. It is the competitive advantage.

Executive Letter

The performance of hotels today is being shaped less by traditional measures of scale or efficiency and more by how thoughtfully they engage labor, and creative leadership as interconnected forces.

At Ace, we've always believed that hotels work best when they're built from the inside out. Performance doesn't begin with spreadsheets or standards manuals—it begins with people, with culture, and with leadership that understands hospitality as a creative act.

Labor today is not simply an operational input; it's the heart of the experience. The past few years made clear what we've long known: when you invest in people—through respect, flexibility, and opportunity—they show up with care and confidence. The hotels performing best now are the ones where teams feel seen and supported, where service is human rather than scripted, and where consistency comes from shared values, not rigid control.

Culture is the connective tissue between a hotel and the world around it. For us, that means designing spaces that belong to their neighborhoods, collaborating with local creatives, and creating environments that feel lived-in rather than perfected. Culture isn't a marketing story layered on after the fact; it's expressed every day in how a hotel sounds, feels, and moves. Internally, culture gives teams clarity and purpose. Externally, it gives guests a reason to return.

Creative leadership is what allows these elements to function together. Today's leaders aren't just operators—they're curators, listeners, and collaborators. Creativity now extends beyond design into how we structure work, build partnerships, and adapt in real time. It's about making thoughtful choices, even when conditions are uncertain.

Looking ahead, the future of hospitality is less about scale and more about meaning. Travelers are seeking places that feel honest, relevant, and rooted. The hotels that will thrive are those that treat labor as an asset, culture as strategy, and creativity as a responsibility.

Brad Wilson

Brad Wilson
Chairman, Ace Hotel

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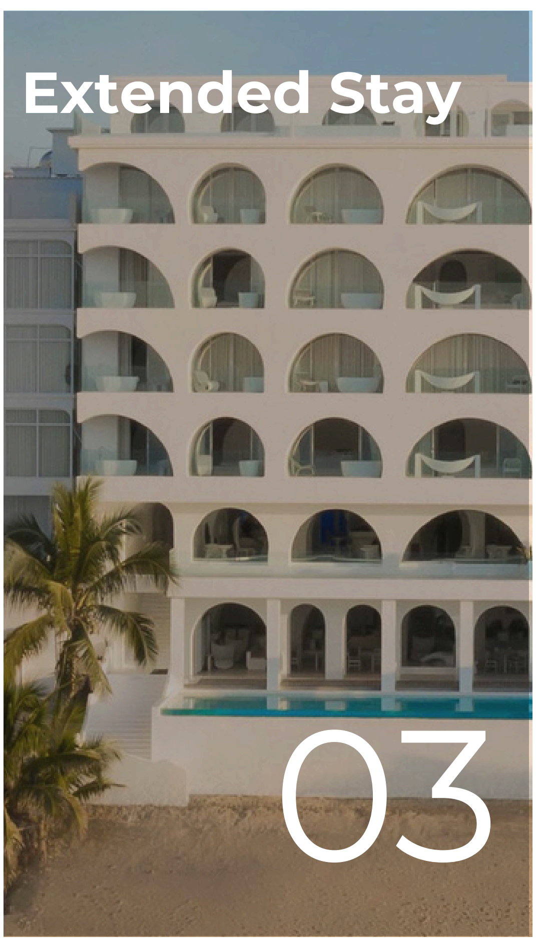

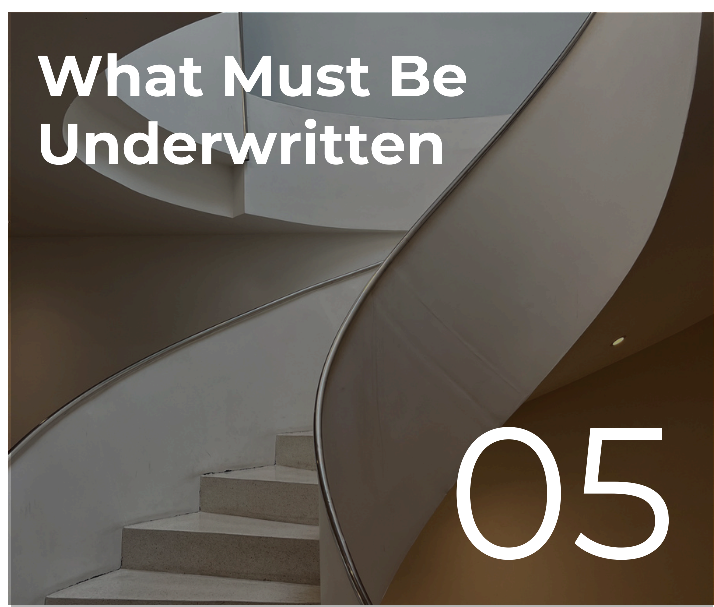

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The 2026 Hotel Landscape

Forces Reshaping Performance

The global hotel industry enters 2026 on more stable footing, but the operating model has fundamentally changed. The era of broad-based RevPAR (Revenue per Available Room- remains a core metric, but rate alone no longer guarantees profitability) growth is over. Performance now depends on segment-specific strategy, workforce stability, and disciplined operations.

Demand Has Normalized, Competition Has Intensified

After several years of outsized leisure demand and historic ADR growth, travel patterns have returned to equilibrium:

- International travel continues to recover, but at predictable, pre-pandemic growth rates.
- Business transient remains below 2019 levels in many urban markets.
- Group demand has become increasingly important, particularly in gateway cities, resorts, and convention-driven destinations.

Hotels are now competing in a more balanced and more disciplined environment—one where they must defend rate while delivering consistent service.

A Permanently Higher Cost Structure

Even as headline inflation moderates, hotel cost structures remain elevated. Hourly wages have reset upward across the U.S., Canada, Europe, and key LATAM markets. Insurance, utilities, food, and construction costs have also increased, compressing margins.

Labor has shifted from a variable expense to a structural cost. In 2026, **labor productivity, not labor cuts, is the primary lever for profitability.**

From Development to Conversions

High interest rates and tighter lending have slowed new-build pipelines. In response, major brands, including Marriott, Hilton, Hyatt, IHG, and Accor, are channeling growth into conversion-friendly flags, particularly in extended stay and midscale.

Conversions offer speed-to-market, but they introduce operational complexity, especially when inherited assets, staffing levels, and cultures must be aligned with new brand standards.

Segment Rotation Is Defining Strategy

Clear performance patterns have emerged:

Luxury remains rate-resilient but increasingly constrained by labor availability and skill scarcity.

Extended stay continues to outperform on occupancy, margins, and investor appetite.

Midscale and economy benefit from value-seeking travelers but operate with thin margins and acute labor exposure.

As capital rotates across segments, labor models must rotate with it. One-size-fits-all staffing approaches no longer work.

Labor Strategy as Competitive Advantage

Across The Hotel Agency's work with owners, operators, and brands, one pattern is consistent:

Properties with stable, intentionally designed workforce models outperform their comp sets on guest satisfaction, operational efficiency, and asset value, even when demand softens.

Stability vs. Volatility

Labor strategy is no longer a background concern. It is now a primary determinant of performance and valuation.

> **What the industry is facing isn't a labor cycle, it's a structural reset.**

The Four Structural Labor Shifts Defining 2026

The Hotel Agency has identified four labor shifts reshaping hotel operations across segments. These forces are not cyclical or temporary. They define the new operating reality.

1 Wage Elevation Is Permanent

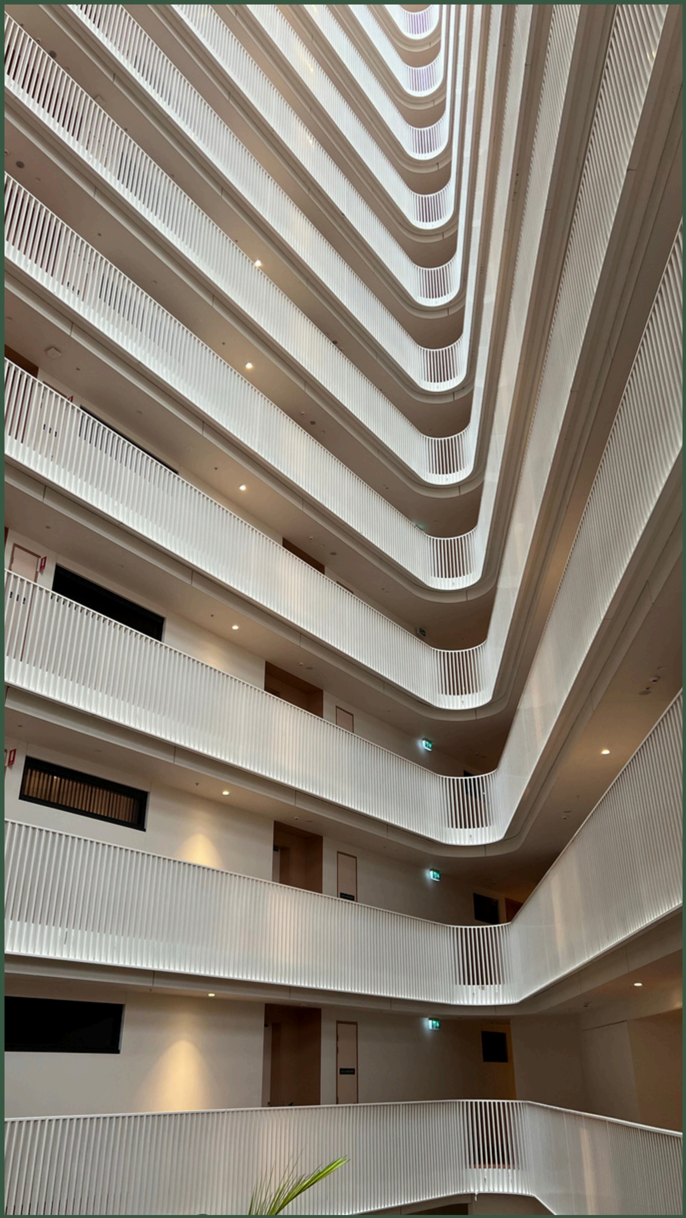
Entry-level wages now compete directly with retail, logistics, and gig platforms. Supervisor pay compression has weakened traditional career ladders. Payroll remains elevated even when occupancy softens. Labor costs must be engineered into the operating model, not expected to normalize.

2 Turnover Has Become a Predictable Expense

Despite higher wages, turnover remains elevated, particularly in housekeeping, breakfast and F&B, and front desk operations. In a high-wage environment, churn now carries a heavier cost: service inconsistency, training inefficiency, guest dissatisfaction, and brand compliance risk.

3 Skill Scarcity Is Concentrated Where Service Is Defined Is Permanent

Shortages are most acute in guest relations, culinary leadership, housekeeping supervision, and technically capable engineering roles. These positions are difficult to automate or backfill quickly, widening the gap between brand expectations and on-property capability.



4 Flexibility Has Replaced Stability as the Default

Rigid staffing models cannot absorb demand volatility, group blocks, seasonal swings, or burnout. Hotels are moving toward hybrid models blending core in-house teams with agency support, on-call coverage, temp-to-perm pipelines, and cross-trained roles. The objective is not more staff; it is predictable coverage and service continuity.

Hotels that continue to treat labor as a transactional hiring problem will struggle. Those that redesign roles, build flexibility, and invest in stability will outperform, regardless of segment.

02

Luxury Hotels

Protecting Service in a High-Cost Workforce Era

Luxury hotels enter 2026 with resilient demand fundamentals and sustained rate power. Affluent leisure travel remains strong, long-haul markets have largely recovered, and resort and experiential properties continue to command premium pricing.

Yet luxury faces the industry's most acute operational paradox: **guest expectations continue to rise while the labor required to deliver them grows scarcer.**

Demand-Rich, Labor-Strained

Luxury guests expect personalization, intuition, and consistency, not reduced service levels. At the same time, teams are smaller, wages are higher, turnover in supervisory and F&B roles disrupts continuity, and fewer hires arrive with prior luxury training. Many luxury hotels remain profitable, but with far less margin for service failure.

Scarce Talent in High-Impact Roles

Labor shortages are most acute in roles that define the luxury experience:

- Concierge and guest relations
- Culinary leadership and fine-dining service
- Sommeliers and bar leadership
- Spa, wellness, and experience roles
- Housekeeping supervision and quality control
- Engineering talent capable of maintaining high-spec assets

These roles rely on judgment, emotional intelligence, and experience, precisely where talent pipelines are thinnest.

Capability-Dense Teams

To preserve service while controlling cost, luxury hotels are redesigning teams around capability rather than headcount:

Guest Relations

Guest relations absorbing front desk and concierge responsibilities

F&B

F&B staff cross-trained across service, beverage, and guest engagement

Housekeeping

Housekeeping teams supported by productivity-enhancing technology

Engineering

Engineering teams leveraging predictive systems to reduce emergency work

Technology Supporting—Not Replacing—Service

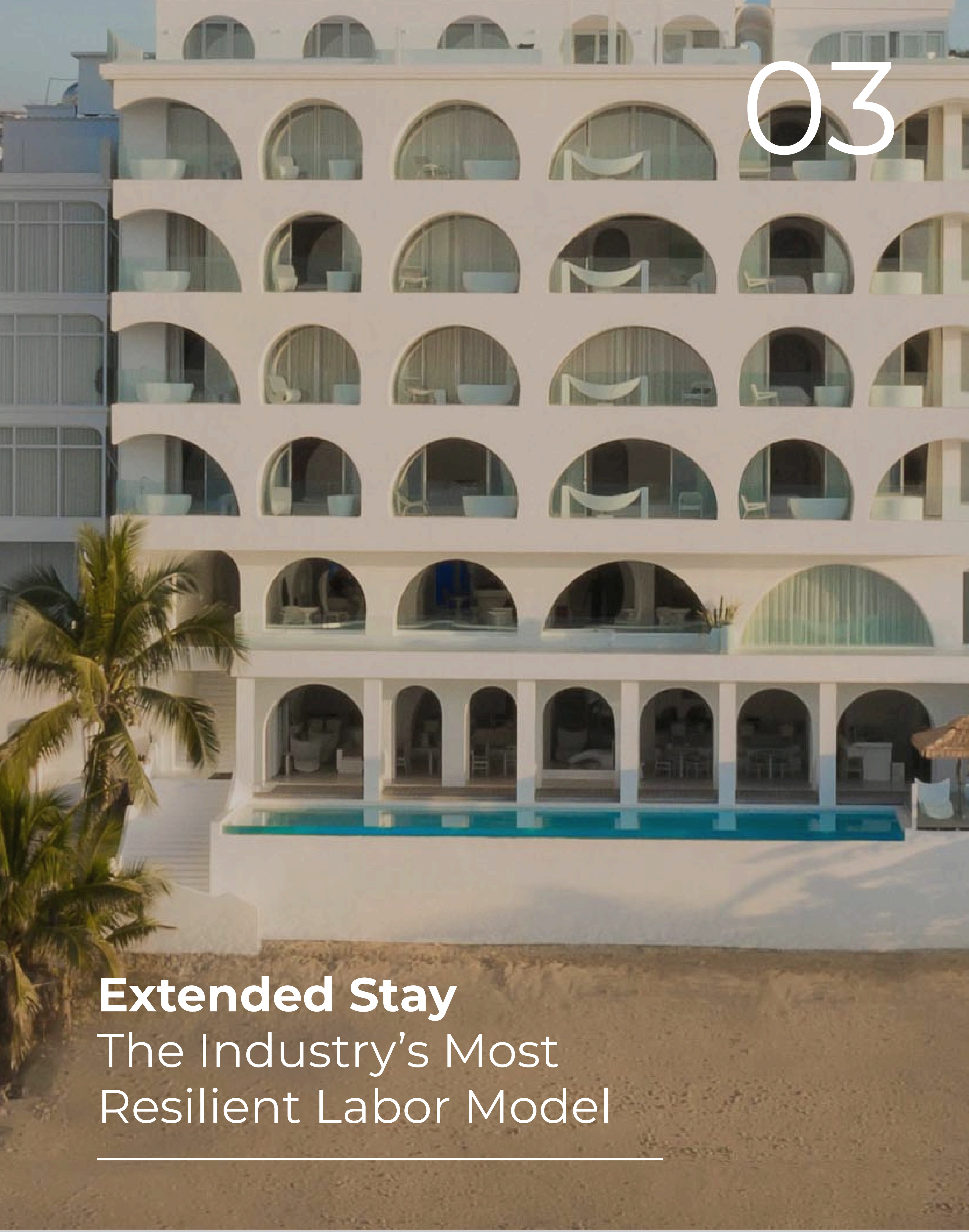
Luxury properties are deploying technology to remove friction, not human touch: AI-powered guest profiles, smart scheduling, digital F&B pacing tools, and predictive housekeeping workflows. Technology only succeeds when paired with skilled staff; without talent, automation exposes service gaps rather than solving them.

Owner Implications

For luxury owners, the reality is clear:

- Payroll is structurally higher
- Teams must be smaller but more skilled
- Training and retention are core financial levers
- Staffing volatility directly threatens brand equity

Luxury hotels will protect rate only if they protect service, and service depends on labor stability.



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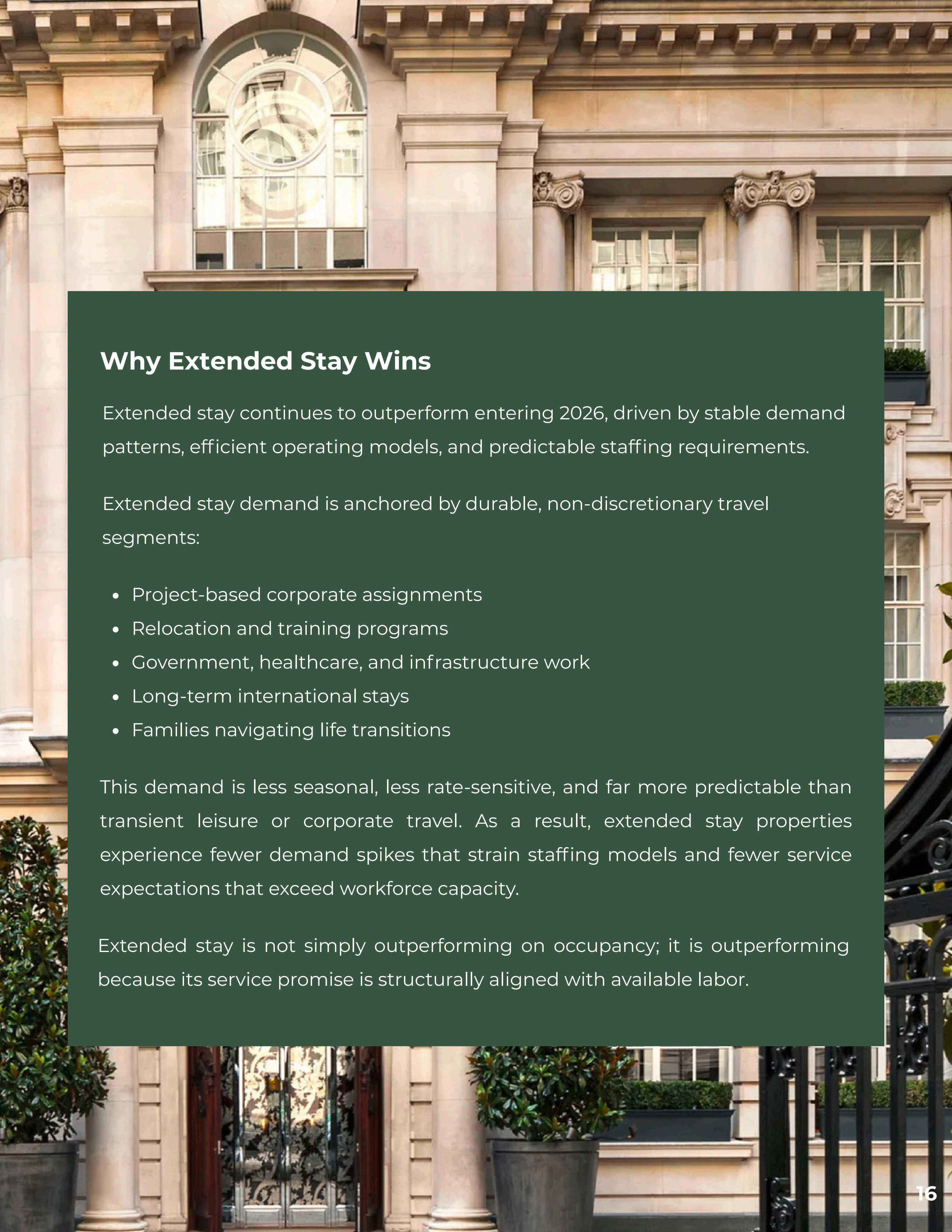
Extended Stay
The Industry's Most Resilient Labor Model



Why Extended Stay Wins

Extended stay continues to outperform entering 2026, driven by stable demand patterns, efficient operating models, and predictable staffing requirements.

Extended stay demand is anchored by durable, non-discretionary travel segments:

- Project-based corporate assignments
- Relocation and training programs
- Government, healthcare, and infrastructure work
- Long-term international stays
- Families navigating life transitions

This demand is less seasonal, less rate-sensitive, and far more predictable than transient leisure or corporate travel. As a result, extended stay properties experience fewer demand spikes that strain staffing models and fewer service expectations that exceed workforce capacity.

Extended stay is not simply outperforming on occupancy; it is outperforming because its service promise is structurally aligned with available labor.

Housekeeping as the Profit Engine

Housekeeping frequency is the defining efficiency lever in extended stay operations.

Weekly cleaning models:

- Dramatically reduce labor hours per occupied room
- Create predictable workloads and assignments
- Improve productivity and scheduling accuracy
- Align with guest preferences for fewer disruptions

This is not cost-cutting, it is expectation management embedded into the operating model.

Weekly housekeeping turns labor efficiency and guest satisfaction into a profit driver, not just a cost.

What Extended Stay Reveals About Labor Design

Extended stay demonstrates a critical lesson for the broader hotel industry:

Operational success depends on aligning service promises with workforce reality.

Where many hotel segments attempt to preserve legacy service models in a constrained labor environment, extended stay succeeds by designing its service offering around what the labor market can reliably support.

Why This Matters Beyond Extended Stay

Extended stay is not a luxury model, but it offers a powerful contrast.

Luxury hotels face the inverse challenge: the highest service expectations paired with the most acute talent scarcity. The success of extended stay underscores that performance is not driven by ambition alone, but by the discipline to align service, staffing, and demand.

For owners and operators across segments, extended stay provides proof that **labor-aligned operating models outperform aspirational ones,** especially in a structurally constrained workforce environment.

If extended stay illustrates what happens when labor and service are aligned, midscale shows what happens when margins are thin and that alignment breaks.

04

The 3-Star Reset

The Future of Midscale & Economy Hotels

> Midscale and economy hotels enter 2026 as the industry’s volume engine, and one of its most operationally fragile segments.

Rising Demand, Thin Margins

Midscale benefits from:

- Travelers trading down
- Corporate rate compression
- Drive-market demand
- Contractor and crew business

But margins leave little room for labor disruption.

Labor Challenges Are Most Visible Here

Midscale relies heavily on hourly roles:

- Housekeeping
- Front desk
- Breakfast service

These are the most competitive labor pools, facing pressure from retail, logistics, and gig work.

Turnover here immediately impacts:

- Cleanliness
- Breakfast execution
- Reviews
- Rate integrity

Brand Standards vs. Workforce Reality

Brands continue to raise expectations around:

- Breakfast programs
- Housekeeping frequency
- Public-area standards
- Technology adoption

Owners often struggle to meet these standards with available labor, creating service gaps that show up quickly in guest scores.

The Midscale Equation

For midscale hotels, the math is unforgiving:

+

Stable labor + consistent service = predictable profit

−

Unstable labor + inconsistent service = margin erosion and brand risk

Winning strategies in 2026 focus on retaining dependable, cross-trained core teams; protecting supervisor roles; leveraging staffing partners to stabilize housekeeping and front desk; and using technology to eliminate low-value, repetitive work.

Midscale properties win by executing the fundamentals, clean rooms, smooth check-in, reliable breakfast, every stay, every guest.

05

What the Market Is Actually Telling Us

The next operating cycle will reward realism over optimism.
Hotels that underwrite labor as a controllable variable will underperform those that treat it as structural infrastructure.

Labor Volatility Is the New Normal

Staffing instability should no longer be treated as an exception or short-term disruption. It must be assumed.

Owners and operators must underwrite:

- Flexible coverage models that can absorb volatility
- Redundant leadership depth in critical departments
- Clear escalation protocols for service recovery
- External labor support embedded into operating budgets, not treated as emergency spend

Hotels built on brittle staffing assumptions will struggle to maintain consistency and protect brand standards.

Supervisor Stability Will Define Performance

The most underestimated risk entering 2026 is mid-level leadership churn.

When supervisors turn over, the consequences cascade:

- Training breaks down
- Standards drift
- Frontline turnover accelerates
- Guest experience becomes inconsistent

In a high-wage environment, supervisor instability is more damaging than frontline attrition. Protecting these roles, through compensation alignment, scheduling stability, and retention-focused management, is one of the highest-ROI workforce investments owners can make.

Stable supervisors anchor teams. Unstable ones destabilize entire departments.

Brand Compliance Will Get Harder, Not Easier

Brands are tightening expectations around:

- Housekeeping frequency and quality
- Guest recognition and personalization
- Breakfast execution
- Technology adoption and reporting

At the same time, labor markets are not expanding to support those expectations.

This creates a widening gap between brand standards and workforce reality, especially in midscale, resort, and high-cost urban markets. Owners will increasingly rely on staffing partners, hybrid models, and role redesign to maintain compliance without inflating fixed costs.

Brand compliance is no longer just an operational concern. It is a financial and reputational risk that must be actively managed.

Payroll as a percentage of revenue no longer provides sufficient insight in a high-wage, volatile labor environment.

PPOR Will Replace Legacy Labor Metrics

Payroll per Occupied Room (PPOR) is emerging as a more accurate metric because it:

- Reflects wage inflation directly
- Surfaces productivity issues earlier
- Aligns labor efficiency with guest experience and asset value
- Enables clearer benchmarking across assets and markets

Asset managers are already shifting toward PPOR to understand where labor inefficiencies are structural versus correctable.

Retention Will Matter More Than Hiring

In a world of elevated wages, churn is expensive.

Winning hotels are not those that hire fastest, but those that:

- Shorten time-to-productivity
- Invest in training and cross-training
- Offer flexibility aligned with modern workforce expectations
- Build temp-to-perm and internal mobility pipelines
- Reduce preventable turnover in high-impact roles

Retention is no longer an HR metric. It is a performance driver that directly affects guest satisfaction, compliance, and margins.

Closing Thoughts

The hotel industry has entered a new operating era.

Demand has stabilized. Costs have reset. Brand expectations continue to rise.

What has not expanded to match those pressures is the labor market.

This is not a temporary imbalance—it is a structural one.

Hotels that continue to treat labor as a reactive function will experience widening gaps between service standards, guest expectations, and financial performance. Those gaps show up quietly at first—in reviews, in supervisor turnover, in inconsistency—but they compound over time and ultimately affect asset value.

The operators who will outperform in the next cycle are not those who hire the fastest or spend the most. They are the ones who design workforce systems that assume volatility, protect critical roles, and align service promises with workforce reality.

Labor is no longer a support function. It is infrastructure.

Steven Kamali

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THE STAFFING AGENCY

A RECRUITING COLLECTIVE

The Staffing Agency is a collection of industry-specific recruiting companies built to solve real staffing challenges across hospitality, luxury households, and hotels. Each division focuses on one vertical, with teams that understand the work and deliver talent quickly, quietly, and effectively.

The Hotel Agency

The workforce challenges facing hotels cannot be solved by faster hiring or larger pipelines. They require a different operating mindset.

The Hotel Agency was built on a simple premise: labor is now infrastructure—a permanent determinant of service quality, brand standards, and asset performance.

Our role is not to react to vacancies, but to help owners and operators design workforce systems that hold up in a structurally constrained labor environment.

The hotels that outperform are not the ones that hire the most—but the ones that design the most resilient workforce models.

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