

**SOCIAL BENEFIT ANALYSIS OF  
HOTEL TRAINING CENTER'S**

**Room Attendant Training Program**



Produced for BEST Corp. by:  
**Anthony Harrison**  
Master's Candidate at Northeastern University



**TABLE OF CONTENTS**

Introduction ..... 3

Summary of Results..... 4

Methodology for Social Benefit Calculations ..... 5

    Medicaid ..... 6

    Tax Revenue ..... 9

    Time Frame..... 11

    Retention Rate..... 12

    Social Benefit Calculation ..... 13

    Return on Investment..... 14

Calculated Savings to Society in Detail..... 15

    \$2.93 Million Savings to Society Over Length of Program..... 15

    487.48% Return on Investment ..... 16

    \$1.08 Million Savings to Society Each Year After Program..... 16

Conclusion..... 18

Sources..... 19



## INTRODUCTION



The Room Attendant Training program is the most exhaustive training program provided by the Hotel Training Center. It prepares individuals, who have never been employed at a hotel, with the skills necessary to find employment in the hospitality industry, specifically as room attendants in hotels.

The Room Attendant Training program has been a core entity among the services provided by BEST Corp. at the Hotel Training Center. Since the program's first class in 2009, 145 individuals have participated in and completed the program with 78% finding employment in the hospitality industry.

Sponsored by several grants, including a career pathways grant from SkillWorks, this program has demonstrated a significant social return on investment. Individuals who are selected to participate in the six week long training program are unemployed or low wage workers. Unemployed and underemployed individuals cost society money through the benefits they receive from the government, specifically in this case, costs associated with Medicaid provided by MassHealth. After finding employment, a majority of these individuals are receiving health insurance sponsored by their new employer and are no longer receiving the Medicaid benefits as they were before.

Additionally, those individuals are now earning higher wages and salaries which contributes more to the social benefit through additional tax revenue for the state and federal government. This additional social benefit can be calculated to demonstrate the monetary value to society of the training program. This report is intended to demonstrate the social benefit and return on investment of the Room Attendant Training program offered by the Hotel Training Center.

The surveying methodology employed in order to complete this analysis is relatively straightforward. The information used in the calculations was provided by the training program participants themselves. Prior to beginning the training program, potential participants are required to provide their families financial situation as well as their personal income. After completing the program, the career coaches, who work with the training program participants in finding employment, keep tabs on the participants' employment to be certain of the wages that they are earning after completing the program.

*This report is intended to demonstrate the social benefit and return on investment of the Room Attendant Training program offered by the Hotel Training Center.*



## SUMMARY OF RESULTS

**\$2,934,125** in social benefit savings as result of this program

Calculation includes the following factors:

- Medicaid costs associated with unemployed and low income families
- Tax revenue generated through new employment
- Length of program (4.5 years since the first class completed the training)
- Retention rates of participants in their new employment

**487.48%** return on investment for funding of program

Based on initial funding estimates of \$4,151 per participant

**\$1,083,467** in savings to society each year after the program has been completed

The nature of skills training is that the benefits persist for the length of that participants career, and this figure reflects the savings for each year after the program has been complete

**145** individuals participated in the Room Attendant Training program over a 5 year period

Prior to completing the training program

- 81 were unemployed (55.86%)
- 37 were employed in a non union hospitality position (25.52%)
- 27 were employed in a different industry (18.62%)
- 113 qualified for Medicaid insurance coverage (77.93%)
- \$868,292.00 in collective annualized earned income

After completing the training program

- 113 found new employment in the hospitality industry (77.93%)
- 130 were employed (89.66%)
- 38 qualified for Medicaid insurance coverage (26.2%)
- \$2,606,857 in collective annualized earned income

Average hourly income (for those employed) rose from \$8.95 to \$14.02 (56.6%)



## METHODOLOGY FOR SOCIAL BENEFIT CALCULATION

There are four main areas considered for calculating the social benefit of the Room Attendant Training program. In the subsequent sections I will discuss the methodology used to arrive at the figures that are being reported.

First, the cost to society of the individuals: 55.86% of the participants were unemployed prior to participating in the program and were therefore receiving benefits from the government, specifically Medicaid provided by MassHealth. Many of those that were employed prior to completing the program had a household income low enough to maintain eligibility for Medicaid insurance coverage. It has been indicated that this is the benefit that the participants are most familiar with and are comfortable in obtaining. For this reason it will be the only benefit used for the calculations. Additionally, many of the participants who were previously receiving Medicaid insurance coverage were also the main wage earner for their families. During the application process for the Room Attendant Training program, data on family size is collected and was used in order to provide an accurate figure regarding government spending for the participants through these programs.

Secondly, the tax revenue collected by the Massachusetts and federal government. Individuals pay a state and federal tax on their earned income. Their employers also contribute to total tax revenue through payroll taxes which contribute to Social Security and Unemployment benefits. The tax revenue generated off-sets the costs of social benefits that are paid out by the government.

Third, the Room Attendant Training program has been active for approximately 5 years. For this reason, it is calculated that any savings can be applied from the time of the individual's participation in the program to the completion of the 5 year program at the end of 2013.

The final issue that needs to be considered is the job retention rates for individuals who find jobs as a result of this program. Hotels in Boston with a collective bargaining agreement (CBA) organized by Unite Here Local 26, which make up the Hotel Training Center network, provide good wages and excellent benefits to their employees. Some participants do not retain the first position that they find but do find employment at another hotel within this network, however, others do not. For this reason, it is important to have a method for determining, on average, how long an individual has been employed by their first employer, and what percentage of individuals that find employment again at a hotel with a CBA, or a hotel that provides a comparable employment package.

Data collection occurs at a few separate stages in the program. When an individual is first accepted into the program, they provide general information about their current employment situation, including hourly wages, average hours worked per week, family size, total household income, and whether or not they are receiving employer sponsored health insurance. After completing the program the participant provides the same data regarding their newfound employment, if applicable. From this, it is possible to determine the changes in costs to society prior to and after completion. There are also several follow up phone calls made at specific time intervals to determine the employment situation of the participant.

Finally, all of this information is used collaboratively with initial funding and cost per student data to calculate the return on investment for each dollar spent on the Room Attendant Training program.

### **Medicaid**

Once accepted into the program, participants provide information regarding their present financial situation, including total household income and family size. With this information it is possible to determine if the family qualifies for Medicaid insurance coverage provided by MassHealth. A family qualifies for Medicaid if they live below the poverty line. The US Department of Health and Human Services defined poverty in 2013 as an income lower than \$11,490 for an individual and a combined income of less than \$23,550 for a family of four. [1]

The household income is reported as a range: \$0–\$21,000, \$21,001–\$28,000, \$28,001–\$35,000 and so on. For some participants, it is quite clear that based on their family size and household income, they fall beneath the poverty line and are eligible for Medicaid insurance coverage. Because of the range, it is not always possible to tell if the family falls below the necessary poverty line to receive benefits. The poverty line, and subsequent cut off point for Medicaid, for a family of four is \$23,550 in household income each year. If a family of four reported that they earned \$0–\$21,000 each year, then they are eligible for Medicaid benefits and address the costs accordingly. However, if they report that their average income is \$21,001–\$28,000 per year, there is no way to be certain that the family falls below the poverty line, however they may, and that needs to be taken into account to fully appreciate the social benefits of this program. In order to address this concern, there is a formula used to calculate an appropriate estimate for the costs.

For example, a family of four that reports that their household income is \$21,001–\$28,000 can easily be over the poverty line of \$23,550. The range is \$6,999 and the difference between the low figure and the poverty line is \$2,549.  $\$2,549 / \$6,999$  is 36.4%, which we can reasonably assume is the percentage of families of four with

*The US Department of Health and Human Services defined poverty in 2013 as an income lower than \$11,490 for an individual and a combined income of less than \$23,550 for a family of four.*



that income that are below the poverty line. If we calculate the cost for Medicaid insurance coverage for every family of four that reported a household income of \$21,001–\$28,000 and then multiply that total by 36.4%, the resulting figure accurately represents a strong estimate of the actual costs of Medicaid insurance for that group of people.

#### **Eg. Determine Medicaid eligibility**

Family size: 4

Household income: \$21,001–\$28,000

Poverty line (eligibility for Medicaid): \$23,550

Range of household income: \$28,000–\$21,001 = \$6,999

Expected percentage of household incomes under poverty line:

$\$2,549 / \$6,999 = 34.6\%$

The same formula was applied to all family sizes and all household income levels. The final calculation was to determine what individuals and families were no longer receiving benefits and thereby saving money for society. Those individuals that found employment at hotels with a collective bargaining agreement (CBA) are receiving health insurance for their entire family for \$12 a week; for an individual, it is \$4 a week. So any participant that ended up at a hotel with a CBA is no longer receiving any government assistance for paying for healthcare. Also, if the participant finds new or better employment and earns over the poverty line for their family then they are also considered as saving the cost of Medicaid insurance.

To calculate the actual savings to Medicaid, and not simply who is eligible, the following method was used. The average cost for an adult to be insured through Medicaid is \$7,224 per year and for a child it is \$3,863. It is estimated that approximately 82.8% of adults that are eligible for Medicaid in Massachusetts are actually covered and 96.5% of children that are eligible are covered. [2][3] It is reasonable to assume that those eligible individuals that have participated in the Room Attendant Training program were covered at that same rate as the general public. Based on this assumption, the cost for each individual eligible for Medicaid was calculated as 82.8% of \$7,224, which is \$5,981.47 and for children it was calculated to be 96.5% of \$3,863, which is \$3,810.85.

The family size was provided but there was no indication whether or not that consisted of children or a spouse. For a family of four, it is a given that at least one of the individuals is an adult and two are children. The question arises as to whether or not they have a spouse, or are a single parent with three children. In this situation, the

unknown is calculated as the average between the costs for a child and an adult. This way we can assume that we are covering both potentials in a reasonable way.

#### **Eg. Average family composition**

Family size: 4

1 adult: \$5,981.47

Potential for one spouse or child:

$\$5,981.47 + \$3,810.85 = \$9,792.32$

$\$9,792.32 / 2 = \$4,896.16$

2 children:  $\$3,810.85 + \$3,810.85 = \$7,621.70$

Total cost for Medicaid insurance for a family of four in MA:

$\$5,981.47 + \$4,896.16 + \$7,621.70 = \$18,499.33$

This figure is then multiplied by the expected percentage of households under the poverty line for the household income range that was indicated at the initial data collection survey. In this way, we are able to determine a statistically likely cost for Medicaid insurance coverage for a family of four in the economic position that was indicated.

#### **Eg. Final calculation**

Family Size: 4

Household income: \$21,001-\$28,000

Expected percentage of families that size earning under the poverty line: 34.6%

Cost of Medicaid insurance for a family of four in MA: \$18,499.33

Calculated costs of Medicaid insurance for a family with these reported demographics: \$6,400.77

Having determined the average costs associated with Medicaid insurance coverage provided by the government, it is important to assess the savings that result from the newfound employment for the participants. Those that found employment at hotels with a CBA are receiving health insurance sponsored by their employer for a very modest personal cost. Many of those that are not employed by hotels with a contract maintained by the CBA are now receiving a wage where they are no longer eligible for Medicaid insurance coverage. Many families that are above the poverty line still receive assistance in paying for health insurance, provided by the Health Connectors that subsidize moderate income families on health insurance purchasing. A study by the Kaiser foundation, a major health care system, has indicated that the Health



Connectors actually pay for themselves and result in no additional costs to the so government there is no need to calculate for this situation. [4]

Finding the difference between the before costs to the government for Medicaid insurance coverage and the after costs to the government for Medicaid demonstrates a yearly savings that came as a result of the Room Attendant Training program. All of these calculations indicate that the Room Attendant Training program adds a financial benefit.

It is important to note that in Massachusetts, Medicaid costs are paid 50% by the federal government and 50% by the state government. For this reason, any savings has to be attributed to both the federal and state government and there will be no effort made to distinguish between the two.

Based on the calculations that were outlined above, and the yearly multiplier, which will be described below, the savings to society as a result of Medicaid costs that are provided by the government to low income families is approximately \$2,404,280.

### **Tax Revenue**

After completing the Room Attendant Training program, each participant is assisted with finding a job in the hospitality industry, particularly employment as a room attendant in a hotel. Recently, these jobs merit wages of up to \$17 an hour and include employer sponsored health insurance, among other benefits. With this increase in income, there is also an increase in tax revenue generated for both the state and federal government. Tax revenue pays for the sorts of entitlement programs that many low-income individuals and family receive. It is important to calculate the additional tax revenue that is generated to determine what additional benefit to society is being produced by the Room Attendant Training program.

*It is important to calculate the additional tax revenue that is generated to determine what additional benefit to society is being produced by the Room Attendant Training program.*

Upon obtaining new employment, participants provide the hourly pay they receive as well as the average hours they work per week. Many hospitality workers in their first several years of employment are seasonal employees and work approximately 38 weeks out of the year. When calculating their yearly earnings, the hourly wage is multiplied by the average hours per week and then by 38 weeks a year. This figure is used to determine the participants' earned income calculation.

Prior to participation in the program, each prospective candidate must provide the same information: current hourly wage, average hours worked per week, and it is assumed that they are working 50 weeks of the year. Using a similar calculation to the post program wages, this provides for the prior to participation earned income figure.

Earned income generates tax revenue for the state and federal government. An employed individual pays federal income tax, state income tax, as well as a sales tax on any purchases that they make. Additionally, their employers contribute an equal share to the federal tax revenue.

Including all of these sources of revenue, the total tax revenue generated for the government has been estimated at 22.32% of the earned income of an individual. This is based on several data points regarding how tax revenue is collected. Sales tax in Massachusetts is 6.25% and if one assumes that these individuals are spending 75% of their earned income on purchases that the sales tax applies to (there are certain purchases that are not taxable) this tax revenue can be calculated by using a sales tax figure of 4.69% applied to all income. [5]

The federal income and social security tax is approximately 12.5% for individuals with this approximate income level. It fluctuates between 10% and 15% depending on family structure and income level, however, 12.5% is a reasonable estimate for the social security and federal income tax. [6]

The final tax to be added is the flat Massachusetts income tax, which is 5.13%. [7] By totaling these three tax revenue sources, Massachusetts' flat income tax, the sales tax on most items, and federal income and social security tax, we get a total calculation of 22.32% of earned income being used as the calculation for tax revenue generated as a result of the new employment obtained by the Room Attendant Training program participant. Similarly to the Medicaid spending calculations, the difference between the before and after figures will demonstrate the actual savings to society.

**Eg.**

Earned income: \$22,750

Tax rate: 22.32%

Tax revenue generated:  $\$22,750 \times 22.32\% = \$5,077.80$

The final issue that needs to be considered when comparing tax revenue social benefits is what would have occurred had there been no intervention by the Room Attendant Training program. For this reason, the comparison being made is between the tax revenue of the participants after they have completed the program and found new employment, and a control group that is based on the pre-program employment as well as some assumptions being made. It is not reasonable to assume that if the participant is unemployed when starting the program, they will remain unemployed over the course of time that this study accounts for, up to five years for the first class.

For this reason, a control group was created that assumes that the previously unemployed participants will be employed for 50% of the time at the average rate hourly rate of \$8.95. This is the average hourly wage for those participants who were employed prior to starting the program. This control group serves the purpose of calculating some tax revenue that would have been generated, even if the participant had not completed the Room Attendant Training program. For those that were employed prior to starting the program, it is assumed that they would have retained that job indefinitely.

*The savings to society recorded as additional tax revenue to the state and federal government is approximately \$529,846.*

Based on the calculations that were described above, the control group figures, and the yearly multiplier, which will be described below, the savings to society recorded as additional tax revenue to the state and federal government is approximately \$529,846.

### **Time Frame**

The Room Attendant Training program has been active since the first class in 2009. The social benefit calculated takes into account the fact that participants that completed the program earlier have been contributing a savings to society for several years. This study focuses on the training program for the entirety of the five years that the program has been active.

Participants that have completed the Room Attendant Training program in 2009 have been contributing to the social benefit for 4.5 years as a result of the program. Those that completed the program in 2010 have been contributing for 3.5 years, and so on, with participants from 2013 being calculated for 0.5 years. The length of time for which an individual has been contributing is used as a yearly multiplier which is applied to all of their other calculations.

#### **Eg. Time frame adjustment**

Calculated annual family Medicaid costs: \$6,400.77

Yearly multiplier: 3.5

Total cost for Medicaid:  $\$6,400.77 \times 3.5 = \$22,402.7$

Additionally, a calculation will be provided that focuses on a one year social benefit savings to society, which will address every participant in the program, but only over the course of a single year.

## **Retention Rate**

*Retention rate is essentially how long the individuals stay employed by the same employer after getting the job.*

The final calculation that needs to be included to get as accurate a figure as possible for the social benefit of the Room Attendant Training program is the retention rate for employees in their new occupations within the hospitality industry. Retention rate is essentially how long the individuals stay employed by the same employer after getting the job.

The follow up phone calls ascertain whether or not the individual is still employed at their first job after completing the program, and if not, whether or not they are still employed in the industry. With this information it is possible to determine whether or not the training and hospitality industry professional network, provided by the Hotel Training Center, are still having an economic effect on the participant's life. This information also provides a modifier, similar to the yearly multiplier, which influences the final calculations to be more reflective of the real world situation that is occurring.

Our data collection has indicated that the employee retention rate for participants of the Room Attendant program is greater than the industry average. The records indicate that approximately 75.7% of the participants that found employment at a hotel with a collective bargaining agreement (CBA) are still employed at a union position, over the 5 years for which the program was active. The industry standard is a turnover rate of approximately 31%. [8] This means that each year, 31% of the hotel staff needs to be replaced. Statistically speaking, the whole staff would be replaced just over three years. This is not the case, however, and there are some individuals that work at the same hotels for decades, and the industry standard for the turnover rate reflects new hires that do not stay employed for a long period of time. Our partner hotels frequently hire our graduates because they recognize the benefits of having employees that are retained for longer periods of time.

For the participants that have worked at hotels with a CBA, we know exactly who it is that had these jobs and are no longer employed there. For this reason, we can directly alter the yearly multiplier to reflect the fact that they are not employed anymore and should only be counted as having a social benefit to society for a shorter period of time.

For every individual that was reported as no longer employed at a hotel with a CBA, their yearly multiplier was multiplied by 0.5. This accounts for a situation where the individual was employed by the hotel for half the time since they got the position and the end of the period that this report covers, 4.5 years since the first class finished the program, the end of 2013. We feel that it is a reasonable assumption to address the yearly multiplier by reducing it 50%. This should provide a relatively fair estimation for the social return on investment for the program.

This calculation only refers to the participants that were employed by hotels with a CBA. The data for the individuals that found employment at hotels without a CBA in place is not complete, so for this reason, we are assuming that the retention rate for these positions and positions with a CBA are the same. Assuming that 24.3% of the non-CBA employees are still employed in the industry, and that those that are no longer working at a hotel worked there for approximately half the time since they found the jobs, there will be a retention modified applied to the every participant that wasn't placed at a hotel with a CBA.

To complete this calculation, we concluded that the average retention time for the 24.3%, the percent of individuals that are likely to no longer be employed in the hospitality industry, is 50% of the time since they have started working. 50% multiplied by the retention rate, 24.3% is 12.15%. Therefore, the yearly multiplier for all non-union employees will be reduced by 12.15% in order to calculate for the assumed retention rate, so the yearly multiplier will be multiplied by 0.8785. For example, a participant with a yearly multiplier of 3.5, who did not find employment with a hotel with CBA, has a new yearly multiplier of 3.075.

It is important to indicate that only the individuals that have found new employment after completing the training program will have their yearly multiplier adjusted. If they were unemployed prior to the program and then were still unemployed after the program, the costs that are accrued do to social benefits persist perpetually.

### **Social Benefit Calculation**

To use the information presented above, the calculations must compare both the Medicaid costs to society and the tax revenue generated prior to and after completing the Room Attendant Training program. The cost to society is calculated by subtracting the costs to society incurred by Medicaid eligibility from tax revenue generated. For example, an unemployed individual, on average, costs the government \$5,981.47 a year in Medicaid spending and contributes no tax revenue, for a total cost to society of \$5,981.47 a year.

If the unemployed individual gains employment earning \$20,000 per year, with health insurance benefits, they are not incurring any costs associated with Medicaid insurance coverage and are generating \$4,644 in tax revenue to the state and federal government, for a total surplus to society of \$4,120. The social benefit for each year, however is \$4,644 in earned income tax revenue plus the \$5,981.47 being saved because they are no longer eligible for Medicaid, for a total of \$10,625.47 in savings each year.

If the individual participated in the program in 2009, they have been contributing their savings, or costs, to society for 4.5 years, for example, for a total savings of \$47,814.62.

*An unemployed individual, on average, costs the government \$5,981.47 a year in Medicaid spending and contributes no tax revenue.*

### **Eg. Social benefit calculation**

Prior costs associated with Medicaid: \$5,981.47

Post program costs associated with Medicaid: \$0

Savings associated with Medicaid:  $\$5,981.47 - \$0 = \$5,981.47$

Prior tax revenue generated: \$0

Post program tax revenue generated:  $\$20,000 \times 22.32\% = \$4,644$

Additional tax revenue generated:  $\$4,644 - \$0 = \$4,644$

Annualized savings to society:  $\$5,981.47 + \$4,644 = \$10,625.47$

Yearly Multiplier: 4.5

Total savings to society:  $\$10,625.47 \times 4.5 = \$47,814.62$

The overall calculation for all participants reflects the costs, or benefits, to society for any given year. These calculations are done before and after the participants complete the training program, reflecting the change in employment that the individual experienced as a result of the program. This calculation is applied to all 145 participants and totaled in order to determine the total social benefit of the Room Attendant Training program.

### **Return on Investment**

*A study done with the Bridgespan Group has calculated that the cost for each student to participate in the Room Attendant Training program is approximately \$4,151.*

In order to put the savings to society into perspective, they have to be compared against the costs associated with providing the training. This produces a social return on investment, which compares the social savings to society to the initial costs of providing the training.

A study done with the Bridgespan Group has calculated that the cost for each student to participate in the Room Attendant Training program is approximately \$4,151. This takes into account the costs for the facilities at which the training occurs, as well as the costs to provide teachers, tutors, and career coaches.

Using that figure, the return on investment to society can be calculated. The total cost for the program is \$4,151 multiplied by the number of participants, 145, resulting in a total cost of \$601,895. The entire savings realized divided by the entire cost of the program will be the actual social return on investment.





## CALCULATED FINDINGS IN DETAIL

There are several important findings that resulted from this study. Each will be addressed here including a brief description of the calculations that went into ascertaining and determining the figures.

### ***\$2.93 Million Savings to Society Over Length of Program***

The calculations indicate that the Room Attendant Training program has saved society approximately \$2,934,125 over the five year period that the training program has been active. This figure takes into account the costs associated with Medicaid, tax revenue generated from earned income, the time frame for the length of the program, and the retention rate of employees.

Calculations were made before and after completion of the training program and the differences were multiplied by the yearly multiplier, which is dependent on the year in which the participant completed the program and retention rate, as indicated in the 'Methodology for Social Benefit' and 'Social Benefit Calculation' sections of this report.

145 individuals participated in and completed the room attendant program at various times over five years; 39 in 2009, 25 in 2010, 34 in 2011, 14 in 2012, and 19 in 2013, and the savings realized were staggered appropriately.

Prior to participating in the program 113 out of the 145 participants qualified for Medicaid insurance. The 145 participants individuals earned collectively \$868,292 per year, based on a self-administered survey, and factoring in the control group information referenced in the section regarding tax revenue generated, we have calculated an estimated total annualized earning of \$1,606,787. This amounts to total tax revenue generated of \$358,635 per year, based on the tax rate of 22.32% calculated in the Tax Revenue section of this report.

After completing the program only 38 out of the 145 participants qualified for Medicaid and, collectively, these individuals earned \$2,630,417 per year. This amounts to \$587,109 in tax revenue generated each year. The annualized contribution to society for additional tax revenue generated is approximately \$228,474. Including the yearly multiplier, referenced in the Time Frame section, the total additional contributions to society is approximately \$529,846.

The savings to society for Medicaid expenditures that are no longer necessary is approximately \$2,404,279 over the course of the program.

*The savings to society for Medicaid expenditures that are no longer necessary is approximately \$2,404,279 over the course of the program.*

### Eg. Savings to Society Calculation

Savings based on reduced Medicaid recipients: \$2,404,279

Additional tax revenue generated: \$529,846

Total savings to society:  $\$2,404,279 + \$529,846 = \$2,934,125$

### 487.48% Return on Investment

The return on investment for the Room Attendant Training program is 487.48%. As indicated previously, it cost the Hotel Training Center approximately \$4,151 for each participant in the training program.

Over the active period of the training program, there have been 145 participants. At \$4,151 per participant, this results in a total cost for the training program of \$601,895 for the five years of the program. As indicated before, the savings to society were \$2,934,125 over the five year course of the program. \$2,945,125 saved at a cost of \$601,895 results in a ratio of 4.8748. Calculated as a percentage this comes out to 487.48%.

*The main result of the Room Attendant Training program is that 145 individuals now have the skills to be employed at a hotel for a family sustaining wage.*

### Eg. Return on Investment Calculation

Total savings to society: \$2,934,125

Total cost of the program:  $145 \times \$4,151 = \$601,895$

Return on investment:  $\$2,934,125 / \$601,895 = 4.8748$

Percentage:  $4.8748 \times 100 = 487.48\%$

Simply put, each dollar spent on the training program resulted in \$4.87 in savings to society over the course of the program.

### \$1,083,467 Savings to Society Each Year After Program

The figure above regarding savings to society takes into consideration the entire active period of the training program. It appropriately staggers savings to society in regards to the year in which the participant completed the program. Those that completed the program earlier had additional years included in the calculations reflecting how they continued to contribute to society.

The nature of a training program is that once the individuals have acquired the training and used it to find a job, those benefits remain and are persistent with them for the rest of their careers. The main result of the Room Attendant Training program is that 145 individuals now have the skills to be employed at a hotel for a family

sustaining wage, and that 75.7% of those individuals are still employed in the industry earning a good wage.

For each additional year, only calculating the previous participants, the Room Attendant Training program will continue to save society approximately \$1,083,467 each year the training program participants remain employed at their new positions or remain in the industry at a comparable one.

### **Eg. Return on Investment Calculation**

Annualized Medicaid savings: \$940,289

Annualize tax revenue generated: \$143,178

Annualized contribution to society:  $\$940,289 + \$143,178 = \$1,083,467$

Additionally, this figure can grow if certain individuals receive a raise in wages or a promotion as a result of their training.



## CONCLUSION

*This training program takes individuals who were previously undesirable for employment and provides them with the skills and network necessary to find good employment in the hospitality industry.*

The Room Attendant Training program provided by the Hotel Training Center through BEST Corp. has had a large and substantial social impact on many residents in the Boston community. With a return on invest of 487.48%, this program has been produced a savings to society of approximately \$2.93 million. 145 individuals have participated in the training program and are now consistently contributing more to society in the form of tax revenue than they have ever before. The nature of a training program is that these social benefits will persist as long as the individuals remain involved in the hospitality industry.

The costs to the government are down and the tax revenue generated by their new incomes has risen. These are important characteristics of an impressive and successful workforce development training program.

Additionally, there needs to be some consideration beyond the mere economic effects that this training program has on society. Yes, it is important that there is a real and significant return on investment, however, it is also important to note that the 145 individuals that participated in the program have been provided with the opportunity for a good career in a growing industry. The jobs that the training program participants are getting are often for a very good hourly wage and with very good medical benefits. Recent trends have demonstrated that the rising cost of health care is one of the leading causes of financial oppression and bankruptcy. As was mentioned earlier, a majority of the participants were unemployed prior to starting the program. Many companies and businesses are less inclined to hire individuals that are currently unemployed. This training program takes individuals, who were previously undesirable for employment, and provides them with the skills and network necessary to find good employment in the hospitality industry.





## SOURCES:

- [1] *Medicaid Facts: Massachusetts*. September 2012, American Academy of Pediatrics. Children's Hospital Association—<http://www.aap.org/en-us/advocacy-and-policy/federal-advocacy/access-to-care/Medicaid%20Fact%20Sheets/Massachusetts.pdf>
- [2] Sommers, BD; Tomasi, MR; Swartz, K; Epstein, AM; *Reasons for the wide variation in Medicaid participation rates among states hold lessons for coverage expansion in 2014*. Health Affairs: 31 July 2012. Harvard School of Public Health—<http://www.ncbi.nlm.nih.gov/pubmed/22566429>
- [3] Kenney, Geneveive; Lynch, Victoria; Huntress, Michael; Haley, Jennifer; Anderson, Nathaniel; *Medicaid/CHIP Participation Among Children and Parents: Timely Analysis of Immediate Health Policy Issues*. December 2012. Urban Institute, Robert Wood Johnson Foundation—<http://www.rwjf.org/content/dam/farm/reports/reports/2012/rwjf403218>
- [4] *Focus on Health Reform: Massachusetts Health Care Reform Six Years Later*. May 2012. The Henry J. Kaiser Family Foundation—<http://kaiserfamilyfoundation.files.wordpress.com/2013/01/8311.pdf>
- [5] Massachusetts Department of Revenue—<http://www.mass.gov/dor/individuals/taxpayer-help-and-resources/tax-guides/salesuse-tax-guide.html>
- [6] Massachusetts Department of Revenue—<http://www.tax-rates.org/federalincometax>
- [7] Massachusetts Department of Revenue—<http://www.tax-rates.org/resources/MassachusettsIncomeTax.pdf>
- [8] International Hospitality & Tourism Institute, *Hospitality 2015: Game Changers or Spectators*.



Produced for BEST Corp. by:  
**Anthony Harrison**  
Master's Candidate at Northeastern University