# 3 Developments That Will Affect Hospitality Companies In 2024

By **Lauren Stewart** (December 20, 2023)

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This year proved to be an interesting year for the hospitality industry.

Although some hotel performance metrics are now above 2019 levels, there was slowed growth, heightened wage pressure and interest rate increases. This meant that deals became more expensive and deal volume dramatically shifted downward.

Now, hotel operators, borrowers and lenders alike are holding their breath in anticipation of what 2024 will bring.

Aside from the obvious economic impacts on the industry, here are some things to watch out for going into 2024, which include the new National Labor Relations Board's joint employer rules, the growth of branded residential opportunities for hotel chains and owners, and some pluses and minuses of artificial intelligence.

**NLRB's Joint Employer Revision**

On Oct. 26, the NLRB issued its final rule on joint employer status.[1]

Although the NLRB is primarily concerned with union-represented employers and collective bargaining rights of nonsupervisory workers, the NLRB's rules may influence the decision making of the U.S. Department of Labor and the U.S. Equal Employment Opportunity Commission.

The rule on joint employer status is intended to target relationships where an employee is hired by one party, but a second party has control over the employee in some capacity. If so, the second party may be considered a joint employer under NLRB rules, and potentially liable for unfair labor practices and collective bargaining obligations — to the extent the employees are organized.

The NLRB's rule also expands the remedies afforded to employees who successfully pursue unfair labor practice charges before the NLRB.

The hospitality industry should be particularly aware of the joint employer rule because franchisee-franchisor relationships are candidates to fall under the umbrella of joint employers.

For instance, if a franchisor includes language in a franchise agreement that employees must wear a uniform, or that the employee handbook include certain restrictions, the franchisor runs the risk of being found a joint employer of an employee employed by the franchise.

Other relationships that may fall under the joint employer rule are parties who hire third-party outsourcing like customer service call centers, party cleaning services, or event teams. Interestingly, if the contracting party reserves the right to govern the actions of employees employed by the third-party and never acts on it, they still may be considered a joint employer under this new rule.

In the first week of December, H.J. Res. 98 was introduced as a Congressional Review Act resolution of disapproval with respect to the NLRB's new rule, showing that Congress may take action to overturn the rule in 2024. In addition, several business groups have initiated litigation in federal court to have the regulations set aside.

The impact of the joint employer rule is sweeping, and has the potential to financially affect many hotel franchisors across the country.

The bottom line? Now is the time to review your old contracts, comb through to evaluate whether any joint employer risks are present and amend as needed.

**Branded Residential**

Over the past year, branded residential developments gained traction in the hospitality industry.

Branded residential developments have been in the industry since the 1920s, and nearly a century later, the concept is back in style. Branded residences are mixed-use developments where a hotel may offer some of its space as residential living, while providing to its residents the same or similar amenities that are offered to hotel guests.

Branded residential spaces are making waves because they afford many advantages that lenders and developers are looking for in this economy.

First, branded residential provides another avenue for hotel owners to fill rooms. Second, there are fewer construction costs than would be necessary for a new residential or mixed-use development. Third, there are increased chances for brand expansion, brand recognition and brand loyalty.

The advantages of branded residential are clear, and we expect that it will only continue to increase its hold on the industry in 2024.

**AI in Hospitality**

These days, it is difficult to talk about new technology without hearing the terms "AI," "ChatGPT" or "data."

AI is taking center stage in how business owners collect data, how they make business decisions and how people interact with businesses throughout their daily life. It has the potential to streamline the guest experience and lower costs for hotel owners and operators.

Although the opportunities to utilize AI are seemingly endless, as with any new technology, hotel owners and operators will need to keep an eye out for pitfalls. For instance, if AI is collecting data for a hotel operator, the operator will need to ensure that the data collected complies with privacy laws and is safely secured.

One way to protect data is to add additional layers of security, like authenticators or encryptions. Another drawback to AI, is that it requires monitoring and vigilance.

AI also has the potential to carry on human and systematic bias, which may negatively affect anything produced or created by the technology.

**Conclusion**

Going into 2024, the hospitality industry will stay afloat and continue to ride the waves after the pandemic.

Interest rates are predicted to fall in 2024, which would open up the potential for new deals.

Whether hotel owners and operators decide to utilize new technology to streamline their processes, create residential offerings in branded spaces, or turn inward and review old agreements, there are ways that owners, operators and developers can succeed in the new year.

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[1] Federal Register: Standard for Determining Joint Employer Status.