Journal of Themed Experience and Attractions Studies

Volume 2
Issue 1 *Special Issue: Impact of COVID-19 on themed entertainment*

Article 3

April 2022

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Journal of Themed Experience and
Attractions Studies 2.1 (2022) 9–12

"It takes people to make the dream a reality": Disney's HR strategy in response to COVID-19

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Abstract

From January 2020 to the beginning of fall 2021, theme parks around the world have been required to engage in abnormal, abrupt, and major shifts in operations caused by the ongoing global pandemic (COVID-19). Through the process of sensemaking, this paper will focus on the human resources related decisions made by The Walt Disney Company in an effort to better understand the organization's responses to changes in the external environment and the resulting outcomes during the pandemic. The overall management of Cast Members in the United States during this time period with specific focuses on the layoff and re-hiring of personnel as well as the effect of the initial adoption of, and ever-evolving changes to, the COVID-related protocols will be examined. Human resources issues faced by the international parks will also be discussed along with avenues for future research.

Keywords: Human resources; Disney; COVID-19; employees; layoff; furloughs.

1. Introduction

From January 2020 to the beginning of fall 2021, theme parks around the world have been required to engage in abnormal, abrupt, and major shifts in operations due to the ongoing global pandemic (COVID-19). Through the process of sensemaking (Weick, 1988), this paper will focus on the human resources decisions made by The Walt Disney Company in an effort to better understand the organization's responses to changes in the external environment and the resulting outcomes during the COVID-19 global pandemic. We discuss the overall management of Cast Members (i.e., employees) in the U.S. during this time period with specific emphasis on the furloughs, layoff, and re-hiring of theme park personnel. Avenues for future human resource research are also discussed.

Walt Disney reportedly said "You can design and create, and build the most wonderful place in the world. But it takes people to make that dream a reality." Organizations are, indeed, functions of the people within those organizations (Schneider, 1987) and that is certainly the case at Disney theme parks around the world. In the past 18 months, there have been many changes made at The Walt Disney Company, but none have been more evident than those related to Disney's Cast Members. What happens when the thousands of people who make the place are furloughed or laid off, and then, in a rapid turn of events, needed to fill the parks again? This paper takes a look back at the Cast Member related decisions made by The Walt Disney Company in the past 18 months as a result of the COVID-19 pandemic and how those decisions may affect the future of the parks.

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2. Disney's HR strategy

In early 2020, the COVID-19 pandemic drastically altered the current state of affairs for businesses around the world, including The Walt Disney Company and the various Disney theme parks. Shanghai Disneyland and Hong Kong Disneyland were the first to close on January 25, 2020, as China isolated citizens and cut off tourism in an effort to stem the tide of the worsening pandemic. Tokyo Disneyland and Tokyo DisneySea followed on February 29, 2020. Disneyland Paris followed by closing on March 15 with the remaining two Disney parks still in operation globally, Walt Disney World and Disneyland, closing the day after on March 16, 2020. These closures left Disney with thousands of Cast Members in the U.S. and abroad with little to do but wait.

The closures of the Disney theme parks, which along with their associated cruise line and hotels accounted for 37% of the company's $69.9 billion in total revenue in 2019 (Whitten, 2021), was a major blow to the multi-billion dollar international corporation. After Disney's parks in the U.S. and abroad had been closed, Disney was faced with a critical decision: what to do with their thousands of employees who make the parks run and carry out Disney's mission of being the happiest and most magical places on earth? Disney made its first official announcement regarding the future of Cast Members in the U.S. on April 2, 2020 with a statement saying there will be a "temporary, short-term furlough for executive, salaried and non-union hourly Cast Members based in the U.S. with the exception of those whose roles or projects are crucial to maintaining our operations during this closure period, effective April 19th" (Tyko, 2020). A short time later, a furlough policy for union members at both Walt Disney World and Disneyland was also agreed upon, leaving roughly 50% of all Cast Members in the U.S. furloughed. The action of furloughing employees allowed for Cast Members to be eligible for state and federal unemployment benefits while their healthcare costs were maintained by Disney and they were guaranteed to return to their same position once operations resumed. Additionally, in what seemed like an effort to retain as many full-time, U.S. workers as possible, Disney suspended programs targeted at college students and international workers, such as the Disney College Program, the Disney Culinary Program, the Disney Cultural Exchange Program, and the Disney Academic Exchange program.

On March 30, 2020, the executives at Walt Disney also announced they would be taking a reduction in salary. Disney executive chairman Bob Iger announced that he would be forgoing his entire salary while current Disney CEO Bob Chapek would be taking a 50% salary reduction for 2021 (Parker, 2020). Other Disney executives at the level of Vice President and above also received a reduction to their salaries between 20-30%, depending on their level (Parker, 2020). While the cuts in pay of executive level employees would save Disney some money, the amount would be a drop in the bucket compared to their losses, especially since most of these cuts started on April 5, 2020 and ended only several months later on July 31, 2020. However, Disney may have chosen to reduce the executive salaries during a critical time for company morale when so many lower-level workers were being furloughed or laid off in an attempt to signal the company is unified in making cuts across the board, at all levels. This type of virtue signaling may or may not have been authentic, but, even when the motive is unknown, these types of actions are "a way to gain publicity in the form of press and social media coverage that will far exceed … what the brand [could have] spent on advertising" (Demsar et al., 2021, p.3).

While Disneyland and Walt Disney World initiated the same actions in response to the COVID-19 pandemic in the Spring of 2020, the summer of 2020 brought a divergence of procedures and policies between the parks due in large part to the differences in state mandates. While Florida and California both started closing non-essential services and imposed stay-at-home orders between mid-March to April 1, the timeline and policies for the reopening of theme parks and other services varied greatly. Although theme parks in Florida were permitted to open on June 1, 2020, with certain restrictions including lowered attendance capacity, social distancing, mask mandates, and enhanced cleaning protocols, Walt Disney World chose to remain closed until July 11, 2020, in order to properly prepare to open to visitors. California, however, had a range of much stricter lockdown measures in place in the counties that were hardest hit (including Orange County, where Disneyland is located) well into 2021 with a special set of guidelines for reopening specifically for theme parks.

In October 2020, California, in response to the ongoing pandemic, introduced theme park guidelines that placed heavy restrictions on Disneyland and increased the uncertainty as to when the park could actually reopen. Along with the introduction of these guidelines, the Fiscal 2020 Earnings Report revealed that Disney has suffered a loss of about $7.4 billion dollars due to the ongoing global health crisis. Seemingly in response to these events, Disney announced an additional 32,000 layoffs, as well as 1,797 more furloughs of union and non-union Cast Members to take place between November, 2020 and February, 2021. In a statement, Josh D'Amaro, President of Walt Disney World, said,

> For the last several months, our management team has worked tirelessly to avoid having to separate anyone from the company. We've cut expenses, suspended capital projects, furloughed our Cast Members while still paying benefits, and modified our operations to run as efficiently as possible, however, we simply cannot responsibly stay fully staffed while operating at such limited capacity. (Whitten, 2020)

Labor counts for approximately 45% of Disney's theme park operating expenses in the U.S., and, with the furloughs and layoffs, Disney saved about $500 million a month in expenses (Nicolaou & Barker, 2020).

However, the tide of the pandemic changed during Spring of 2021 as Disneyland in California reopened on April 30, 2021, and the summer/fall 2021 tourist season has been going strong in Florida. This seems to have altered the human resource needs for The Walt Disney Company as all of their parks are currently open along with the associated hotels and restaurants. Walt Disney World in Florida had 31.7 million visitors in the second quarter of 2021; a 16.3% improvement from the first quarter of 2021 and 223.4% above the second quarter of 2020 (Turner, 2021). The large majority of these numbers are made up of domestic visitors, which were 30.563 million of that total number. The visitor numbers from April 1 through June 30 of 2021 were only 2.2% less than the numbers from the second quarter in 2019 (Turner, 2021), suggesting visitors are returning to Disney at near pre-pandemic levels.

Therefore, mere months after Disney furloughed or laid off tens of thousands of its Cast Members, it needed thousands of new or returning employees to meet the needs of the organization created by the current market shift. The good news is that, according to statements made by Disney CEO Bob Chapek at the Q2 2021 Earnings Call, about 80% of Cast Members who were previously furloughed did return when asked. According to Chapek, Disney has "had no problems whatsoever in terms of trying to get our Cast to come back and make some magic for our guests" (Turner, 2021). However, this number does not include the Cast Members who were laid off. Individuals who were laid off rather than furloughed were required to re-apply for their previous positions (if available) or to apply for new positions.

Filling thousands of positions is not an easy proposition as finding the right people takes time (Schneider, 1987). There are two major issues facing Disney now: (a) they have a large number of jobs to fill in their U.S. parks at a time when there is a labor shortage in the U.S.; and (b) many of the positions cannot be filled by just anyone because they require high levels of customer interaction at a company whose brand is built on customer service. Requiring individuals who were laid off to re-apply has allowed Disney more flexibility in terms of employee placement in critical roles. However, there are still many open positions according to the Disney Careers websites, with most positions offering hiring bonuses of $500-$1,500. Compounding Disney's current Cast Member shortage, the power in the labor market currently resides with job seekers. The U.S. hit a record of more than 10 million job openings in June while turnover rates for entry-level and lower wage positions have grown exponentially (Lucas & Repko, 2021).

3. Conclusion

Could Disney regret the number of layoffs and furloughs of their Cast Members? It is possible the short term moves to stem the hemorrhaging of funds caused by the park shutdowns through layoffs and furloughs might have a longer-term impact on The Walt Disney Company. As this staffing issue is still unfolding, future research should focus on the impact the worker shortage is having on Disney's ability to meet customer demand. For example, although the parks are open, three resorts remain closed at Walt Disney World. With the 50th anniversary of Walt Disney World drawing record crowds, many expected Port Orleans – French Quarter and Riverside and All-Star Sports to reopen early Fall 2021 but the openings were pushed back to mid-to-late October. With the high levels of demand for hotel rooms in early October for the 50th anniversary and the near sell-out of rooms "on-property," this issue with opening these resorts must lie with Disney's ability to "supply" the rooms. Additionally, between the shifting of employees to unfamiliar/new positions and the hiring of thousands in a short period of time, it is quite possible Disney will be unable to maintain the high-level of quality of their staffing. A future examination of the layoff/hiring trend caused by the pandemic, along with customer satisfaction and long-term financial analysis could allow us to better understand the impact of the massive shifts in Human Resources from a company that prides itself on the quality of their people.

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