



Sector Skills Assessment for the hospitality, leisure, travel and tourism sector 2010

England

December 2010

Executive Summary

The hospitality, leisure, travel and tourism sector is large and growing. Within the People 1st footprint there is currently a workforce of 1.75 million. This is set to reach 2.01 million by 2017. This future growth is dependent on a number of future drivers, particularly the rate and speed of economic recovery.

Economic importance of the sector

The sector continues to be an important contributor to the English economy, with ‘hospitality’¹ contributing £30,049m towards Gross Value Added (GVA) in 2007.²

England’s tourism strategy, a Strategic Framework for Tourism 2010–2020³ sets out its ambition for an annual five percent growth in value over the next decade, leading to an additional £50bn in expenditure and the creation of 225,000 jobs.

An action plan is currently being developed to deliver the ambitions set out in the framework, and skills has been identified as one of two cross-cutting themes. This will be addressed through a revised National Skills Strategy for the hospitality, leisure, travel and tourism sector.

The sector makes an important economic contribution across all nine regions. However, this varies with London making the highest GVA contribution at £7,526m in 2007, followed by the South East (£4,946m) and the North West (£3,341m).

High proportion of small and micro operators

The sector continues to be characterised by a large percentage of small and micro independent operators (SMEs). Official statistics show that of the 115,200 sector businesses operating from over 161,700 individual establishments across England, 75 percent are classed as SMEs and nearly a quarter employ no staff at all. Despite this, there is significant polarisation, with nearly half the workforce (47.5 percent) employed in large businesses (over 250 staff). London has the greatest share of all establishments, closely followed by the South East.

The high percentage of businesses employing no staff highlights the large number of owner operators (in large part bed and breakfast establishments) across the sector. People 1st research suggests that many owner operators had no previous experience of the sector before opening their business. Indeed, many had no experience of running their own business. Many of these businesses are ‘lifestyle’ operations and owner operators are hard to reach in terms of training and business support. Historically, there has been little synergy between the support offered through the tourism infrastructure and that offered to all businesses. The tourism framework provides an opportunity to address this anomaly.

Implication of current drivers

The current economic downturn, changes to consumer expectations and technology are affecting all sector operators, emphasising the importance of managers in smaller businesses and owner

¹ ‘Hospitality’ has been used to avoid confusion. However, this refers to Standard Industrial Classification (SIC) code 55. This covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

² GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. GVA is used in the estimation of Gross Domestic Product (GDP). GDP is a key indicator of the state of the whole economy.

³ VisitEngland, ‘A Strategic Framework for Tourism 2010– 2020’, 2010.

operators having a greater, all round skills base. This pressure is likely to exacerbate existing skill shortages and gaps for managers. This problem also highlights a growing polarisation between the different pressures on urban and rural businesses, but also in the way they can and do recruit, retain and train their employees. The data suggests smaller businesses in rural areas are less likely to retain and train their staff.

Raising labour productivity

Official measures of labour productivity may be underestimating the true levels of labour productivity; certainly when compared internationally. However, the nature of the sector (like other sectors in the wider service sector), with its emphasis on human capital, means that labour productivity is lower than other sectors in the economy. The evidence from various research also suggests that labour productivity is clearly linked to demand and the better a business can predict demand and improve the scheduling of their staff, the higher their labour productivity will be. Fluctuating demand largely explains why the sector has relied on a high percentage of transient workers.

Current skills priorities and how these may change

In 2005, the Sector Skills Agreement for the sector identified three critical skill needs facing the sector: chef skills, customer service skills and managerial skills. These skills remain the priority skill shortages and gaps facing the sector and that is likely to intensify in the future.

Close to a fifth (17 percent) of hospitality, leisure, travel and tourism employers reported vacancies in 2009,⁴ while five percent of sector employers reported having vacancies that were hard to fill. Anecdotally, these vacancies have become easier to fill as a result of the economic downturn.

In the past 12 months, over half of sector employers in England have recruited staff (57 percent).⁵ In thinking about skill shortages, the sector needs to attract more people who want to pursue a career, as opposed to a job in the sector. Some 66 percent of all hard to fill vacancies were as a result of a lack of available candidates with the right skills, qualifications or work experience.⁶ This requires clear development pathways into the sector, especially for higher skilled roles such as managers and chefs. There has been work in this area and consequently, these are becoming significantly clearer.

However, critically, it also requires clearer pathways within the sector, to ensure staff are receiving the appropriate training once they enter. This is currently weak in certain parts of the sector, in particular across hospitality industries, and is a contributing factor to on-going skill shortages for managers, but also for skills gaps for chefs and managers. The high levels of labour turnover undermines any on-going development, but the lack of the structured development in itself creates higher turnover; thereby creating a vicious circle.

Skill shortages and gaps for chefs

The emphasis on delivering the Diplomas in Professional Cookery and the Apprenticeship in Professional Cookery within a simplified entry pathway has provided clearer entry routes, but it will take a number of years before their impact can be assessed. The Diplomas in Professional Cookery are currently being offered across approximately half of colleges offering chef provision. There needs to be greater delivery at level 3; either through the Diploma or the Apprenticeship.

⁴ National Employer Skills Survey, 2009.

⁵ People 1st, Employer Survey, 2010.

⁶ National Employer Skills Survey, 2009.

An analysis of the skills employers believe are lacking in those working as chefs highlights that they also require a broader range of skills, especially those in more senior positions. A lack of specific training in these areas, the lack of a suitable qualification or units, coupled with a lack of flexible delivery are contributing to the current skill gaps for lower level chefs and the shortages and gaps for more senior chefs. The skills lacking include softer skills such as oral communication, the right attitude and team working. At more senior levels, it includes kitchen management, people and financial management.

Skill shortages and gaps for managers

The current skill shortages and gaps of sector managers presents the sector with its most critical skill gaps. The most pressing problem is the lack of strong development pathways to become a manager and the lack of focus in some areas of the industry in recognising and developing future managers, does result in some potential managers leaving the sector.

This picture is largely one found in the hospitality and events industries. In travel, the dominance of a few large companies means that these type of progression routes are in place across many travel businesses.

A number of specific skill gaps have been identified by employers. These are increasingly focusing on softer skills, but also some very specific areas, such as environmental and energy cost reduction. In large part, these specific skills are not being addressed in either in-house or more formal training. Given a large percentage of management training is undertaken in-house, there is currently little appetite to seek more formal qualifications or links with a professional body. This lack of recognised development in the workforce may be understandable, given different business needs, but coupled with a lack of recognisable and agreed entry routes, it means that current skill gaps for managers remain persistent and it does not have professional status that comparable roles would have in other sectors.

Owner operators and managers of small businesses

Given the high percentage of small businesses and owner operators across the sector, tackling the specific needs of owner operators and managers of small businesses is critical. These managers need the same skills as found in larger businesses, but evidence suggests that the priority is different, with maximising potential of environmental savings, financial skills and general IT user skills being the most important. In large part, managers of smaller businesses need a broader range of skills as they are called upon to undertake a broader variety of tasks.

Smaller businesses are less likely to offer managers any formal training or qualifications and indeed most owner operators entering the sector had little to no experience of the sector or owning a business before entering the sector. These businesses, given day to day business pressures, are extremely reluctant to seek external support. Therefore, any support needs to be easy to understand, easy to access and be compelling to the business need.

Customer service

Customer service remains a persistent skills gap. The number of employers reporting skill gaps is increasing, as well as the number of employers training in this area. A number of drivers, but largely customer expectations, are driving up the level of customer service expected in the sector. This is going to be a particular challenge in London, which relies more heavily than other regions on a workforce with high labour turnover and a high proportion of transient workers. This will be particularly problematic in the run up to and during the 2012 Olympic Games.

On the surface it may seem puzzling why if training has increased, reported skill gaps have not reduced. A number of research studies have underlined the importance of any customer service training being part of a genuine customer centric approach across an organisation as well as line managers supporting front line staff to respond to customer service needs appropriately.⁷ In large part, it is felt that few businesses are taking this more holistic approach. This problem affects small and large businesses alike, as larger businesses focus too much attention on maintaining brand standards.

Looking to the future, drivers suggest that the need for increased customer service skills will intensify and staff will require a greater sense of place or local knowledge of a destination to help support visitors. Similarly, they will need greater skills to meet the needs of specific markets such as those with disabilities.

The importance of skills and employment to future growth

The sector workforce is projected to reach 2.01 million by 2017, with new roles being created at managerial and operational levels. This contrasts with a slight drop in demand for chefs and other skilled trades. Any expansion demand is likely to be dwarfed by replacement demand with an additional 710,100 extra staff required to replace existing staff.

Future drivers are likely to have different effects on skills and employment. In employment terms, the economic downturn and the possibility of low consumer spending may negatively affect the future employment growth. Similarly, the ageing population may result in employers providing a greater focus on staff retention, as it becomes harder to recruit transient workers. Changes to immigration policy will reduce the number of chefs coming into the UK from outside of the EU; this will have a significant impact on Asian and Oriental businesses.

Considering a range of drivers, including economic, technological, demographic, environmental, consumer and governmental, managers are most likely to require additional skills to cope with each driver, thereby reinforcing existing skill shortages and gaps for managers. Owner operators in particular will need a broader range of skills to be able to respond to each of these drivers. Customer service skills are set to move away from just reinforcing brand standards, becoming more responsive and organic.

Aligning priorities and policy

Through the dissemination of this report, People 1st will undertake discussions with key partners to look at how the issues that it highlights can best be taken forward.

In 2005, a National Skills Strategy for the hospitality, leisure, travel and tourism sector was launched to address the skills and labour market issues outlined in the Sector Skills Agreement for England. It was refreshed in 2009 to take into account progress towards its original targets, a changing policy landscape, as well as new and emerging evidence. Given the specific issues facing London, a separate strategy was launched in 2005, focusing specifically on London. This had a greater focus on the pre-employment and customer service needs of employers operating in London.

The strategy has enabled particular progress in some areas and has been able to capitalise on wider UK activities being taken forward by People 1st, including:

⁷ People 1st, 'World class customer service... for 2012 and beyond', 2008; People 1st, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

- **Creating clear development pathways**, through more simplified qualification pathways. These are now being endorsed as a pathway to membership of specific professional bodies in the sector.
- **Continued roll out of the Diploma in Professional Cookery**, has resulted in half of colleges in England offering chef provision opting for the Diploma. Employer feedback has been positive as colleges are once again able to consistently develop the required skills and knowledge required.
- **Promotion of accessible, information, advice and guidance**, through www.uksp.co.uk This presents development pathways into the sector, the relevant qualifications for specific job roles, as well as broader careers information and video clips of staff working in those positions. The site also provides opportunities for employers to post jobs and applicants their CVs. There are currently 55,000 registered users and from January 2010 it will receive a fresh new look.
- **Creation of more robust and relevant apprenticeship frameworks**, that reflect the needs of the sector and ensures that an apprentice completing a framework has developed the necessary skills and knowledge. Apprenticeship registrations and completions have risen in recent years, with the result that the sector currently has the fourth highest uptake of apprenticeships of any sector.
- **Ensuring robust pre-employment pathways into sustainable employment**, has been important given the sector's continued need to recruit, despite the recession. A consistent pre-employment package, Employment 1st has been created and nearly 30 large sector employers have signed up to the Service Academy approach, which larger employers felt was an opportunity to take pre-employment training into their own hands in order to better support the employment opportunities of jobseekers, as well as benefit smaller employers by providing them with trained and experienced individuals.
- **Rolling out a consistent customer service programme across the visitor economy**. People 1st obtained the UK license for the WorldHost customer service programme in 2010 and it is now being supported by all the SSCs operating across the visitor economy. This has ensured a consistent programme to address the level of skills required. Increasing research in this area is also improving understanding of how training can result in a better outcome for the business and the consumer. Further details can be found at www.worldhost.uk.com
- **The Women 1st programme**, has developed a network of mentees and mentors as well as 'step-up' training programmes to help support more women reach more senior positions into the sector. This has received tremendous support from employers and individuals.

New approaches and implications for the National Skills Strategy

A number of critical issues are identified in the report that need to be looked at afresh by employers, partners and People 1st within the context of the National Skills Strategy. These issues are not necessarily new, but at the same time some of the evidence in this report points to the fact that they require new thinking about how they can be addressed.

Small business support

Small business support is part of the ten-point plan in the National Skills Strategy and whilst a number of external drivers are likely to have a greater impact on smaller businesses, their current

skills base and the way they appear to be recruiting, retaining and training staff means that they are unlikely to have the necessary skills. Current support does not appear to be having a significant penetration as smaller businesses do not feel they need the support or prefer to address the problems themselves.

Apprenticeships

The Government aims to increase the focus of apprenticeships to level 3, and for this to be considered the level in which someone would have completed their apprenticeship provides some specific challenges to the sector. Currently, the majority of sector apprentices are at level 2. People 1st will continue to work with employers and learning providers to identify and try and remove existing barriers to higher progression.

Chefs working in Asian and Oriental cuisine

The changes to immigration policy will result in fewer chefs coming into the UK. Employers need to be supported to find alternatively skilled people within the European Union (EU). This will take time; a number of options have been drawn up including intensive full-time provision, recognising centres of excellence and establishing dedicated support for Asian and Oriental businesses. However, a small number of high-end operators will still require specialist chefs that can only be found outside of the EU.

Raising employer investment and collective action

The Government's Skills Strategy – 'Skills for Sustainable Growth' outlines the need for sectors to explore how they can raise employer ambition and look at the impact of collective action, such as levies and licenses to practice.

The hospitality, leisure, travel and tourism sector already has the highest training investment per learner of any sector. The challenge it faces is how this investment can successfully tackle its persistent skills gaps, which in turn could raise the performance of the sector. As this report emphasises, this can only be achieved through a fresh approach to how the sector retains and recruits a more sustainable workforce. Achieving this shift will not be easy and will require different approaches across different parts of the sector.

These different approaches mean that a levy and a license to practice are not necessarily the most effective solutions. However, a number of other approaches are being discussed between the Government and employers, as the sector looks at how a new approach could be realised that would benefit the whole sector and in a way that provides greater support to small businesses, without placing unnecessary burden on them or larger businesses.

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Introduction

This is the second annual Sector Skills Assessment produced for the hospitality, leisure, travel and tourism sector in England.

The report is aimed at stakeholders, public sector partners and anyone with an interest in the current and future skills and labour market issues facing the hospitality, leisure, travel and tourism sector in England. A separate UK report and Skills Priority summary paper accompanies this report.

The structure and focus of the report is different to that produced in 2009 and aims to reflect the needs expressed by those stakeholders consulted through the evaluation of the 2009 report. As a consequence, the report brings out more prominently the key policy implications as well as providing a greater focus on the current and future skills and employment needs of the sector.

The Sector Skills Assessment complements our annual State of the Nation report aimed at employers, which takes a more 'employer-friendly' look at the sector's labour market and skills landscape. An executive summary can be found at www.people1st.co.uk/research/state-of-the-nation-2010

About People 1st

People 1st is the Sector Skills Council for the hospitality, leisure, travel and tourism. It is an employer-led organisation, with a government remit, operating across the United Kingdom. It is overseen by an employer board of trustees and a members council made up of employers, industry organisations and key partners, including further and higher education providers.

About the sector

The definition of the hospitality, leisure, travel and tourism sector used by People 1st breaks down the sector into 14 industries: hotels; restaurants; pubs, bars and nightclubs; food and service management; travel services; tourist services; events; gambling; holiday centres, youth and backpacker hostels; self-catering accommodation and visitor attractions.

In large part these are reflected in Standard Industry Classifications and an overview of these can be found at Annex A. It is important to note that this definition does differ to that used by VisitEngland, and the differences are explained at Annex A.

'Tourism' is used in many different ways and not all employers in the sector would describe themselves as being directly driven by tourism. Throughout the report, where appropriate, we have presented comparable figures to distinguish where we refer to 'tourism' and the broader sector footprint.

Unless otherwise stated, throughout the report 'sector' refers to the 14 industries in the People 1st footprint.

About the methodology

The report has largely been put together using secondary research and data. This has been taken from a variety of sources including government data, academic and commercial research, as well as People 1st's own employer surveys.

Qualitative research has been included where there was no available quantitative data. As data is available for all industry breakdowns and occupations, it is largely used to explain why certain trends appear to be happening.

All fuller discussion can be found at Annex A.

About the data used in this report

A variety of datasets have been used in this report and these are referenced throughout. A commentary of the datasets and the various definitions used are presented at Annex A. In the main, data are defined through Standard Industrial Classifications and Standard Occupational Classifications, and these broadly mirror the sector's footprint and occupational profile.

Section one: Profile of the sector

1.1 Introduction

This section outlines the size and structure of the hospitality, leisure travel and tourism sector in England. It examines the economic profile of the sector in terms of output and employment contribution and describes the importance of tourism to the economy in England. It then looks at the number and profile of businesses in the sector.

1.2 Economic profile of the sector

Key messages

- The hospitality, leisure travel and tourism sector is an important contributor to the economy, with ‘hospitality’⁸ making a £30,049m Gross Value Added (GVA)⁹ contribution in 2007 (2.9 percent of national GVA).
- ‘Hospitality’ GVA contribution has increased by 62 percent in the last ten years, higher than that for the economy as a whole (59 percent).
- Recent research by Deloitte and Oxford Economics¹⁰ assessed the economic impact of the Visitor Economy in the UK and home nations. The research measured the direct contribution of tourism (where value added is generated by the provision of tourism-related goods and services) and the indirect contribution (wider, indirect benefits which arise by tourism supporting jobs and growth in the wider economy through the supply chain).
- The research found that the direct contribution of tourism was £43.7bn in GDP in 2009, 3.9 percent of England’s total GDP, and supporting 1.11m direct jobs.
- Including both direct and indirect impacts, the tourism industry contributed £96.7bn in GDP in 2009, 8.6 percent of England’s GDP and supporting 2.38 million jobs to 2020. By 2020, the direct contribution of the tourism industry is forecast to be over £73.2bn in England, 4.0 percent of GDP and supporting 1.2 million jobs. Including indirect and direct benefits the total visitor economy contribution is forecast to be over £158.4bn, 8.6 percent of GDP and supporting 2.4 million jobs.
- The national tourism strategy: ‘A Strategic Framework for Tourism 2010–2020’ sets out an ambition of five percent growth in value year on year for the next decade.

The hospitality, leisure, travel and tourism sector has become increasingly important to the economy in England over the last ten years. While data is not available for the whole sector, official statistics show that the Gross Value Added (GVA) output of ‘hospitality’,¹¹ which covers approximately 80 percent of the sector, contributed £30,049m to the English economy in 2007.

⁸ ‘Hospitality’ has been used to avoid confusion. However, this refers to Standard Industrial Classification (SIC) code 55. This covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

⁹ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. GVA is used in the estimation of Gross Domestic Product (GDP). GDP is a key indicator of the state of the whole economy.

¹⁰ Deloitte, ‘The economic contribution of the Visitor Economy: UK and the nations’, 2010.

¹¹ ‘Hospitality’ has been used to avoid confusion. However, this refers to Standard Industrial Classification (SIC) code 55. This covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

Comparing GVA across the four home nations, table 1.1 shows that ‘hospitality’ contributes 2.9 percent of England’s total, a lower contribution compared to 3.1 percent in Scotland and Wales and 2.6 percent in Northern Ireland.

Table 1.1: Gross Value Added by sector, England (2007)

Sector	Gross Value Added (£ million)	Proportion of total economy
Real estate, renting and business activities	261,299	25.00%
Manufacturing	129,303	12.40%
Wholesale and retail trade (including motor trade)	122,601	11.70%
Financial intermediation	92,794	8.90%
Transport, storage and communication	76,424	7.30%
Health and social work	72,009	6.90%
Construction	67,387	6.40%
Education	62,081	5.90%
Other services	54,424	5.20%
Public administration and defence	49,924	4.80%
Hotels and restaurants	30,049	2.90%
Electricity, gas and water supply	17,166	1.60%
Agriculture, hunting, forestry & fishing	6,994	0.70%
Other mining and quarrying	2,034	0.20%
Mining and quarrying of energy producing materials	769	0.10%
Total	1,045,257	100.00%

Source: Office for National Statistics (data released in December 2009).

(See <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14650>)

When broken down by English region we can see that the GVA contribution of ‘hospitality’ is highest in London at £7,526m in 2007, followed by the South East (£4,946m) and the North West (£3,341m). The North East and East Midlands make the lowest. The South West region contributes the highest proportion of regional GVA (3.30 percent) followed by London (3.23 percent).

Table 1.2: Gross Value Added by region, England (2007)

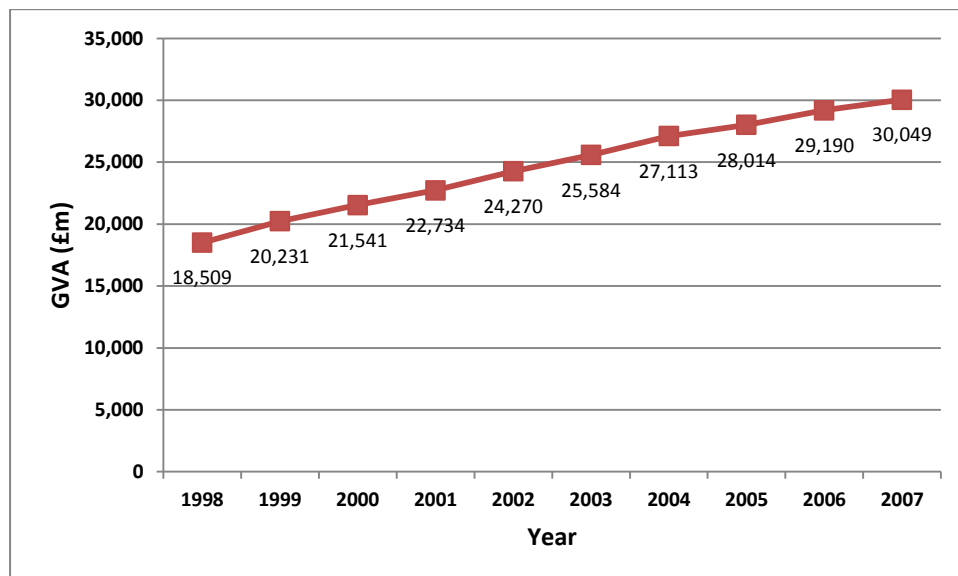
	Hotel and restaurant GVA	
	£million	% of regional GVA
London	7,526	3.23%
South East	4,946	2.61%
North West	3,341	2.87%
South West	3,118	3.30%
East of England	2,949	2.53%
West Midlands	2,837	3.09%
Yorkshire and Humberside	2,290	2.65%
East Midlands	1,965	2.54%
North East	1,077	2.72%
England	30,049	2.87%
Wales	1,391	3.14%
Scotland	3,111	3.14%
Northern Ireland	737	2.64%
United Kingdom	35,288	2.9%

Source: Office for National Statistics (data released in December 2009).

(See <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14650>)

In the previous ten years the economic contribution of ‘hospitality’ in England has increased by 62 percent, rising from £18,509m to £30,049m in 2007 (see figure 1.1), a faster rate of increase than for the English economy as a whole (59 percent).

Figure 1.1: Amount contributed by the ‘hospitality’ industry in England (1998–2007)



Source: Office for National Statistics.

(See: http://www.statistics.gov.uk/downloads/theme_economy/CRC2008ALL.pdf)

1.2.1 Economic contribution of the visitor economy

Recent research by Deloitte¹² provides an assessment of the economic contribution of the ‘visitor economy’ in England. The visitor economy embraces tourism in a wider sense and covers a slightly different sector footprint to that covered by People 1st. A fuller explanation can be found at Annex A.

The visitor economy is measured in two ways:

- Direct contribution – from businesses providing tourism related goods and services. This includes the value added generated by the provision of tourism-characteristic goods and services and is measured in line with the UNWTO Tourism Satellite Accounts concept.¹³
- Indirect economic impact – supporting businesses in the supply chain. This is the broadest measure and takes into account the indirect contribution from other sectors that rely on tourism through the supply chain and the impact of capital investments and government spending on behalf of the tourism industry, such as retail.

¹² Deloitte, ‘The economic contribution of the Visitor Economy: UK and the nations’, 2010.

¹³ A Tourism Satellite Account (TSA) is a statistical accountant framework in the field of tourism and measures the goods and services according to international standards of concepts, classifications and definitions which allow valid comparisons from country to country in a consistent manner. A complete TSA contains detailed production accounts of the tourism industry and their linkages to other industries, employment, capital formation and additional non-monetary information on tourism.

1.2.2 Direct contribution

According to the report, the direct contribution of the visitor economy in England was £43.7bn in GDP in 2009 (see table 1.3). This represents 3.9 percent of total GDP in England, lower than in Scotland (4.9 percent) and in Wales (5.8 percent), but higher than Northern Ireland (2.1 percent).

The report found that the visitor economy supported 1.11m direct jobs, 4.2 percent of the workforce in England. There are no official government statistics for the visitor economy so employment figures have been calculated from Standard Industrial Classifications¹⁴ accepted as relevant to the visitor economy.¹⁵ This includes:

- Hotels
- Camping sites, etc.
- Restaurants
- Bars
- Activities of travel agencies, etc.
- Library, archives, museums
- Sporting activities
- Other recreational activities.

It should be borne in mind that it is difficult to separate out 'tourism' from 'non-tourism' employment and not all employees working in these industries will be working in the tourism industry, for example staff employed in a restaurant serving mainly the domestic market would also be included.

¹⁴ Please note that the report lists data based on 2003 SIC codes.

¹⁵ Annex A provides a more detailed overview of these differences.

Table 1.3: The economic contribution of the visitor economy, England

England Tourism Contribution	2009 (estimate)		2010 (estimate)	
	Absolute £bn	Relative % UK total	Absolute £bn	Relative % UK total
Visitor exports (inbound = travel spending + fares)	25.20	72.0%	25.77	72.0%
Personal travel and tourism (domestic + outbound)	86.50	86.0%	88.25	86.0%
Business travel (domestic + outbound)	18.27	86.0%	17.92	86.0%
Government expenditures (individual + collective)	6.72	74.0%	6.88	74.0%
Capital investment	17.20	83.0%	16.53	83.0%
Travel and tourism demand	153.89	82.0%	155.35	82.0%
Outbound tourism spending (fares + travel)	34.79	81.0%	35.76	80.0%
	Absolute £bn	Relative % macro total	Absolute £bn	Relative % macro total
Direct industry GDP (includes government individual spending)	43.68	3.9%	43.98	3.8%
T&T economy GDP (broader concept)	96.67	8.6%	96.48	8.4%
Direct industry employment (jobs)	1,106	4.2%	1,108	4.3%
T&T economy employment (jobs)	2,157	8.3%	2,162	8.4%

Source: Deloitte/Oxford Economics (2010): 'The economic contribution of the visitor economy: UK and the nations'.

1.2.3 Indirect economic impact

There are also other sectors that rely on tourism through the supply chain and through the impact of capital investment and collective government expenditure on behalf of the visitor economy. This is considered as having an indirect impact. This would include hotels purchasing laundry services, sector businesses requiring establishments to be built by the construction industry etc.

Including these wider benefits, tourism contributed £96.67bn in 2009, 8.3 percent of English GDP and supported 2.1m jobs. This is lower than in Wales (12.7 percent) and Scotland (10.4 percent), but higher than Northern Ireland (4.9 percent).

The table provides further analysis of the contribution of the visitor economy. This shows that in 2009:

- Visitor exports (non-resident spending in England and their travel fare) were £25.2bn.
- Personal travel and tourism spending (all non-business travel and tourism spending by residents, both domestically and abroad) was £86.5bn.
- Business travel spending (all business travel spending by residents, both domestically and abroad) was £18.27bn.

- Government spending (spending by government on travel and tourism, excluding business travel) was £6.72bn.
- Capital investment (by both government and the private sector) was £17.2bn.
- Total travel and tourism demand from the above was £153.89bn, 82 percent of total UK travel and tourism demand.

Looking to the future, the report provided estimates of forecast growth in the visitor economy to 2020. This shows that by 2020 the overall contribution of the visitor economy will have reached £158.4bn (8.6 percent of England's GDP) and will be supporting 2.4 million jobs (with jobs in the visitor economy accounting for 8.7 percent of total employment).

Table 1.4: Baseline forecast for England's Visitor Economy, current prices

	2009		2020	
	Absolute £bn	Relative % macro total	Absolute £bn	Relative % macro total
Direct industry GDP (includes government individual spending)	43.68	3.9%	73.2	4.0%
T&T economy GDP (broader concept)	96.67	8.6%	158.4	8.6%
Direct industry employment (jobs)	1,106.00	4.2%	1,230	4.5%
T&T economy employment (jobs)	2,157.00	8.3%	2,382	8.7%

Source: Oxford Economics analysis, 2010.

1.2.4 Priority sector

VisitEngland is the strategic lead body for tourism in England and is responsible for creating England's tourism strategy, a Strategic Framework for Tourism 2010–2020.¹⁶ The framework sets out its ambition for a five percent growth in value, year on year, over the next decade. This would lead to an additional £50bn in expenditure and the creation of 225,000 jobs.

The framework sets out the following four key objectives:

1. To increase England's share of global visitor markets.
2. To offer visitors compelling destinations of distinction.
3. To champion a successful, thriving tourism industry.
4. To facilitate greater engagement between the visitor and the experience.

To achieve these objectives, a framework has been produced which sets out an action plan for achieving the vision to 2020. This framework concentrates on a large number of specific areas, such as coastal tourism and business tourism. Skills and sustainability are cross-cutting themes that go

¹⁶ VisitEngland, 'A Strategic Framework for Tourism 2010–2020', 2010.

across these areas. People 1st has the lead responsibility for skills within the action plan and it is taking this forward through a revised National Skills Strategy.

Annex B provides a summary of the main skills and labour market issues that could affect other aspects of the strategic framework.

1.3 Business profile

Key messages:

- There are 115,200 hospitality, leisure, travel and tourism businesses operating from over 161,700 individual establishments in England.
- The largest industries are restaurants and pubs, bars and nightclubs representing almost two thirds (65 percent) of all establishments.
- 38 percent of operators are part of chains in England, with 62 percent being single site, independent businesses.
- 75 percent of hotel and restaurant businesses in England are SMEs and almost a quarter employ no staff at all.
- Less than one percent are large businesses employing over 250 staff, however they account for almost half of the hotel and restaurant workforce (47.5 percent).
- Nine percent of the sectors workforce in England are self-employed.

There are approximately 115,200 hospitality, leisure, travel and tourism businesses (VAT and/or PAYE enterprises) in England, which operate from over 161,700 individual establishments.¹⁷ Overall this makes up approximately 83 percent of the total number of sector establishments found throughout the UK.

Official government figures presented are likely to be an underestimation of the overall number of sector businesses and establishments as they only include those registered for VAT or PAYE. As many smaller businesses in the sector do not have levels of turnover which reach the 'VAT threshold' they are not registered on these official sources.

Ownership varies across the sector with a number of brands operating across different industries. A fuller overview of the industry structure and key brands operating across the sector can be found at www.people1st.co.uk/research

As table 1.5 shows, the largest industries in terms of number of establishments are restaurants (60,515) and pubs, bars and nightclubs (46,050) (England).

¹⁷ Local units.

Table 1.5: Number of enterprises and establishments by industry 2010

	Enterprises			Establishments		
	England	Proportion of HLTT	Proportion of UK	England	Proportion of HLTT	Proportion of UK
Hotels	6,935	6.02%	57.58%	8,880	5.49%	73.72%
Self-catering accommodation, holiday parks & youth hostels	2,430	2.11%	62.87%	2,750	1.70%	71.15%
Restaurants	51,440	44.67%	70.87%	60,515	37.42%	83.38%
Food & service management	6,120	5.31%	25.06%	21,325	13.19%	87.31%
Pubs, bars & nightclubs	38,015	33.01%	69.48%	46,045	28.47%	84.15%
Travel services	5,060	4.39%	54.20%	8,150	5.04%	87.31%
Tourist services	755	0.66%	54.71%	1,080	0.67%	78.26%
Events	2,820	2.45%	87.31%	2,925	1.81%	90.56%
Gambling	1,225	1.06%	10.39%	9,655	5.97%	81.89%
Visitor attractions	350	0.30%	75.27%	380	0.23%	81.72%
Hospitality, leisure, travel and tourism	115,150	100.00%	59.41%	161,705	100.00%	83.43%

Source: Office for National Statistics (2009): 'UK Business: activity, size and location 2010'.

London has the greatest number of hospitality, leisure, travel and tourism establishments, 19 percent of all sector establishments in England, which largely explains its relative contribution to GVA. The North East has the fewest at five percent (see table 1.6).

Table 1.6: Establishments by region, England, 2010

	Hospitality, leisure, travel and tourism	
	Establishments	% sector establishments
London	30,240	19%
South East	27,360	17%
North West	20,035	12%
South West	18,590	11%
East of England	16,300	10%
West Midlands	14,560	9%
Yorkshire and Humberside	15,215	9%
East Midlands	12,090	7%
North East	7,315	5%
England	161,705	100%

The latest data from the Office for National Statistics¹⁸ for 2008 indicate there were 23,555 business start-ups in the UK's hospitality, leisure, travel and tourism sector¹⁹ (a rate of 12.9 percent compared to the overall number of active businesses) and 23,545 closures (also a rate of 12.9 percent).

Start-ups in the sector were most likely to occur with micro businesses (ie those with 0–4 employees) where there were 17,375 new businesses (a rate of 15 percent). However, they were also the most likely to close down (18,245 closed in 2008, a rate of 15.7 percent).

Of the various industries within the sector, those in the events sector (convention and trade show organisers, SIC code 82.3) were the most likely type of business to open with a start-up rate of 19.9 percent.

Most industries experienced a higher rate of closure than start-up rates. However, the following industries all had higher start-up rates than closures: holiday and other short-term accommodation (SIC 55.2), restaurants (SIC 56.1), other reservations service and related activities (SIC 79.9) and convention and trade show organisers (SIC 82.3).

¹⁸ Office for national statistics, Business Demography 2008.

(<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15186>)

¹⁹ This includes the following: Hotels and similar accommodation (SIC 55.1), Holiday and other short-term accommodation (SIC 55.2), Restaurants and mobile food services (SIC 56.1), Event catering and other food service activities (SIC 56.2), Beverage serving activities (SIC 56.3), Travel agency and tour operator activities (SIC 79.1), Other reservation service and related activities (SIC 79.9), Organisation of conventions and trade shows (SIC 82.3), Gambling and betting activities (SIC 92.0) and Amusement and recreation activities (SIC 93.2).

Looking at the type of operation, table 1.7 shows that just 38 percent are chains, with 62 percent being single sites (i.e. independent) businesses. This is a similar figure to the UK average where 37 percent of businesses are part of chains.

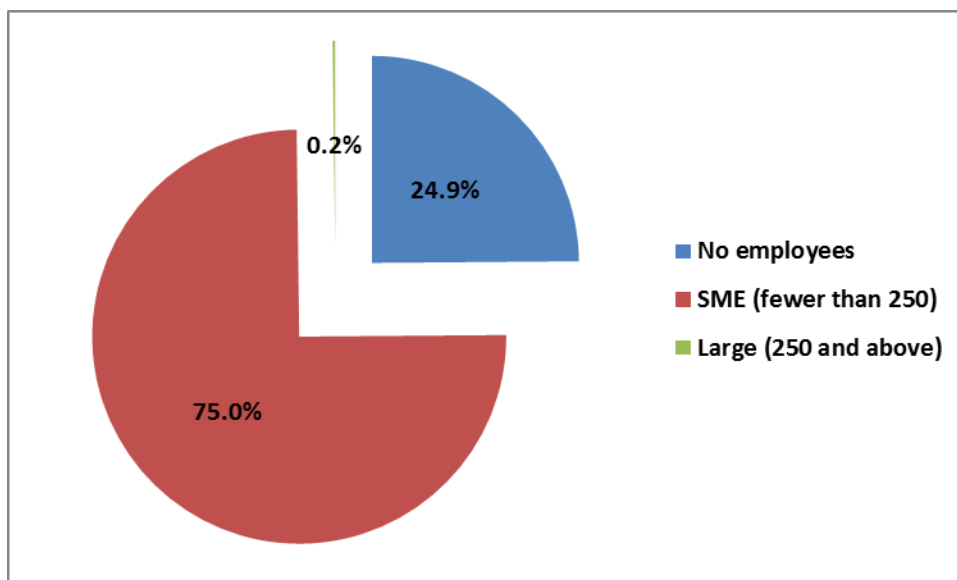
Table 1.7: Proportion of chains and independents

	Single site	2 or more sites
England	62%	38%
Northern Ireland	81%	19%
Scotland	64%	36%
Wales	71%	29%
United Kingdom	63%	37%

Source: People 1st Employer Survey, 2009.

Some 75 percent of hotels and restaurants in England are small and medium sized enterprises (SMEs) (employing fewer than 250 staff) while nearly a quarter employ no staff at all (see figure 1.2). Less than one percent are large businesses employing more than 250 staff. However, the workforce is very polarised, with nearly half of the ‘hospitality’ workforce (47.5 percent) employed in large businesses.

Fig 1.2: Proportion of hotel and restaurant businesses by size (England 2009)



Source: Department for Business, Innovation and Skills 2009, SME Statistics for the UK and the regions.

Self-employment is relatively high in the sector, with approximately eight percent of the total sector workforce classified as self-employed in England²⁰ (lower than the average of 14 percent across all industries in England). The South West of England has the highest proportion of self-employed workers of the English regions (12 percent). The occupations with the highest numbers self-employed are:

- Hotel and accommodation managers (22,100; 45 percent of all hotel and accommodation managers)
- Travel agency managers (2,000; 31 percent)
- Restaurant and catering managers (38,600, 28 percent)
- Travel and tour guides (4,000; 26 percent).

²⁰ Office for National Statistics, Labour Force Survey 2009/10.

Section two: What drives skills demand?

2.1 Introduction

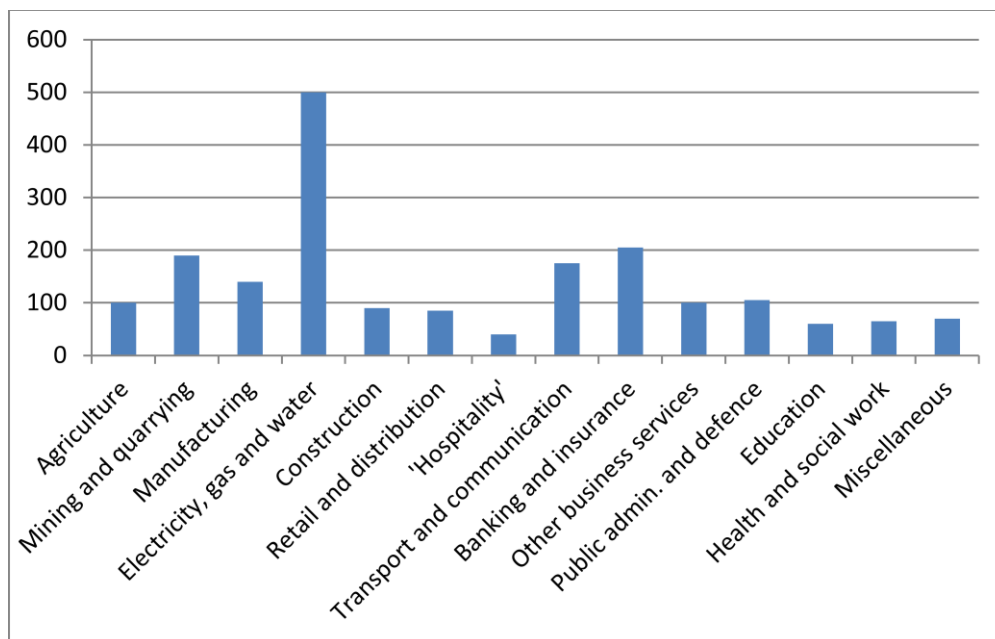
This section examines productivity and external drivers influencing the sector. It presents a number of productivity measures and looks at how these compare with other sectors and the sector internationally. It also highlights some of the issues around the definition of productivity and how it can be increased. The chapter then focuses on a number of external drivers of change and looks at their implications on employment and skills.

Most productivity measures for the sector focus on 'hospitality' industries and in particular hotels; this is reflected in this section. Similarly, some studies are nearly a decade old and whilst these are still viewed as relevant today, new data and research have been added where possible.

2.2 Productivity measures

Most measures of industrial productivity are based on measures of value added and/or labour input. Labour productivity is the measure of the input and output of a worker, whereas value added or total factor productivity take into account other inputs, such as capital. Figure 2.1 shows the distribution of relative productivity across all sectors of the UK economy. It identifies 'hospitality'²¹ as having the lowest productivity of all sectors, with energy and utilities having the highest.²²

Fig 2.1: Distribution of relative productivity by sector, 2002



Relative productivity: UK = 100

Source: Institute for Employment Research, 2002.

²¹ 'Hospitality' is used to refer to SIC 55 (Hotels and restaurants). This is a more accurate description of the SIC coverage and has been used to ease confusion.

²² Sector Skills Development Agency, Sectoral productivity differences across the UK, Research report 13, October 2005.

However, these sectoral differences are systemic and they reflect the inherent nature of work in these sectors. The sectors with the highest productivity (energy and utilities, mining and quarrying, and nowadays banking and insurance) are highly capital intensive industries, with activity carried out on an industrial scale. Whereas, those with the lowest productivity are those that still rely on human capital to perform tasks – construction, education, retail and distribution and ‘hospitality’.

Of more importance than the relative performance to other sectors, is the performance of organisations within the sector. In 2004, a study looking into productivity in the UK tourism sector for the Department for Culture, Media and Sport cited research into UK manufacturing by Barnes and Haskell (2000).²³ They showed that, using data from the Annual Business Inquiry (ABI), units in the upper 10th percentile are 5.5 times more productive than the least productive units in the lower 10th percentile. They go on to cite Oulton (1996) who suggests that the dispersion in service sectors could be as much as five times wider than manufacturing.

Table 2.1, shows that labour productivity actually dropped by 0.8 percent between 1998/1999 and 2000/2001. Within these two timeframes productivity actually rose and the steep decline in the following year can be explained by a combination of foot and mouth disease and 9/11. This demonstrates that labour productivity performance is highly linked to demand. In this labour intensive sector, sudden and significant falls in demand result in employers retaining core staff, in order to continue operating their businesses and to await the upturn in demand.

Table 2.1: Labour productivity growth in DCMS sectors

		1998-1999 (%)	1999-2000 (%)	2000-2001 (%)
Creative industries (exc. Design and craft)	Productivity	3.20	-3.30	-3.80
	Est. real GVA	10.70	6.90	3.00
Tourism-related	Productivity	2.80	3.40	2.00
	Est. real GVA	4.80	6.70	2.30
Other leisure	Productivity	6.30	-1.60	2.40
	Est. real GVA	12.80	5.40	2.20

Source: Barnes et al, 2004.

²³ Barnes A, Sinclair MT, Sugiyarto G, Campus Soria JA, Gooroochurn N & DeHaan C, (May 2004) Productivity in UK Tourism, University of Nottingham.

Breaking down the sector across a number of industries suggests significant variation. In table 2.2, other provision of lodgings, which include holiday parks and self-catering accommodation, has the highest labour productivity rates, again arising from the nature of the operation and the substitution of customer labour for employee labour. Hotels, with restaurants and youth hostels and mountain refuges follow close behind. The sector with the lowest labour productivity is canteens and catering at only 36 percent of the UK average. This reflects the fact that these operations are in what is often called the cost catering sector, that is to say schools, hospitals, prisons, and other public sectors. By definition these organisations provide meals at cost to their stakeholder groups, and hence value added is low.

Table 2.2: Labour productivity in hotels and restaurants, 2001. UK average = 100

Industry	Index
Hotels and restaurants	49
Hotels and motels, with restaurant (55.11)	73
Hotels and motels, without restaurant (55.12)	70
Youth hostels and mountain refuges (55.21)	60
Other provision of lodgings (55.23)	75
Restaurants (55.3)	40
Bars (55.4)	38
Canteens and catering (55.5)	36

Barnes et al, 2004 taken from Office for National Statistics, 2003.

Looking at international figures (see table 2.3) they suggest that the UK lags behind Germany, France and the United States in many industries.²⁴ Caution should be used in making such comparisons, as each country classifies sectors and estimates of labour productivity differently. This might explain why Germany's productivity in 'hospitality' is so low, whilst its performance in the personal service sector is relatively high.

Table 2.3: Relative labour productivity: market service 1999 (UK=100)

	United States	France	Germany
Transport & communications	114	101	88
Transport	86	90	63
Communications	142	109	133
Distributive trades	161	150	112
Wholesale	148	94	108
Retail & repairing	163	159	128
'Hospitality'	131	182	68
Financial & business services	153	126	161
Financial intermediation	159	108	132
Business services	128	125	171
Personal services	97	93	147

Source: O'Mahoney and de Boer, 2002.

The relative performance of 'hospitality', compared with other sectors, is not significant when comparing with the United States. This differential is likely to be explained by systemic differences between the two countries. O'Mahoney and de Boer (2002) explain that this is due to differences in capital intensity. It would appear that France has exceptional levels of labour productivity in 'hospitality', for which there is no clear explanation. However, part of this may be owing to the significant market penetration of the French-based hotel chain ACCOR, which has pioneered the development of economy, budget hotels with features such as credit card access and shared bathrooms, combined with a high number of family-owned businesses.

²⁴ O'Mahony, M & de Boer, W, Britain's relative productivity performance: Updates to 1999, March 2002.

2.2.1 The link between skills and productivity

There are a number of characteristics of ‘hospitality’ that impact on productivity, such as its emphasis on human capital, its use of relatively unsophisticated technologies and susceptibility to rapid changes in demand. Another structural feature is that the relative size of operating units is relatively small, with the number of ‘units’ (ie customers, meals, hotel room, etc.) being processed in a day being in the tens or low hundreds. All of these features mean that productivity improvement cannot be achieved easily through increased economies of scale, automation, or the replacement of human capital with plant or machinery.

Other research found that ‘hospitality’ has one of the least skilled workforces of any sector in the UK economy, with only 35 percent of employees educated to S/NVQ level 3 and above, compared with 50 percent for the UK workforce as a whole. Whilst it is true that skills may be more important in high technology sectors, the research also highlights the benefits of skilled workers in terms of their impact on innovation and quality. Part of the explanation it gives for the relative low skill base is the fragmented nature of the sector and the large number of SMEs, which it identifies as having ‘less qualified staff and less likely to provide formal off the job training than larger [firms]’.²⁵

This, along with the labour intensive nature of the sector, means that developing skills is of major importance. This is for a number of reasons. First, without technical skills there will be lower levels of productivity. As discussed above, evidence suggests there is a very wide gap between the productivity of the top 10 percent of organisations and the lower 50 percent. Second, perhaps more importantly, a skilled workforce not only reduces costs, it also drives revenue. Highly professional staff deliver high quality services, leading to high levels of customer satisfaction and higher spending. Satisfied customers tend to remain loyal to the business, thereby reducing the marketing costs of that business. Moreover, in periods of downturn, firms with a loyal customer base are less affected than those without.

Linked to developing sector-specific technical skills, is the need to develop high performance working practices, not only to improve productivity but quality. In particular, such skills include developing the range of skills needed to engage in continuous improvement (problem identification, analysis and resolution), teamworking and communication skills. Whilst Tamkin et al (2004) identified high performance work practices as “HR practices”, in a people intensive industry such as ‘hospitality’, such skill development is directly related to production and operational capability. They are not simply a human resource policy issue.

2.2.2 Productivity measures and their impact on the sector

The focus on research and statistics using methodologies and measures used generically across a range of sectors tends to ignore the key performance indicator used within the sector itself to manage productivity – labour cost percentage.

This measure can be investigated through a detailed analysis of the European Hotels Data, collected by TRI Hospitality Consulting from their HotStats database, for the period from February 2008 to July 2010, which provides insights into the sector’s position. The HotStats data is based on data collected from chain hotels in a number of key European cities including Amsterdam, Berlin, Budapest, Munich, Paris, Prague, Vienna, Warsaw and London. Comparing three measures of hotel performance – occupancy, average room rate and labour cost percentage – shows that over the period London hotels have outperformed the average of other European cities by a statistically significant margin (see table.2.4).

²⁵ Tamkin P, Giles L, Campbell M and Hillage J, Skills Pay: The contribution of skills to business success, September 2004.

Table 2.4: European Hotels Performance 2008–2010

Mean 2008–2010	Occupancy Percentage	Average Room Rate €	Labour Cost Percentage
London	83.4	157.94	24.5
Other European Cities	69.4	132.69	33.2

Source: Based on European Hotels Data, TRI Consulting.

This data shows that London achieved higher occupancy, higher room rates and at the same time higher labour productivity levels, based on the measure of labour cost percentage than other European cities, contradicting the results of some previous studies.

Analysing the correlation between these variables to understand the relationships between them shows a very strong correlation between occupancy and labour utilisation and a weaker relationship between room rate and labour utilisation. This strongly supports the proposition that labour productivity in hotels is significantly related to volume and less related to value added. Interestingly, there is also a strong positive correlation between occupancy and room rates which suggests that hotels are not trading off room rates to buy occupancy as much as might be expected. Periods of strong demand will result in high occupancy and high average room rate.

This suggests that hotels, as an exemplar of the industry, use labour more efficiently as volume increases, based on the use of a fixed core of staff who are supplemented by additional staff as volume requires it. This can best be achieved by more flexible approaches to labour contracts and labour scheduling and increased use of highly trained multi-skilled employees. There is no doubt that in this case, training will have a direct positive effect on productivity.

2.2.3 Driving up productivity across the sector

Studies, such as that by McKinsey (1998), reported productivity in UK hotels as being significantly lower than that in hotels in other countries, owing to five key factors. These five factors were:

- Age of the UK hotel stock – 75 percent more than 40 years old
- Relatively low chain penetration
- Service mix (that included cooked breakfast rather than ‘continental’)
- Relative small size of UK hotels
- Lack of organisational learning.

Hu and Cai (2004), using a different methodology also concluded that ‘a hotel’s size, category, and service quality can explain the [productivity] variation in some segments’.²⁶ However, they also identified managerial capability as an important underlying factor that affects a hotel’s productivity. This contrasts sharply with a qualitative study of hotel productivity by Kilic and Okumus (2005) which identified the five most important factors as staff recruitment, staff training, customer expectations,

²⁶ Hu, B. A. and Cai, L. A. (2004) Hotel Labor Productivity Assessment: A Data Envelopment Analysis, *Journal of Travel & Tourism Marketing*, 16, 2/3, 27-38.

multi-skill training programmes, and the role of management.²⁷ This study is interesting in that unlike the more quantitative studies, it shows that managers perceive human factors to be at the heart of productivity performance.

In 2008, using data based on the number of hours worked in relation to output achieved, Jones and Siag tested some of the above propositions, in relation to the housekeeping function of hotels.²⁸ With a sample of 45 hotels, they found that factors such as the age of the property, size, location, and level of demand do not appear to influence productivity in the housekeeping department. However, they did find that four star hotels had significantly fewer rooms cleaned per employee hour (2.05 on average in four star properties) than three star hotels; and that three star hotels had significantly fewer rooms cleaned per employee hour (2.28 rooms) than two star hotels (2.51 rooms). Jones and Siag (2009) go on to argue that many of the previous studies measure partial or total productivity and all incorporate some financial measures as either inputs and/or outputs. As a result productivity performance reflects the revenue performance of the business rather than its costs.

However, the Jones and Siag (2009) study also showed that there was a wide range of productivity performance within the researched hotels in the same star category. In two star hotels, the number of rooms cleaned per employee hour ranged from 2.18 up to 3.00. In three star properties the range was extremely wide at 1.52 up to 3.34, and in four star properties it was 1.73 to 2.32 rooms per employee hours. This clearly demonstrates there is scope for improvement in the performance of the workforce in some properties, through training and skills development.

This research illustrates the central importance of demand and revenue management to the level of productivity achieved by firms. There is evidence that shows 'hospitality' firms need to match their staffing levels to shifts in demand more closely, whether these are daily, weekly or seasonal patterns, or due to unexpected crises. The solution to this essentially lies in developing labour flexibility and improved labour scheduling.

²⁷ Kilic, H. and Okumus, F. (2005) Factors influencing productivity in small island hotels: Evidence from Northern Cyprus, *International Journal of Contemporary Hospitality management*, 17, 4, 315-331.

²⁸ Jones, P. and Siag, A. (2009) A Re-examination of the Factors that Influence Productivity in Hotels: A Study of the Housekeeping Function, *Tourism and Hospitality Research*, 9, 3, 224-234.

2.3 Drivers of change

Key messages

- Like all sectors across England the economic downturn has hit the hospitality, leisure, travel and tourism sector. However, its impact has been felt in different ways. Whilst some businesses have adapted to trading conditions, most are trying to ride it out until conditions improve.
- Changing consumer expectations mean that sector employers need to have greater awareness of consumer needs and should be maximising these opportunities.
- Technology is increasingly a powerful tool to engage with changing consumer behaviour, but it is also being leveraged to adapt services and address rising energy costs.
- Environmental issues continue to be critical to the sector. Rising energy prices are adding pressure on businesses, but also consumer expectations regarding environmental management are becoming more acute. Employers are increasingly aware of this and environmental and cost management is now one of the main skill needs reported for managers.
- All these drivers pose a greater challenge for smaller businesses.

This sub-section looks at the key drivers of change impacting the hospitality, leisure, travel and tourism sector. The key drivers examined are:

- Economic
- Technological
- Demographic
- Environmental
- Governmental
- Consumer

For each driver we examine the current state of play, developments influencing this driver and the implications for employment and skills.

These broad drivers are explored again in section four (future workforce and skill needs).

2.3.1 Economic

2.3.1.1 State of play

The current economic downturn is affecting the sector in different ways, but broadly the following can be observed:

- Declining customer base both in leisure and business.
- Reduced consumer expenditure.
- Rising costs (energy, food, wages, compliance with new legislation such as licensing laws).
- Changes in exchange rates.

However, overall performance of the sector in England remains mixed:

- With regard to tourism, the British take over 70 million holidays in England each year, spending £12bn in the process.²⁹
- Total spending in England's visitor economy is estimated to have reached £75bn by 2009; 84 percent of total spending in the UK Visitor Economy. However, this figure represents a fall in real terms of 0.4 percent from 2008.
- The proportion of sector businesses reporting falling financial turnover fell from 47 percent in 2009 to 36 percent in 2010. Whilst this suggests movement in the right direction, some increases were achieved by heavy discounting and have therefore been at the price of profitability.³⁰
- VisitEngland has found that the majority of businesses responding to their survey (61 percent) were 'very concerned' about the economy and its personal impact.

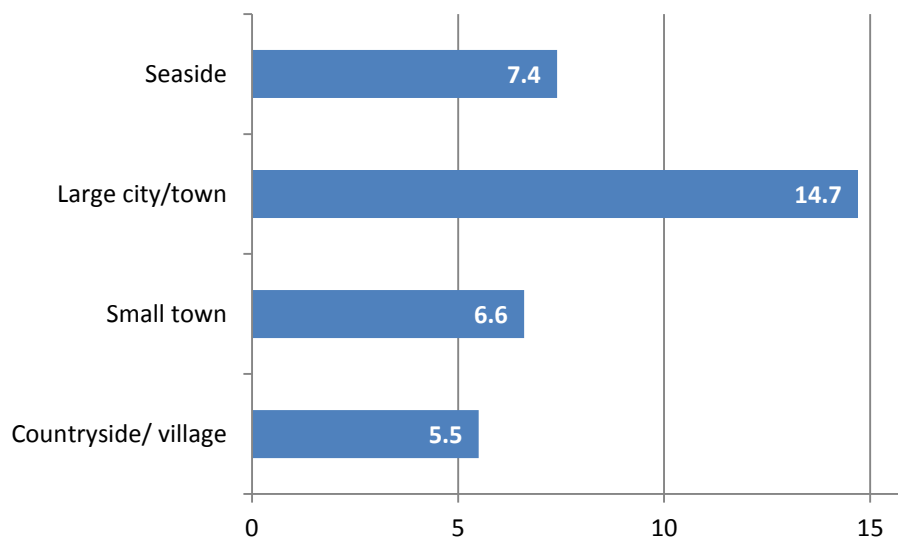
It is likely that the recession will impact on consumer spending power for some time. VisitEngland research found that 90 percent of 'staycationers' expected to take at least one break in England in 2010. Certainly, whilst the economy can dissuade consumers from holidaying at all, VisitEngland believe that around 15 percent of domestic travellers had replaced their foreign holiday with a domestic one. It is entirely possible that there will be a surge in domestic trips owing to consumers feeling more comfortable holidaying in England. Domestic travel has increased by 19 percent since 2009.

Figure 2.2 summarises the economic contribution of the domestic visitor economy by the type of destination. Many more trips are made to large cities or towns, this type of trip makes up 43 percent of the total GDP of the visitor economy.

²⁹ VisitEngland, 'Destination England – How well does it deliver?', 2004.

³⁰ People 1st, State of the Nation Report, 2010.

Figure 2.2: Economic contribution of the domestic Visitor Economy by trip destination (England) (GDP £billion, 2008)



Source: Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

2.3.1.2 Developments and impact on employment and skills

Amidst the backdrop of the economic downturn an increase in domestic holidays may increase the demand for labour. However, figures suggest that those in more urban destinations could benefit more.

People 1st's Industry Survey 2010 found that, in coping with the economic downturn on a day to day basis, the most commonly used strategy by employers was to ask existing staff to work shorter hours. Other strategies included: not replacing permanent staff that left the company; employing fewer casual, temporary or contract staff; reducing the money spent on recruitment; and cancelling plans to expand the number of permanent staff.³¹

2.3.2 Technological

2.3.2.1 Current state of play

Advances in technology impact the whole of the sector. While changes have mainly been driven by larger businesses, small businesses are also using new technology to promote and market their business or add value to aspects of their services. Key technological changes include:

- The growing use of the internet to purchase goods and services.
- Faster broadband technologies (enabling customers to quickly download videos of hotels, for example).
- The growing popularity of User Generate Content (UGC) websites, such as TripAdvisor.

³¹ People 1st, State of the Nation Report, 2010.

- Advances in mobile phone technology: applications on iPhones are becoming an important tool for gaining up to date travel information. In October 2010 OHdigital developed an iPhone app billed as a cultural guide to Manchester, featuring insider tips on the city's best cafes, bars and restaurants, a range of walking tours and historical facts about Manchester.
- Use of technology to reduce energy costs, such as light sensors and solar technology.
- The use of database mining techniques to target consumers.
- The use of social networking websites as marketing tools.

According to the People 1st Employment Survey 2010, sector businesses in England are most likely to trade online or have a website (71 percent), followed by Scotland (68 percent), Northern Ireland (65 percent) and Wales (64 percent). Operators in the South East are more likely to have an online presence (79 percent) compared to other regions, and looking spatially, operators in coastal locations are more likely to have an online presence compared to those in rural or urban areas.

2.3.2.2 Developments and impact on employment and skills

Research by People 1st³² suggests that smaller businesses find it harder to maximise online opportunities as they do not have the skills within their business. Furthermore, smaller businesses find it harder to compete and respond to larger businesses maximising the use of technology; as a result they are failing to meet customer's expectation for the likes of Wi-Fi and the way they find services.

The necessary skills required to cope with new technology include operational staff being able to use the technology, knowledge of potential problems and their solutions and being able to support customers who use the technology.

Larger employers are more likely to have invested in technology to reduce energy costs and there is a need for more practical advice for smaller employers. Smaller employers need to understand how technology can help maximise business opportunities and identify where they can find support and develop the necessary skills.

2.3.3 Demographic

2.3.3.1 Current state of play

Between 1981 and 2009, the population in England grew by 10.7 percent from 46.8 million to 51.8 million.

England has a growing and ageing population. The number of pensioners now exceeds the number of under-16s for the first time ever; largely owing to the reducing mortality of the old and very old, rather than any change to the working age demographic.³³ Over the next 20 to 40 years, there will be a decrease in the proportion of people aged 16–49 and an increase of those aged 50–64.³⁴ Table 2.5 shows the distribution of ages across the English regions. It suggests that there are no significant regional differences, except that of London, where there is a larger percentage in the mid-age ranges

³² People 1st, State of the Nation Report, 2010.

³³ Office for National Statistics Official data, 2008.

³⁴ Office for National Statistics Official data, 2009.

and fewer aged 60 or over. The population make up of London, with a younger, more transient workforce, whilst making it easier for sector employers to recruit, is also having a negative impact on staff and skill retention.

Table 2.5: Age bands of the population across English regions

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	East	London	South East	South West
AGES 0-4	5%	6%	6%	5%	6%	6%	7%	6%	5%
AGES 5-9	5%	6%	6%	6%	6%	6%	6%	6%	5%
AGES 10-14	6%	6%	6%	6%	6%	6%	5%	6%	6%
AGES 15-19	7%	7%	7%	6%	7%	6%	6%	6%	6%
AGES 20-24	7%	7%	7%	7%	7%	6%	8%	6%	6%
AGES 25-29	6%	6%	6%	6%	6%	6%	9%	6%	6%
AGES 30-34	5%	6%	6%	6%	6%	6%	9%	6%	5%
AGES 35-39	6%	6%	7%	7%	7%	7%	9%	7%	6%
AGES 40-44	7%	7%	7%	8%	8%	7%	8%	8%	7%
AGES 45-49	8%	8%	7%	8%	7%	7%	7%	8%	7%
AGES 50-54	7%	7%	7%	7%	6%	6%	6%	7%	7%
AGES 55-59	6%	6%	6%	6%	6%	6%	5%	6%	6%
AGES 60-64	7%	6%	6%	7%	6%	7%	4%	6%	7%
AGES 65-69	5%	5%	5%	5%	5%	5%	3%	5%	6%
70+	13%	12%	12%	12%	12%	13%	8%	12%	14%

Source: Office for National Statistics 2008.

Migration is another key demographic driver which has an important impact on the sector's labour market. Table 2.6 shows the distribution of migrant workers in the hospitality, leisure, travel and tourism sector across the English regions. Once again, London stands out as it is the only English region that has a greater number of migrant workers (59 percent) than workers who were born in the UK (40 percent). The South East of England has the next largest proportion of migrant workers (21 percent), which contrasts with the North East having just nine percent.

Table 2.6: Origin of the hospitality, leisure, travel and tourism workforce across English regions

	Born in UK	Born in Republic of Ireland	Born overseas	Total
North East	91%	0%	9%	100%
North West	85%	1%	15%	100%
Yorkshire and Humberside	88%	0%	12%	100%
East Midlands	85%	0%	15%	100%
West Midlands	84%	1%	15%	100%
East	81%	0%	19%	100%
London	40%	1%	59%	100%
South East	79%	0%	21%	100%
South West	88%	0%	12%	100%

Source: Labour Force Survey, Office for national statistics, 2009/10.

2.3.3.2 Developments and impact on employment and skills

Consumers in the sector are ageing. This has implications for employers in terms of their products and services, marketing, recruitment and training. Historically, the sector has attracted a younger, transient workforce, especially in urban areas. This partly explains the high labour turnover in the sector.

Given the wider labour market in London, employers are still finding recruitment relatively easy, as they continue to recruit transient workers, mainly students and from EU nations. This continues to have a negative impact on skill gaps, but also means that uptake of programmes such as the apprenticeship is much lower, with registrations being only a quarter of that found nationally.

The migration cap introduced by the Coalition Government across the whole of the United Kingdom will make it more difficult to recruit skilled chefs. This is likely to hit larger urban centres the most, where there are larger concentrations of Asian and Oriental restaurants (see political drivers).

The impact of demographic trends are likely to be more prominent in the future and are explored further in section four (future workforce and skills).

2.3.4 Environmental

2.3.4.1 Current state of play

Climate change and sustainability are becoming increasingly important drivers for businesses as consumer expectations change and energy costs rise. The Carbon Trust³⁵ estimates that a 20 percent cut in energy costs in the sector can represent the same bottom line benefit as a five percent increase in sales.³⁶

Sustainable tourism is seen as an important driver of tourism. Strategically, VisitEngland is seeking to develop England's tourism industry in order to maximise its contribution to the economy,

³⁵ The Carbon Trust produce guidelines on carbon management in the hospitality industry. These can be found at <http://www.carbontrust.co.uk/cut-carbon-reduce-costs/reduce/pages/default.aspx>

³⁶ People 1st, State of the Nation Report, 2009.

employment and quality of life in England through a coordinated and sustainable approach. Tourism brings positive economic benefits to communities and industry along with the potential for negative social and environmental impacts. The aim is for England's visitor economy to be underpinned by sustainable practices and principles. The industry faces the challenge of growing the visitor economy within limitations that are increasingly challenging whilst ensuring the experience remains appealing to visitors. In order to keep pace with a rapidly evolving landscape a Sustainable Tourism Action Plan is being developed that fully engages the industry, states the business case, builds on current practices and future-proofs tourism's development.

2.3.4.2 Developments and impact on employment and skills

Research by People 1st³⁷ has identified environmental cost management to be one of the main management needs across the sector. This has increased in importance over the past two years. This is likely to be a particular need for owner operators and managers of smaller businesses, as they have no centralised support and will likely need to outsource to specialist suppliers or consultants.

Staff also need to have a greater knowledge of these products and their origin. This also provides growing opportunities in the future.

2.3.5 Consumer

2.3.5.1 Current state of play

Consumer demands have arguably been the most significant drivers of change for businesses within the hospitality, leisure, travel and tourism sector in recent years and over the past 20 or so years, consumer expectations have risen considerably.

According to analysts at PricewaterhouseCoopers, the recession, coupled with increased access to information on the internet means that customers are getting smarter and are saving money in four ways:³⁸

- Buying clever (shopping around for special offers)
- Down trading (cheaper brands)
- Switching location (cheaper destinations)
- Buying less.

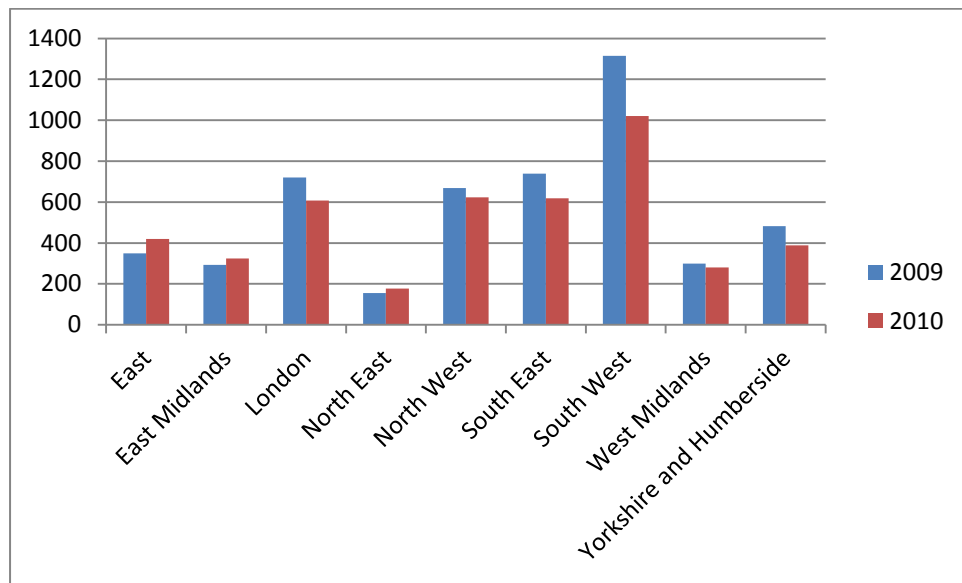
Financial, and to a less extent environmental, considerations mean that consumers have become more ethical – both domestic and overseas visitors like to feel that their actions are making a difference.

Figure 2.3 summarises the total consumer expenditure on tourism within the same period in 2009 and 2010. It shows that in most regions, expenditure had dropped with the exception of three eastern regions: East of England, East Midlands and the North East. Of the nine regions, Yorkshire and Humberside have witnessed the greatest decrease.

³⁷ People 1st Employer Survey, 2010.

³⁸ Mark Hudson, PricewaterhouseCoopers, speaking at the ABTA Travel Convention, October 2009.

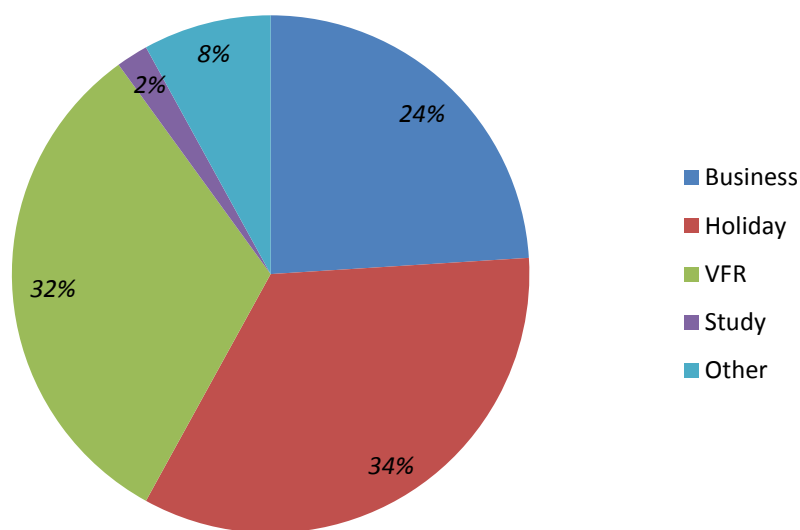
Figure 2.3: Tourism expenditure across the English regions between April to June 2009 and 2010 (millions)



Source: VisitEngland, 'United Kingdom Tourism Survey', 2009.

Holidays and visiting friends, family and relatives (VFR) are the biggest reasons for travel, with a quarter of travel undertaken for the purposes of business. Understanding these patterns help to better explain the types of consumers using the sector. The challenge for the sector is to increase the expenditure of those people visiting friends, family and relatives, who are less likely to eat and stay. Similarly, urban areas are more likely to benefit from business visitors who are increasingly expecting a high provision of technology, such as WiFi etc., as a basic requirement.

Figure 2.4: Reasons given by visitors for travel



Source: Deloitte/Oxford Economics (2010): 'The economic contribution of the visitor economy: UK and the nations'.

A more in-depth analysis of consumer trends across different industries in the hospitality, leisure, travel and tourism sector can be found at www.people1st.co.uk/research

2.3.5.2 Developments and impact on employment and skills

Employers are responding to consumer needs in different ways and, with new products and services being introduced, front line staff are having to develop new skills. These skills are usually taught informally, on-the-job.

Managers, and in particular those in smaller businesses and owners operators need to be able to respond to changing consumer needs. This reinforces the need for them to have sound management skills in marketing, people and financial management. As section three (current workforce and skill needs) outlines, this is currently a critical skills gap.

2.3.6 Government

2.3.6.1 State of play

Tourism

In relation to tourism, the Prime Minister has set out two major objectives:

- For Britain to be one of the top five destinations in the world in terms of revenue from inbound tourists (Great Britain is currently seventh).
- To lift the proportion of what British people spend on holiday in the UK to 50 percent (currently 36 percent of total tourism spend)³⁹.

One of the areas of focus for the government is seeking to increase spend and volume of visitors to increase the tourism value overall. Events, parades and carnivals are one way in which major cities raise awareness of themselves as a tourist destination. There is also a major opportunity to capitalise and create a legacy on the back of the 2012 Olympic and Paralympic Games.

The removal of Regional Development Agencies will see changes in the way that tourist information centres are structured. Going forward there will be no set, organised regional dimension to the promotion of tourism in England. However, VisitEngland remains responsible at a national level and is overseeing the transition process.

Migration

The Coalition Government has introduced a cap on migration to reduce the number of non-EU workers coming into the UK from hundreds of thousands to tens of thousands. A full cap will come fully into effect from April 2011 and will replace the current temporary cap. As a result of these changes there are likely to be changes to occupations listed on the Shortage Occupation List.

³⁹ British Hospitality Association, 'BHA launches hospitality economy proposition', 2010.

Education and Skills

The Education White Paper, 'The Importance of Teaching', and the Department for Business Innovation and Skills' Skills Strategy, 'Skills for Sustainable Growth', propose radical changes to the way in which education and skills are structured and delivered. Whilst further details are yet to emerge, the following are liable to have the largest impacts:

- A review of 14–19 vocational education.
- Greater focus on apprenticeships and the focus on completion at level three.
- Greater careers advice to encourage more entrepreneurs.
- Greater training and support for new businesses.
- Introducing Government-backed loans from 2013–14 for learners aged 24 and over undertaking level 3 or higher qualifications.
- Expectation of a greater employer contribution to skills development.
- Initiating a demand-led growth and innovation fund of up to £50m of government investment a year, to support employer-led initiatives within sectors. This will help test initiatives such as licenses to practice, levies etc.
- Helping people who are on active job-seeking benefits to secure work through labour market relevant training.

London 2012 Olympic and Paralympic Games

The 2012 Games offer an unprecedented opportunity for the UK over the next decade. The potential tourism benefit has been estimated at around £2.1bn between 2007 and 2017. London, as host city, is set to benefit the most. To deliver the Games, the London Organising Committee (LOCOG), estimate that they will require a workforce of approximately 200,000. Of these 200,000, around 6,000 will be LOCOG paid staff, many of whom are involved in the planning and preparation of the Games. These 6,000 staff constitute the operations side that consists of individuals with very strong functional knowledge; financial planners as well as individuals with strong industry knowledge (for example, those that have had experience working for the Commonwealth Games/past Olympic Games and Paralympic Games and other events on a similar scale).⁴⁰

2.3.6.2 Developments and impacts on skills and employment

Government drivers will have a range of different impacts on skills and employment in the sector.

Impact of the tourism strategy

If the tourism strategy is successful and its ambitions are realised, there is likely to be an increase in employment. This is likely to be in proportion to the size of the sector in all nine English regions. However, in order to reap the benefit of this increase in visitor numbers, the current skill gaps of the sector need to be addressed, especially customer service.

⁴⁰ People 1st interview with LOCOG 2009.

2012 Olympic and Paralympic Games

The London 2012 Olympic and Paralympic Games will have a significant impact on the sector in the run up to, and during the Games. Outside of the Olympic venues, it is likely that owing to the short-term employment opportunities that the Games offers, there will not be a large displacement of the workforce to London, the South East or to other Olympic venues such as Weymouth. Businesses which are part of chains are likely to move staff from units elsewhere in the UK for the period of the Games, whereas other employers will recruit front facing staff locally or recruit students. Front facing staff recruited to work in the Olympic venues are likely to be recruited from the local vicinity. However, some chef roles may be difficult to recruit for as they will need experience in cooking large numbers and have knowledge of food's nutritional content. Research from British Columbia, Canada, has shown the impact of the 2010 Winter Games on the sector in Vancouver and British Columbia.⁴¹ It found that just over half of businesses (57 percent) expected staffing levels to increase during the Games, where as in fact 46 percent actually increased staffing levels during the Games.

Changes to immigration policy

The changes to immigration policy will result in fewer chefs coming into the UK. As a result, this could have four implications:

1. An increase in the number of ethnic restaurants recruiting staff from within the UK. The availability of the new Asian and Oriental apprenticeship routes should help these businesses develop the skills of new entrants. It is also likely to help improve human resource practices in some businesses, improve the perception of a career in this area of the industry but also change the authenticity of the 'meal experience'.
2. A reduction in the number of Asian and Oriental restaurants, as some will be forced to close owing to increased staff costs or the difficulty of finding skilled staff.
3. Some businesses will deskill their operation, which is likely to benefit the food suppliers and shift the skill problem into food manufacturing.
4. Some businesses will unfortunately try and bring in illegal immigrants.

⁴¹ Go2, 'Results of the 2010 Olympic Legacy Project', 2010.

2.4 Summary of drivers on core occupations

The drivers outlined above will have different implications on each core occupation. Table 2.4 summarises the impact on employment across core occupations. The largest impact, affecting all occupations, is economic, as in some instances jobs are threatened by the economic downturn. However, in others the downturn makes some positions easier to recruit.

Table 2.4: Impact of current drivers on employment across core occupations

Occupations	Drivers					
	Economic	Technological	Demographic	Environmental	Consumer	Governmental
Chefs and cooks	■	■		■		■
Kitchen and catering assistants						
Waiting staff			■			
Bar staff	■		■			
Restaurant and catering managers	■					
Publicans and managers of licensed premises	■					
Hotel and accommodation managers	■					
Owner operators	■					
Travel agents	■	■				
Housekeepers and related occupations	■		■			
Travel agency managers	■	■				
Hotel porters	■					
Conference and exhibition managers	■	■				
Travel and tour guides	■	■				
Leisure and theme park attendants	■					

Table 2.5, summarises the impact of the same drivers on skills. It suggests that consumer drivers will impact the skill needs of every occupation. Managers and owner operators are similarly going to be affected by technology and environmental factors.

Table 2.5: Impact of current drivers on skills across core occupations

Occupations	Drivers					
	Economic	Technological	Demographic	Environmental	Consumer	Governmental
Chefs and cooks						
Kitchen and catering assistants						
Waiting staff						
Bar staff						
Restaurant and catering managers						
Publicans and managers of licensed premises						
Hotel and accommodation managers						
Owner operators						
Travel agents						
Housekeepers and related occupations						
Travel agency managers						
Hotel porters						
Conference and exhibition managers						
Travel and tour guides						
Leisure and theme park attendants						

Section three: Current workforce and skills needs

3.1 Introduction

This section provides an overview of the current workforce, including its size and composition. It also examines recruitment and retention, including hard-to-fill vacancies, skill shortages and gaps, as well as the way in which the skills system and training and development are helping to tackle these needs.

3.2 Employment profile

Key messages

- The hospitality, leisure, travel and tourism sector employs 1.75 million people in England. Looking at the wider 'visitor economy', this increases to 2.2 million.
- The workforce has increased over the past five years, and whilst it fell during the recession, has since increased.
- The restaurant industry accounts for 30 percent of the sector workforce.
- Of all core occupations in the sector, the number of people working as publicans and managers of licensed premises and bar staff has declined the most over the last five years.
- In terms of workforce characteristics, 57 percent of the workforce are female and 44 percent are under the age of 30; 55 percent work full-time, 22 percent were born overseas and eight percent are self-employed.

3.2.1 Size of the workforce

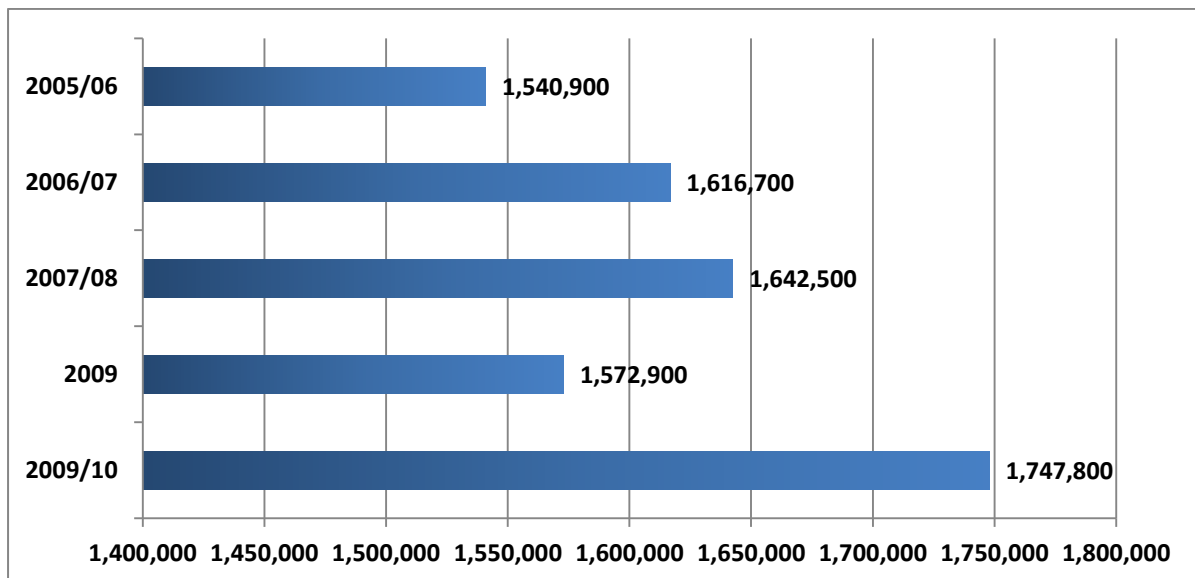
The hospitality, leisure, travel and tourism sector employs a workforce of 1.75 million people in England, which rises to 2.2 million across the wider visitor economy.⁴² To put this into context, the retail industry employs a workforce of 2.3 million; financial services, 245,000 and passenger transport, 572,000.

As figure 3.1 suggests, since 2005/6, the sector workforce, with the exception of 2009, has increased year-on-year.⁴³ Employment fell dramatically in 2009 as a result of the recession, but the figures suggest that employment has since recovered.

⁴² Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

⁴³ Please note that there have been some changes in the way in which industries have been classified due to the changeover from the Standard Industrial Classification (SIC) codes of 2003 to 2007. This means that the timeline data presented in table 3.1 is not directly comparable between years.

Fig 3.1: Hospitality, leisure, travel and tourism workforce 2005/06–2009/10



Source: Labour Force Survey , Office for National Statistics.

3.2.2 Employment by industry

Hospitality industries dominate the sector, accounting for 87 percent of the workforce. The restaurant industry has by far the greatest share of employees (30 percent), slightly lower than the average across the UK, followed by hospitality services, pubs, bars and nightclubs and hotels.

Other industries making up the sector are smaller, with travel employing five percent of the workforce; gambling four percent and events and tourism services one percent each (see table 3.1). However, the official figures only account for a subsection of the events industry.⁴⁴

⁴⁴ They are based on the SIC code 8230 (convention and trade show organisers) which, whilst it does not fully reflect the extent of this industry, is the only SIC code available which refers directly to this industry. A fuller Labour Market Review for the events industry can be found at www.people1st.co.uk/research

Table 3.1: Workforce numbers by industry (England)

2009/10	Workforce number	Proportion of HLTT workforce	Proportion of HLTT workforce (UK)
Restaurants	531,734	30%	31%
Hospitality services	309,109	18%	18%
Pubs, bars and nightclubs	279,509	16%	16%
Hotels	200,800	11%	12%
Food and service management	153,815	9%	9%
Travel services	83,930	5%	5%
Gambling	78,127	4%	4%
Self-catering accommodation, holiday parks and youth hostels	59,085	3%	3%
Tourist services	22,827	1%	1%
Events	20,362	1%	1%
Visitor attractions	8,542	<1%	<1%
Total	1,747,840	100%	100%

Source: Labour Force Survey 2009/10, Office for National Statistics.

3.2.3 Occupational profile

In the hospitality, leisure, travel and tourism sector, there are a number of occupations that can be found in other sectors (such as those working in marketing, finance, human resources etc). Similarly there are others that can be described as ‘core occupations’ (such as chefs, travel agents etc.) that are unique to this sector.

Table 3.2 presents the numbers working in core occupations and changes to their size over a five year period. Kitchen and catering assistants is the largest core occupation, followed by chefs and cooks and waiting staff. A number of varied roles can be classed as kitchen and catering assistants, from kitchen porters to school cooks; these all require different levels of skills. The top four occupations account for over three quarters of employees working in core occupations and reflect the relative size of the restaurant industry in the sector.

The number of people working as bar staff and publicans and managers of licensed premises has fallen (by 36 and 16 percent respectively) and reflects the closure of many pubs and bars (see table 3.2). Pubs, bars and nightclubs have been affected by a number of factors, such as the smoking ban, rising costs and cheaper alcohol in supermarkets and changing consumer behaviour for home entertainments. A report looking specifically at licensed hospitality can be found at www.people1st.co.uk/research

On the other hand, the number of conference and exhibition managers has increased by 74 percent, while hotel and accommodation managers has increased by 30 percent.

Table 3.2: Number employed in core occupations

	2004/05	2009/10	Five year change
Kitchen and catering assistants	320,200	330,800	3%
Chefs and cooks	212,000	219,600	4%
Waiting staff	189,900	195,900	3%
Bar staff	240,900	154,700	-36%
Restaurant and catering managers	137,000	137,300	0%
Housekeepers and related occupations	***	49,400	***
Hotel and accommodation managers	37,600	48,900	30%
Travel agents	41,200	40,400	-2%
Publicans and managers of licensed premises	43,600	36,500	-16%
Conference and exhibition managers	11,300	19,700	74%
Leisure and theme park attendants	17,700	19,700	11%
Travel and tour guides	17,100	15,300	-10%
Leisure and travel service occupations nec	13,000	12,600	-4%
Hotel porters	10,300	9,500	-8%
Travel agency managers	7,500	6,600	-12%

Source: Labour Force Survey, Office for National Statistics.

*** - Figures omitted due to small sample sizes/unreliability of data.

NB – figures based rounded to the nearest 100, percentages based on unrounded data.

3.2.4 Workforce characteristics

There are a number of characteristics to the sector's workforce in England:

- 57 percent of the workforce are female⁴⁵
- 44 percent of the workforce are aged under 30
- 15 percent are from a Black or Minority Ethnic (BME) background
- 55 percent work full time
- 22 percent were born overseas
- Eight percent work on a self-employed basis.

⁴⁵ This is roughly in line with other countries across Europe where 60 percent of those employed in the tourist accommodation sector are female (Eurostat, 2008, EU Labour Force Survey).

Table 3.3: Summary of Workforce characteristics by occupation (England)

Occupation	Size and characteristics			
	Current number	Five-year change	Aged below 30 years	% females
Kitchen and catering assistants	330,800	3%	42%	64%
Chefs and cooks	219,600	4%	31%	36%
Waiting staff	195,900	3%	77%	72%
Bar staff	154,700	-36%	78%	55%
Restaurant and catering managers	137,300	0%	28%	47%
Housekeepers and related occupations	49,400	***	13%	94%
Hotel and accommodation managers	48,900	30%	13%	50%
Travel agents	40,400	-2%	39%	81%
Publicans and managers of licensed premises	36,500	-16%	31%	41%
Conference and exhibition managers	19,700	74%	25%	67%
Leisure and theme park attendants	19,700	11%	68%	46%
Travel and tour guides	15,300	-10%	23%	71%
Hotel porters	9,500	-8%	15%	3%
Travel agency managers	6,600	-12%	15%	51%

Source: Labour Force Survey 2009/10, Office for National Statistics.

*** Figures omitted due to small sample sizes/unreliability of data.

Core occupations in travel, tourism services and events all employ a much higher percentage of females. There are similarly a lower percentage of females working in management positions compared to that found in more operational roles. The uneven gender split at a managerial level has been an area of particular focus for People 1st and the industry. A separate report examining female working patterns and the differing career trajectories between males and females in the sector has been produced. This can be found at www.people1st.co.uk/research and information on the 'Women 1st programme' to increase the number of women in senior positions can be found at www.people1st.co.uk/women1st

Those working in visitor attractions, pubs, bars and nightclubs and restaurants tend to have a much younger workforce than events and food and service management (see table 3.4). These industries have traditionally recruited a younger, transient workforce to help deal with changing patterns of demand.

Table 3.4: Workforce characteristics

2009/10	Female proportion	Proportion under 30	Proportion BME	Proportion part time work
Hotels	56%	46%	13%	33%
Self-catering accommodation, holiday parks and youth hostels	62%	29%	5%	41%
Restaurants	47%	56%	28%	46%
Food and service management	65%	22%	14%	47%
Pubs, bars and nightclubs	56%	61%	4%	57%
Travel services	68%	31%	9%	23%
Tourist services	64%	46%	13%	34%
Events	46%	20%	4%	20%
Gambling	53%	33%	8%	29%
Visitor attractions	32%	65%	3%	31%
Hospitality services	70%	31%	11%	54%
Total	57%	44%	15%	45%

Source: Labour Force Survey 2009/10, Office for National Statistics.

3.3 Retention

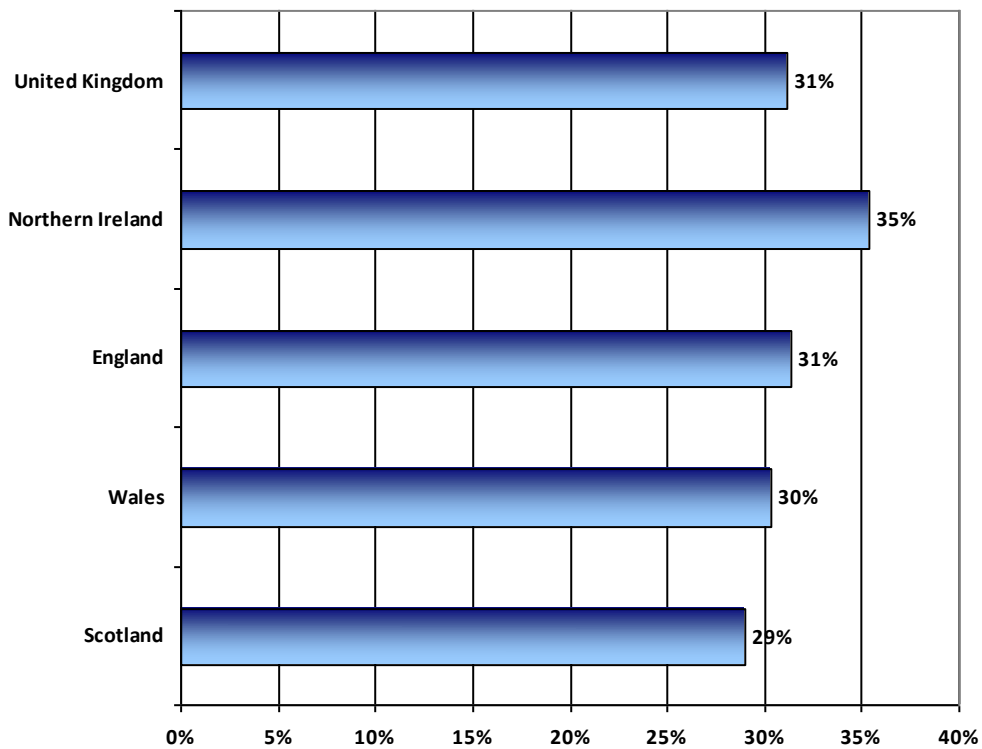
Key messages

- Labour turnover is costing the hospitality, leisure, travel and tourism sector £27.9m annually in England.
- People 1st's employer survey of 2009 calculated labour turnover rates at 31 percent, higher than in Wales (30 percent) and Scotland (29 percent), but lower than in Northern Ireland (35 percent).
- Nearly one in five (17 percent) of sector businesses in England believe that the level of turnover is an issue for their business.
- Restaurants and pubs, bars and nightclubs, both large industries in England, also have the highest turnover.

People 1st's employer survey (2009) found that the turnover rate of the sector across England was 31 percent⁴⁶. In comparison to the other home nations, this was higher than in Wales (30 percent) and Scotland (29 percent) but lower than in Northern Ireland (35 percent).

⁴⁶ Across Europe the accommodation sector is also characterised by workers having a short average stay with the same employer (Eurostat, 2008, EU Labour Force Survey).

Fig 3.2: Labour turnover UK home nations



Source: People 1st employer survey 2009.

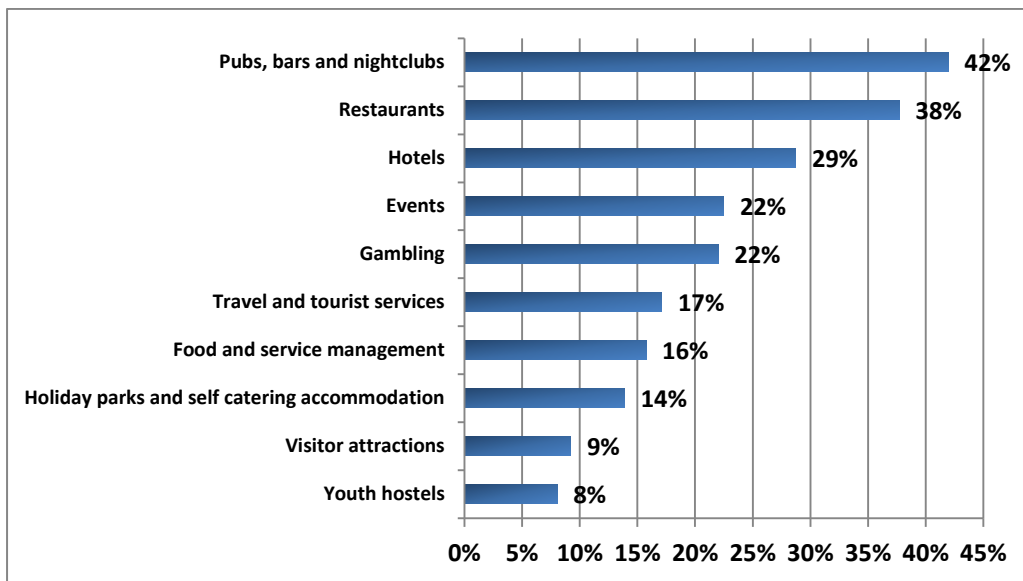
Base: All survey participants (1,303).

Low retention rates have long been an issue for the sector, but only in recent years has the focus begun to shift from the poor perception of the sector to the way in which the sector retains its staff and recruits a more sustainable workforce. Despite this only 17 percent of hospitality, leisure, travel and tourism businesses in England believe their level of labour turnover is problematic for their business.

This acceptance of labour turnover belies the fact that it costs the hospitality, leisure, travel and tourism sector £27.9m annually, when recruitment costs and initial investment in training is taken into account. It also ignores the high proportion of sector employers reporting skill gaps and the resulting loss of business or return business.

The economic downturn has increased retention rates. According to the People 1st Employer Survey, 2010, 60 percent of sector employers in England believe that it is easier to retain staff. Figure 3.3 provides a greater understanding of labour turnover at an industry level.⁴⁷ The pubs, bar and nightclubs and restaurant industries have the highest rates of turnover.

Fig 3.3: Industry variations in labour turnover

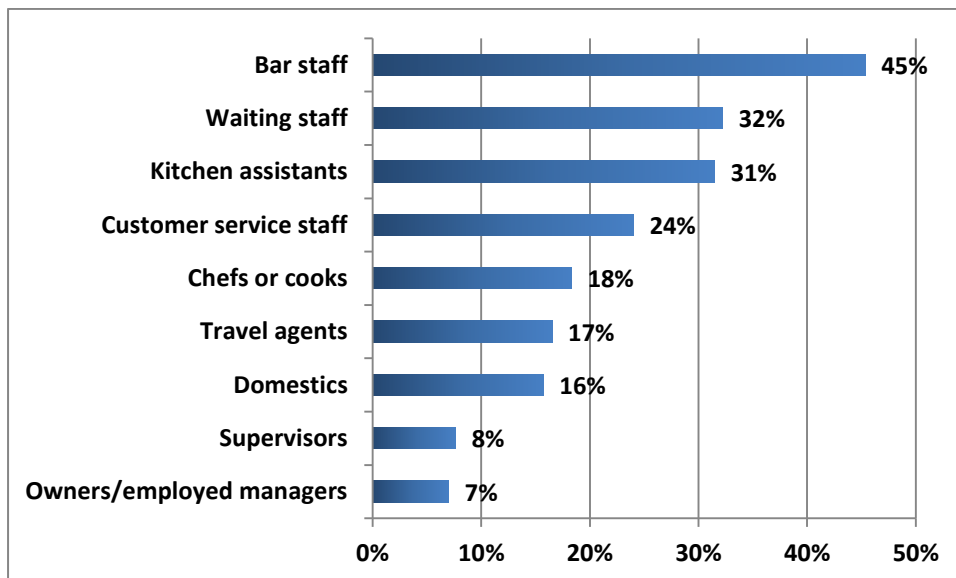


Source: People 1st employer survey 2009.

Base: All survey participants (883).

Examining turnover rates at an occupational level helps these industry variations to be more clearly understood. Figure 3.4 shows that bar staff (45 percent), waiting staff (32 percent) and kitchen assistants (31 percent) have the highest rates of labour turnover. These occupations have been traditionally filled by younger, transient workers, such as students and international workers and are more likely to be found in the restaurant and pubs, bars and nightclubs industry. In contrast, more senior positions (such as owners, managers and supervisors) have much lower rates. However, almost a fifth (18 percent) of those falling within the 'skilled trade' categories (such as chefs and cooks) change jobs every year. This may hint at the shortage of skilled applicants for these positions; as skilled workers are being lured from their existing employers, owing to the shortages.

Fig 3.4: Labour turnover rates by occupation



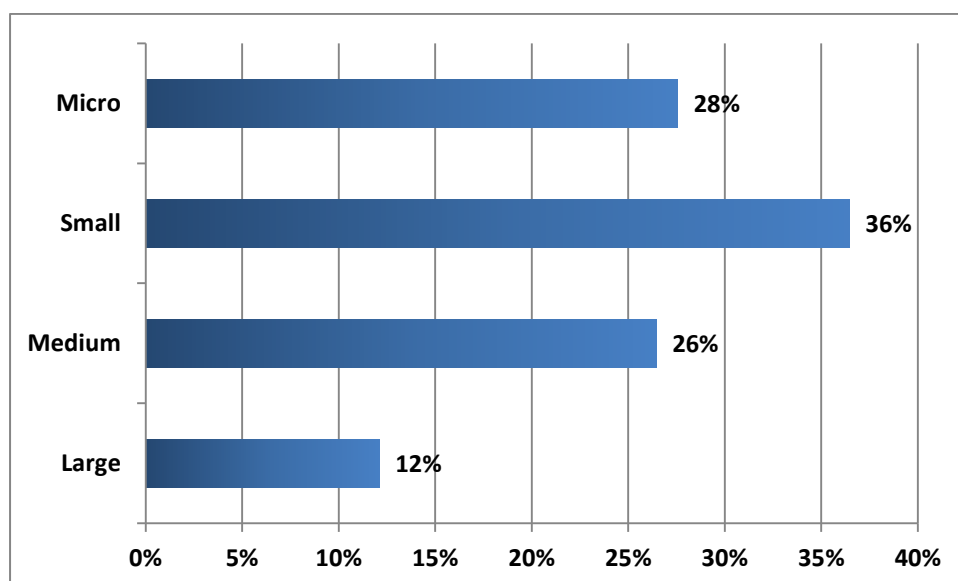
Base: All with employees in these particular occupational groups (varied).

Turnover rates are higher in urban areas (32 percent) than in rural settings (26 percent). This largely reflects the fact that in urban areas, there is a larger, more fluid labour market from which employers are happy to recruit.

There are also variations in staff retention across different sizes of business. As figure 3.5 shows, labour turnover is higher in smaller businesses (5–49), compared to larger ones with 200 or more staff. At the same time, whilst turnover is less in micro businesses (with 1–4 employees), it is still considerably higher than larger businesses. Anecdotal evidence and qualitative research undertaken by People 1st suggests that smaller businesses in general are often not able to provide the same progression opportunities or able to implement the same human resource interventions (such as offering qualifications, employee ownership etc.) Whilst a large percentage of micro businesses are family run bed and breakfasts and restaurants, and therefore do not require many staff over and above the family, they are more likely to hire casual staff to deal with peaks of demand.

Considering location and size of business, it does appear counter-intuitive that whilst there is a higher proportion of smaller businesses in rural areas, turnover rates are not higher in rural areas.

Figure 3.5: Labour turnover across different size of business



Base: All survey participants (1,095).

3.4 Recruitment

Key messages

- Close to a fifth (17 percent) of hospitality, leisure, travel and tourism employers reported vacancies in 2009, five percent higher than across the economy as a whole.
- Five percent of sector employers reported that they had vacancies that were hard-to-fill, again higher than the average for the rest of England (three percent).
- People 1st 2010 employer survey found that 57 percent of sector employers had recruited during the previous 12 months.
- Recruitment had become easier for half (50 percent) of those recruiting, mainly down to an increased number of applicants.
- While there are vacancies across all occupations in the sector in England, there are a significant number in front-facing hospitality roles and for chefs and managers.
- Around two thirds (66 percent) of vacancies across England can be characterised as skill shortage vacancies.
- The main skill shortage vacancies are for chefs and managers.
- Over a quarter (26 percent) of establishments reported skills gaps in their workforce in 2009, higher than across the economy as a whole (19 percent).
- 13 percent of the sector workforce are believed to not be fully proficient by their employer.

3.4.1 Vacancies and hard to fill vacancies

According to the National Employer Skills Survey 2009, 17 percent of hospitality, leisure, travel and tourism establishments reported having vacancies, around five percent higher than the average across all sectors.

Five percent of sector employers had vacancies that were considered hard to fill; higher than across the economy as a whole (three percent). The proportion of employers with hard-to-fill vacancies has dropped over the last five years from nine percent in 2005 to eight percent in 2007 and five percent in 2009, highlighting the impact of the recession. Historically, the sector has reported higher instances of vacancies and hard-to-fill vacancies than other sectors. This has largely been explained by a combination of high labour turnover and the poor perception of the sector in which to pursue a career. However, the People 1st employer survey (2010) suggests that following the economic downturn it is currently easier to recruit, owing to the more fluid labour market.

Across all nine regions, the percentage of vacancies reported by sector employers is higher than across the economy as a whole. In certain regions, such as East of England, North West and the South East there are significant differences. Figures for the East of England may be explained in the fall in customer visits highlighted in section two (what drives skills demand). However, there have been similar falls in the North West and South East which have seen an increase in visitors.

Hard-to-fill vacancies reported by sector employers across all regions are broadly similar to that being reported across all sectors with the exception of the South East and South West, where sector employers are finding it much harder to fill positions. Potentially this could be due to the number of coastal resorts found in these regions. There is a considerable amount of seasonal employment in these areas which employers may struggle to fill with suitable candidates.

Table 3.5: Vacancies and difficult-to-fill vacancies

		% of establishments reporting vacancies	% of establishments reporting hard to fill vacancies	Number of vacancies	Number of hard to fill vacancies	Vacancies as a % of employment	Hard to fill vacancies as a % of employment
East of England	HLTT	21%	6%	5,848	1,143	3.90%	0.80%
	All sectors	12%	4%	44,173	11,374	1.90%	0.50%
East Midlands	HLTT	14%	5%	2,812	637	2.40%	0.60%
	All sectors	11%	3%	30,772	5,618	1.60%	0.30%
London	HLTT	17%	5%	8,701	1,965	2.60%	0.60%
	All sectors	14%	4%	74,690	16,752	1.80%	0.40%
North East	HLTT	17%	5%	1,884	461	2.60%	0.60%
	All sectors	12%	3%	21,452	5,110	2.10%	0.50%
North West	HLTT	14%	5%	5,103	1,094	2.40%	0.50%
	All sectors	11%	3%	43,713	8,787	1.50%	0.30%
South East	HLTT	20%	7%	8,676	1,872	3.30%	0.70%
	All sectors	13%	3%	64,509	13,598	1.70%	0.40%
South West	HLTT	18%	7%	6,635	1,606	3.70%	0.90%
	All sectors	12%	4%	38,668	8,434	1.70%	0.40%
West Midlands	HLTT	14%	4%	4,024	668	2.50%	0.40%
	All sectors	11%	3%	33,178	6,760	1.40%	0.30%
Yorkshire and Humberside	HLTT	14%	4%	3,525	925	2.40%	0.60%
	All sectors	12%	3%	34,526	8,988	1.50%	0.40%
England	HLTT	17%	5%	47,207	10,372	2.90%	0.60%
	All sectors	12%	3%	385,680	85,421	1.70%	0.40%

Source: National Skills Employer Survey 2009.

There is a clear polarisation as to whether sector employers are recruiting. According to the People 1st employer survey (2010)⁴⁸ in the past 12 months, 57 percent of respondents in England had recruited staff. Whilst those industries which traditionally have recruited a more transient workforce have recruited in larger numbers such as pubs, bars and nightclubs (75 percent), hotels (71 percent) and restaurants (63 percent), industries with a more stable workforce, such as the travel industry also did so in significant numbers (44 percent).

Table 3.6: Differences in recruitment across industries

	Number of businesses interviewed	Number who had recruited	Proportion who had recruited
Pubs, bars & nightclubs	77	58	75%
Hotels	208	148	71%
Restaurants	399	251	63%
Visitor attractions	87	49	56%
Events	119	60	50%
Gambling	22	11	50%
Tourist services	80	40	50%
Self catering accommodation, holiday parks and youth hostels	85	42	49%
Food & service management	198	92	46%
Travel Services	134	59	44%

Source: People 1st Employer Survey 2010.

Similarly, there also appears to be some variation in the likelihood of a business recruiting depending on its location; 61 percent of those in urban areas had recruited, compared to 55 percent in coastal settings and 52 percent in rural areas. Given the lower levels of labour turnover in rural areas, this may suggest that any recruitment has been in response to an increase in trade, rather than simply to replace existing staff.

Of those employers who had recruited new staff, half (50 percent) had found the process easier than in the past, which is largely down to the increased ratio of applicants to available vacancies (as noted by 88 percent of respondents). For those who had found it more difficult, the main reasons were difficulty finding people with the right skills, experience or attitude. The survey also found that a considerable number of applicants were using qualifications to help select candidates (40 percent in England stated that qualifications held by applicants had become increasingly important in helping choose between them).

Table 3.7 summarises the key recruitment, retention and skills metrics across a number of core occupations. Where data is not available, shading has been used to indicate whether vacancies, skill shortages or skills gaps are being reported against that occupation. The shading has reflected a range of qualitative studies undertaken by People 1st. These are listed at Annex A. Given the use of qualitative data, the table should be treated with caution, but it does help illustrate occupational differences across a number of recruitment and retention measures.

⁴⁸ Conducted between January and March 2010.

The table clearly highlights the differences between those occupations that are recruited by someone wishing to pursue a career and those that are largely filled by transient workers. Kitchen and catering assistants, waiting staff and bar staff are characterised by high labour turnover, lower hard-to-fill vacancies and fewer reported skill shortages and gaps. In contrast, chefs and cooks and management positions appear to have lower labour turnover rates and a higher proportion of reported skill shortages and gaps.

Table 3.7: Summary of current skill needs in England

Occupation	Recruitment, retention & skill needs					
	Labour turnover rates ⁴⁹	Retention ⁵⁰	Significant vacancies	Hard to fill vacancies ⁵¹	Skill shortage vacancy	Skill gaps
Chefs and cooks	18%	11%		33%		
Kitchen and catering assistants	31%	12%		14%		
Waiting staff	32%	13%		12%		
Bar staff	45%	16%		9%		
Restaurant & catering managers	***	6%		***		
Publicans & managers of licensed premises	***	3%		***		
Hotel & accommodation managers	***	2%		***		
Hotel porters	***	***		***		
Housekeepers	***	5%		***		
Conference & exhibition managers	***	9%		***		
Travel agency managers	***	***		***		
Travel agents	17%	6%		***		
Travel & tour guides	***	6%				
Leisure & theme park attendants	***	11%		***		
Supervisors	8%	***		11%		
Owners/managers	7%	***		17%		

*** Figures omitted due to unavailability of data, small sample sizes and/or unreliability of data.

These differences will be demonstrated more clearly throughout the rest of this section. As the next sub-section highlights, there are specific skill shortages for chefs and managers. However, the majority of core occupations are typically filled with applicants who do not have any experience or

⁴⁹ People 1st employer survey 2009.

⁵⁰ Labour Force Survey (April-June 2010), Office for National Statistics. Based on the proportion of individuals looking for a different or additional paid job or business. This may cover a wide range of activities, from looking through newspaper advertisements to actively writing to prospective employers and attending interviews.

⁵¹ People 1st employer survey 2009, UK figures.

qualifications to work in these positions. This is especially the case for front-facing hospitality roles and room attendants, which are largely low skilled (approximately level 2); Employees are typically recruited on personality and then trained on-the-job.

Historically, these positions have been filled by a high proportion of transient staff, such as students and immigrants. Currently, 30 percent of bar staff and 40 percent of waiting staff in England are students.

Up until the recession, many front line vacancies had been filled by EU Accession State workers, especially in London. According to the figures, 149,280 EU Accession State workers came to England to work in the hospitality and catering sector between May 2004 and March 2009.⁵² In total across the UK, 176,635 have entered the UK hospitality and catering workforce; almost two thirds of whom (63 percent) originate from Poland. Figures are not available for those that remain, but anecdotally, it is felt that many have since returned to their country of origin.

Since reaching a peak in 2006, the number of those coming to work across the economy in England has continued to decrease. By 2008, this had reduced by 30 percent to 133,890; the trends within the hospitality, leisure, travel and tourism sector are expected to be roughly in line with this.

Table 3.8: Accession state workers across all England economy (2004–2008)

Year	Accession state workforce (England)
2004	110,620
2005	173,150
2006	191,675
2007	175,800
2008	133,890

Source: Home Office UK Border Agency (2009): ‘Accession Monitoring Report: May 2004–March 2009’.

Whilst flexible, the focus on recruiting transient workers comes at a cost. It increases the number of employers reporting skill gaps, as staff do not remain long enough in post to develop the necessary skills. It also adversely affects the way managers are recruited and developed, as historically managers are recruited internally.

The constant churn of staff and the ease of entry have also reduced the perceived professionalism of the sector and specific occupations; this despite a large number of professional bodies operating across the sector. Consequently, it is seen as a sector in which to find a casual job, rather than one in which to pursue a career. The UK sector is often contrasted unfavourably to the way the sector is perceived on the Continent. There is very little research, but one indicator to suggest that more stable careers might be found in the sector in mainland Europe would be if the average age of people working in the sector in say France, Italy or Spain were higher. However, according to 2008 figures from Eurostat, this does not appear to be the case. On average across the EU, the sector is employing 10 percent more of the 15–34 age group than is found across the economy. Therefore, it would appear that the UK is following the same trends as the rest of Europe in employing a younger workforce, compared to other sectors.⁵³

⁵² Home Office UK Border Agency, ‘Accession Monitoring Report: May 2004–March 2009’, 2009.

⁵³ Eurostat, EU Labour Force Survey, 2008.

Recruitment methods for many occupational roles in the sector are largely informal; generally through word of mouth (58 percent), Jobcentres (37 percent) and through internal advertisements (35 percent).⁵⁴ Jobcentre figures (see table 3.9) appear to confirm that they are used to fill kitchen based roles (such as kitchen and catering assistants and chefs) and front-facing hospitality roles (waiting staff and bar staff).

Table 3.9: Unfilled vacancies by occupation England

Occupation	Unfilled vacancies
Chefs, cooks	4,807
Kitchen and catering assistants	4,380
Waiters, waitresses	2,741
Bar staff	2,354
Restaurant and catering managers	831
Housekeepers and related occupations	523
Leisure and theme park attendants	415
Publicans and managers of licensed premises	300
Travel agents	293
Hotel and accommodation managers	153
Hotel porters	138
Leisure and travel service occupations n.e.c.	83
Travel and tour guides	73
Conference and exhibition managers	39
Elementary personal services occupations n.e.c.	36
Travel agency managers	15

Source: Jobcentre Plus, Office for National Statistics.

Average for 2010 (January to August).

Additional Jobcentre Plus data provides details of the number of people currently claiming benefits but who are looking for a job in the sector. These details are listed in table 3.10. From this it appears that the supply is more closely aligned with the demand than it has been in recent years (for example, for 4,807 chef and cook vacancies, there are 10,730 people looking for work in this role). If, as has been suggested, only around a third of vacancies are advertised at Jobcentres, this would bring the vacancies for chefs and cooks up to an estimated 14,421. The challenge, considering welfare policy, is that many jobseekers do not have the necessary skills to secure a job in a more stable occupation that can provide greater sustainability. This partly explains the support of larger sector employers behind the Service Academy approach and the emphasis on more consistent pre-employment pathways into apprenticeships.

⁵⁴ People 1st Employer Survey 2009.

Table 3.10: Jobcentre Plus claimant counts England

Occupation	Claimant count
Kitchen and catering assistants	23,995
Bar staff	21,991
Chefs, cooks	10,730
Waiters, waitresses	6,668
Publicans and managers of licensed premises	2,285
Restaurant and catering managers	2,068
Hotel porters	1,728
Housekeepers and related occupations	1,115
Travel agents	985
Conference and exhibition managers	792
Hotel and accommodation managers	724
Leisure and theme park attendants	464
Leisure and travel service occupations n.e.c.	358
Travel and tour guides	321
Elementary personal services occupations n.e.c.	175
Travel agency managers	88

Source: Jobcentre Plus, Office for National Statistics.

Average for 2010 (January to August).

In the main, front facing hospitality roles, such as waiting staff and bar staff are not seen as a career in the same way as say chefs. In 2008/09, 97,297 individuals started on hospitality, leisure, travel and tourism related courses. 29,923 of these learners were registered under Train to Gain whilst the remaining 70,004 were in Further Education.⁵⁵ Amongst these students, 13,256 (14 percent of the total) were on dedicated chef related programmes.⁵⁶

The overarching figure also includes students working towards food and beverage qualifications. The vast majority of students on the programme are studying food and beverage programmes alongside a chef qualification. However, they are likely to pursue a career as a chef. Similarly, apprenticeships, whilst being undertaken in front of house roles, are in the main offered to existing staff and not necessarily seen as an entry route into the sector. Therefore, simply looking at the qualifications can distort the number of people entering the sector in front of house positions.

There has been a considerable amount of work undertaken to produce more accurate and engaging information, advice and guidance relative to the sector with an increased focus on career progression routes. This has been strengthened through the qualifications reform process undertaken by People 1st.⁵⁷ This has seen the number of sector-specific qualifications reduced from

⁵⁵ Further Education (FE) figures are referenced in the Learning and Skills Council's 2008/09 figures as Adult Learning Responsiveness (ALR) provision ie adults who were aged 19 or over on the 31st August of the funding year in which they started a specific episode of training.

⁵⁶ Including the Diploma in introduction to professional cookery (level one and entry), Diploma in professional cookery (level two), Diploma in advanced professional cookery (level three) and NVQ in professional cookery (level three).

⁵⁷ This has been taken on the back of the Sector Qualifications Strategy and the Sector Qualifications Reform Programme.

305 in 2008 to 167 in 2010. These career pathways are promoted on the sector’s career and jobs website uksp.co.uk. The focus is now on emphasising the professionalism of the sector and specific entry routes. An employer group is also in place to look at the shortfall in the number of people entering the sector and are co-ordinating action across the sector, through employers and industry bodies to promote and support sustainable careers and development opportunities.

3.5 Current skill needs

3.5.1 Skills shortages

Skill shortage vacancies are vacancies that are proving hard-to-fill owing to a lack of suitably skilled or qualified applicants.

According to the National Employer Skills Survey (2009), 15 percent of all sector vacancies were proving hard-to-fill owing to a shortage of skilled applicants (see table 3.11), slightly below the average for all sectors and a decline from 20 percent in 2005 and 19 percent in 2007. Two thirds (66 percent) of hospitality, leisure, travel and tourism hard-to-fill vacancies are a result of a lack of applicants with the necessary skills and experience, lower than for the economy as a whole (74 percent). As with hard-to-fill vacancies, the decline in skill shortages is likely to be a result of a more fluid labour market following the economic downturn.

Table 3.11: Proportion of vacancies that are skills shortage vacancies

	Hospitality, leisure, travel and tourism	All economy
Number of skill shortage vacancies	6,869	63,089
Skill shortage vacancies as a proportion of all vacancies	15%	16%
Skills shortage vacancies as a proportion of hard-to-fill vacancies	66%	74%
Proportion of establishments with skills shortage vacancies	4%	3%

Source: National Employer Skills Survey 2009.

In terms of the proportion of vacancies which can be characterised as skill shortage vacancies, table 3.12 outlines this breakdown at a regional level. Most English regions have proportionally fewer hard-to-fill vacancies than across the economy as a whole. However, in the East Midlands, London, the South East and South West rates are higher for the hospitality, leisure, travel and tourism sector. At 20 percent, the proportion of vacancies which are owing to lack of applicants with the required skills and/or experience is highest in London. This suggests that, whilst there may be a ready supply of labour in London, the skills and abilities of applicants fall considerably short of those that employers require.

Table 3.12: Proportion of vacancies that are skills shortage vacancies

	Hospitality, leisure, travel and tourism	All economy
East of England	10%	19%
East Midlands	15%	13%
London	20%	19%
North East	12%	15%
North West	11%	15%
South East	16%	15%
South West	17%	16%
West Midlands	13%	15%
Yorkshire and Humberside	15%	19%

Source: National Employer Skills Survey 2009.

Table 3.13. indicates within which broad occupational area the skill shortage vacancies are to be found. The figures have been arrived at by calculating, first, the proportion of vacancies which are skill shortage vacancies and, secondly, the proportion of hard-to-fill vacancies which are skill shortage vacancies. It clearly suggests that the highest skill shortages fall within managerial positions and skilled trade occupations, largely chefs. The figures also reveal that sector employers may not be struggling as much as in other sectors to fill skilled roles. Skilled sales and customer services staff appear to be much more difficult to find than in comparable sectors; the figures suggest that nearly all hard-to-fill vacancies for this occupation are skills related, compared to 68 percent across the economy as a whole.

Table 3.13: Proportion of vacancies which are skill shortage vacancies

	Proportion of vacancies which are SSVs		Proportion of HTF vacancies which are SSVs	
	Hospitality, leisure, travel and tourism	All economy	Hospitality, leisure, travel and tourism	All economy
Managers	33%	19%	79%	82%
Administrative/clerical staff	9%	10%	75%	76%
Skilled trades occupations	30%	30%	73%	80%
Personal services staff	13%	17%	70%	71%
Sales and customer services staff	12%	12%	97%	68%
Elementary staff	12%	12%	62%	60%

Source: National employer skills survey 2009.

*** - data suppressed due to small sample sizes and/or unreliability of data.

3.5.2 Skilled chefs

Skilled chefs are repeatedly mentioned by employers as the most difficult occupation for which to recruit. Given the range of different job roles that have 'chef' in their title and the range of different cuisines, defining a skilled chef from a lower-skilled chef is very difficult. However, to overcome this problem, the Migration Advisory Committee has defined a skilled chef as when their pay is at least £8.45 per hour after deductions for accommodation, meals etc. and the job requires three or more years' relevant experience.⁵⁸

Whilst this provides an objective definition, it does not help identify the specific skills required at this level. Traditionally, establishments requiring skilled chefs have been structured in a 'brigade' system. This has reinforced a hierarchy of roles, with more senior roles requiring a higher level of culinary skills and knowledge, as well as kitchen management and generic management skills. Table 3.14 shows the roles and functions found in a traditional brigade.

⁵⁸ Government-approved shortage occupation list for Tier 2 of the Points Based System, UK Border Agency, 29 April 2010.

Table 3.14: Roles and functions in a traditional brigade (fine dining)

Occupation	Role	Core functions	Approximate qualifications Level
Head Chef	Manage the operation of the kitchen and food preparation areas	<ul style="list-style-type: none"> Managing preparation, cooking and finishing of dishes Menu development Budgetary and finance Managing and leading 	4
Sous Chef	Assist in managing the operation of the kitchen and in the production of high quality food	<ul style="list-style-type: none"> Prepare, cook and finish complex dishes Basic budgetary and finance skills Liaise with Head Chef on menu development Stand in for Head Chef when required 	3/4
Chef de Partie	To prepare, cook and present food – focusing on a specific section of the kitchen (sauces, stock, fish etc)	<ul style="list-style-type: none"> Prepare, cook and finish complex dishes Ensure consistent quality Manage portion control Participate in stock control Minimise wastage 	3
Commis Chef	To prepare, cook and present food (covering all sections of the kitchen)	<ul style="list-style-type: none"> Prepare, cook and finish basic dishes Ensure consistent quality Manage portion control Participate in stock control Minimise wastage 	2
Kitchen Porter	To clean kitchen utensils, equipment and kitchen areas	<ul style="list-style-type: none"> Clean all utensils and crockery Operate and maintain the efficient running of the dishwashing machine. Ensure surfaces and equipment are kept clean 	1

This hierarchy is still found in many establishments requiring chefs to prepare and cook from scratch, but whether the full hierarchy is present will depend on the size and nature of a business. A brigade approach is not just confined to restaurants, but it is also to be found in public sector catering, events and pubs.

Employers are reporting a lack of the following skills:⁵⁹

- Knife skills
- Skills and knowledge to prepare stocks and sauces from scratch
- Skills and knowledge to prepare and cook poultry and meat dishes from scratch
- Team working
- Communication skills.

Full-time college courses and apprenticeships are the main source of chefs at this level. However, employers do provide informal training, similar to a traditional apprenticeship, but without going through a formal apprenticeship. Similarly, employers are still recruiting from outside of the UK (within the EEA and beyond).

Owing to some of the drivers outlined in section two (what is driving skills demand), employers are recruiting (and training) skilled chefs in larger numbers. There are currently 219,600 chefs and cooks working throughout England. With an annual labour turnover of 18 percent, it is estimated that 39,500 chefs leave their jobs each year. Whilst a proportion of these will obviously stay within the industry working as chefs for a different employer, there will be a significant amount that leave the industry altogether.

The latest enrolment figures show that 13,256 learners started a cookery related course in 2008/09. Even assuming that all these individuals finish their studies and go on to work as chefs, it is clear there is a significant shortfall in the number of chefs required.

The introduction of the Diploma in Professional Cookery at levels 1, 2 and 3 has ensured that colleges are able to consistently develop the required skills and knowledge required by employers, without any variation in its content across different colleges. An evaluation of the programme has revealed that employers value the mandatory content and the practical end test.⁶⁰ They also like the transparent grading of fail, pass, credit and distinction. Colleges have encouraged employers to help support practical assessment, which in turn has helped them understand the calibre and capability of chef students leaving college. Currently, 120 colleges in England are delivering the Diploma.⁶¹

In the past 18 months, there have been significant changes to the content of the apprenticeship framework in professional cookery. Technical certificates have been added, which develops the required knowledge within the framework. Moving forward, there needs to be greater focus given to the delivery of the apprenticeship to ensure that the delivery of the apprenticeship is as robust as its content.

The Compass Junior Chef Academy, run by colleges and providing school children with an opportunity to cook on a Saturday morning, has had high profile support from the sector and has led to encouraging numbers moving on to chef programmes in further education. At primary education the Academy of Culinary Arts' Adopt a School programme has been successful in organising chefs to go into schools once a term to provide younger children with an opportunity to experience food. Similarly, the Future Chef initiative run by Springboard UK, the careers organisation for the

⁵⁹ People 1st, 'Understanding the need for skilled chefs', 2008.

⁶⁰ People 1st, 'Evaluation of the Professional Cookery Diploma', 2008.

⁶¹ These figures were obtained in August 2010 by People 1st from the awarding organisations offering the programme.

hospitality industries, had 14,000 applicants to enter their young chef competition in 2010. All these initiatives need greater all round support from the sector and work is now underway to consolidate this support to provide sustainability to these programmes.

Qualitative research conducted by People 1st has found that where employers have been unable to address skill shortages, they are extending the hours of existing staff and preventing some employers from removing split shifts. This in turn is leading to increased labour turnover, which is further exacerbating the skill shortage.⁶²

3.5.3 Asian and Oriental cuisine

The current demand for chefs with the skills and knowledge to prepare and cook Asian and Oriental skills is currently being met through recruitment outside of the EEA. As discussed in section two (what drives skills demand), the UK Government's immigration policy will create significant skill shortages for Asian and Oriental restaurants. The creation of new routes for Thai, Chinese, Indian and Bangladeshi cuisine within the Professional Cookery Apprenticeship in August 2010 creates an opportunity for ethnic restaurant employers to attract new entrants within the UK and develop them within a structured framework. Whilst some ethnic restaurant employers have already embraced these programmes, persuading small, independent businesses of the need to start recruiting and developing staff within the EEA is challenging. Learning providers are equally reluctant (albeit understandably) to offer these routes if there is no demand (despite a clear need). In reality, this stalemate is likely to continue until employers find the cost of bringing in workers from outside of the EEA prohibitive. At this point, the demand for these apprenticeships is likely to increase significantly, as more ethnic restaurants start to think differently about their recruitment and retention policies. Despite these new apprenticeship routes, there are a small number of top end establishments that will continue to require very specialist chefs who have experience of cooking in specific parts of Asia and the Far East. These skills are so specialist that they cannot be taught within the UK.

3.5.4 Senior chefs

There is a growing demand for senior chefs, who have the required kitchen and generic management skills. This includes:

- Food costing
- Storage management
- Food safety management
- People management
- Financial management.

In particular, qualitative research, is repeatedly highlighting people management skills as a key problem.

In addition to skilled chefs, other chefs found across the sector are found in mainstream restaurants and in some pubs and public sector catering. These roles require fewer culinary skills, as most of the food is pre-prepared and only requires heating and presentation.

⁶² People 1st, 'Understanding the need for skilled chefs', 2008.

3.5.5 Managers

Management skills continue to be a major skill shortage facing employers. As section two (what drives skills demand), clearly highlights, the skills, knowledge and experience of managers is critical to the future prosperity of the sector.

Unlike for chefs, employers are seeking a range of different management skills to reflect their business needs. However, the most critical skills employers are looking for in managers are:⁶³

- People management, including softer skills, such as motivating staff, training and recruitment to more traditional personnel functions such as knowledge of legislation
- Financial management, including day to day monitoring of finances and planning
- Strategic management, including strategic planning and positioning
- Marketing
- Managing the customer experience
- Operational management, which varies depending on the operation, but employers would expect experience in this area.

There are no commonly agreed entry routes for managers in the sector. However, a large proportion of managers work at an operational level before progressing to management positions. This places more emphasis on training and development. Latest figures suggest that two thirds (67 percent) of employers train in this area and it continues to be one of the most costly areas of sector training. Back of house managers such as those in finance, human resources and marketing are more likely to be recruited from other sectors.

There are students who are studying full-time travel and tourism and hospitality management programmes in further education. Anecdotal evidence suggests that a high proportion of students progress to higher education, rather than directly enter the sector. Those that do enter the sector are liable to do so at an operational level.

In higher education there were 16,953 students studying hospitality, leisure, travel and tourism related courses in higher education institutions across England. Table 3.15 shows the breakdown of learners by Joint Academic Classification System (JACS) codes.

⁶³ People 1st, National Occupational Standards Review of Supervision and Leadership, 2008.

Table 3.15: Learners in higher education, England

4-digit JACS subject of study	Number of learners
(N800) Hospitality, leisure, tourism & transport	7,007
(N810) Travel management	450
(N820) Event management	4,181
(N830) Tourism	649
(N831) Tourism studies	4
(N832) Tourism management	1,566
(N860) Hospitality	1,367
(N861) Hospitality studies	5
(N862) Hospitality management	1,514
(N890) Hospitality, leisure, tourism & transport not elsewhere classified	211
Total	16,953

Source: Higher Education Statistics Authority, 2008/09.

In the main, these programmes are full-time. As in further education, the majority of students leaving higher education enter at an operational level. However, progression to management positions is usually faster, owing to their capability and because they have shown their commitment to pursue a career in the sector.

The number of students studying events management has increased, but as research conducted by People 1st in 2010 found, the vast majority of employers require them to start at an operational level.⁶⁴ Conventional wisdom in the events industry is that there are too many events management graduates for the jobs available. This is explored further in the Labour Market Review for the Events Industry (2009), produced by People 1st, and can be found at www.people1st.co.uk/research

Since their introduction, Foundation Degrees have provided an opportunity for managers to develop appropriate skills and knowledge, whilst at the same time gaining a higher education qualification. However, their take-up remains low, largely given that employers are confused about where they sit in the skills landscape and their purpose.

A low percentage of sector managers belong to a professional body.⁶⁵ Whilst a number operate in the sector, there is not a strong compulsion or need to belong to a professional body, nor to undertake continual professional development. However, perhaps paradoxically, both the Institute of Travel and Tourism (ITT) in travel and the Institute of Hospitality across the hospitality industries are supported and viewed as important in the sector. In the events industry, trade associations have come together to look at the feasibility of developing an Institute of Events Management.

3.5.6 Customer service

Employers continue to report difficulties recruiting staff with the necessary customer service skills. This largely reflects the labour pool from which front line staff are recruited, which has little training or experience of dealing with customers. The emphasis on training and development is important.

⁶⁴ People 1st, 'Labour Market review of the Events Industry', 2010.

⁶⁵ With the exception of those in fields such as human resources, finance and marketing, etc.

Whilst employers are training in this area, it seems to have done little to alleviate the number of employers reporting skill gaps in this area (see later sub-section on skills gaps).

In 2008, People 1st led research with a number of different Sector Skills Councils across the visitor economy.⁶⁶ This research looked at world-class customer service across the five sectors and identified international best practice. The report made a number of recommendations, which included the development of short qualifications for front line staff and first line managers. These have been developed and have been available since 2009. They stand alone on the Qualification and Credit Framework, but are also part of apprenticeship and pre-employment frameworks.

In 2010, People 1st secured the license for WorldHost, the customer service training developed for the tourism sector in British Columbia, Canada. The programme meets the content of the new qualifications and has separate modules for meeting the needs of customers with a disability, intercultural skills and local ambassadors. This programme is being rolled out in other visitor economy sectors through partnerships with other SSCs including Goskills, Skillsmart Retail, Skillsactive and Creative and Cultural Skills.

The research identified that any customer service training should cover the following 'core' topic areas:

- The importance of providing excellent service
- Attitude and behaviours
- Identifying and being responsive to the needs of customers
- Clear communication
- Developing customer loyalty/repeat business
- Complaint handling.

The emphasis varies depending on the industry, with travel requiring a greater focus on sales. Similarly, in gambling the changes in technology has meant that front line staff need greater customer service skills to help customers understand the games, but also sales skills to encourage them to try different ones.⁶⁷ In hospitality, the focus continues to be on customer service and upselling. In all industries, the importance of product knowledge is critical.

3.6 Skills gaps

According to the National Employer Skills Survey 2009, 26 percent of hospitality, leisure, travel and tourism establishments report a skills gap within their current workforce (i.e they have staff who are not fully proficient in their job). This is considerably higher than the 19 percent found across all sectors (see table 3.16).

Approximately 11 percent of the total hospitality, leisure, travel and tourism workforce are considered by their employers to be not fully proficient (179,600 employees). This is higher than the average across all industries of seven percent (see table 3.16).

⁶⁶ People 1st et al, 'World class customer service ... for 2012 and beyond', 2008.

⁶⁷ People 1st, 'Labour Market Review of the Gambling Industry', 2008.

Table 3.16: Skills gaps in the current workforce

	Hospitality, leisure, travel and tourism	All industries
Number of employees with skills gaps	179,600	1,702,461
Percentage of establishments with skills gaps	26%	19%
Skills gaps as a proportion of employment	11%	7%

Source: National Employer Skills Survey 2009.

The People 1st Employer Survey (2010) found a lower percentage of employers reporting skill gaps in England. Some 13 percent of employers believed that there were members of their existing workforce who were not fully proficient in their roles.

Understanding this further, the People 1st employer survey (2010) examined what particular skills were lacking in the current workforce. These figures were based on an overall sample size of 1,409 for England. Employers were first asked in which particular occupations they currently employed people (see table 3.17).

Table 3.17: Number of businesses employing particular members of staff

Occupational role	Frequency	Percent
Frontline staff (including bar staff, waiting staff)	601	43%
Customer service staff (including receptionists, counter assistants, croupiers, theme park attendants)	561	40%
Supervisors/team leaders/junior managers (Including bar manager, food and beverage manager)	506	36%
Senior managers (including area manager, general manager, department manager, travel agency manager)	503	36%
Owner managers	554	39%
Chefs who cook from scratch	446	32%
Chefs who mainly cook pre-prepared food	204	14%
Events co-ordinators	177	13%
Travel consultants	79	6%

Source: People 1st 2010.

Examining the skill gaps within each of these occupations, table 3.18 outlines in which roles businesses currently employ staff who are not fully proficient. From this we can see that 16 percent of those businesses employing travel consultants have individuals in this particular role who are not fully proficient. At the other end of the scale, those employing events co-ordinators are least likely to have staff who are not fully proficient. The proportion of business reporting skill gaps for travel consultants is surprising, given the lower rates of turnover and the greater provision of training in the travel industry. However, it may reflect the changing nature of the industry, which is placing greater focus on sales skills, customer service and product knowledge. This can also be seen in table 3.18.

Table 3.18: Proportion of businesses who employ staff in particular occupational roles that are not fully proficient

Occupational role	Proportion of businesses (%)
Travel consultants	16
Frontline staff (including bar staff, waiting staff)	9
Customer service staff (including receptionists, counter assistants, croupiers, theme park attendants)	9
Chefs who cook from scratch	7
Owner managers	6
Chefs who mainly cook pre-prepared food	5
Supervisors/team leaders/junior managers (Including bar manager, food and beverage manager)	5
Senior managers (including area manager, general manager, department manager, travel agency manager)	4
Events co-ordinators	3

Source: People 1st 2010.

In People 1st's 2010 survey, respondents were also asked what skills were most lacking amongst the particular occupational groups in which they employ staff. Table 3.19 summarises these results, presenting the top five most reported skills lacking for each occupation.⁶⁸

⁶⁸ This discounts where respondents said that no skills were lacking.

Table 3.19: Skills most lacking in key occupations across England

Occupation	Skills most lacking	Number of employers stating skill lacking	Proportion of employers stating skill lacking
Owner managers	General IT user skills	119	21%
	Training and developing staff	106	19%
	Maximising potential of environmental cost savings	93	17%
	Financial skills	91	16%
	Complying with legislation	89	16%
Senior managers	Leadership skills	113	22%
	Training and developing staff	102	20%
	General IT user skills	101	20%
	Maximising potential of environmental cost savings	91	18%
	Financial skills	87	17%
Supervisors/team leaders/junior managers	Leadership skills	146	29%
	Training and developing staff	141	28%
	Customer handling skills/customer service	134	26%
	Complying with legislation	110	22%
	Financial skills	105	21%
Chefs who cook from scratch	The right attitude	78	17%
	Oral communication	76	17%
	Product knowledge	68	15%
	Team working	68	15%
	English language	63	14%
	Food safety	63	14%
Chefs who mainly cook pre-prepared food	The right attitude	42	21%
	Team working	38	19%
	Product knowledge	36	18%
	Oral communication	35	17%
	Food safety	30	15%
Travel consultants	Sales skills	21	27%
	General IT user skills	16	20%
	Product knowledge	15	19%

	Job specific skills	12	15%
	Customer handling skills/customer service	11	14%
Front line staff	Customer handling skills/customer service	169	28%
	Team working skills	124	21%
	The right attitude	111	18%
	Job specific skills	100	17%
	Oral communication skills	89	15%
Customer service staff	Customer handling skills/customer service	124	22%
	The right attitude	84	15%
	Job specific skills	79	14%
	Team working skills	77	14%
	Oral communication skills	70	12%
Events co-ordinators	Negotiation/persuasion skills	32	18%
	Sales skills	31	18%
	Marketing	29	16%
	Customer handling skills/customer service	26	15%
	Relationship building	26	15%

Source: People 1st 2010.

Breaking down the analysis at an occupational level highlights that, whilst the occupations where skill gaps are found have not changed, there are some key differences in the types of skills lacking.

At a chef level, there has been a shift from employers reporting a lack of culinary skills to them focusing more on softer skills such as oral communication and the right attitude. This reflects the need for better people management skills at more senior levels and also a consumer trend where chefs are becoming more visible, such as through open kitchens. It also reflects growing confidence that the chef qualifications are addressing the fundamental culinary skills and knowledge required. The challenge is not to ignore the continuing importance of culinary skills, but in addition, to find better ways to integrate these softer skills. This is a particular challenge in full-time college delivery where there is a cap on the number of guided learning hours per student. This results in a trade-off between culinary and softer skills. This is expected to become an increasing problem as finances in college are squeezed.

Looking at managerial skills, the importance of managing environmental and energy costs is now identified as one of the biggest skill gaps. As section two (what drives skills demands) highlighted, this reflects their growing importance to businesses across the whole sector. Training and developing staff has also risen in importance. This may be a positive response to the growing awareness of the cost of poor staff retention and the importance that skills play. It may also reflect the increased competitive market and the fact that more employers are reporting skill gaps. Figures also suggest that many employers are moving training back in-house and it could also be a result of an increased emphasis on managers to train their staff.

Customer service skills have remained a consistent skill gap for front line staff and first line managers. This is the case for the whole sector, but the emphasis on travel is as much on selling and upselling, as it is with customer service. As the training and development section highlights, training is only one aspect of the solution. Despite the number of employers providing training the problem

has remained persistent and a more holistic solution is required. This is discussed further in the next sub-section.

3.7 Workforce training and development

The National Employer Skills Survey 2009 reports that hospitality, leisure, travel and tourism businesses have the highest collective training expenditure of all sectors. The total expenditure amounts to £4,242m annually which equates to an average spend of £2,600 per employee.

The People 1st Employer Survey (2009) examined which occupational groups were most likely to have received training across the sector in England. As table 3.20 shows, supervisors appeared to be the most likely to have received training in the past year, followed by customer service staff.

Table 3.20: Likelihood of receiving training by occupational grouping

	Employers providing training	Proportion of employers who provide training to this occupational group
Supervisors	422	82%
Customer service staff such as receptionists, counter assistants or croupiers	315	81%
Bar staff	316	80%
Waiting staff	282	80%
Chefs or cooks	374	78%
Owners of the business or employed managers	600	75%
Kitchen assistants such as those doing food preparation or pot washing	274	72%
Travel agents	15	71%
Domestics such as bedmakers or cleaners	214	63%

Source: People 1st 2009.

Breaking this down by whether the business was located in an urban or a rural location, table 3.21 shows that owners of the business or employed managers, supervisors, chefs or cooks, waiting staff, bar staff, and customer service staff were all more likely to have received training in an urban setting rather than a rural one.

Table 3.21: Likelihood of receiving training by occupational grouping and location

	Urban		Rural	
Owners of the business or employed managers	478	77%	122	68%
Supervisors	346	83%	76	78%
Chefs or cooks	291	80%	83	72%
Travel agents	13	68%	2	100%
Waiting staff	216	81%	66	78%
Bar staff	253	82%	63	75%
Kitchen assistants such as those doing food preparation or pot washing	216	75%	58	64%
Customer service staff such as receptionists, counter assistants or croupiers	246	80%	69	85%
Domestics such as bedmakers or cleaners	161	63%	53	64%
Average	247	76%	66	76%

Source: People 1st 2009.

In terms of the type of training given, the majority of sector employers (94 percent) had provided on-job, informal training (See table 3.22). Fewer employers are providing external training (one percent) and only 14 percent had an apprentice.

Table 3.22 : Areas where training is being provided

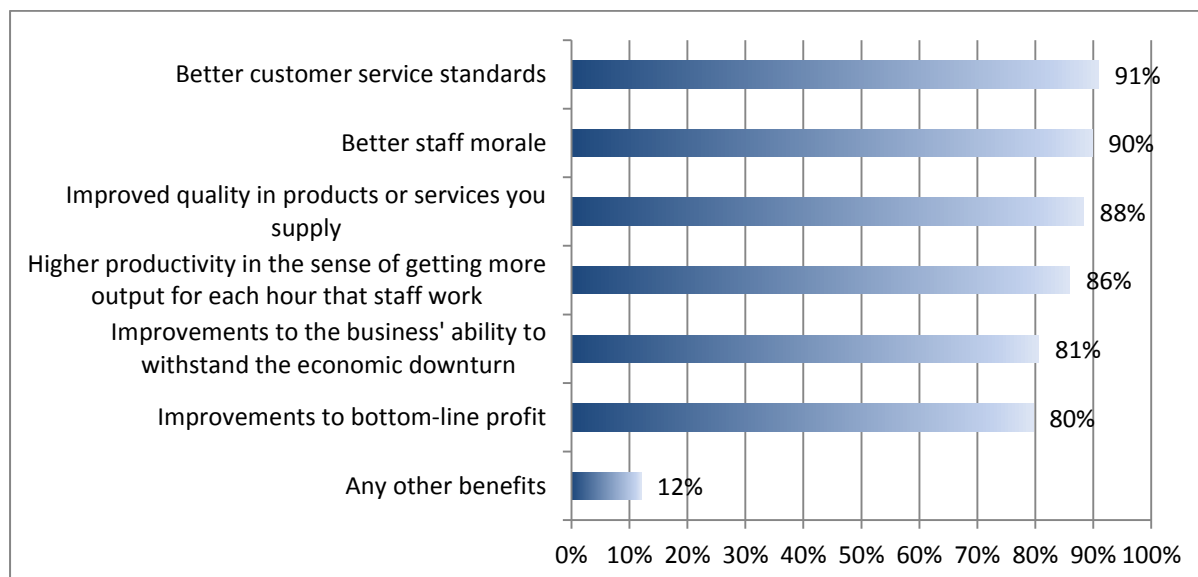
	Frequency	Percent
Trained staff informally by showing them new things or skills as they work	834	94%
Given short introductory training to new staff members	802	91%
Trained staff formally using the company's own expertise	753	85%
Given staff the opportunity to take nationally recognised qualification	684	77%
Paid or part-paid for training	568	64%
Used the government's Train to Gain scheme	148	17%
Subject specific training	133	15%
Had an Apprentice on the government-supported Apprentice scheme	125	14%
Any other form of training	42	5%
Internal training	41	5%
External training	11	1%
Online training	10	1%

Source: People 1st 2009.

3.6.1 Benefits of training

Figure 3.6 shows the benefits that employers expected to see, or had already seen, from training their employees. The most common response was better customer service standards and improved staff morale (mentioned respectively by 91 and 90 percent of interviewees who had provided training).

Fig 3.6: Benefits from undertaking training (England)



Source: People 1st 2009.

Base: All who have trained in the last year (883).

Breaking this down further into trends at an industry level across England, the desire to improve customer service standards was particularly strong amongst gambling establishments and travel and tourist services. This is encouraging given the raised customer service expectations of customers and visitors explored in section two (what drives skills demand), as well as the high percentage of employers reporting that their staff lack the required customer service skills required to meet their business needs.

Importantly, evidence is emerging of the importance of tackling customer service skills more holistically. Research by the ROI Academy for People 1st assessed the return of investment of customer service skills on individual businesses across the UK.⁶⁹ Across five different sector organisations, each business was able to identify improvements in individual staff performance, however only one was able to report any impact across a number of business level measures; in this case an increase in sales of 10 percent. It demonstrates that whilst front line staff need to possess the required skills, any benefit needs to be accompanied by the business truly empowering staff to respond to customers' needs. It also shows that the commitment and support of line managers are vital. Aligning these three factors holistically is critical and this research reaffirms the findings of previous research undertaken across the visitor attractions sectors in 2008 by a number of Sector Skills Councils and led by People 1st. The sector has historically 'sheep-dipped' front line staff through customer service training, but without a real integration in the business, any investment in customer service training is unlikely to return significant results.

⁶⁹ People 1st, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

3.6.2 Training and retention

As table 3.23 shows, employers recognise the value of training to raise the morale of their staff. This is linked to staff retention, as employees feel more valued by the company and believe that they have opportunities to progress and develop within the business.

Table 3.23. shows the turnover rates for those who have provided certain forms of training compared to those who have not. The first four types of training are, arguably, the types which new employees receive. The more new recruits an employer has, the more likely they are to engage in this sort of training. This is illustrated by the fact that those employers who have not provided this type of training in the last year have lower rates of labour turnover.

The data reaffirm that those employers who engage in the last three types of training (arguably those which demonstrate a greater general commitment to training) have lower rates of labour turnover.

Table 3.23: Type of training provided in relation to labour turnover rates (UK)

	Yes, have provided this type of training		No, have not provided this type of training	
	Turnover	Base sample	Turnover	Base sample
Given short introductory training to new staff members	32%	1,104	17%	199
Paid or part-paid for training	33%	672	28%	631
Trained staff formally using the company's own expertise	32%	952	29%	351
Trained staff informally by showing them new things or skills as they work	31%	1,164	30%	139
Had an Apprentice on the government-supported Apprentice scheme	24%	156	32%	1,147
Used the government's Train to Gain scheme	21%	149	34%	946
Given staff the opportunity to take nationally recognised qualification	30%	861	34%	442

People 1st Employer Survey 2009.

Section four: Future workforce and skill needs

4.1 Introduction

This section presents possible future drivers and trends expected to have an impact on the hospitality, leisure, travel and tourism sector between now and 2030. Where there are differences between individual industries these are described. It also presents employment projects for the next seven years.

The section focuses on seven drivers, which have been chosen as most likely to have a greater impact on the sector:

- Economic
- Technological
- Demographic
- Environmental
- Consumer
- Governmental
- Unknown events

These drivers are in large part global or are pertinent to developed economies. Whilst the drivers are global, they will have different implications for the hospitality, leisure, travel and tourism sector in England, compared to other areas of the United Kingdom. These implications are also explored in this section.

The content of this section is based on work currently being taken forward by People 1st as part of 'Project 2030'. This is looking at the future skills and labour needs of the sector over the next 20 years. As well as looking at changes to specific occupational skills, it is also formulating future scenarios to help understand and prepare for future changes to the sector's labour market and skill needs. It is due to be completed in the summer of 2011. An overview of the approach can be found at Annex A and further information on 'Project 2030' at www.people1st.co.uk/research

4.2 Future drivers and trends

4.2.1 Economic

4.2.1.1 Consideration of factors

UK and global economic growth is uncertain over the next 10 or so years. The International Monetary Fund expects growth of one and three quarter percent in 2010, followed by two percent in 2011.⁷⁰ It believes that an uncertain growth forecast suggests policies should stay flexible and that the current problem will not be over until there are significant falls in unemployment.⁷¹

The same report also states that low interest rates, the fall in sterling and global recovery could provide a boost to economic growth but it also warns that the recovery could be undermined by further rapid debt reduction by households and companies, a new, sharp downturn in the housing market and weaknesses in the Euro zone.

Looking beyond the immediate future, the loss of skills in the working population, as a direct result of longer term unemployment, could impact on future growth. Although unemployment rates have once again started to decline, they are liable to rise again as a result of public sector job losses.

⁷⁰ International Monetary Fund, 'Country Report No. 10/338', 2010.

⁷¹ International Monetary Fund, 'Country Report No. 10/338', 2010.

Current economic and fiscal strategies have stirred debate as to whether the UK is headed for a double-dip recession. Concerns centre on cuts to public sector expenditure and the rise in VAT to 20 percent from January 2011. Mervyn King, Governor of the Bank of England, commented in November 2010 that there was a risk consumer spending would slow, owing to rising taxes and higher debt.⁷² There are also likely to be generational differences in spending, where the baby boomer generation has more spending power and are less affected by the current economic difficulties.

The trend for value products as well as higher end products is likely to continue, despite any future economic growth. This will reinforce the polarisation in the sector between value and higher end products, making the market increasingly difficult for those in the middle market. This is especially the case for the hotel industry. This view challenges the traditional assumption that higher level of growth, if mirrored in consumer spending, will necessarily stimulate demand for higher value products and service.⁷³ Whilst this might be true for the manufacturing sector, it is less likely in the service sector. However, quality and value for money will remain critical, but will remain relative to price and the nature of the product.

Despite this short-term uncertainty, the World Tourism Organisation, in their report 'Tourism 2020 Vision',⁷⁴ maintains its long-term forecasts. They expect global international arrivals to reach nearly 1.6 billion by the year 2020; Europe is expected to have the highest total of tourist arrivals (717 million tourists) worldwide, with long-haul travel expected to grow faster (5.4 percent per year over the period 1995–2020) than intraregional travel (3.8 percent).

In contrast, the Office for National Statistics⁷⁵ expressed the view that the net effects on tourism spending in the UK are not immediately obvious; for example, the weakened economic positions of households and firms may induce substitution from outbound to domestic tourism. The depreciation of sterling has contributed to this effect as holidaying abroad begins to offer less value for money. However, any changes to monetary policy could affect this.

4.2.1.2 Impact on employment and skills

The state of the economy will have a direct impact on the demand and supply for staff. In essence, if there is a period of economic growth, then demand for sector products and services is likely to increase. This will see a relative increased demand for staff, which in the main, are likely to be front facing roles. At the same time, if the economy continues to grow, then the labour market becomes tighter and it becomes harder to recruit. Historically, the hospitality industries have not been seen as an attractive careers destination and consequently have not attracted the most able of applicants during these periods.

A second scenario would be that if growth were to fall off, then recruitment would be reduced, but those employers that were recruiting would be able to attract more able applicants. However, it is likely that they would lose these staff when growth resumes.

These two scenarios assume that the sector will continue to do in the future what it has done in the past, which is to largely focus on recruitment, rather than the causes of recruitment. If the sector were to tackle its retention problems, invest more in its staff and place more emphasis on sustainable recruitment then both scenarios would play out differently.

In this instance, during periods of economic growth, where a labour market becomes tighter, the sector would still be able to compete with other sectors in attracting more able candidates. Similarly,

⁷² Douglas Hamilton, 'Bank of England not expecting double-dip recession in UK', 2010.

⁷³ UKCES, 'Skills for Jobs: Today and Tomorrow', 2010.

⁷⁴ World Tourism Organisation, 'Tourism 2020 Vision', 2001.

⁷⁵ Office for National Statistics data, 2009.

in periods of economic decline, employers would be able to attract more able candidates (as currently), but it will be utilising their skills more readily and would be more likely to retain those skills when growth resumes and other sectors start recruiting in larger volumes.

Regardless of the market positioning of a business (e.g. value, high end etc.), customer service skills are likely to remain critical to a business. This also includes upselling and product knowledge. However, it is felt that employees will need to be empowered more to respond to customers' needs, regardless of the market positioning of the business. This will see a move away from just training customer service to brand standards to equipping them with a broader range of skills. This will also necessitate greater autonomy for front line staff to respond to different customer needs.

The importance of managerial skills will continue to grow in importance in order that businesses are able to respond to economic volatility. This is of particular concern given the current skill gaps reported for managers and also the high percentage of owner operators who will find a sustained economic slowdown or downturn extremely difficult. These skills are thought to be focusing on managing costs, marketing and market positioning.

An economic slowdown will be challenging for any size of business but a greater focus on recruiting and retaining more able staff provides an opportunity for the sector. The current looser labour market is resulting in more people considering working in the sector. Whilst for many operators this means that they need not consider retention issues, it would be a mistake. Whilst counter-intuitive, the current downturn provides an opportunity to truly tackle retention and ensure it is able to retain and develop the more able staff it is currently attracting so that they remain with the business when the economy improves.

4.2.2 Technological

4.2.2.1 Consideration of factors

Over the past ten years the importance of technology to enhance service and attract customers and visitors has increased. This is set to continue.

It is likely that there will be greater integration or fusion between technologies, such as between mobile phone, computer and media.

In 2010, Deloitte produced a Hospitality⁷⁶ 2015 report that identified key areas of technological development. Whilst the report focused on hospitality, the trends have resonance for the wider sector, particularly travel. They identified the following areas:

- a) Online booking and mobile technology
- b) Customer Relationship Management (CRM)
- c) Online social networking
- d) Data security
- e) In-room innovation.

⁷⁶ Please note that these trends were identified in Hospitality 2015 but where the trends have wider implications for HLTT this is noted.

These are briefly explored below:

a) Online booking and mobile technology

Booking holidays via the internet remains the most popular method, especially for those seeking to put together their own mainstream holiday package, with more than 50 percent of major hotel brands made via the internet in 2009/10.⁷⁷

Mobile phone technology is currently being used to target travellers who are 'connected' at all times. Deloitte believes that access to consumers via this method will grow significantly by 2015. Hilton is among the operators who have launched iPhone applications to enable guests to manage their online bookings. Looking forward, this will enable hoteliers and travel and tour operators to foster greater loyalty and ensure that their services are fitting consumers' needs.

By implication, sector operators need to ensure that their websites are mobile friendly to maximise the benefits of mobile phone technology. When Marriot launched a version of its website built for smart phones it reported sales in excess of US \$1.25m through their site in the first 10 days.⁷⁸

We may also see the end of store cards as these are replaced by the use of apps that will allow customers to check their online account with the coffee shop,⁷⁹ café etc. and view their balance and reward points.⁸⁰

In travel, online developments are likely to continue to present a threat and an opportunity. Currently, booking holidays via the internet remains the most popular method, especially for those seeking to put together their own mainstream holiday package. Currently, more than 50 percent of major hotel bookings are made via the internet in 2009/10.⁸¹ Operators will increasingly interact with the customer online, through bookings, promotion and after-service. Independent and to a lesser degree larger travel businesses will continue to focus on specialist and niche holidays where they are still able to offer a differentiated service to customers.

b) Customer Relationship Management (CRM)

Building and maintaining relationships with the customer online is likely to continue. Many operators, large and small, are already doing this through the use of CRM technology to build a relationship with consumers from the initial booking to post-stay surveys and follow up communication. It is still unclear if this has been successful in generating additional revenues needed to justify the investment.⁸² Nevertheless, different ways of building relationships with customers will be something employers across the whole sector need stay ahead of to maximise customer potential.

Online Travel Agents (OTA) will increasingly need to match suppliers with demand as consumers are increasingly expecting them to know their preferences and tastes and to customise packages that suit their individual needs. Advances in technology will mean operators will be able to offer customers more relevant product options.⁸³ Deloitte expects to see a more collaborative approach between hotels and OTA as hospitality companies take advantage of large OTA investment in technology and marketing to achieve common benefits for both.

⁷⁷ Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

⁷⁸ Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

⁷⁹ This system has been in place for a while now, but has now been extended to over 300 Starbucks stores in New York.

⁸⁰ PR News, 'Starbucks mobile payments- trade your card for an app', 2010

(available at: <http://www.product-reviews.net/2010/10/26/starbucks-mobile-payments-trade-your-card-for-an-app>).

⁸¹ Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

⁸² Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

⁸³ Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

c) Online social networking

Deloitte's report emphasises that concepts of traditional advertising are no longer applicable in the global online marketplace. The focus is now on brand communication rather than advertising whereby we are entering an era in which companies no longer own brands but the consumer does and consumer decides whether companies are communicating correctly.

This has a knock-on effects on how sector employers communicate with their customers. The focus is increasingly on social networking, such as Facebook. Research suggests that social media is now part of the mainstream⁸⁴ and that sector employer need to tap into this to maximise their reach to customers. Indeed the three dominant players, Facebook, YouTube and Twitter, account for 75 percent of all visits to the social network category. Facebook accounts for 55 percent of all visits to social networking sites.⁸⁵

The so-called 'Generation Y'⁸⁶ have been brought up with gaming and social media. In all likelihood, future technological developments are likely to be influenced by this, with greater interaction and personalisation via online technology.

d) Data security

Hotels and travel businesses, in particular, are increasingly storing large amounts of personal information on guests and customers, making them targets to data theft and fraud. Businesses need to be clear about their responsibilities and ensure that internal controls are put in place to protect customer data.

In gambling, gaming security will continue to grow in sophistication as fraud continues to become more innovative and challenging to businesses. Security needs to combine traditional security technology, such as cameras, with a detailed knowledge of gaming rules and fraud. This is especially a problem in casinos.

e) In-room and additional innovation

In 2007, Travelodge rolled out flat screen digital TVs and wireless broadband across its chains. As these features become the norm across mid-range establishments, the high-end will increasingly need to use technological advancements to enhance guest experience. Looking forward to 2015, Deloitte says that hotel rooms may include the following features owing to technological drivers:

- Alarm clocks that wake up guests by increasing light in the room.
- Floors with in-built sensors to light the way for guests.
- Televisions may work via voice recognition avoiding the obligatory call to reception to find out what time breakfast is served.
- Doors may be unlocked via mobile phone interface instead of keys.
- iPod docking.
- Universal phone chargers.

⁸⁴ UK media regulator Ofcom in 2009 demonstrates that social media is now a growing phenomenon amongst older age groups as opposed to just young adults.

⁸⁵ Experian Hitwise, 'Getting to Grips with Social Media', 2010.

⁸⁶ Generation Y are those currently between the ages of 10 and 30.

The use of smart card⁸⁷ technology is set to increase in restaurants, pubs, bar and nightclub establishments. These store information on customers' purchasing habits. In restaurants and cafes, they also allow customers to pay and not to have to go through any traditional payment process, thereby saving them time. This is likely to grow and be connected across different businesses and sectors.

Smart card technology is currently widely used in the European casino industry, enabling gamers to play in a cashless environment. Smart cards also hold information on the consumer, enabling casinos to develop marketing campaigns to target, attract and retain consumers. Smart card technology can also be applied to hotels to speed up payment methods at points of sale within the hotel so, for instance, consumers may see the smart card being used as opposed to the key card and signature method.

There is also likely to be increased use of videoconferencing or web conferencing making business travel unnecessary. This will have repercussions on the events and travel industry. Businesses are likely to be much more selective about when and where they hold events. It is likely that face to face interaction will only happen when essential and where there is a return on investment. However, the demise of face to face meetings and conferences have wrongly been predicted in the past. Those destinations that combine good transport infrastructure with leisure pursuits, such as theatres, museums or leisure and sport, are likely to benefit most.

Molecular gastronomy

In addition to the areas highlighted by Deloitte, there has been much debate about the future of culinary techniques, and in particular, the impact of molecular gastronomy. Molecular gastronomy focuses on the physical and chemical processes that occur while cooking and whilst it has been around since the early 1990s, it has only recently received more attention following its advocacy by a number of well-known chef evangelists, such as Heston Blumenthal. It is likely to remain a niche part of high-end cooking, but some of its techniques that have been adopted in mainstream cooking are likely to grow. This is more likely in large scale operations such as public sector catering or events catering and will see increased use of new technology, such as large scale bain marie (water baths) and vacuum equipment.

4.2.2.2 Impact on employment and skills

Despite the range of technological changes, it is likely that these will broadly affect employment and skills in three ways:

a) New or increased roles in the development of technology

Larger businesses have created central functions to enhance the various types of technology outlined above. In the travel and hospitality industries, there has been an increase in recruitment of web designers to create more interactive websites and take advantage of social media. This is likely to continue as the integration of various communication technologies (mobile, computer and media) continues to converge and integrate. These require specialist skills that for smaller businesses will be found through outsourcing to specialist agencies.

⁸⁷ A smart card, chip card, or integrated circuit card (ICC), is any pocket-sized card with embedded integrated circuits. Smart cards can provide identification, authentication, data storage and application processing.

In the gambling industries, the need for specialist software designers to create new gaps for online use and interactive terminals is set to continue. These are usually recruited by targeting specialist technology graduates with experience of working in the field.

However, in the main, sector businesses are likely to buy-in this type of technology, rather than create specialist roles.

b) New or increased roles in maximising the use of technology

In larger businesses, there will be an increased demand for new roles or amended roles within communication and marketing functions to monitor and manage user-generated content, as well as maximise its use. These are specialist skills, but currently they are being bought in by recruiting people with experience in the field. It is likely in the future that there will be more applicants applying with these skills.

Smaller businesses will also need to embrace these technologies. However, it is likely to be managed in such a way that existing staff can utilise the technology. This will be through off-the-shelf or bespoke software packages, which will be accompanied by specific training.

Looking at more front of house roles across the whole sector, managers and operational staff will have to use a variety of new technology. This is likely to vary depending on the type of technology adopted by a particular business. Staff will need to be able to use specific technology, fix basic problems, and have the skills to help customers use it. It is also likely to mean a greater focus on self-service, which as section two (what drives skills demand) showed could increase productivity and reduce the demand for staff. However their customer service skills will remain critical.

In the travel industry, the increased use of technology is likely to see an increase in teleworkers. This could be part of mainstream brands handling a number of prescribed packages, but also niche travel agencies and agents, putting together bespoke packages. These will require very different skills. The first are likely to work for larger organisations and be able to be trained to brand standards; this could be through an apprenticeship or alternative programme. The niche agent will require a greater level of skill and knowledge. Largely this will be based on experience and requires high levels of communication and sales skills, as well as knowledge of destinations and putting together bespoke packages. Training and development will continue to be critical, as well as experience, and raises the importance of professionalism in the travel industry.

c) Managing the adoption, integration and use of technology

Managers will need to have a greater understanding of technology. This is likely to differ depending on whether they work for a large or small employer and whether it is an independent or part of a chain.

At a base level, managers need to have an understanding of the importance of technology in maximising businesses opportunities. Depending on the type of business they work for there will be more emphasis on them:

- Procuring and managing consultants
- Training and developing staff to use technology
- Monitoring customers' interaction with technology.

In larger businesses, the likelihood of managers requiring the full range of these skills will be less, as they rely on processes and brand standards. However, managers in small businesses and owner operators will need to have a much greater knowledge and skill in these areas.

Technology is unlikely to make existing roles obsolete, but very few roles, if any, will not be affected by an increase in technology. The sector's traditional reliance on recruiting a younger workforce means that they are more likely to have a better appreciation of new technology and are more comfortable with change. Older workers may require greater support, but all technological change is relative to each generation, and so it would be wrong to stereotype older people as being less responsive to technology.

4.2.3 Demographic

4.2.3.1 Consideration of factors

By 2033, the UK population will have grown to 71.6m. The percentage of those aged 15–29 will have decreased by two percent and increased by seven percent for those aged 60 and above.⁸⁸ Globally, the world population will have grown by 47 percent from 2000 to 2050 (from 6.1bn to 8.9bn).⁸⁹ It is estimated that by 2020 over half the world will be considered middle class (52 percent), compared to 30 percent in 2008.⁹⁰

In looking at the range of demographic drivers, three in particular are set to have the greatest impact on the sector:

- Ageing 'baby boomer' generation
- Emerging influence of 'Generation Y'
- Emerging middle class in developing countries.

Migration

The hospitality industries have traditionally relied on migrant labour. In the post-war period this was from Italy, Ireland, Spain and Portugal, during the 1980s from Australasia and around the Millennium, from the eight EU Accession States. Migrants have provided the sector with a flexible workforce that has been willing to work, willing to work for lower wages and have better social skills. The increased education levels of those in developing countries provide a ready workforce for the future, but political factors make this unlikely.

Spatial movement

The trend to live and work in or around major urban hubs is set to continue. This is likely to result in a greater polarisation in the product on offer, with largely urban centres attracting a higher percentage of business tourism, benefiting the events and hospitality industries, and rural areas attracting, older, leisure workers, but also those seeking more active breaks. The products and services are also set to diverge to reflect these differences.

Ageing of the baby boomer population

⁸⁸ Office for National Statistics data, 2009.

⁸⁹ United Nations, 'World Population to 2300', 2004.

⁹⁰ Deloitte, 'Serving the aging citizen', 2007.

The so-called baby boomer generation (those aged 45–64) will continue to go into retirement in greater numbers. As a whole they are a relatively affluent generation, with higher levels of disposable income. This is likely to benefit the sector as they continue to go on holidays and go out to eat and drink.⁹¹ Age 50+ consumers can be more complex in their preferences than their younger counterparts. Moreover, the widespread use of technology by retiring baby boomers makes it likely that they will exhibit dramatically different technology use and consumption patterns.

At the same time, not all those in this age bracket will necessarily stop working or want to stop working. Changes to pension and equality legislation are likely to see a higher percentage of over 50s in the labour market. This poses challenges and opportunities for the sector. With the exception of the travel industry, the sector has traditionally targeted younger workers. The sector is likely to provide opportunities for them to work part-time and an opportunity to have a workforce that better mirrors its customer base and better understands its needs. It can also better utilise their social skills, which are perceived to be more refined than a younger generation.

Emerging influence of ‘Generation Y’

‘Generation Y’ is the term coined for those born in the years leading up to the millennium (those currently aged 10–30). They have been shaped by growing up with instant communication technologies, new media and social networking.

Their interactions with products and services will therefore be different from the previous generation and are more likely to find the transition between more integrated technologies comfortable and natural.

Emerging middle class in developing countries

As the world population continues to grow so does its middle classes. In some countries this is liable to have benefits on the UK as a tourism destination. The travel patterns of middle classes of China and India are set to move from domestic to regional to international. India alone is forecasted to have 50 million outbound tourists by 2020.⁹²

Gross Domestic Product (GDP) per capita in China is forecast to more than double between 2010 and 2015, providing the population with greater disposable income to spend on hospitality. India is forecast to have 50 million outbound tourists by 2020.⁹³ Understanding the desires and motivations of Chinese and Indian travellers will be fundamental to the success in these markets.

4.2.3.2 Impact on employment and skills

These drivers are likely to result in some key differences to the profile of the workforce and magnify the importance of current skill needs:

Greater polarisation between rural and urban workforce

The continued movement towards more urban working and living is likely to pose greater challenges to rural businesses as they find recruitment more difficult. This could result in them putting greater emphasis on staff retention which in turn could result in fewer skill gaps as they are able to retain skills within their business. This is likely to prove more costly in the short-term, but reduce

⁹¹ Deloitte, ‘Serving the aging citizen’, 2007.

⁹² Deloitte, ‘Deloitte Hospitality 2015: Seven key trends to shape future success’, 2010.

⁹³ Deloitte, ‘Deloitte Hospitality 2015: Seven key trends to shape future success’, 2010.

recruitment costs in the medium to long-term. Their workforce is also likely to be older on average, as they attract people who can afford to live in the local area.

Migration

Whilst migration could continue to be a solution to recruitment shortages, political factors are likely to make this more difficult. EU Expansion (e.g. Turkey) could provide an answer, but again, political factors will probably mean that the movement of workers from new countries entering the EU is controlled. This is examined further under 'political factors'. However, it is likely to result in a more localised workforce. Similarly, a greater number of employers are likely to have addressed the need to recruit from more sustainable labour pools and retention should have increased in those businesses.

Increasing ageing workforce

The sector is set to see the rise of the average age of its workforce. However, this is likely to continue to be lower than the average age in the population as a whole. Research⁹⁴ shows that older workers are motivated by different factors, such as flexible hours, the importance of social interaction and the fact that they see work at this age very differently than they did when they were younger. Employers will have to consider these if they are to successfully recruit and retain them. This will mean that managers in particular have a greater understanding of the motivations of older workers, but can also capitalise on their skills and knowledge, as they are likely to have had varied careers in the past.

The level and nature of customer service

An older customer base with higher levels of disposable income will emphasise the importance of higher levels of social interaction, customer service and responsiveness. Customer service skills are currently a skills gap and despite the amount of training in this area, the problem persists. Customer service training will continue to be part of a more holistic response that also sees staff being empowered as well as managers in a position to raise customer service levels across their areas of the business. The increased number of the 'Generation Y' population is likely to make this more challenging, as whilst they are good communicators within their own social set, this does not necessarily mean that they have the appropriate communication techniques with customers and peers from other generations.

Integration of technology into service

The increased use of technology integrated into the service is likely to change the way customers interact with staff. In more value products, this means a greater focus on supporting customers' use technology and overcoming problems. In higher-end establishments, it will see the need for higher levels of customer service to complement and compensate for the increased use of technology. From a consumers' perspective, they will look at this as a complete package and not distinguish between the two. Those businesses that fail to live up to this expectation will be seen as offering lower levels of service.

⁹⁴ University of Stirling, 'Ageing Workers are Reliable Employees', 2010.

Cross cultural understanding

Whilst all UK home nations currently welcome high numbers of international visitors, these are largely from Western developed countries. As the Chinese and Indian markets grow, this is likely to change and with it consumer norms and expectations.

More businesses in the sector will need to cater for the differing needs of these markets, both in products and services. This is likely to focus customer service on greater cultural awareness, but also practically on more translated materials.

The English language will continue to be the World's Lingua Franca, but those able to communicate in the customers' own language will continue to be at a competitive advantage.

4.2.4 Environmental

4.2.4.1 Consideration of factors

Sustainability will become a defining issue for the hospitality, leisure, travel and tourism sector by 2015 and by 2030 will be a central and normal part of sector operations. Rising populations and increasingly scarce resources will create a challenging business environment in which sustainability will need to be embedded to all areas of a business.

This will focus on two main issues:

Reducing carbon emissions: will increase the focus on the design and installation of materials to reduce energy consumption.

Resource shortages: highlights a growing risk of resource shortages or price increases as world consumption continues to grow.

The nature and extent of taxes designed to curb aviation emissions, imposed either at the national or international level, is uncertain. However, it is set to continue to affect the industry. Connected with this, the trading of 'carbon allowances' between countries and or businesses looks set to be the norm in 40 years.

There is likely to be an increase in train travel. According to VisitBritain, by 2040 Britain will be truly plugged-in to a European high speed rail network, with visitors from across the channel being able to reach not just London but Wales, the West of England, Midlands, North of England and Scotland.⁹⁵ This is likely to provide advantages and disadvantages to tourism, as it will be easier for travellers to enter and leave the UK.

The types of fuel used will also be important. It is felt that oil will definitely be powering planes, trains and automobiles but there will be much effort put into finding alternatives to address environmental issues and also to reflect that oil is a finite resource. In 2009, Virgin Atlantic became the first carrier to conduct the world's first ever commercial flight powered by biofuel.⁹⁶

Increased food shortages in the UK are likely to result in an increase in food prices. In other countries, where food shortages are experienced as hunger, this may lead to an increase in migration e.g. from North Africa to Europe.

⁹⁵ VisitBritain, 'Foresight', 2009.

Available at: http://www.visitbritain.org/Images/Foresight%20Issue%2064_tcm139-167387.pdf

⁹⁶ VisitBritain, 'Foresight', 2009.

Available at: http://www.visitbritain.org/Images/Foresight%20Issue%2064_tcm139-167387.pdf

This will be coupled with the continued consumer need for a more authentic local and seasonal food. However, against a backdrop of spiralling food prices, local food might be priced more competitively and have a greater take-up by the sector. It also poses greater challenges for Asian and Oriental restaurants who will see prices increase.

Rising food costs may mean more polarisation in the food on offer, as some businesses focus more on technology and large-scale kitchens to produce dishes. This may mean more kitchens at a unit level are effectively heating and presenting dishes.

4.2.4.2 Impact on employment and skills

Greater destination knowledge

Sustainability and climate change will have an increasing impact in consumers' choice of destination. Travel agents will need to have knowledge of environmentally-friendly destinations and tour operators are likely to increase their development and marketing of these types of products.

Greater awareness and skills at managerial level

Managers will need to have a greater awareness of energy costs as well as an understanding of the solutions. As highlighted in section three (current workforce and skills needs), this has already been reported as a managerial skill gap.

It is likely that technology to monitor energy usage will become more widespread and managers will be expected to manage energy levels and costs using these tools. Managers will also need to support and monitor the energy usage of their staff.

Managers in smaller businesses are likely to buy-in specialist expertise and they will need to have greater awareness of the various solutions on the market, as well as skills to manage consultants integrating new products into their business.

Impact in kitchen management and culinary skills

Senior staff in kitchens will need to have a high awareness of food costs, the price being charged for food and cheaper alternatives. This is likely to increase the need for greater focus on kitchen financial management and a greater awareness of cheaper fish or meat cuts, which does not necessarily result in any loss of quality.

In those businesses that do centralise food production, kitchen staff will need fewer culinary skills, but greater food safety awareness (such as storage and temperature control and an ability to present dishes to brand standards).

Dedicated environmental roles

Larger businesses are likely to increase the number of dedicated staff to plan and manage energy costs and sustainability. These are likely to be found across the sector, regardless of industry.

4.2.5 Consumer

4.2.5.1 Consideration of factors

Changing consumer trends are hard to predict and are in large part influenced by many of the other drivers outlined in this section. However, a number of key factors stand out that will impact the sector.

Non-essential spending on luxury and durable goods

Mintel's research suggests that affluent adults will lead the UK out of the recession. This is likely to be through non-essential spending on luxury and durable goods. For employers this means showing consumers that spending big or buying premium items can be financially prudent and part of a balanced approach to life.

Product innovation and brand rejuvenation

Product innovation and brand rejuvenation will intensify in order to capture consumers' attention. Mintel suggests that there will be more emphasis on 'affordable escapism' to capture consumers' attention after the economic downturn, even if the economy's performance decreases.⁹⁷

Adults who increase their spending in the near future are set to focus their spending on products and activities that offer durable and emotional value. This is likely to favour brands that enable consumers to re-examine their values and wellbeing. Attributes such as quality, durability, craftsmanship and provenance can drive sales as long as they provide the consumer with financial and emotional balance.

For many retired baby boomers, it will be an opportunity to take more adventure-style holidays which they have seen their children do via gap years, volunteering holidays etc. Travel operators will need to tap into understanding and appealing to boomers. It is likely that volunteering, hobby based and educational holidays will appeal more to this customer base. They will be searching for more adventurous experiences.

Offering a service or a product that is memorable but one which adds authenticity will become ever more important. Customers are becoming less destination driven and increasingly experience driven, meaning that what to do is becoming more important than where to go. In food, drink and holidays for instance, consumers are searching for real experiences and products with provenance and authenticity.⁹⁸

Higher value does not necessarily mean 'five star' products

Consumers are becoming harder to categorise and do not fit in neat boxes. For instance, the same customer that travels on Ryanair may stay at a five star hotel and eat at McDonald's.⁹⁹ This challenges the old notions of quality, with consumers placing greater emphasis on relative value, rather than simply upgrading.

⁹⁷ Mintel, 'British Lifestyle 2010 – Focusing on the Essentials', 2010.

⁹⁸ Mintel, 'British Lifestyle 2010 – Focusing on the Essentials', 2010.

⁹⁹ British Tourism Framework Review, 'Achieving the Full Potential of the Visitor Economy', 2009.

Dining

Consumers are seeking more sophisticated dining habits, which has meant that eating out across all spectrums has improved. Hotel catering is thought to have lagged behind; between 2007 and 2008 hotel catering was badly affected by the recession with hotel catering shrinking by four percent compared to growth of one percent in the restaurant sector overall.¹⁰⁰ This is leading to hotels and restaurants co-branding, a trend that is set to increase in the coming years. Already in 2010, Costa Coffee teamed up with Hilton, rolling out Costa Cafes in 60 of its hotels.¹⁰¹ It also reaffirms the importance and reassurance of brands that consumers know what to expect. This poses a challenge and an opportunity to smaller, independent operators.

4.2.5.2 Impact on employment and skills

Following these trends, it is likely that there will continue to be a clear focus on:

Chefs who can cook using fresh ingredients

There is likely to be a continuation in the number of chefs that prepare and cook from scratch. However, in some establishments (such as food 'retail' brands) the range will not be wide, but the depth of skills will be greater than can be found currently. This type of training is likely to be provided in-house, rather than recruited from college.

More transparent preparation and cooking at a unit level

The increased focus on authenticity could result in those preparing and cooking food to be based in a unit, rather than in a centralised kitchen. They are also likely to be seen by customers. This will be a continuation of a current trend. Health and safety, food safety and customer service will also be critical. In some cases, there will be a continuation of the fusing between kitchen and front of house roles, where staff do both.

More focus on brand design

For larger companies and smaller, independent businesses alike the need to define their brand and how this is perceived by their customer base will continue to be key. In larger businesses, this will mean little change, as dedicated teams manage specific brands. However, smaller operators need to have greater knowledge and skills to keep their brands fresh and reflect the needs of their target customer base.

Customer service

Customer service skills will continue to grow in importance. However, customer service will need to move beyond following brand standards and feel real and fresh. This will require a much more holistic approach to customer service, such as ensuring organisational culture reflects customers' needs and that managers support and empower front line staff to reflect the needs of their customers.

4.2.6 Unknown events

¹⁰⁰ Mintel, 'Hotel catering – Market Research Report', 2009.

¹⁰¹ Deloitte, 'Hospitality 2015: game changers or spectators?', 2010.

4.2.6.1 Consideration of factors

By their very definition, unforeseen events cannot be predicted, however they can have significant implications on the hospitality, leisure, travel and tourism sector.

Unknown events are likely to fall under three categories: natural, health-related and manmade; each of which may have implications to travellers going to a particular destination (thereby affecting the travel industry) or have a greater impact globally.

Natural

In 2010 alone, a number of natural disasters highlight the potential impact on the sector. Earthquakes in Port-au-Prince (January) and in Chile (February) resulted in travellers being advised not to go to either destination. This resulted in changes and cancellations to existing bookings.

In April, travel and tourism were affected in the northern hemisphere, as a result of the volcanic ash cloud, following the eruption of Eyjafjallajökull in Iceland. This grounded air traffic for a week, causing problems for those travellers already at their destination, but also resulting in cancellations or severe delays for those planning to travel. It had major implications for the travel industry and it was estimated that airlines lost around £130m a day with TUI reporting daily costs of around £5m.¹⁰² It also had implications for accommodation providers in the UK, as international travellers were in large part grounded until the clouds dissipated.

Health

There remains a threat of international health scares which could result in the prevention of travel to certain destinations. In recent years, the SARs and flu epidemics have meant fewer travellers going to certain destinations. Similarly, outbreaks in certain destinations have resulted in cancellations as travellers have cancelled trips or found new destinations.

Man-made

The largest man-made threat to the sector remains terrorism. Security checks on international and domestic air travel remains high following 9/11 and subsequent attacks in Madrid and London. The threat remains constant and Egypt and Mumbai both provide examples of tourist destinations adversely affected following terrorist attacks.

4.6.2.2 Impact on employment and skills

Sector businesses cannot plan for unforeseen events, but they can prepare. As part of this preparation, staff need to be quick thinking and flexible. Businesses that have greater levels of multi-skilling or staff that are able to undertake different functions will be at an advantage.

Given the increasing need for security in high profile tourism attractions and airports, front line staff will need to be more vigilant, know what to look for and have the appropriate skills to respond in a heightened or crisis situation.

Whilst training is critical for managers, it is more likely that experience of dealing with unforeseen events will be more effective in ensuring that a business can respond effectively. However, training in crisis management will provide managers with the fundamental knowledge required. A recent

¹⁰² Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

survey by People 1st indicates that many travel employers believe that crisis management is a skill that will become increasingly important in the future.¹⁰³

4.2.7 Governmental

4.2.7.1 Consideration of factors

Given that the Government itself is the victim of unforeseen events and much depends on the composition of the Government and their policies, predicting future government policy and understanding how this could affect the sector is tremendously difficult.

Two key issues likely to affect the sector in the next five years are migration and a reduction in public sector funding:

Migration

As previous sections have reinforced, the sector has traditionally filled vacancies through migrant labour, and Asian and Oriental restaurants in particular are heavily dependent on recruiting workers outside of the European Economic Union.

Government policy in the next five years is likely to restrict employers bringing in skilled workers from outside of the European Union.

Reduction in public sector funding:

The Spending Review will have an impact on most areas of Government across the four nations. This is likely to result in less money being invested in sector-specific schemes. Across training and education, employers are likely to have to invest greater amounts of money, relative to the public sector.

4.3 Employment projections

Table 4.1 shows the employment projections for a number of broad occupational groups. Taking into account both expansion and replacement demand, the sector in England will require the equivalent of an additional 48 percent of its 2007 workforce to be able to cope with demand by 2017.¹⁰⁴ This growth will be in management and elementary roles, which will increase by similar amounts. In contrast, chefs and other skilled trades are set to reduce by 17,000. Any expansion will be dwarfed by replacement demand. Projections suggest that this will be 716,000, although this largely assumes the current rates of labour turnover across the sector.

¹⁰³ People 1st and ABTA, 'Trends in the Travel Industry', 2010.

¹⁰⁴ Replacement demand refers to those who have left the sector for reasons such as retirement, change of job, migration etc whilst expansion demand refers purely to the number required to cope with the increased size of the sector.

Table 4.1: Employment projections (2007–2017) England

	2007	2017	Expansion demand	Replacement demand	Total demand
Managers and senior officials	502,800	560,900	58,100	188,200	246,300
Skilled trades	176,600	159,600	-17,000	66,700	49,700
Elementary roles	640,600	711,300	70,700	261,400	332,100
All occupations	1,846,700	2,017,500	170,800	716,100	886,900

Source: Working Futures 2007–2017 (2008), LSC/IER/CE, electronic resource.

Table 4.2 shows the employment projections by occupation for each English region. There appears to be a number of differences in demand across each region. The South East has the highest total demand as a proportion of its current workforce for elementary roles (56 percent), which contrasts with the East Midlands which requires an additional 56 percent of its current managers to satisfy demand for managers, whilst the South West has the highest total demand as a proportion of current workforce figures for skilled trades.

There are fluctuations in the percentage of projected employment which is replacement demand. The North West has the greatest projected employment demand at over 90 percent, compared to the South West at 68 percent.

Table 4.2: Employment projections (2007–2017) across all English regions

	Managers	Skilled trades (chefs)	Elementary roles (waiting staff, bar staff and catering assistants)	All occupations	% of projected employment demand which is replacement demand
East of England	20,100	5,300	36,200	84,900	84%
East Midlands	19,400	3,200	16,300	57,600	86%
London	51,400	6,600	65,700	165,200	80%
North East	7,900	1,500	16,400	35,900	89%
North West	22,800	6,900	39,400	102,900	91%
South East	43,700	8,400	61,800	152,100	76%
South West	31,900	9,000	46,400	124,100	68%
West Midlands	27,500	3,700	24,900	86,000	84%
Yorkshire and Humberside	21,600	5,100	24,900	78,200	84%

Source: Working Futures 2007–2017 (2008), LSC/IER/CE, electronic resource.

Figures produced from Oxford Economics provide employment projections for the wider visitor economy. Their figures suggest that by 2020 England’s visitor economy will directly support 1.23 million jobs and in total (direct and indirect jobs through the supply chain) 2.38 million jobs.¹⁰⁵

Table 4.3 examines the projected hospitality, leisure, travel and tourism sector workforce in more detail. It suggests that there will be a 143,900 increase (18 percent) in the number of male workers and a 26,800 increase (2.6 percent) in the number of female workers overall. At present the sector in England is dominated by females but, as the number of male workers is projected to grow at a faster rate than the number of females, the sector is likely to be more evenly balanced between the sexes in the years to come.

Table 4.3: Employment projections (2007–2017) England – breakdown by sex

		2007	2017	Expansion demand	Replacement demand	Total demand
Managers and senior officials	Male	326,400	358,800	32,400	112,000	144,400
	Female	176,400	202,100	25,700	76,200	101,900
Skilled trades	Male	102,700	107,300	4,600	31,600	36,100
	Female	900	700	-200	500	300
Elementary roles	Male	197,500	279,100	81,600	57,800	139,400
	Female	443,200	432,300	-10,900	203,700	192,700
All occupations	Male	819,900	963,800	143,900	57,800	139,400
	Female	1,026,800	1,053,600	26,800	455,100	481,900

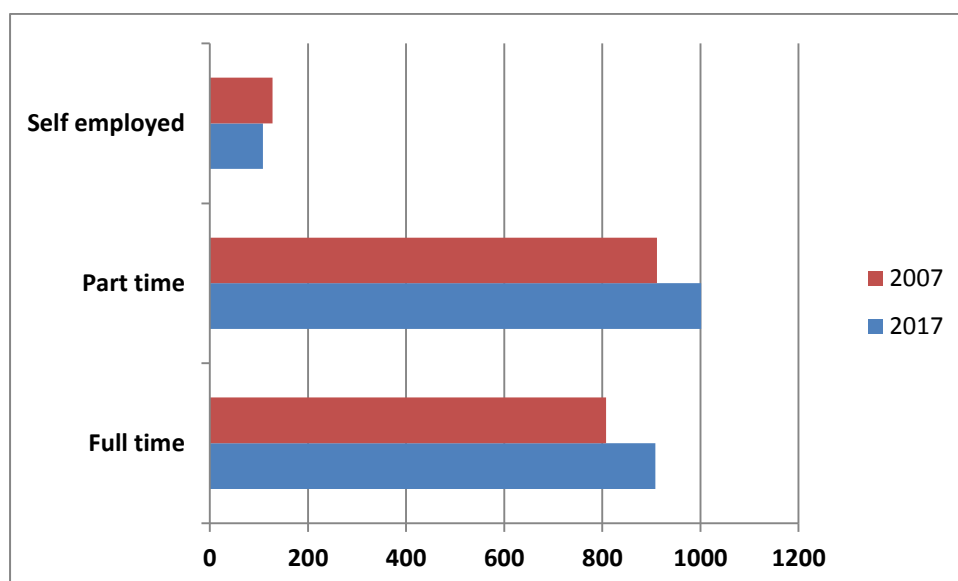
Source: Working Futures 2007–2017 (2008), LSC/IER/CE, electronic resource.

Looking at the structure of the workforce, the number working as managers and senior officials is set to increase by around 12 percent. There will also be a considerable rise (11 percent) in the number working in elementary roles whilst those in skilled trade occupations will see a less significant rise of around four percent. This may reinforce growing demand for skilled chefs who are able to prepare and cook fresh locally sourced products.

Figure 4.1 presents working patterns, and it suggests that workforce numbers will increase for part time (10 percent) and full time (12 percent) workers but are set to decrease for the self-employed (16 percent). This would suggest that larger businesses are likely to grow in proportion to smaller ones, which is likely to favour more urban areas.

¹⁰⁵ Direct jobs in the visitor economy are jobs working in businesses providing tourism related goods and services. Total jobs include direct jobs plus those jobs working within the wider economy which support tourism through the supply chain.

Figure 4.1: Change in working patterns (2007–2017) England



Source: Working Futures 2007–2017 (2008), LSC/IER/CE, electronic resource.

4.4 Summary of implications of drivers on future employment and skills

Through 'Project 2030', People 1st is examining these drivers and the potential impact on skills and employment in light of three scenarios. Each scenario focuses on the different way in which sector employers might tackle recruitment, retention and skills development:

1. A continuation of the current approach to recruitment, retention and skills development.
2. A more co-ordinated and deep routed tackling of skills and employment.
3. More employers bringing training in-house and less identifiable entry pathways as a result of a more laissez-faire vocational qualification system.

Each scenario is being considered at UK home nation level. These are currently being drawn up ready for consultation with employers and partners in Spring 2011. Further information, including regular progress reports and key documents can be found at www.people1st.co.uk/research

Table 4.4 provides a summary of which occupations are likely to be affected the most by these drivers. Given the economic uncertainty, the demand for staff or changes to that demand could affect all occupations, as the sector as a whole is affected. Similarly, demographic drivers (the ageing population and migration changes), are likely to affect all core occupations predominantly found in the hospitality industries, as employers are forced to re-think their traditional labour pools. New technology, such as those used in molecular gastronomy, may reduce the number of chefs required. Similarly, immigration policy will have a significant impact on the demand for chefs, as employers are forced to recruit more localised labour pools or deskilling their operations, thereby reducing the number of chefs required.

Table 4.4: Likely employment impact across core occupations

Occupations	Drivers						
	Economic	Technological	Demographic	Environmental	Consumer	Governmental	Unknown events
Chefs and cooks							
Kitchen and catering assistants							
Waiting staff							
Bar staff							
Restaurant and catering managers							
Publicans and managers of licensed premises							
Hotel and accommodation managers							
Owner operators							
Travel agents							
Housekeepers and related occupations							
Travel agency managers							
Hotel porters							
Leisure and travel service occupations not elsewhere classified							
Elementary personal service occupations not elsewhere classified							
Conference and exhibition managers							
Travel and tour guides							
Leisure and theme park attendants							
Croupiers and other gaming staff							

Table 4.5, highlights the impact of the same drivers on skills. It suggests that managers are most likely to require additional skills to cope with each driver, thereby reinforcing existing skill shortages and gaps for managers. Owner operators in particular will need a broader range of skills to be able to respond to each of these drivers.

Table 4.5: Likely skills impact across core occupations

Occupations	Drivers						
	Economic	Technological	Demographic	Environmental	Consumer	Governmental	Unknown events
Chefs and cooks							
Kitchen and catering assistants							
Waiting staff							
Bar staff							
Restaurant and catering managers							
Publicans and managers of licensed premises							
Hotel and accommodation managers							
Owner operators							
Travel agents							
Housekeepers and related occupations							
Travel agency managers							
Hotel porters							
Conference and exhibition managers							
Travel and tour guides							
Leisure and theme park attendants							
Croupiers and other gaming staff							

Section five: conclusions and policy implications

5.1 Introduction

This final section will draw together the key issues outlined throughout the report to help better understand the hospitality, leisure, travel and tourism sector's skill and labour market priorities and how these may change. It also discusses the implications of these on current policy interventions and highlight areas where future employer investment and policy interventions should be targeted.

5.2 A growing and changing sector

The hospitality, leisure, travel and tourism sector is large and growing. Within the People 1st footprint there is currently a workforce of 1.75 million, which increases to 2.2 million when considered within the wider visitor economy. This is set to reach 2.01 million by 2017. As section five (future workforce and skill needs) demonstrates, this growth may be hampered depending on a number of future drivers, in particular, the rate and speed of economic recovery.

5.2.1 Economic importance of the sector to the economy

The hospitality, leisure travel and tourism sector continues to be an important contributor to the economy. In 2007, the sector¹⁰⁶ contributed £30,049m towards England's Gross Value Added (GVA) and is the fifth largest sector in the economy.¹⁰⁷

England's tourism strategy, a 'Strategic Framework for Tourism 2010–2020', sets out its ambition for a five percent annual growth, leading to an additional £50bn in expenditure and the creation of 225,000 jobs. An action plan to meet the ambitions set out in this framework is currently being worked up. Within that, 'skills' has been identified as one of two cross cutting themes that need to be addressed in order to realise the ambitions of the strategy.

5.2.2 High proportion of small and micro operators

The sector is still characterised by a large percentage of small, independent operators. Of approximately 115,200 sector businesses operating from over 161,700 individual establishments across England, 75 percent are classed as SMEs and nearly a quarter employ no staff at all. These businesses are the backbone of the sector and it is only by tackling their skills and employment needs will the ambitions of the tourism strategy be realised.

The sector has an important presence across all nine English regions, – representing on average 2.87 percent of GVA. However, it is particularly significant in London, the South East, the North West and the South West, both in terms of economic contribution and size of the sector.

The high percentage of businesses employing no staff highlights the large number of owner operators (in large part bed and breakfast establishments) across the sector. People 1st research suggests that many owner operators had no previous experience of the sector before opening their business. Furthermore, many had no experience of running their own business. The challenge is that some are what are considered 'lifestyle businesses' and are not necessarily looking for support. This

¹⁰⁶ Standard Industrial Classification (SIC) code 55 covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

¹⁰⁷ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. GVA is used in the estimation of Gross Domestic Product (GDP). GDP is a key indicator of the state of the whole economy.

poses a problem in raising the visitor experience as well as for providers and partners trying to engage them. People 1st is working with Enterprise UK to develop tailored support for people considering starting up a business in the sector.

5.2.3 Implication of current drivers

The current economic downturn, changes to consumer expectations and technology are affecting all sector operators, emphasising the importance of managers in smaller businesses and owner operators having a greater, all round skills base. This pressure is likely to exacerbate existing skill shortages and gaps for managers. This problem also highlights a growing polarisation between the different pressures on urban and rural businesses, but also in the way they can, and do, recruit, retain and train their employees. This is particularly striking when comparing the recruitment and retention patterns of employers in London with other English regions and the UK home nations.

Sustainability is becoming more important both in terms of reducing increasing energy costs and capitalising on customer awareness of environmental issues. Already in the past 12 months, the number of employers reporting the importance of their managers having skills in reducing energy costs and sustainability has increased to become one of the top five skill needs reported. Understanding the skills implications of this area more clearly is a focus for People 1st over the next three months to better inform the tourism strategy.

5.3 The importance of skills to future growth

5.3.1 Raising labour productivity

As section two (what drives skills demand) suggests, official measures of labour productivity may be underestimating the true levels of labour productivity; certainly when compared internationally. Despite this, the nature of the sector (like other sectors in the wider service sector), with its emphasis on human capital, means that labour productivity is lower than other sectors in the economy. The evidence from various research also suggests that labour productivity is clearly linked to demand and the better a business can predict demand and improve the scheduling of their staff, the higher their labour productivity will be. Fluctuating demand largely explains why the sector has relied on a high percentage of transient workers. Employers need to re-think this approach and reflect on the trade-off between the cost of labour turnover (and subsequent skill gaps) and a transient, flexible workforce. This will certainly be more challenging for smaller operators and those in urban areas who report higher labour turnover.

Larger businesses are much more likely to have more sophisticated scheduling tools, with some operators in fast food scheduling on the quarter hour. As well as benefiting in this way, large businesses also have the advantage of scale. Similarly, smaller businesses are less likely to be taking advantage of new technology.

However, despite this, many of the current and future technological drivers outlined in the report will not necessarily replace the need for as many employees, but rather change the way customers can interact with them and through the added-value of services and products on offer. More value-driven brands are using technology to enable customers to undertake specific tasks. This has, and will, replace the need for as many staff.

Recent data on labour productivity in housekeeping departments¹⁰⁸ appears to refute previous research that suggests that lower productivity in the sector can be explained by factors such as the age of property. Instead, it suggests that skills and training have an important role in the differences

¹⁰⁸ Jones, P., & Siag, A., 'A re-examination of the factors that influence productivity in hotels: A study of the housekeeping function', 2009.

in labour productivity between properties. If this is correct, it emphasises the critical importance of skills within the sector's productivity debate, the need to address the current skill gaps reported by employers, and the need to look at the likely impact of more multi-skilling within some operations.

5.3.2 Higher performing working practices

The report brings into sharp focus the impact that current human resource approaches are having on increasing productivity and skills in the sector. The reliance on a short-term or transient workforce and the acceptance of high levels of labour turnover has resulted in persisted skill gaps and the clear perception that the sector provides casual jobs, but does not offer long-term career opportunities. As a result the sector is largely unable to compete with other sectors to recruit more able applicants. This is largely historical and has become the accepted practice in responding to fluctuating demand. This is a particular problem for the restaurant and pubs, bars and nightclubs industries. The fundamental weakness of this approach is that it ignores the cost to their business of continual recruitment and initial training, as well as the cost of having skill gaps in their business. People 1st estimates that labour turnover is costing the sector £27.9m a year in England alone.

The most effective way to raise labour productivity across the sector, is not necessarily to continually raise the level of skills, but instead to tackle persistent skill gaps. Training is obviously an answer, but only if it is coupled with attracting sufficiently skilled people into the sector and retaining them.

This requires a different approach to the way in which the sector has traditionally tackled its human resource operations. A number of demographic drivers such as an ageing workforce, and to a lesser extent government policy regarding migration, will force sector employers to re-think their approach. As a result, the sector may be able to capitalise on clearer development pathways which attract able people into the sector.

A more structured approach to training and development will create greater professionalism in the sector, which in turn will attract more people, as well as increase the skills base built up as employees stay longer and further develop their skills. This needs to be considered within a broader human resource context, with employers considering how employees can be better motivated and encouraged to be more productive. More research into this area is needed and this will be a focus of People 1st in the next 12 months. Already research by People 1st, as part of the 'Women 1st agenda', is looking into the barriers preventing more women from progressing to senior positions in the sector. This research highlights the need for new thinking in the way men and women are recruited, retained and developed. Industry support of this programme demonstrates that some operators have accepted the need for a fresh approach.

The creation of an employer group to strengthen entry routes into the sector has and will help promote and shape the qualification pathways that have been created by People 1st. By looking at the shortfall in numbers recruited to meet a range of occupations, the sector is consolidating support around a number of tried and tested initiatives. As part of this, People 1st is gaining the support from a range of professional bodies across the sector to accredit specific entry routes and build them into their membership. In this way, the professionalism of specific occupations can be strengthened and members of professional bodies encouraged to help support and enrich provision, through visits, placements, employing apprentices etc.

There must also be greater support and training for people who are considering becoming owner operators. In some cases, this may not only persuade some that the reality of running a business in the sector may be different to their perception, but also ensure that they are equipped with the fundamental skills to successfully run a business. This needs to be part of a wider support and contextualised for the sector.

5.4 Current skills priorities and how these may change

The Sector Skills Assessment in 2009 identified three critical skill needs facing the sector: chef skills; customer service skills; and managerial skills. These skills remain the priority skill shortages and gaps facing the sector and are likely to intensify in the future.

Anecdotally, the economic downturn has reduced the high proportion of hard-to-fill vacancies facing the sector, as more people are looking for work. However, it has in turn magnified the gap between occupations traditionally filled by transient labour and those requiring higher levels of skill and experience. In thinking about skill shortages, the sector needs to attract more people who want to pursue a career, as opposed to a job. This requires clear development pathways into the sector, especially for higher skilled roles such as managers and chefs. There has been work in this area and consequently these are becoming significantly clearer.

However, it critically also requires clearer pathways within the sector to ensure staff are receiving the appropriate training once they enter. This is currently weak in certain parts of the sector, particularly in hospitality industries and is a contributing factor to on-going skill shortages for managers, but also for skills gaps for chefs and managers. The high levels of labour turnover undermines any on-going development, but the lack of the structured development in itself creates higher turnover; thereby creating a vicious circle. The high proportion of small and micro businesses undermine this further, but through greater professionalism and a recognition of specific skills and qualifications this can be addressed.

This is a problem across all nine regions, but the figures suggest that the problem in London is most acute where employers are finding it easy to recruit, but not necessarily recruit those with the required skills. As a consequence the percentage of hard to fill vacancies that are skills related at a regional level are much higher for hospitality, leisure, travel and tourism compared to other sectors.

5.4.1 Skill shortages and gaps for chefs

Clearer development pathways and the rollout of the Diplomas in Professional Cookery at levels 2 and 3 should provide an opportunity for those wishing to become skilled chefs to develop a good foundation of skills and knowledge to enter the sector. Similarly, the apprenticeship in professional cookery and the pathways to apprenticeship programme provides a similar opportunity for those wishing to enter the sector. Despite this, figures suggest that there is an annual shortfall of chefs entering the sector. Currently, half of colleges are offering the Diplomas in Professional Cookery; these qualifications are proving more costly to deliver and cuts across college provision may hamper the continued delivery of these qualifications, thereby further increasing the shortfall of chefs entering the sector. There also needs to be greater shift to level 3 provision, but the apprenticeship at level 3 may be more appropriate if someone has spent the last two years in college.

The continued delivery of the level 3 advanced apprenticeship in professional cookery is also affected by funding constraints. Work-based providers are finding funding for the apprenticeship to be inadequate to cover the scale of assessment required at this level, with some providers choosing not to deliver it.

An analysis of the skills employers believe are lacking in those working as chefs highlights that they also require a broader range of skills, especially those in more senior positions. A lack of specific training in these areas and the lack of a suitable qualification, coupled with a lack of flexible delivery, is contributing to the current skill gaps for lower level chefs and the shortages and gaps for more senior chefs. The skills lacking include softer skills such as oral communication, the right attitude and team working. At more senior levels, it includes kitchen management, people and financial management.

There needs to be more emphasis on up-skilling current chefs. Currently, this is more likely to be undertaken informally, without any structured approach. There is little to no provision available, despite the availability of relevant QCF units. However, there appears to be little demand in industry to pay for more structured training support, despite the need. Colleges are in an ideal position to offer short, sharp training bursts to groups of employers who wish to develop their chefs. This gradual building up of skills and knowledge is more financially viable for smaller businesses, but it could eventually result in a fuller qualification, recognised by one or more chef guilds. Foundation Degrees in kitchen management could be a solution if they were to be delivered in modules. This could be based on the current Foundation Degree in Culinary Arts offered by Thames Valley University.

Changes to immigration policy, which will reduce the number of chefs entering the UK, is likely to have a significant impact on Asian and Oriental restaurants. This is particularly the case in urban areas, where there are large concentrations of Asian and Oriental restaurants. The cap is likely to have four effects. The first is to see an increase in the number of ethnic restaurants recruiting staff from within the UK. The availability of the new Asian and Oriental apprenticeship routes should help these businesses develop the skills of new entrants. It is also likely to help improve human resource practices in some businesses, improve the perception of a career in this area of the industry and change the authenticity of the 'meal experience'. The second will be to see a reduction in the number of Asian and Oriental restaurants, as some will be forced to close down owing to increased staff costs or the difficulty of finding skilled staff. Thirdly, some will deskill their operation, which is likely to benefit the food suppliers and shift the skills problem into food manufacturing. Fourthly, some businesses will unfortunately try and bring in illegal immigrants.

However, there are a small number of businesses at the higher end of the market that will still need chefs with very specialist skills. These skills are highly specialist and generally very specific to a particular locality. It is unlikely that these will be found within the EU.

5.4.2 Skill shortages and gaps for managers

The current skill shortages and gaps of sector managers presents the sector with its most critical skills problem. The most pressing issue is the lack of strong development pathways to become a manager. Unlike for chefs, managers tend not to have clear development pathways or typical routes of entry, therefore it is difficult for someone who wishes to pursue a career as a manager to know where to start. Similarly, given the large number of students who have completed hospitality management qualifications at further and higher education start at operational level, there is little incentive to go on one of these programmes. The lack of focus in some areas of the industry in recognising and developing future managers does result in some potential managers leaving the sector.

This picture is largely one found in the hospitality and events industries. In travel, the dominance of a few large companies means that these type of progression routes are in places across many travel businesses.

A number of specific skill gaps have been identified by employers. These are increasingly focusing on softer skills, but also some very specific areas, such as environmental and energy cost reduction. In large part, these specific skills are not being addressed in either in-house or more formal training, given that a large percentage of management training is undertaken in-house and there is currently little appetite to seek more formal qualifications or links to a professional body. This lack of recognised development in the workforce may be understandable, given different business needs, but coupled with a lack of recognisable and agreed entry routes it means that current skill gaps for managers remain persistent and it does not have professional status that comparable roles would have in other sectors.

An analysis of future drivers suggests that managers will need a greater variety of skills in the future and as a result current problems are likely to intensify.

5.4.3 Owner operators and managers of small businesses

Given the high percentage of small businesses and owner operators across the sector in England, tackling the specific needs of owner operators and managers of small businesses is critical. It is also challenging. These managers need the same skills as found in larger businesses, but evidence suggests that the priority is different, with energy and environmental cost savings, financial skills and general IT user skills being the most important. In large part, managers of smaller businesses need a broader range of skills as they are called upon to undertake a broader variety of tasks.

Smaller businesses are less likely to offer managers any formal training or qualifications and indeed most owner operators entering the sector had little to no experience of the sector or owning a business before entering the sector. These operators, given day to day business pressures, are extremely reluctant to seek external support. Therefore, any support needs to be easy to understand, easy to access and be compelling to the business need. There has been a range of different support available for businesses, but evidence suggests that many owner operators do not see the need to take advantage of these services. An opportunity going forward would be to create a closer link with the tourism and skills policy and look at ensuring that advice and guidance is being channelled through 'tourist boards' and local destination marketing activities. This should not be a duplication of what is available within the enterprise and skills system, but rather a 'white labelling' or facilitation of existing support. The emerging action plan within the tourism strategy provides an opportunity to look at how this could be achieved.

5.4.4 Customer service

Customer service remains a persistent skills gap. The number of employers reporting skill gaps is increasing along with the number of employers training in this area. A number of drivers, but largely customer expectations, are driving up the level of customer service expected in the sector.

On the surface it may seem puzzling why if training has increased, reported skill gaps have not reduced. A number of research studies¹⁰⁹ have underlined the importance of any customer service training to be part of a genuine customer centric approach across an organisation and that line managers are supporting front line staff to respond to customer service needs appropriately. In large part, it is felt that few businesses are taking this more holistic approach. This problem affects small and large businesses alike, as larger businesses focus too much attention on maintaining brand standards.

Looking to the future, the drivers suggest that the need for increased customer service skills will intensify and staff will require greater local knowledge of a destination and its offer to a customer or visitor. Similarly, they will need greater skills to meet the needs of specific markets such as those with disabilities.

¹⁰⁹ People 1st, 'World class customer service... for 2012 and beyond', 2008; People 1st, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

5.5 Alignment of current policy implications

In 2005, a National Skills Strategy for the hospitality, leisure, travel and tourism sector was launched to address the skills and labour market issues outlined in the Sector Skills Agreement for England. It was refreshed in 2009 to take into account progress towards its original targets, a changing policy landscape, as well as new and emerging evidence.

The progress of the strategy has been overseen by a monitoring and implementation group, made up of representative employers, learning providers and national and regional government agencies. The group has been chaired by the tourism minister.

The strategy has focused on a ten-point plan:

1. A single communications channel
2. Leadership and management
3. Qualifications and funding
4. Supporting business
5. World class customer service
6. Chefs
7. Pre-employment training
8. World class skills delivery
9. Attracting high quality people
10. Broadening the appeal of the sector.

The strategy can be found at:

www.people1st.co.uk/webfiles/Nations/England/Raising_The_Bar_National_Skills_Strategy_For_England_2010.pdf

Given the specific issues facing London, a separate strategy was launched in 2005 focusing specifically on London. This had a greater focus on pre-employment and customer service.

The strategy has enabled particular progress in some areas and has been able to capitalise on wider UK activities being taken forward by People 1st, including:

- **Creating clear development pathways**, through more simplified qualification pathways. These are now being endorsed as a pathway to membership of specific professional bodies in the sector.
- **Continued roll out of the Diploma in Professional Cookery**, has resulted in half of colleges in England offering chef provision opting for the Diploma. Employer feedback has been positive as colleges are once again able to consistently develop the required skills and knowledge required.
- **Promotion of accessible, information, advice and guidance**, through www.uksp.co.uk This presents development pathways into the sector, the relevant qualifications for specific job roles, as well as broader careers information and video clips of staff working in those positions. The site also provides opportunities for employers to post jobs and applicants their CVs. There are currently 55,000 registered users and from January 2010 it will receive a fresh new look.

- **Creation of more robust and relevant apprenticeship frameworks**, that reflect the needs of the sector and ensures that an apprentice completing a framework has developed the necessary skills and knowledge. Apprenticeship registrations and completions have risen in recent years, with the result that the sector has the fourth highest uptake of apprenticeships of any sector.
- **Ensuring robust pre-employment pathways into sustainable employment**, has been important given the sector's continued need to recruit, despite the recession. A consistent pre-employment package, Employment 1st has been created and nearly 30 large sector employers have signed up to the Service Academy approach, which larger employers felt was an opportunity to take pre-employment training into their own hands in order to maximise the employment opportunities of jobseekers, as well as to benefit smaller employers by providing trained and experienced individuals.
- **Rolling out a consistent customer service programme across the visitor economy**. People 1st obtained the UK license for the WorldHost customer service programme in 2010 and it is now being supported by all the SSCs operating across the visitor economy. This has ensured a consistent programme to address the level of skills required. Increasing research in this area is also helping to better understand how training can improve for business and the consumer. Further details can be found at www.worldhost.uk.com
- **The Women 1st programme**, has developed a network of mentees and mentors as well as the 'step-up' training programmes to help support more women reach more senior positions into the sector. This has received tremendous support from employers and individuals.

5.6 New approaches and implications for Employer skills Strategy

This report has identified a number of critical issues that need to be looked at afresh within the National Skills Strategy, by employers, partners and People 1st. These issues are not necessarily new, but at the same time some of the evidence in this report points to the fact that they require new thinking about how they can be addressed.

5.6.1 Small business support

Small business support is part of the ten-point plan and whilst a number of external drivers are likely to have a greater impact on smaller businesses, their current skills base and the way they appear to be recruiting, retaining and training staff means that they are unlikely to have the necessary skills. Current support does not appear to be having a significant penetration as smaller businesses do not feel they need the support or prefer to address the problems themselves.

There needs to be greater synergy between the tourism and skills infrastructure to increase the likelihood of more businesses engaging in available support. Employers are more likely to be engaging in local destination activities and integrating the current support in these businesses provides opportunities.

This would not provide the sole solution, as many pubs, restaurants and travel agencies, would not necessarily be part of the local destination organisations, but a similar approach could be built into trade and professional body activities, where existing support is effectively white labelled. This would help penetration, but also avoid unnecessary duplication.

5.6.2 Apprenticeships

The aim to increase the focus of apprenticeships to level 3, and for this to be considered the level in which someone would have completed their apprenticeship provides some specific challenges to the sector. Currently, the majority of sector apprentices are at level 2. People 1st will continue to work with employers and learning providers to identify and try to remove existing barriers to this progression.

The danger is that many employers offering the apprenticeship will cease to offer a formal apprenticeship, but instead provide an in-house version, without any formal accreditation. This could hamper progress to create a broader skills base, clearer entry routes and increased professionalism.

People 1st will continue to work with employers to develop higher level apprenticeships at level 4 to address specific craft needs at this level.

There is also a need to look at the motivation for offering apprenticeships and to ensure that the delivery of the programme provides the rich learning experience that was originally envisaged.

5.6.3 Chefs working in Asian and Oriental cuisine

The changes to immigration policy will result in fewer chefs coming into the UK. Employers need to be supported in order to find alternatively skilled people within the EU. This will take time, but a number of options are available:

- One option would be for intensive full-time Ethnic chef provision at level 2, which would enable someone to develop the skills and knowledge in a very short time; this would also include on-going work experience. They would then proceed to a level 3 Apprenticeship within a business. This concept is based on a similar Intensive Chef Programme currently being piloted in Northern Ireland for Franco-British cuisine.
- Ensure that employers are aware of which providers are delivering the new apprenticeships. In the medium term, centres of excellence could be identified, supported and kite-marked by the various restaurant communities. This would help support existing providers, but also reassure and guide employers.
- Within the National Apprenticeship Service have a dedicated contact who would be the conduit of all enquiries from Asian and Oriental restaurants. In this way employers would receive consistent advice and they would be able to work more closely with People 1st and other agencies. In order to support this uksp.co.uk, the sector's career and job site, could provide specific advice and guidance to employers.
- Secure formal recognition and endorsement of the various ethnic cuisine routes within the Professional Cookery by various restaurant communities to help employers and job seekers understand its value.

5.6.4 Management and leadership

There needs to be a greater synergy between how employers are training their managers, the activities of professional bodies operating across the sector and available management and leadership qualifications. Continual professional development needs to become more structured and become more widely embedded. There are a number of learning providers who are successfully offering full-cost short-sharp management programmes, linked to wider qualifications. The availability of qualifications awarded by the Institute of Hospitality, the Institute of Leadership and Management and the Chartered Management Institute are structured in a way that they can be

delivered in a unitised way. There are also opportunities through the Foundation Degrees and these need to be explored.

5.6.5 Raising employer investment and collective action

The Government's Skills Strategy, 'Skills for Sustainable Growth', outlines the need for sectors to explore how they can raise employer ambition and look at the impact of collective action, such as levies and licenses to practice.

The hospitality, leisure, travel and tourism sector already has the highest training investment per learner of any sector. The challenge it faces is how this investment can successfully tackle its persistent skills gaps, which in turn can raise the performance of the sector. As this report has reinforced, this can only be achieved through a fresh approach to how the sector retains and recruits a more sustainable workforce. Achieving this shift will not be easy and will require different approaches across different parts of the sector.

These different approaches mean that a levy and a license to practice are not necessarily the most effective solutions. However, a number of other approaches are being discussed between Government and employers as the sector looks at how a new approach could be realised that would benefit the whole sector, and in a way that provides greater support to small businesses without placing unnecessary burden on them or larger businesses.

Annex A: Technical commentary on definitions, data and sources

Sector definition

People 1st's footprint covers the following 14 industries:

Table A1: Overview of the industries making up hospitality, leisure, travel and tourism

Industries	Definition
Hotels	In addition to hotels, this also includes bed and breakfasts and guest houses. The hotel industry is fragmented with a large number of owner operators and branded hotels. The industry is structured according to a star rating based on the quality and level of accommodation services offered.
Restaurants	Restaurants also include cafes, sandwich bars, fast food take-aways and coffee shops. Restaurants can be defined in a number of ways: by their style (ranging from fine dining to fast food establishments), their type of cuisine (e.g. French, Chinese) and whether they are part of a brand or independent.
Pubs, bars and nightclubs	Pubs, bars and nightclubs can be defined in terms of ownership (be they managed houses, tenanted or leased pubs or freehouses). They can be categorised by type of pub, for example family pub, themed pub or gastro pub.
Self-catering accommodation	The majority of self-catering accommodation operators are small and includes those letting second homes for holiday accommodation. The larger operators tend to offer groups of cottages or lodges.
Holiday centres	Holiday centres are villages where accommodation tends to be in the form of chalets and lodges and entertainment is offered on-site.
Youth hostels	Hostels offer shared accommodation, usually aimed at young people and backpackers.
Membership clubs	Membership clubs are normally self-funded, non-profit making organisations offering facilities to members (this also includes non-profit members clubs owned and run by members, and profit members clubs run for a profit which require membership to join).
Food and service management	Food and service management refers to food service outsourced to an external contractor. This is often described as contract catering (including contractors working in schools, hospitals, retail, armed forces, weddings, events etc). However, food and service management is becoming the preferred term. The industry is characterised by a few large global companies and a large number of small, independent operators.
Hospitality services	Hospitality services refers to those working in hospitality roles but who are employed by non-hospitality businesses (including those employed by schools, hospitals, care homes, prisons, remote and offshore locations, government, local authorities and retail, for example).
Events	The events industry is diverse and covers events ranging from face-to-face meetings, trade shows, company meetings and corporate hospitality events to narrowly focused trade events. Events can be defined by the type of event, the sector that the end user comes from or the coverage of the event. The industry is made up of some medium-sized companies and many small companies.

Gambling	The gambling industry includes casinos, bingo halls, betting shops and online gambling.
Travel services	The travel services industry is made up of travel agencies (including those specialising in the business or leisure market) and outbound tour operators.
Tourist services	The tourist services industry is made up of national and regional tourist boards, tourist information centres (TIC's) and inbound and domestic tour operators. The industry is responsible for a large number of tour guides that can be found in visitor attractions, on coach tours and those who operate independent tours.
Visitor attractions	People 1 st are responsible for theme parks, fairground attractions and city attractions. It does not cover museums or art galleries, however these are covered under the wider tourism definition.

Industry breakdown [standard industrial classification (SIC) codes]

Whilst People 1st's footprint is made up of 14 different industries, the SIC codes used to define the sector as a whole do not allow the industry to be broken down in the same way for analysis. For this reason, much of the industry analysis undertaken by People 1st is done so according to the definitions in table A2. In addition, for hospitality services, analysis is undertaken by looking at all those in core People 1st hospitality based roles (see SOC code definitions below) working in non-core People 1st industries (ie those not included in the table below).

Table A2: SIC code definitions used to analyse the hospitality, leisure, travel and tourism sector (People 1st footprint)

People 1st definition	SIC code	SIC code definition
Hotels	55.10	Hotels and similar accommodation
Self-catering accommodation, holiday parks & youth hostels	55.20	Holiday and other short stay accommodation
Restaurants	56.10	Restaurants and mobile food service activities
Food & service management	56.21	Event catering activities
	56.29	Other food service activities
Pubs, bars & nightclubs	56.30	Beverage serving activities
Travel services	79.11	Travel agency activities
	79.12	Tour operator activities
Tourist services	79.90	Other reservations service and related activities
Events	82.30	Convention and trade show organisers
Gambling	92.00	Gambling and betting activities
Visitor attractions	93.21	Activities of amusement parks and theme parks

This differs to a broader visitor economy definition that is largely used by the various tourist boards but overlaps with much of the People 1st footprint. Please note that the industries in italics are not officially part of the People 1st footprint. In addition this definition is based on an older version of SIC codes (2003 as opposed to the 2007 codes now used as standard):

Table A3: SIC code definition of visitor economy

Industry definition	SIC code
Hotels	55.10
Youth hostels and mountain refuges	55.21
<i>Camping sites, including caravan sites</i>	55.22
Other provision of lodgings not elsewhere classified	55.23
Restaurants	55.30
Bars	55.40
Activities of travel agencies etc	63.30
<i>Library, archives, museums</i>	92.50
<i>Sporting activities</i>	92.60
Gambling and betting activities	92.71
<i>Other recreational activities not elsewhere classified</i>	92.72

Occupational breakdown of core workers, standard occupational classification (SOC) codes

The SOC codes used to describe the core occupations across the hospitality, leisure, travel and tourism sector are outline in table A3.

Table A4: Core People 1st occupations by SOC code

SOC code definition	SOC code
Hotel & accommodation managers	1221
Conference & exhibition managers	1222
Restaurant & catering managers	1223
Publicans & managers of licensed premises	1224
Travel agency managers	1226
Chefs, cooks	5434
Travel agents	6212
Travel & tour guides	6213
Leisure & travel service occupations not elsewhere classified	6219
Housekeepers & related occupations	6231
Hotel porters	9222
Kitchen & catering assistants	9223
Waiters, waitresses	9224
Bar staff	9225
Leisure & theme park attendants	9226
Elementary personal service occupations not elsewhere classified	9229

Key data-sources used in the report

Labour Force Survey

Background information

The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in Great Britain (whilst the Northern Ireland counterpart is conducted separately, the data within this document integrates all Northern Ireland data). It provides information on the UK labour market and the questionnaire design, sample selection, and interviewing are carried out by the Office for National Statistics (ONS).

The survey is based on a systematic random sample design which makes it representative of the whole of the UK. Each quarter's LFS sample of 60,000 private households is made up of five 'waves', each of approximately 12,000 households. Each wave is interviewed in five successive quarters, such that in any one quarter, one wave will be receiving their first interview, one wave their second, and so on, with one wave receiving their fifth and final interview. As a result, there is an 80 percent overlap in the samples for successive quarters. Households are interviewed face-to-face when first included in the survey, and by telephone thereafter.

Unless otherwise stated, the Labour Force Survey data used within this report is from a combined dataset of four quarters (July–September 2009, October–December 2009, January–March 2010, April–June 2010).

There are some limitations to using the LFS. For example, much of the data collected on the LFS is on the basis of self-classification. For the majority of questions asked, this presents no problems (the individual is best-placed to know whether they are working, or how they are looking for work). However, for some detailed questions, self-classification can lead to difficulties; respondents may, for example, find it difficult to categorise their place of employment in terms of the SIC codes available.

Annual Business Inquiry

The Annual Business Inquiry (ABI) is the Office for National Statistics' (ONS) financial information survey.

The ABI samples approximately 78,000 businesses each year with the sample being drawn from the Inter-Department Business Register (IBDR). The survey requests information for a specific date in December of each year and the results are published in December of the following year. The survey achieves a response rate of about 85 percent.

In terms of limitations, the ABI is not set up to include businesses which aren't registered for VAT and or Pay As You Earn (PAYE). Such businesses are generally small with insufficient turnover to make registration a requirement. Consequently, a proportion of small businesses will not be included within this dataset.

Employer Skills Surveys

Employer skills surveys have been conducted in each of the home nations (National Employer Skills Survey in **England**, **Northern Ireland** Skills Monitoring Survey, Future Skills **Scotland's** Employer Skills Survey and Future Skills **Wales'** Sector Skills Survey). Each survey has broadly similar areas on inquiry

ie. the incidence, extent and nature of skills problems facing employers in terms of skill-shortage vacancies, skills gaps and the likelihood that employees will need upskilling.

National Employer Skills Survey (2009)

79,512 interviews conducted

Northern Ireland Skills Monitoring Survey (2008)

4,000 interviews conducted

Future Skills Scotland's Employer Skills Survey (2008)

6,274 interviews conducted

Future Skills Wales' Employer Skills Survey (2005)

6,719 interviews conducted

People 1st employer survey 2009

With a sample size of 1,303 (883 in England, 90 in Northern Ireland, 211 in Scotland and 119 in Wales), a proportional number of interviews were conducted with businesses from each of the industries covered within the hospitality, leisure, travel and tourism sector.

The 2009 survey focused largely on recruitment and retention.

People 1st employer survey 2010

With a sample size of 2,014 (1,409 in England, 100 in Northern Ireland, 302 in Scotland and 203 in Wales), a proportional number of interviews was conducted with businesses from each of the industries covered within the hospitality, leisure, travel and tourism sector.

The main focus of this survey was on workforce training.

Other sources

Labour Market Review of the Events Industry, People 1st, 2010

This labour market review of the events industry was based on desk research; analysis of relevant Labour Force Survey data; analysis of relevant data from the People 1st employer survey 2009 which included a representative sample of 70 events employers; five qualitative one-to-one interviews with industry experts/educators/trade associations and ten qualitative one-to-one interviews with event industry employers from a range of size of business.

Labour Market Review of the Gambling Industry, People 1st, 2009

This labour market review of the gambling industry was based on desk research; analysis of relevant Labour Force Survey; Annual Business Inquiry and National Employer Skills Survey data; qualitative one-to-one interviews with three national gambling academies and six employers representing the different sub-industries and size of businesses in the gambling industry. Combined, these employers represented almost two thirds of the gambling workforce.

Licensed Hospitality 2009: A Labour Market Review of the Pubs, Bars and Nightclubs Industry, People 1st

This labour market review of the licensed hospitality industry was based on desk research; analysis of relevant Labour Force Survey, Annual Business Inquiry, Census of Employment and National Employer Skills Survey data; analysis of relevant data from the People 1st employer survey 2009 which included a representative sample of 384 pub, bar and nightclub employers; analysis of People 1st Licensed Hospitality Survey 2009 which had 303 responses and qualitative one-to-one interviews with twelve employers, trade associations and training providers.

World Class Customer Service...for 2012 and Beyond, People 1st, 2009

This research was carried out in conjunction with five other SSCs and included a quantitative telephone survey of 2,097 respondents representative of size, geography and establishment type (398 from the People 1st footprint sector); 30 best practice employer interviews (five from the hospitality, leisure, travel and tourism sector); eight employer focus groups; interviews with experts including training consultants, professional body representatives and academies; analysis of secondary research on consumers; and an evaluation of existing provision (five programmes).

The Travel Industry 2010: An Investigation into recruitment, training, skills needs and future trends across the UK's travel industry, People 1st

This research was carried out for the ABTA and included an analysis of data from People 1st employer survey 2010 (159 employers from the business and leisure market); analysis of the People 1st online Training in the Travel Industry survey 2010 (559 self-selecting respondents, of which 88 were employers from a good range of size and type of business and 471 employees); and three qualitative case studies with travel employers.

Response to the call for evidence for the partial review of the Government's official shortage occupation list, People 1st, 2009

This response was based on evidence from the People 1st Training and qualifications survey 2006 (representative employer telephone survey of 2,200 sector businesses); People 1st Recruitment retention and training survey (representative employer telephone survey of 1,300 sector businesses); People 1st Chef recruitment survey (self-selecting online survey of 179 People 1st employer contacts and BHA members).

Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector, People 1st, 2010

This research involved an evaluation of the return on investment of the customer service awards in five employer case studies, based on the ROI Academy methodology.

The case for change: Women working in Hospitality, Leisure, Travel and Tourism, People 1st, 2010

This research included a self-selecting online survey (62 responses); desk research; one focus group; analysis of Labour Force Survey and Working Futures III data and qualitative one-to-one interviews with 11 interviewees from a range of sector businesses.

Qualitative research

Future workforce and skill needs research

Identifying the future drivers affecting the workforce and skill needs of the sector included the following steps:

- Internal review of UKCES's *'Horizon Scanning and Scenario Building: Scenarios for Skills 2020'* to identify future drivers relevant to the hospitality, leisure, travel and tourism sector
- Desk research to identify additional industry specific drivers
- Internal workshop to prioritise drivers according to level of impact and likelihood
- Internal workshop to identify impact of drivers on the future workforce and skill needs
- Analysis of future employment projections using Working Futures III data.

The Working Futures model was finalised during the earlier part of 2008; a time when the credit crunch had started but before the recent economic downturn and full extent of the recession was realised. As a result, the data derived from it should be treated with some caution but longer term projections (ie those from 2007–2017) are expected to remain accurate.

'Project 2030' will build on this work by looking at the impact on specific occupations and developing scenarios to help prepare for future changes. Further details on 'Project 2030' which is due to complete in summer 2011 can be found at www.people1st.co.uk/research

Peer assessment

This report has received comments and input from teams within People 1st who have commented on its content and who have sought the views of employers and partners. We are also grateful for the contribution and comments by members of the Faculty of Management and Law, at the University of Surrey. This input has helped bring a broader perspective to the section on sector productivity.

Annex B

Skills and labour market issues underpinning key strands of Tourism Strategy framework

Area within the Strategic Framework for Tourism (2010–2010)	Key skills and labour market issues	Headline data
Sustainable tourism	<ul style="list-style-type: none"> • Research by People 1st¹¹⁰ has identified environmental cost management to be one of the main management needs across the sector. • Buying locally sourced food will impact upon skills; staff will need to have a greater knowledge of products and their origin. This also provides growing opportunities in the future. Similarly, chefs will need a broad range of skills so that they are able to prepare and cook with the ingredients that are available locally and in season. 	<ul style="list-style-type: none"> • Climate change and sustainability are becoming increasingly important drivers for businesses as consumer expectations change and energy costs rise. • The Carbon Trust¹¹¹ estimates that a 20 percent cut in energy costs in the sector can represent the same bottom line benefit as a five percent increase in sales.
Seaside tourism	<ul style="list-style-type: none"> • At the end of every summer season, a number of resorts release their staff as custom tails off throughout the winter months. It has been suggested that many of these staff are highly skilled and are often lost to the sector as they look to find work in other industries. • Employers in Blackpool generally felt that those they took on as casual staff were not individuals they would normally choose as longer term workers or would recommend to other employers. • These individuals tend to be unskilled or semi-skilled at best. • It was also proposed that the typical seasonal employee routinely works on a casual basis and has limited enthusiasm to change this pattern or secure longer term employment. • The recession has led to fewer jobs available across the economy as a whole, so individuals who may not previously have worked in the sector are now considering it as a viable option. This has resulted in an increase in the calibre of applicants. • In Blackpool, employers from larger hotels were slightly disparaging about the management practices of smaller 	<ul style="list-style-type: none"> • Seaside tourism jobs contribute £3.6bn to the economy. • It directly supports 210,000 jobs plus large numbers indirectly through the supply chain. • The Blackpool area has the largest single concentration of seaside tourist jobs at more than 19,000. • Due to the seasonal nature of trade in seaside tourism, employers commonly employ casual staff over peak periods. • For the lower level positions in the hospitality trade (ie the ones which seasonal workers would generally be taken on for) any training is kept to the bare essentials (so to say that someone is simply experienced is not necessarily enough to guarantee they will be appropriate for a particular establishment).

¹¹⁰ People 1st Employer Survey, 2010.

¹¹¹ The Carbon Trust produce guidelines on carbon management in the hospitality industry. These can be found at www.carbontrust.co.uk

	<p>establishments. The typical view was that the smaller employer does not treat their staff particularly well. Their standards are, it was claimed, much lower and there was no formal staff development in operation at all.</p>	
Rural tourism	<ul style="list-style-type: none"> • The lower turnover rate in rural areas reflects the fact that in urban areas, there is a larger, more fluid labour market from which employers are happy to recruit. • The lower levels of labour turnover in rural areas may also suggest that any recruitment has been in response to an increase in trade, rather than to replace existing staff. • The continued movement towards more urban working and living is likely to pose greater challenges to rural businesses as they find recruitment more difficult. This could result in them putting greater emphasis on staff retention which in turn could result in fewer skill gaps as they are able to retain skills within their business. 	<ul style="list-style-type: none"> • 61 percent of those in urban areas had recruited, compared to 55 percent in coastal settings and just 52 percent in rural areas. • Turnover rates are higher in urban areas (32 percent) than in rural settings (26 percent). • People 1st's Employer Survey 2009 showed that the following occupations were all more likely to have received training in an urban setting than a rural one: owners of the business or employed managers; supervisors; chefs or cooks; waiting staff; bar staff; and customer service staff.
Accessibility	<ul style="list-style-type: none"> • Tourism operators will have to adapt their products and services to cater for the ageing population. • <i>Accessible Travel & Leisure</i> offer disabled holiday packages and aim to take care of all arrangements and special requirements for accessible and disabled holidays – from door to door. • It is likely that the ageing population will be targeted by tourism operators who will tailor their products to suit those with accessibility problems. Specialist knowledge and skills in providing for the elderly and disabled will therefore be important. 	<ul style="list-style-type: none"> • With an ageing population, those with some form of disability or accessibility problems are growing. US \$81.7bn is spent on accessible travel globally. • The Disability Discrimination Act (DDA) (1995) places duties on providers of goods, services and facilities not to discriminate against people with disabilities (replaced by Equality Act 2010 from October 1st 2010). • Like everyone else, tourism providers must take 'reasonable' steps to change practices, policies and procedures to make their facilities and services accessible to disabled people.
Welcome to England	<ul style="list-style-type: none"> • Customer service remains a persistent skills gap and shortage. • Customer service training should cover the following 'core' topic areas: <ul style="list-style-type: none"> ○ The importance of providing excellent service ○ Attitude and behaviours ○ Identifying and being responsive to the needs of customers ○ Clear communication ○ Developing customer loyalty/repeat business ○ Complaint handling. 	<ul style="list-style-type: none"> • A number of drivers, but largely customer expectations, are driving up the level of customer service expected in the sector. • People 1st research underlines the importance of any customer service training being part of a genuine customer centric approach across an organisation as well as line managers supporting front line staff to respond to customer service needs appropriately.

<p>2012 Games and Major Events</p>	<ul style="list-style-type: none"> • Experian argues that key policy issues of staging the Games will be: <ol style="list-style-type: none"> 1. Harnessing the volunteer programme alongside employment initiatives to enable local people to get involved in the Games with a view to creating sustainable skills and employment in the long-term. 2. Whether to focus on entry-level paid job opportunities for local people with lower skills levels or specialist opportunities for local people, which would involve strong competition from specialists from across the UK and internationally. • In terms of showcasing London, Experian argues that the key policy issues are: <ol style="list-style-type: none"> 1. Harnessing entry-level opportunities to engage local people who are inactive or hard to reach. 2. Upskilling service staff to enable them to access higher level opportunities, particularly in managerial occupations. 3. Using the Games as an opportunity to invest in customer-service skills both as a lever for improvement of people working in the sector and a chance to showcase London. 	<ul style="list-style-type: none"> • To deliver the Games LOCOG will need a workforce of approximately 200,000. Of these 200,000, around 6,000 will be LOCOG paid staff, many of whom are involved in the planning, preparation and testing to deliver the Games. • These 6,000 staff constitute the operations side that consists of individuals with very strong functional knowledge, financial planners and individuals with strong industry knowledge (for example, those that have had experience working for the Commonwealth Games/past Olympic Games and Paralympic Games and other events on a similar scale).
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