



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

## **Northern Ireland**

**December 2010**

# Foreword

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Hospitality, leisure, travel and tourism continues to be a strong and vibrant growth sector for Northern Ireland. It has been recognised as a priority sector and critically as this report shows, it is projected to grow.

The sector is large and varied, but what unites a large part of the sector is that it is driven directly or indirectly by tourism.

The Tourism Strategy for Northern Ireland, developed by the Department of Enterprise, Trade and Investment (DETI) aims to increase visitor numbers to 4.5 million by 2020; generating £1bn for the Northern Ireland economy every year.<sup>1</sup> It is critical that we have the workforce with the skills not only to help drive this strategy, but also maximise the opportunities when its ambitions have been realised.

In 2008, we launched the Spinnaker report that outlined a strategy to address the skills and labour market priorities facing the sector. Over the past 18 months, industry has worked closely and collaboratively with public sector partners in taking forward key aspects of this strategy through the Future Skills Action Plan group, currently chaired by Stephan Magorrian, Managing Director of Botanic Inns and by Howard Hastings, Managing Director of Hastings Hotels. Through the commitment of employers, partners and particularly the Department for Employment and Learning, we are setting up the infrastructure to tackle the skills of our future and current workforce.

This report highlights a number of challenges that reinforce the need to continue and sustain current activities, but also the need to target the support and training for small and micro operators, particularly in rural areas, who are the bedrock of our sector and who are critical to the success of our Tourism Strategy.

The economic downturn and the subsequent public sector spending review provides us with new challenges, but it is critical that we can maintain the momentum and to continue to demonstrate the value of real employer and public sector partnership to help grow the hospitality, leisure, travel and tourism sector to the benefit of all.

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<sup>1</sup> DETI, 'A Draft Tourism Strategy for Northern Ireland to 2010', 2010.

## Executive Summary

The hospitality, leisure, travel and tourism sector in Northern Ireland is large and growing. Within the People 1<sup>st</sup> footprint, there is currently a workforce of 47,200. This is set to reach 57,300 by 2017. This growth may be hampered by a number of future drivers, in particular, the rate and speed of economic recovery. Developments around five tourism signature projects, in particular the Titanic Commemorations in 2012 and Londonderry/Derry City of Culture in 2013, are likely to give it a lift.

### Economic importance of the sector to the Northern Ireland economy

The hospitality, leisure travel and tourism sector continues to be an important contributor to the economy in Northern Ireland, with hotels and restaurants<sup>2</sup> making a £737m Gross Value Added (GVA)<sup>3</sup> contribution in 2007, 2.6 percent of national GVA. Hotel and restaurant contribution to GVA has increased by 63 percent in the last ten years alone.

The Northern Ireland Executive has acknowledged the sector's importance as a priority sector and through the Tourism Strategy it sets out a bold ambition for the future by increasing tourism employment to 50,000 by 2020, with 4.5 million visitors annually generating £1bn for the Northern Ireland economy.<sup>4</sup> Its emphasis on increasing the earnings from visitors, and the importance of investment, underlines the importance of skills to the successful realisation of its ambitions.

### High proportion of small and micro operators

The sector is still characterised by a large percentage of small, independent operators. Of the 3,800 sector businesses operating from over 5,000 individual establishments in Northern Ireland, nearly 90 percent are classed as SMEs and ten percent of these 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.

### 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, but it also highlights the challenge in the sector, increasing the average spend of its customers and for businesses to be able to provide added value to help extend a visitor's stay in specific geographic areas.

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<sup>2</sup> Standard Industrial Classification (SIC) code 55 covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

<sup>3</sup> 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.

<sup>4</sup> DETI, 'A Draft Tourism Strategy for Northern Ireland to 2010', 2010.

## 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 will be their labour productivity. 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 2008, the Spinnaker report<sup>5</sup> 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.

The economic downturn is thought to have reduced the high proportion of hard-to-fill vacancies facing the sector. However, available figures for 2008 suggest that the percentage of employers reporting hard-to-fill vacancies (14 percent) to have remained static since 2005.<sup>6</sup> In turn this has magnified the gap between occupations traditionally filled by transient labour and those requiring higher levels of skill and experience. In the past 12 months, nearly half of sector employers in Northern Ireland have recruited staff (48 percent).<sup>7</sup> 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 15 percent of all difficult to fill vacancies were the result of a lack of available candidates with the right skills, qualifications or work experience.<sup>8</sup> Clear development pathways into the sector are needed, 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, in particular hospitality, and is a contributing factor to on-going skill shortages for managers and for skills gaps in chefs and managers. The high levels of labour turnover undermines any on-going development and 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 reinforced clear entry routes, but it will take a number of years before their impact can be assessed. Broader schemes, such as the Compass Junior Chef Academy, the emphasis on competitions and the creation of a dedicated chef guild for Northern Ireland, will all help to encourage demand.

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<sup>5</sup> People 1<sup>st</sup>, Spinnaker Report (Sector Skills Agreement, Stage 5), 2008.

<sup>6</sup> Department of Education and Learning in Northern Ireland, 'Northern Ireland Skills Monitoring Survey 2008', 2009.

<sup>7</sup> People 1<sup>st</sup>, Employer Survey, 2010.

<sup>8</sup> Department of Education and Learning in Northern Ireland, 'Northern Ireland Skills Monitoring Survey 2008', 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 and the lack of a suitable qualification or units at this level, 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 management and financial management.

The increased focus on 'food tourism' and the promotion and availability of restaurants serving local produce is set to increase. This presents an opportunity for Northern Ireland, but at the same time will place more emphasis on up-skilling current chefs. Currently, this is more likely to be undertaken informally, without any structured approach.

### **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. 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 either in-house or in 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 in Northern Ireland, 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 most owner operators entering the sector have 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. Whilst Northern Ireland is regularly perceived as a friendly destination, the challenge remains to increase the polish of the welcome, without damaging its warmth and sincerity.

On the surface it may seem puzzling why if training has increased reported skill gaps have not reduced. A number of research studies<sup>9</sup> 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. 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 greater 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 57,300 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 19,100 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.

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 may need to become broader and more responsive to a range of different customer needs.

## Aligning priorities and policy

Much work has already been jointly undertaken by employers and the public sector through the Future Skills Action Plan.

The focus on articulating chef routeways into the sector and increasing the capability of the six colleges to deliver the relevant qualifications has been important. Equally, the roll out of the Compass Junior Chef Academy Programme, the pilot of the intensive chef programme

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<sup>9</sup> People 1<sup>st</sup>, 'World class customer service... for 2012 and beyond', 2008; People 1<sup>st</sup>, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

and the creation of careers materials has done much to focus attention on chef careers. This work needs to continue and requires greater industry support to sustain and support the delivery of these qualifications and initiatives.

The Educators programme and the collaborative work around developing a more consistent delivery of the Diplomas in Professional Cookery has enabled the colleges to share best practice and think about opportunities by seeing other UK and international best practice. This should strengthen their understanding of the needs of the sector and how their needs can be met. It also requires greater engagement between sector employers and the six colleges and commercial providers to strengthen the qualification of provision into the sector, but also increase structured training to existing employees.

The Compass Junior Chef Academy, the focus on getting a Northern Ireland competitor into WorldSkills and the creation of specific information, advice and guidance have done much to lay the foundations for raising the profile of the sector as a career. Without a substantial re-think about how the sector recruits, retains and trains its staff, the danger is that those attracted into the sector will soon leave.

The work of the Future Skills Action Group has been able to capitalise on wider UK activities being taken forward by People 1<sup>st</sup>, including:

- **Creating clear development pathways**, through more simplified qualification pathways which are increasing receiving the endorsement of professional bodies in the sector.
- **Promotion of accessible, information, advice and guidance**, through [www.uksp.co.uk](http://www.uksp.co.uk) sector pathways and training opportunities are presented, together with video clips of staff working in those positions. It also provides opportunities for employers to post jobs.
- **Creation of more robust and relevant apprenticeship frameworks** that reflect the needs of the sector and ensure that an apprentice completing a framework has developed the necessary skills.
- **Badging Foundation Degrees**, to ensure that they reflect the needs of employers and that employers understand their relevance.
- **Rolling out the WorldHost customer programmes**, including modules on accessibility, customer service across cultures and accessibility. This programme was successfully used for the 2010 Winter Games in Vancouver and is aimed at front line staff and first line managers.

A number of challenges lie ahead that will need to be tackled by employers and sector partners:

- Continuing to promote, support and protect and endorse development pathways.
- Enriching the delivery of provision into the sector through visits, guest lecturers and structured placements.
- A more structured approach to staff development, promoting progression routes and raising professionalism.

- Greater focus with businesses in the vicinity of signature projects to ensure that they are effective in the way they are recruiting, retaining and training their staff and that they are in a position to support and benefit from them.
- Greater focus with businesses in Derry to ensure that they are effective in the way they are recruiting, retaining and training their staff and that they are in a position to support and benefit from the 2013 City of Culture.

Through the dissemination of this report, People 1<sup>st</sup> will undertake discussions with key partners to look at how the issues highlighted in this report can best be taken forward.

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## Introduction

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

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 Northern Ireland.

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 for Northern Ireland can be found at [www.people1st.co.uk/research/state-of-the-nation-2010](http://www.people1st.co.uk/research/state-of-the-nation-2010)

## About People 1<sup>st</sup>

People 1<sup>st</sup> is the Sector Skills Council for the hospitality, leisure, travel and tourism sector. 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 has a member's council made up of employers, industry organisations and key partners, including further and higher education providers.

In Northern Ireland, People 1<sup>st</sup> is directed by a group of employers, through the 'Spinnaker Group'. This is led by Michael McQuillan, The Streat, and includes Howard Hastings, Hastings Hotels, Stephen Magorrian, Botanic Inns, Doreen McKenzie, Knock Travel, Adrian McLaughlin, The Merchant Hotel and Lyn Fawcett, University of Ulster.

## About the sector

The definition of the hospitality, leisure, travel and tourism sector used by People 1<sup>st</sup> 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 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 the Northern Irish Tourist Board, and the differences are explained at Annex A.

Terms such as 'tourism' and 'visitor attractions' are used interchangeably by different organisations. This may mirror most of the hospitality, leisure, travel and tourism sector defined by People 1<sup>st</sup>, but also exclude some industries and include others. Where possible we distinguish various employment figures and economic estimates using these definitions.

Unless otherwise stated, throughout the report 'sector' refers to the 14 industries in the People 1<sup>st</sup> 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 1<sup>st</sup>'s own employer surveys.

Qualitative research has been included where there is 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 is 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 Northern Ireland. It examines the economic profile of the sector in terms of output and employment contribution and describes the importance of tourism to the Northern Ireland economy. It then looks at the number and profile of businesses in the sector.

## 1.2 Economic profile of the sector

### *Key messages*

- The hospitality sector contributed £737m Gross Value Added (GVA)<sup>10</sup> in 2007, 2.6 percent of national GVA.
- The economic contribution has increased by 65 percent over the last decade, a faster rate than the economy as a whole.
- Recent research by Deloitte and Oxford Economics<sup>11</sup> 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 £0.64bn in GDP in 2009, 2.1 percent of Northern Ireland total GDP, and supporting 25,000 direct jobs. This is a lower contribution than the other home nations.
- Including both direct and indirect impacts, the tourism industry contributed £1.4bn in GDP in 2009, 4.9 percent of Northern Ireland GDP and supported 39,000<sup>12</sup> jobs.
- The report provides baseline forecasts of tourism growth to 2020. By 2020, the direct contribution of the tourism industry is forecast to be over £1bn in Northern Ireland, 2.1 percent of GDP and supporting 27,000 jobs. Including indirect and direct benefits the total visitor economy contribution is forecast to be over £2bn, 4.3 percent of GDP and supporting 41,000 jobs.
- Recognising the importance of the tourism sector in terms of economic value and employment, the government has identified it as a priority sector.
- A Tourism Strategy for Northern Ireland to 2020 is in place to stimulate further growth. This sets out ambitious growth targets which aim to increase tourism employment to 50,000 by 2020, with 4.5 million visitors generating £1bn for the Northern Ireland economy every year.

<sup>10</sup> 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.

<sup>11</sup> Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010

<sup>12</sup> Note in some reports this figure is 40,000 jobs due to rounding.

The hospitality, leisure, travel and tourism sector has become increasingly important to the Northern Ireland economy 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 hotels and restaurants, which covers approximately 80 percent of the sector, contributed £737m to the Northern Ireland economy in 2007.

Table 1.1 shows that 'hospitality'<sup>13</sup> contributed 2.6 percent of Northern Ireland's total GVA in 2007. In comparison to the other home nations this level of GVA is relatively low. In Scotland and Wales the figure stands at 3.1 percent, while in England it is 2.9 percent of total GVA.

**Table 1.1: Gross Value Added by sector, Northern Ireland (2007)**

Sector	Gross Value Added (£ million)	Proportion of total economy
Real estate, renting and business activities	4,956	17.8%
Manufacturing	4,129	14.8%
Wholesale and retail trade (including motor trade)	3,499	12.5%
Health and social work	2,542	9.1%
Public administration and defence <sup>4</sup>	2,507	9.0%
Construction	2,352	8.4%
Education	2,097	7.5%
Transport, storage and communication	1,403	5.0%
Financial intermediation	1,229	4.4%
Other services	1,083	3.9%
<b>Hotels and restaurants</b>	<b>737</b>	<b>2.6%</b>
Agriculture, hunting, forestry & fishing	590	2.1%
Electricity, gas and water supply	576	2.1%
Other mining and quarrying	177	0.6%
Mining and quarrying of energy producing materials	12	0.0%
<b>Total Northern Ireland</b>	<b>27,890</b>	<b>100.0%</b>

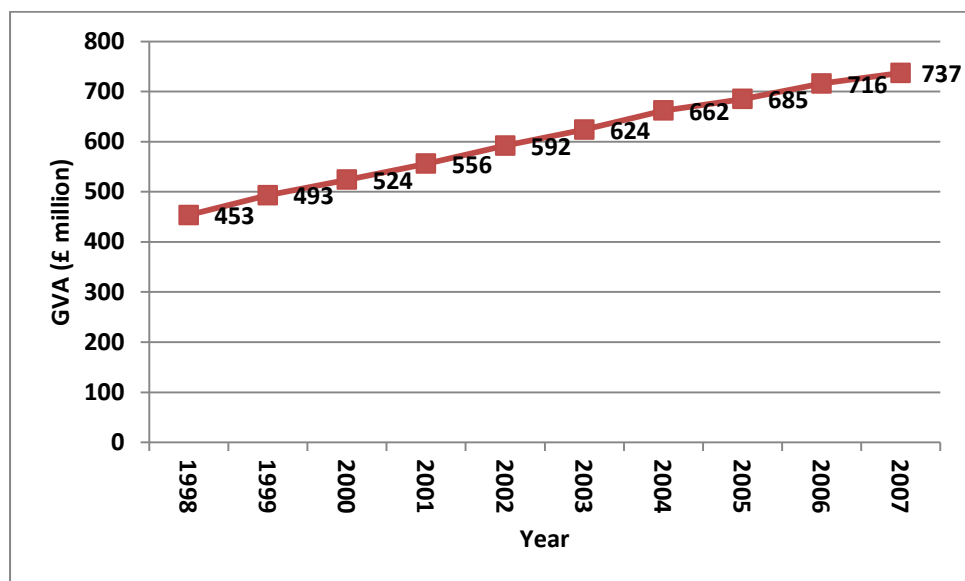
Source: Office for National Statistics (data released in December 2009).

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

In the previous ten years, the economic contribution of hotels and restaurants has increased by 63 percent, rising from £453m to £737m in 2007 (see figure 1.1), a faster rate of increase than for the Northern Ireland economy as a whole (59 percent). This reflects the growth of the sector over the past decade and the inward investment in the sector, particularly in Belfast.

<sup>13</sup> '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.

**Figure 1.1: Amount contributed by the hotel and restaurant industry in Northern Ireland (1998–2007)**



Source: Office for National Statistics.

(See: [http://www.statistics.gov.uk/downloads/theme\\_economy/CRC2008ALL.pdf](http://www.statistics.gov.uk/downloads/theme_economy/CRC2008ALL.pdf))

### 1.2.1 The Visitor Economy

Recent research by Deloitte<sup>14</sup> provides an assessment of the economic contribution of the 'Visitor Economy' in Northern Ireland, defined in both value added and employment. The Visitor Economy is concerned with tourism as opposed to the broader sector footprint for People 1<sup>st</sup> and this measure attempts to separate out tourism from non-tourism trade.

The Visitor Economy is measured in two ways:

- Direct contribution – business 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 Tourism Satellite Accounts concept.
- 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.

### 1.2.2 Direct contribution

According to the report, the direct contribution of the visitor economy in Northern Ireland (from sectors directly related to tourism) was £0.64bn in GDP in 2009 (see table 1.2). This represents 2.1 percent of total Northern Ireland GDP, lower than in the other UK home nations where the tourism industry is more mature (GDP contribution in England was 3.9 percent, in Scotland 4.9 percent and in Wales 5.8 percent).

The report found that the Visitor Economy supported 25,000 direct jobs, three percent of the Northern Ireland workforce. There are no official government statistics for the Visitor

<sup>14</sup> Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

Economy so employment figures have been calculated from Standard Industrial Classifications (SIC) accepted as relevant to the Visitor Economy. This includes<sup>15</sup>:

- Hotels (SIC 551)
- Camping sites, etc. (552)
- Restaurants (553)
- Bars (9554)
- Activities of travel agencies, etc. (633)
- Library, archives, museums (925)
- Sporting activities (926)
- Other recreational activities (927)

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 be included.

**Table 1.2: The economic contribution of the visitor economy, Northern Ireland**

	2009		2010 (estimate)	
	Absolute £bn	Relative % UK total	Absolute £bn	Relative % UK total
Northern Ireland Tourism Contribution				
Visitor exports (inbound = travel spending + fares)	0.59	2%	0.69	2%
Personal travel and tourism (domestic + outbound)	2.43	2%	2.46	2%
Business travel (domestic + outbound)	0.32	2%	0.34	2%
Government expenditures (individual + collective)	0.42	5%	0.43	5%
Capital investment	0.58	3%	0.57	3%
<b>Travel and tourism demand</b>	<b>4.34</b>	<b>2%</b>	<b>4.48</b>	<b>2%</b>
Outbound tourism spending (fares + travel)	1.53	4%	1.61	4%
	Absolute £bn	Relative % macro total	Absolute £bn	Relative % macro total
Direct industry GDP (includes government individual spending)	0.64	2.1%	0.65	2.1%
<b>T&amp;T economy GDP (broader concept)</b>	<b>1.49</b>	<b>4.9%</b>	<b>1.49</b>	<b>4.8%</b>
Direct industry employment (jobs)	25.00	3.0%	25	3.0%
T&T economy employment (jobs)	39.00	4.7%	39	4.8%

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

<sup>15</sup> This definition is compared against the People 1<sup>st</sup> footprint of hospitality, leisure, travel and tourism at Annex A.

### 1.2.3 Indirect economic impact

There are also significant indirect impacts from the visitor economy from other sectors that rely on tourism. This is sometimes referred to as the multiplier effect and refers to the supply chain, the impact of capital investment and collective government expenditure on behalf of the Visitor Economy industry. Given this reach, the Visitor Economy creates and supports jobs and growth in the wider economy e.g. hotels purchase laundry services; sector businesses require establishments to be built by the construction industry etc.

Including these wider benefits, tourism contributed £1.49bn in 2009, 4.9 percent of Northern Ireland GDP and supported 39,000 jobs. Again, this is lower than for the other UK regions where in Scotland the comparative figure is 10.4 percent, Wales 13.3 percent and in England 8.6 percent.

Table 1.3 provides further analysis of the contribution of the visitor economy. This shows that in 2009:

- Visitor exports (non-resident spending in Northern Ireland and their travel fare) was £0.59bn.
- Personal travel and tourism spending (all non-business travel and tourism spending by residents, both domestically and abroad) was £2.42bn.
- Business travel spending (all business travel spending by residents, both domestically and abroad) was £0.32bn.
- Government spending (spending by government on travel and tourism, excluding business travel) was £0.42bn.
- Capital investment (by both government and the private sector) was £0.58bn.
- Total travel and tourism demand from the above was £4.34bn, two percent of total UK travel and tourism demand.

Looking to the future, Deloitte provide estimates of forecast growth for the tourism industry to 2020. Forecasts are based on drivers such as consumer spending, exchange rates, trends in GDP and investment and destination attractiveness. They are baseline forecasts which assume that relative attractiveness between nations remain unchanged and do not account for any benefits resulting from the nation tourism strategies.

The forecasts for Northern Ireland estimate that the direct contribution of the tourism industry in 2020 will be £1.024 GDP, 2.1 percent of Northern Ireland GDP and supporting 27,000 jobs. Including both direct and indirect benefits, the tourism industry is forecast to contribute £2.1bn, 4.3 percent of GDP and supporting 41,000 jobs. While the overall contribution will increase, the relative share of GDP and employment in Northern Ireland is forecast to drop slightly (see table 1.3).

**Table 1.3: Baseline forecast for Northern Ireland Visitor Economy, current prices**

	2009		2020	
	Absolute £bn	Relative % macro total	Absolute £bn	Relative % macro total
Direct industry GDP (includes government individual spending)	0.64	2.1%	1.02	2.1%
T&T economy GDP (broader concept)	1.49	4.9%	2.10	4.3%
Direct industry employment (jobs)	25.00	3.0%	27.00	3.0%
T&T economy employment (jobs)	39.00	4.7%	41.00	4.6%

Source: Oxford Economics analysis, 2010.

#### 1.2.4 Priority sector

Over the last decade the tourism industry has achieved much success across Northern Ireland, with substantial growth in businesses across Northern Ireland, a 65 percent increase in the number of visitors<sup>16</sup> and significant investment in the infrastructure including the development of the five Signature Projects (see section two for further information).

While the global financial crisis has impacted on tourism worldwide, forecasts remain positive and the Northern Ireland tourism industry is confident and ambitious about its growth potential. There are opportunities to tap into undeveloped markets, raise quality and increase visitor spend while retaining the authenticity of the Northern Ireland experience.

Currently Great Britain is the most important source market, contributing 60 percent<sup>17</sup> of all 'out of state' visits. This market has grown slowly and has different characteristics as it is largely driven by people visiting friends and relatives and by business visits, rather than the leisure market. The strategy over the last ten years has been to increase holiday visits and influence discretionary travel. The evidence shows that the market share has been made up of holidaymakers. A review of this market has been carried out and an action plan developed to stimulate growth in holiday visits.

Analysis of average visitor spend however shows that Northern Ireland is not as skilled as competitor destinations at persuading its visitors to spend their money whilst in the country and this has not been increasing over the last five years. Visitor spend is low at £36 per night for out of state visits, compared to 70 euros in ROI, £63 in Scotland, £47 in Wales and £64 in England.<sup>18</sup>

There are a number of reasons why this may be the case,<sup>19</sup> including a combination of restricted opening hours, undeveloped infrastructure in some areas, lack of premium product, dominance of backpackers from some source markets and long-stay contractors in budget accommodation. However, creating opportunities to increase spend in the future will be important in Northern Ireland.

The Republic of Ireland is also important as 60 percent of 'international' visitors to Northern Ireland arrive via the south. While access routes may change in the future, more distant

<sup>16</sup> Northern Ireland Tourist Board, 'Northern Ireland Tourism Strategy- Supporting Evidence', 2009.

<sup>17</sup> Northern Ireland Tourist Board, 'Northern Ireland Tourism Strategy- Supporting Evidence', 2009.

<sup>18</sup> Northern Ireland Tourist Board, 'Northern Ireland Tourism Strategy- Supporting Evidence', 2009.

<sup>19</sup> Northern Ireland Tourist Board, 'Northern Ireland Tourism Strategy- Supporting Evidence', 2009.

markets will see Ireland as a single destination. Currently five percent of visitors visit both the north and south so there is further potential.<sup>20</sup>

Recognising the fact that tourism is an important economic generator for Northern Ireland (but that its overall contribution is still lower than the other UK home nations) the Northern Ireland Executive have attached a priority to the sector.

A Tourism Strategy for Northern Ireland to 2010–2020 has also recently been developed by the Department of Enterprise, Trade and Investment (DETI) which sets out ambitious targets to increase tourism employment to 50,000 by 2020 (higher than the Deloitte study forecast), with 4.5 million visitors generating £1bn for the Northern Ireland economy every year.<sup>21</sup>

Key to achieving these targets and the success of the strategy will be earning more from visitors, investing in development in both capital projects and business skills, having targeted marketing in the short and medium term and improving the marketing infrastructure, having policy support from government and its agencies and leadership from industry.

### 1.3 Business Profile

#### *Key messages:*

- There are 3,800 hospitality, leisure, travel and tourism businesses operating from over 5,000 individual establishments in Northern Ireland.
- The largest industries in terms of number of establishments are restaurants and pubs, bars and nightclubs, representing over three quarters of all establishments.
- There is a lower proportion of chains operating in Northern Ireland in the sector compared to the rest of the UK (19 percent compared to 37 percent).
- 89 percent of businesses in Northern Ireland are SMEs and ten percent employ no staff at all. Less than one percent are large businesses employing over 250 staff.
- 12 percent of the sector workforce in Northern Ireland are self-employed, higher than the average across the UK (8 percent).

There are approximately 3,800 hospitality, leisure, travel and tourism businesses (VAT and/or PAYE enterprises) in Northern Ireland, which operate from 5,040 individual establishments.<sup>22</sup> Overall this makes up less than three percent (2.6 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. In some instances, elements of the footprint are very small or are not present in

<sup>20</sup> Northern Ireland Tourist Board, 'Northern Ireland Tourism Strategy – Supporting Evidence', 2009.

<sup>21</sup> Department of Enterprise, Trade and Investment, 'A Draft Tourism Strategy for Northern Ireland to 2010', 2010.

<sup>22</sup> Local units.

Northern Ireland e.g. casinos. A fuller overview of the industry structure and key brands operating across the sector can be found at [www.people1st.co.uk/research](http://www.people1st.co.uk/research)

Using the figures that are available, as shown in table 1.4, the largest industries in terms of number of establishments in Northern Ireland are restaurants (2,370) and pubs, bars and nightclubs (1,265). This contrasts with the Republic of Ireland, where there are many more pubs and bars than restaurants. Of the 13,101 in the south of Ireland, 7,843 are public houses and 3,632 restaurant enterprises.<sup>23</sup>

**Table 1.4: Number of enterprises and establishments by industry, 2010**

	Enterprises			Establishments		
	Northern Ireland	Proportion of HLTT	Proportion of UK	Northern Ireland	Proportion of HLTT	Proportion of UK
Restaurants	2,010	53.1%	3.2%	2,370	47.0%	3.3%
Pubs, bars & nightclubs	1,150	30.4%	2.5%	1,265	25.1%	2.3%
Hotels	155	4.1%	1.6%	180	3.6%	1.5%
Food & service management	115	3.0%	1.6%	440	8.7%	1.8%
Travel services	105	2.8%	1.9%	190	3.8%	2.0%
Gambling	100	2.6%	6.5%	410	8.1%	3.5%
Self-catering accommodation, holiday parks & youth hostels	90	2.4%	2.7%	110	2.2%	2.8%
Events	35	0.9%	1.1%	35	0.7%	1.1%
Tourist services	15	0.4%	1.7%	30	0.6%	2.2%
Visitor attractions	10	0.3%	2.3%	10	0.2%	2.2%
<b>Hospitality, leisure, travel and tourism</b>	<b>3,785</b>	<b>100.0%</b>	<b>2.7%</b>	<b>5,040</b>	<b>100.0%</b>	<b>2.6%</b>

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

The latest data from the Office for National Statistics<sup>24</sup> for 2008 indicate there were 23,555 business start-ups in the UK's hospitality, leisure, travel and tourism sector<sup>25</sup> (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).

<sup>23</sup> Fáilte Ireland, Tourism employment and training survey 2009, September 2010.

<sup>24</sup> Office for National Statistics, Business Demography 2008.

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

<sup>25</sup> 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).

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).

Looking at the type of operators in Northern Ireland, table 1.5 shows that just 19 percent are chains, with 81 percent being single site (i.e. independent) businesses. This is much lower than the average across the UK where 37 percent of businesses are part of chains. More recently, as the tourism sector grows, more are opening up sites in Northern Ireland such as Wagamama’s and Premier Inn. These are primarily concentrated in Belfast.

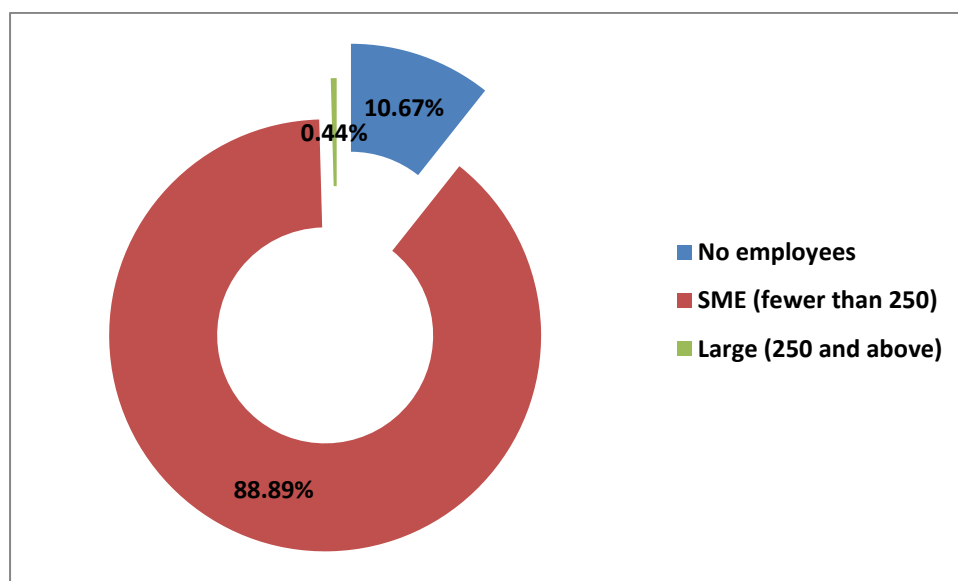
**Table 1.5: Proportion of chains and independents**

	Single site	Two or more sites
England	62%	38%
Northern Ireland	81%	19%
Scotland	64%	36%
Wales	71%	29%
<b>United Kingdom</b>	<b>63%</b>	<b>37%</b>

Source: People 1<sup>st</sup> Employer Survey, 2009.

Looking at size of businesses, 89 percent of hotels and restaurants in Northern Ireland are SMEs (employing fewer than 250 staff), while 11 percent employ no staff at all (see figure 1.2). Less than one percent are large businesses employing more than 250 staff.

**Figure 1.2: Proportion of hotel and restaurant businesses by size (Northern Ireland 2009)**



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

Looking at self-employment,<sup>26</sup> approximately 12 percent of the total sector workforce are self-employed in Northern Ireland, higher than across the UK (eight percent). The occupations with the highest numbers of self-employed are:

- Restaurant and catering managers – 2,000
- Chefs and cooks – 1,200
- Hotel and accommodation managers – 1,000
- Publicans and managers of licensed premises – 600

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<sup>26</sup> Office for National Statistics, Labour Force Survey, 2009.

## Section two: What drives skills demand

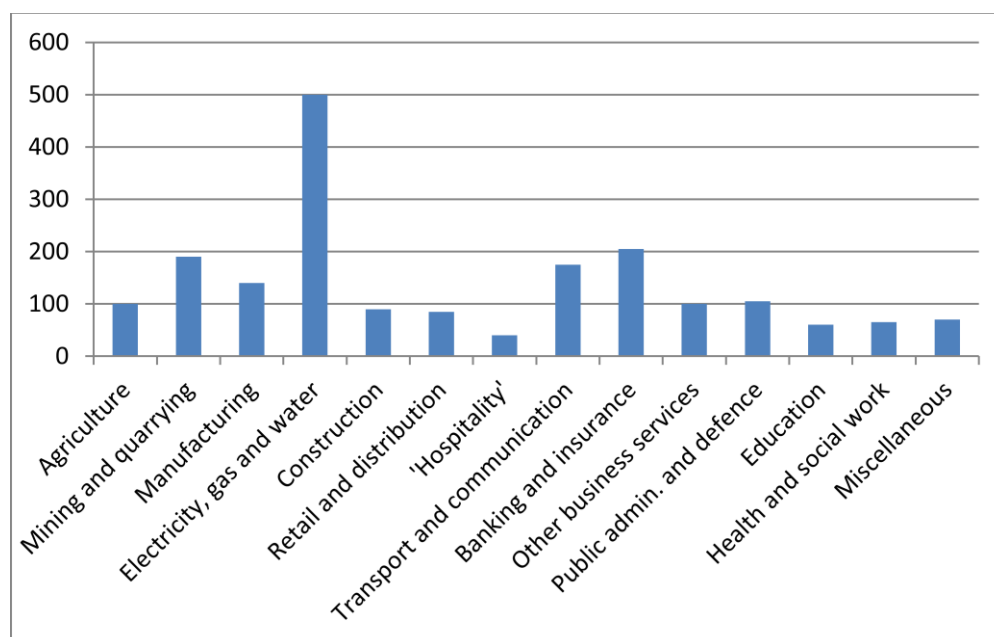
### 2.1 Introduction

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 section also examines a number of external drivers of change and looks at their implications on employment and skills.

### 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'<sup>27</sup> as having the lowest productivity of all sectors, with energy and utilities having the highest.<sup>28</sup>

**Fig 2.1: Distribution of relative productivity by sector, 2002**



Relative productivity: UK = 100

Source: Institute for Employment Research, 2002.

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,

<sup>27</sup> '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.

<sup>28</sup> Sector Skills Development Agency, Sectoral productivity differences across the UK, Research report 13, October 2005.

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).<sup>29</sup> 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.

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.

<sup>29</sup> Barnes A, Sinclair MT, Sugiyarto G, Campus Soria JA, Gooroochurn N & DeHaan C, (May 2004) Productivity in UK Tourism, University of Nottingham.

**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.<sup>30</sup> 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
<b>Transport &amp; communications</b>	114	101	88
Transport	86	90	63
Communications	142	109	133
<b>Distributive trades</b>	161	150	112
Wholesale	148	94	108
Retail & repairing	163	159	128
<b>'Hospitality'</b>	<b>131</b>	<b>182</b>	<b>68</b>
<b>Financial &amp; business services</b>	153	126	161
Financial intermediation	159	108	132
Business services	128	125	171
<b>Personal services</b>	97	93	147

Source: O'Mahoney and de Boer, 2002.

<sup>30</sup> O'Mahoney, M & de Boer, W. Britain's relative productivity performance: Updates to 1999, March 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 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.

### **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 rooms, 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]'.<sup>31</sup>

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**

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<sup>31</sup> Tamkin P, Giles L, Campbell M and Hillage J, Skills Pay: The contribution of skills to business success, September 2004.

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).

**Table 2.4: European Hotels Performance 2008–2010**

Mean 2008-2010	Occupancy Percentage	Average Room Rate €	Labour Cost Percentage
<b>London</b>	83.4	157.94	24.5
<b>Other European Cities</b>	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'.<sup>32</sup> 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, multi-skill training programmes, and the role of management.<sup>33</sup> 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.<sup>34</sup> 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.

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<sup>32</sup> 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.

<sup>33</sup> 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.

<sup>34</sup> 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 Northern Ireland, 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 and the Northern Ireland Tourist Board's drive to develop and increase specific markets means that sector employers need to have greater awareness of consumer needs and should be maximising these opportunities.
- Technology is an increasingly 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 add pressure on businesses and consumer expectations regarding environmental management are also becoming more acute. Employers are increasingly aware of this and environmental and cost management is now one of the main skill needs being reported.
- All outlined drivers pose a greater challenge for smaller businesses, but especially those in less urban areas i.e. coastal and rural 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**

According to the latest Purchasing Managers Index (PMI), Northern Ireland is the only part of the UK with falling levels of business activity.<sup>35</sup> Gross Domestic Product (GDP) increased 0.8 percent in the third quarter of 2010, compared with an increase of 1.2 percent in the previous quarter.

Overall performance of the sector remains mixed:

- From January to June 2010, visitors from Great Britain and overseas visitors to Northern Ireland were down 5.9 percent compared to the same period in 2009.<sup>36</sup>
- Business travel increased by three percent from January to June of this year and spending on business travel increased by seven percent.<sup>37</sup>
- Economic problems in the Republic of Ireland are causing an increase in shoppers to Northern Ireland. This has indirectly benefited tourism. As an illustration, around 80 million journeys were undertaken last year on the Translink.
- The Northern Ireland pub industry is continuing to face a tough time owing to the recession, higher prices and the smoking ban.
- More than half of tourism businesses (59 percent) in the Republic of Ireland surveyed by Failte Ireland believe that the economic downturn will continue to impact negatively on the local tourism industry for the foreseeable future.<sup>38</sup>

Small businesses are being hardest hit. This is a particular problem as 90 percent of Northern Ireland sector businesses employ fewer than ten people. Some employers have diversified or improved what they are offering. Most however, are trying to hold out until conditions improve.

### **2.3.1.2 Implications on employment and skills**

Current trading conditions have reinforced the importance of managers having the necessary skills to enable their businesses to remain competitive. The pressure on smaller businesses and owner operators might result in a number of business closures and resulting job losses.

Sector employers are still recruiting. As a result of the downturn, more applicants are applying for vacancies and employers are in a position to recruit more able candidates.

## **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 to add value to aspects of their services. An increased number of

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<sup>35</sup> BBC News, 'Survey says trading conditions are worsening in NI', 2010.

<sup>36</sup> BBC News, 'Survey says trading conditions are worsening in NI', 2010.

<sup>37</sup> Northern Ireland Tourist Board, 'Tourism Spotlight', 2010.

<sup>38</sup> Failte Ireland, Tourism Barometer 2010: Wave 3, September 2009.

sector businesses are generating business online. Research by People 1<sup>st</sup> suggests that 50 percent of sector businesses generate business online.<sup>39</sup>

Key technological changes are:

- 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.
- Advances in mobile phone technology, such as George Best Belfast City airport's iPhone application providing live information on arrival and departure times and the Apple iPhone app, which allows users to locate pubs where Guinness is served.
- 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.
- Investment in technology to reduce energy costs.
- Diversification of products using technology, such as the Belfast iTours and a range of audio visual walking tours.

### **2.3.2.2 Implications on employment and skills**

Managers and operational staff alike are using new technology. Usually, its introduction is gradual and the relevant skills are developed through training and experience. The skills required by operational staff are being able to use and help customers use the technology, as well as having sufficient knowledge to overcome common problems.

Smaller employers, and rural businesses in particular, are proving slower to adopt new technology. Managers of smaller businesses and owner operators need to understand how technology can help maximise business opportunities, identify where they can find support and have the necessary skills. This is currently proving a challenge.

Technology does not appear to be replacing existing staff. Whilst new products such as audio tours may take business away from tour guides it is more likely that they will expand the market for visitors who want a different experience and to be able to explore a destination at their leisure.

### **2.3.3 Demographic**

#### **2.3.3.1 Current state of play**

Between 1981 and 2008, Northern Ireland experienced stronger than average UK growth (14 percent). This compares to England at 9.1 percent, whilst Wales' population has increased at a slower pace (5.9 percent).

Over the next 20–40 years there will be a decrease in the proportion of people aged 16–49 and an increase of those aged 50–64 across the UK.<sup>40</sup> In Northern Ireland higher fertility rates have resulted in a younger population compared to the rest of the UK over the past few decades.<sup>41</sup> Similarly, over the past five years, more migrants have entered Northern Ireland

<sup>39</sup> People 1<sup>st</sup>, 'State of the Nation 2010, People 1<sup>st</sup>'.

<sup>40</sup> Office for National Statistics data, 2009.

<sup>41</sup> Office for National Statistics, 'Ageing and Mortality in the UK', 2008.

than have left. This is a very new trend and highlights greater political stability and economic prosperity.

Demographic trends are likely to have the following impact on the sector:

- As the population ages, so too does the sector's customer base. Consumer data (TGI 2009) found that consumers aged over 50 spend more money while on holiday than younger age groups and are more likely to travel.<sup>42</sup>
- With an ageing population, those with some form of disability or accessibility problems are growing. US \$81.7bn is spent on accessible travel globally.<sup>43</sup>

### 2.3.3.2 Implications on employment and skills

Despite the ageing population, the sector is still targeting a younger, transient workforce, especially in urban areas. This partly explains the high labour turnover in the sector. However, employers are recognising that older workers have greater social skills, which could be advantageous as consumers are demanding greater customer service skills.

Net migration into Northern Ireland in recent years has helped employers recruit staff. However, there is a concern that whilst sector employers need to fill positions, there is also a need to keep a Northern Irish identity and many are keen to avoid the experience of Dublin, where consumers were more likely to be greeted by staff from Eastern Europe. In reality, the economic downturn means that this fear is unlikely to be realised in the short-term.

Employers outside of Belfast, particularly those in largely rural and coastal areas, have benefited less from recruiting EU Accession State workers. Many employers have continued to struggle to recruit staff, especially for more skilled roles such as chefs.

## 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 Trust<sup>44</sup> 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.<sup>45</sup>

Consumers' attitudes towards sustainability remain mixed:

- Studies show that whilst most people do not currently draw a strong link between their personal behaviour and climate change, increased amounts of information significantly alters their attitudes.<sup>46</sup>
- Some 68 percent of Northern Ireland and 83 percent of Republic of Ireland consumers feel that people have a duty to recycle.<sup>47</sup>
- A quarter of Northern Ireland consumers and 40 percent of Republic of Ireland consumers<sup>48</sup> claim that they would pay more for environmentally products and services.

<sup>42</sup> Northern Ireland Tourism Board, 'Tourism and the Pub – Maximising Opportunities', 2010.

<sup>43</sup> The UK Warehousing Association, 'Save Energy, Cut Costs', 2010.

<sup>44</sup> The Carbon Trust produce guidelines on carbon management in the hospitality industry. These can be found at [www.carbontrust.co.uk](http://www.carbontrust.co.uk)

<sup>45</sup> People 1<sup>st</sup>, State of the Nation Report, 2009.

<sup>46</sup> Department for Transport, 'Exploring Public Attitudes to Climate Change and Travel Choice: Deliberative Research', 2009.

<sup>47</sup> Northern Ireland Tourism Board, 'Tourism and the Pub – Maximising Opportunities', 2010.

Many pubs and restaurants in Northern Ireland are already marketing themselves as using locally-sourced ingredients in their food. Consumers want to experience locally sourced food and music.

#### **2.3.4.2 Implications on employment and skills**

Research by People 1<sup>st</sup> has identified environmental cost management to be one of the main management needs across the sector.<sup>49</sup> This has increased in importance over the past two years. Similarly, chefs are using cheaper cuts of meat, and as a consequence need a broader range of skills in order to prepare and cook them.

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,<sup>50</sup> the recession, coupled with increased access to information on the internet means that customers are getting smarter and are saving money in four ways:

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

Visitors to Northern Ireland appear to be demonstrating the following trends:

- 48 percent of journeys to Northern Ireland are made for the purpose of holiday, 13 percent for business and 36 percent for visiting friends and family.<sup>51</sup>
- Of the home nations, Northern Ireland attracts the smallest proportion of people travelling to countryside/village destinations, but the largest proportion of people travelling to large city/town destinations.<sup>52</sup>

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](http://www.people1st.co.uk/research)

##### **2.3.5.2 Implications on employment and skills**

Employers react to new consumer demand as and when they occur and consequently staff are generally taught new skills informally, on-job.

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<sup>48</sup> Northern Ireland Tourism Board, 'Tourism and the Pub – Maximising Opportunities', 2010.

<sup>49</sup> People 1<sup>st</sup>, Employer Survey, 2010.

<sup>50</sup> Mark Hudson, PricewaterhouseCoopers, speaking at the ABTA Travel Convention, October 2009.

<sup>51</sup> Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

<sup>52</sup> Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

Managers, particularly those in smaller businesses, and owner 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 Governmental**

### **2.3.6.1 State of play**

The Northern Ireland Executive has identified tourism as a priority sector. The ending of sectarian problems in recent years has enabled tourism to grow. The Government is investing in the sector through its departments and agencies to develop the sector to compete globally.

Much of this investment is focusing on five signature projects:

1. **Saint Patrick and the Christian Heritage.** Strategically influence the development of visitor sites and urban centres on the St. Patrick's Trail with financial assistance for infrastructure development.
2. **The Mournes.** Strategically influence the development of the Mournes by administering financial assistance for infrastructure development.
3. **The Causeway Coast and Glens.** Encourage the development of the Giant's Causeway Visitor Centre to suitable standards. Strategically influence infrastructural development of at least 22 key sites on the Causeway Coastal Route.
4. **The Walled City of Derry (Londonderry).** Financial assistance to key projects through the Built Heritage Programme. Implement the Lighting Strategy to illuminate Craigavon Bridge, city walls and key buildings.
5. **The Titanic.** Develop and implement an integrated tourism plan and marketing communications plan for 2012 centenary.

Through these projects, the Northern Ireland government aims to increase revenue by maximising both the volume and value of visitors, thereby moving away from the current dependency on trips to visit friends and family.

A significant amount of public sector money is also spent through skills and education investments. Research undertaken in 2006 looked at public sector expenditure on sector-specific skills and education activities and identified that £23m was being spent.<sup>53</sup> Whilst public sector spending was welcomed by the sector, it did prompt sector concerns as to the areas where funding was being targeted.

There is also a strong hospitality presence in the public sector, through catering provision in schools and healthcare.

### **2.3.6.2 Implications on employment and skills**

The five tourism signature projects cover five geographic areas across the Province. Capital investment needs to be matched with skills investment by both focusing public-sector investment and increasing employer contributions. This is likely to require support to smaller businesses to raise their understanding of changing consumer needs and their ability to

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<sup>53</sup> People 1<sup>st</sup>, 'Smarter Spending: NI report', 2006.

respond to them. There is also a need to raise levels of customer service and these are discussed in section three: current workforce and skill needs. The problem of filling hard-to-fill vacancies, particularly in rural and coastal areas could affect the sustainability of signature projects outside of Belfast.

Less funding in the public sector is likely to hit hospitality provision in the public sector. It is still unclear whether this means a loss of some provision, whether more will be outsourced to commercial contract food service providers or whether it will result in de-skilling in an attempt to reduce costs.

## 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	■					
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	■					

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						
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						

## 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, skills 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 47,200 people in Northern Ireland. This is more than the figure produced by Deloitte and Oxford Economics (39,000) which covers the wider 'visitor economy'.
- The workforce has remained relatively stable over the past five years and although falling during the recession, has since increased.
- The restaurant industry accounts for nearly half of the sector workforce (44 percent).
- In direct contrast to trends found elsewhere in the UK, the number of chefs working in the sector has more than doubled in the past five years.
- Workforce characteristics remain broadly the same, 64 percent are female and nearly half (43 percent) are under 30. 59 percent work full-time, 16 percent were born overseas and 12 percent are self-employed.

#### 3.2.1 Size of the workforce

The hospitality, leisure, travel and tourism sector employs 47,200 people in Northern Ireland. Other estimates of employment in the hospitality, leisure, travel and tourism sector are available from Deloitte and Oxford Economics<sup>54</sup> and the Northern Ireland Tourist Board. Respectively, these estimates place workforce numbers at 39,000 and 40,000 and are purported to include the wider visitor economy.

To put this into context, the retail industry employs around 74,500 people whilst there are 17,000 in financial services and 12,000 in passenger transport.

In the Republic of Ireland, employment in the tourism industry has fallen by 44,218 between 2007 and 2009 and now stands at 160,298.<sup>55</sup>

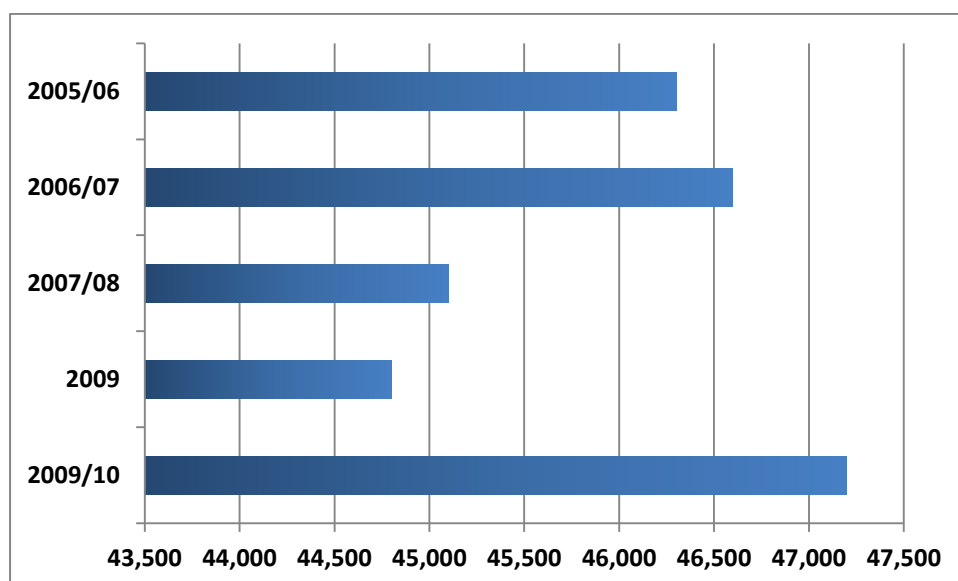
Figure 3.1 highlights that the sector workforce has remained relatively stable over recent years.<sup>56</sup> Whilst falling in the run up to and during the recession, it now appears to be recovering with employment figures for 2009/10 at their highest level in five years.

<sup>54</sup> Deloitte, 'The economic contribution of the Visitor Economy: UK and the nations', 2010.

<sup>55</sup> Fáilte Ireland, Tourism employment and training survey 2009, September 2010.

<sup>56</sup> 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 figure 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

The restaurant industry has by far the greatest share of the sector workforce (44 percent), a considerably higher proportion than across the UK as a whole (31 percent). Whilst hospitality services, hotels and pubs, bars and nightclubs all employ a significant proportion (14, 13 and 12 percent respectively), other industries such as gambling, visitor attractions, tourist services and events employ relatively few individuals.

Looking at the industries that constitute hospitality, they account for 95 percent of the workforce, compared to three percent in travel and tourism, two percent in gambling and less than one percent in events (see table 3.1).

However, there is considerable overlap across the industries in terms of which broader categorisation (hospitality, tourism etc) they fall under. For example, with the exception of hospitality services, most of the industries rooted in hospitality will generate a proportion of their revenue from tourism. According to the People 1<sup>st</sup> Employer Survey of 2010, 17 percent of hospitality businesses in Northern Ireland estimated that over half of their business was generated by tourism (as opposed to the local market), 14 percent believed it was between a quarter and half although the majority (69 percent) stated that less than a quarter of their business came from tourism.

It should be noted that the figures used for events refer only to a subsection of the events industry; therefore in reality the figure is likely to be larger.<sup>57</sup>

<sup>57</sup> 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.

**Table 3.1: Workforce numbers by industry (Northern Ireland)**

2009/10	2009/10	Proportion of HLTT workforce	Proportion of HLTT workforce (UK)
Restaurants	20,700	44%	31%
Hospitality services	6,800	14%	18%
Hotels	6,300	13%	12%
Pubs, bars and nightclubs	5,900	12%	16%
Food and service management	4,300	9%	9%
Travel services	1,300	3%	5%
Self-catering accommodation, holiday parks and youth hostels	1,000	2%	3%
Gambling	***	<1%	4%
Visitor attractions	***	<1%	<1%
Tourist services	***	<1%	1%
Events	***	<1%	1%
<b>Total</b>	<b>47,200</b>	<b>100%</b>	<b>100%</b>

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

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

### 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, HR, etc). However, there are those 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.<sup>58</sup> Most people work as chefs and cooks, followed by kitchen and catering assistants and waiting staff.

It is unsurprising that the numbers working as kitchen staff (chefs and kitchen assistants) are so high given the dominance of the restaurant industry across the sector in Northern Ireland (making up 47 percent of all establishments in the hospitality, leisure, travel and tourism sector). However, it somewhat confounds expectations that there is not a greater number of waiting staff.

The table indicates that the number of chefs and cooks has more than doubled in the past five years. This is in stark contrast to the UK as a whole where the number of chefs and cooks has actually fallen by six percent since 2004/05. This could be related to the increasing importance of food offered in pubs and may also go some way to explaining the huge jump in the number of chefs whilst the number employed as waiting staff has experienced less of a change.

The number of people working as bar staff has fallen by 11 percent which could, similarly to the increase in the number of pubs serving food, reflect the cost saving measures and revenue generating initiatives which many pubs have adopted in recent years. 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

<sup>58</sup> Owing to small sample sizes in Northern Ireland, a number of these core occupations do not allow for robust data to be produced.

entertainments. A report looking specifically at licensed hospitality can be found at [www.people1st.co.uk/research](http://www.people1st.co.uk/research)

**Table 3.2: Number employed in core occupations**

	2004/05	2009/10	Five-year change
Chefs and cooks	5,300	10,800	105%
Kitchen and catering assistants	10,400	10,000	-3%
Waiting staff	5,100	4,600	-10%
Bar staff	4,900	4,300	-11%
Restaurant and catering managers	3,900	3,900	0%
Publicans and managers of licensed premises	1,800	1,800	2%
Hotel and accommodation managers	1,300	1,000	-27%
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	1,100	***	-
Conference and exhibition managers	***	***	-
Travel and tour guides	***	***	-
Leisure and theme park attendants	***	***	-

Source: Labour Force Survey, Office for National Statistics.

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

NB – figures 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 Northern Ireland:

- 64 percent of the workforce are female
- 43 percent of the workforce are aged under 30
- Nine percent are from a Black or Minority Ethnic (BME) background
- 59 percent work full time
- 16 percent were born overseas
- 12 percent work on a self-employed basis.

**Table 3.3: Summary of Workforce characteristics by occupation ( Northern Ireland)**

Occupation	Size and characteristics			
	Current number	Five-year change	Aged below 30 years	% females
Chefs and cooks	10,800	105%	24%	49%
Kitchen and catering assistants	10,000	-3%	35%	87%
Waiting staff	4,600	-10%	72%	80%
Bar staff	4,300	-11%	64%	52%
Restaurant & catering managers	3,900	0%	31%	43%
Publicans & managers of licensed premises	1,800	2%	43%	36%
Hotel & accommodation managers	1,000	-27%	0%	39%
Hotel porters	***	***	***	0%
Housekeepers	***	***	***	***
Conference & exhibition managers	***	***	***	***
Travel agency managers	***	***	***	100%
Travel agents	***	***	***	100%
Travel & tour guides	***	***	***	***
Leisure & theme park attendants	***	***	***	100%
Supervisors	***	***	***	***
Owners/managers	***	***	***	***

Source: Labour Force Survey, Office for National Statistics.

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

Excluding those working in restaurants, the vast majority of the workforce is female (64 percent<sup>59</sup>). However, the sheer volume of those working in the restaurant industry (where the gender balance is roughly even) reduces the overall average. The scale of female employment in the sector is unique to Northern Ireland and can partly be explained by the historical gender split between manufacturing and service sectors.

Those working in restaurants, hotels and pubs, bars and nightclubs tend to have a much younger workforce than travel services, hospitality services and food and service management (see table 3.4).

<sup>59</sup> 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 3.4: Workforce characteristics**

2009/10	Female proportion	Proportion under 30	Proportion BME	Proportion part-time work
Restaurants	52%	53%	19%	43%
Hospitality services	86%	17%	***	40%
Hotels	69%	54%	***	45%
Pubs, bars and nightclubs	51%	55%	***	48%
Food and service management	96%	9%	***	41%
Travel services	***	33%	***	***
Self-catering accommodation, holiday parks and youth hostels	68%	***	***	30%

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

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

### 3.3 Retention

#### *Key messages*

- Labour turnover is costing the hospitality, leisure, travel and tourism sector close to £1m annually in Northern Ireland.
- At 35 percent, the sector in Northern Ireland has a higher rate of labour turnover than the other home nations.
- Restaurants and pubs, bars and nightclubs have the highest rates of labour turnover.
- Similarly, rural and smaller businesses have higher turnover rates, both of which are a key characteristic of the sector across Northern Ireland.

According to the Northern Ireland Skills Monitoring Survey (2008), the hospitality, leisure, travel and tourism sector has the highest rates of labour turnover in Northern Ireland. At 34 percent<sup>60</sup>, it is five percent higher than the next highest sector, fashion and textiles (with a rate of 29 percent) and eight percent higher than the process and manufacturing sector (26 percent).

In the Skills Monitoring Survey, employers were asked whether there were specific jobs in which there is a high level of staff turnover.<sup>61</sup> Hospitality, leisure, travel and tourism employers were almost twice as likely to report that they had jobs with high turnover – 13 percent compared to seven percent of employers across the whole economy.

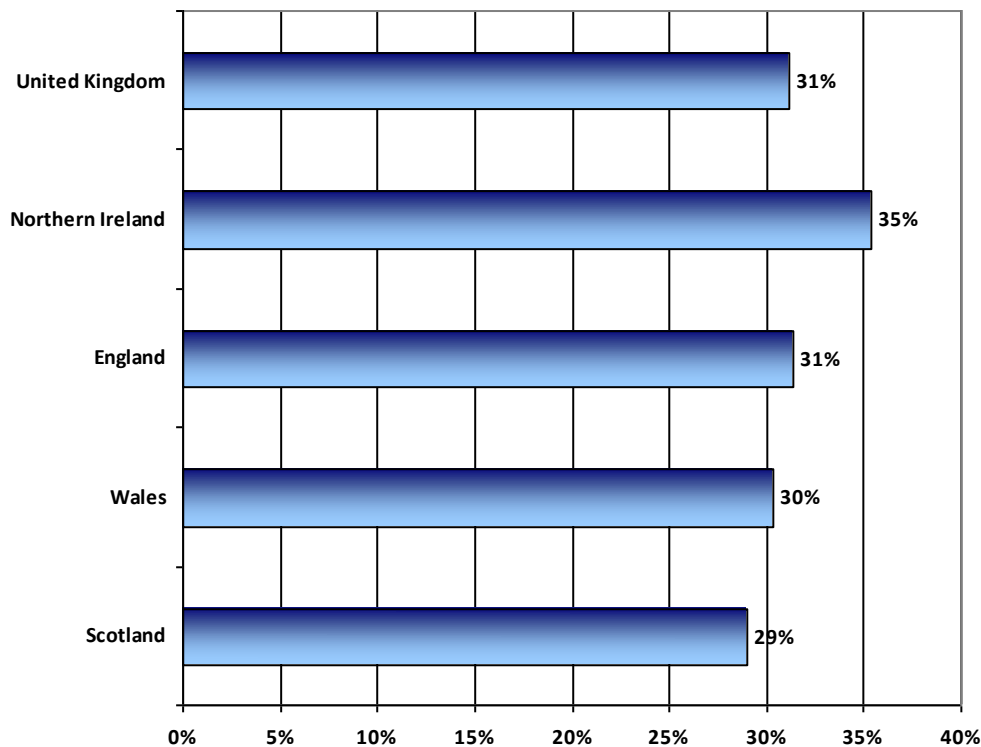
Similarly, as figure 3.2 shows, the People 1<sup>st</sup> employer survey (2009) found that, at 35 percent, the turnover rate across Northern Ireland was higher than in the other home nations [England (31 percent), Wales (30 percent), Scotland (29 percent)]. Furthermore, the

<sup>60</sup> 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).

<sup>61</sup> This is defined as when a high number of staff leave but not as a direct result of downsizing or redundancy.

rate of labour turnover in urban areas in Northern Ireland was calculated at 45 percent, a huge figure especially considering it is only 18 percent in rural areas. Overall, turnover figures appear to be twice that of those found in the South. Failte Ireland estimate that labour turnover is 14 percent across the tourism sector in the Republic of Ireland.<sup>62</sup>

**Fig 3.2: Labour turnover UK home nations'**



Source: People 1<sup>st</sup> 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.

Labour turnover not only costs the hospitality, leisure, travel and tourism sector £980,000 annually in Northern Ireland, through its investment in recruitment and training, but it is also a major factor behind the high percentage of skills gaps reported by sector employers.

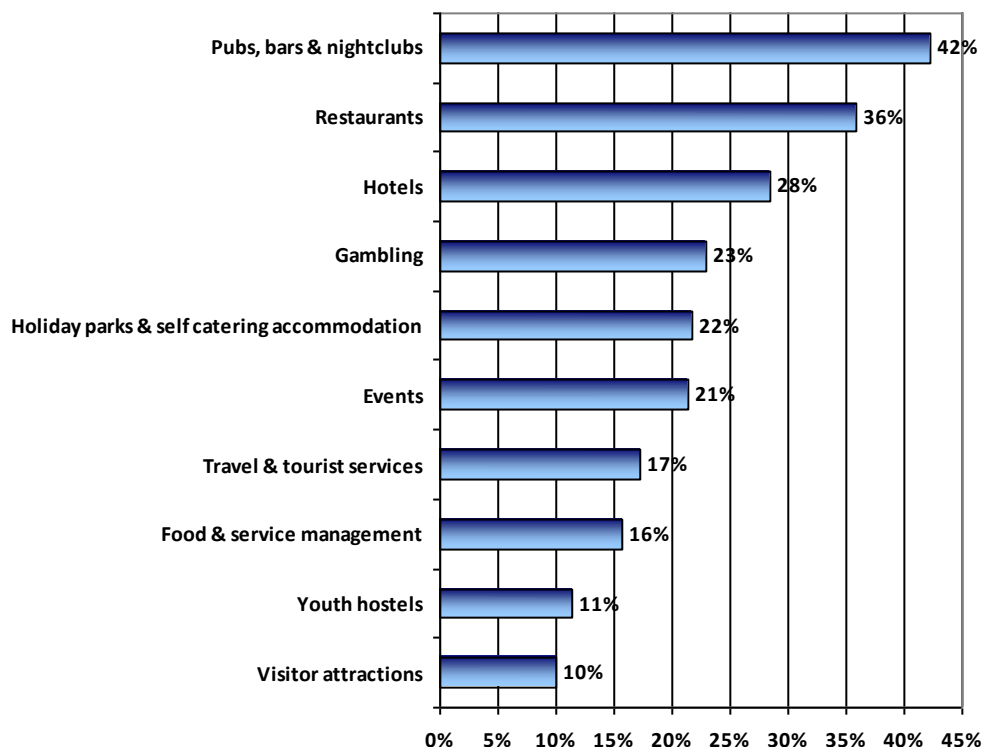
The recession has increased retention rates. According to the People 1<sup>st</sup> Employer Survey, 2010, 55 percent of sector employers across the UK believe that it is easier to retain staff, this rises to 73 percent in events, although only 38 percent in the pubs, bars and nightclubs industry.

Whilst retention is a problem for the UK sector as a whole, the problem is particularly acute in Northern Ireland. This can largely be explained by the relative size of the restaurant and pubs, bars and nightclub industries which both have above average turnover rates. Figure 3.3

<sup>62</sup> Failte Ireland, Tourism employment and training survey 2009, September 2010.

shows labour turnover across occupations at a UK level.<sup>63</sup> The pubs, bars and nightclubs industry has the highest rates of turnover at 42 percent and 36 percent respectively.

**Fig 3.3: Industry variations in labour turnover (UK)**



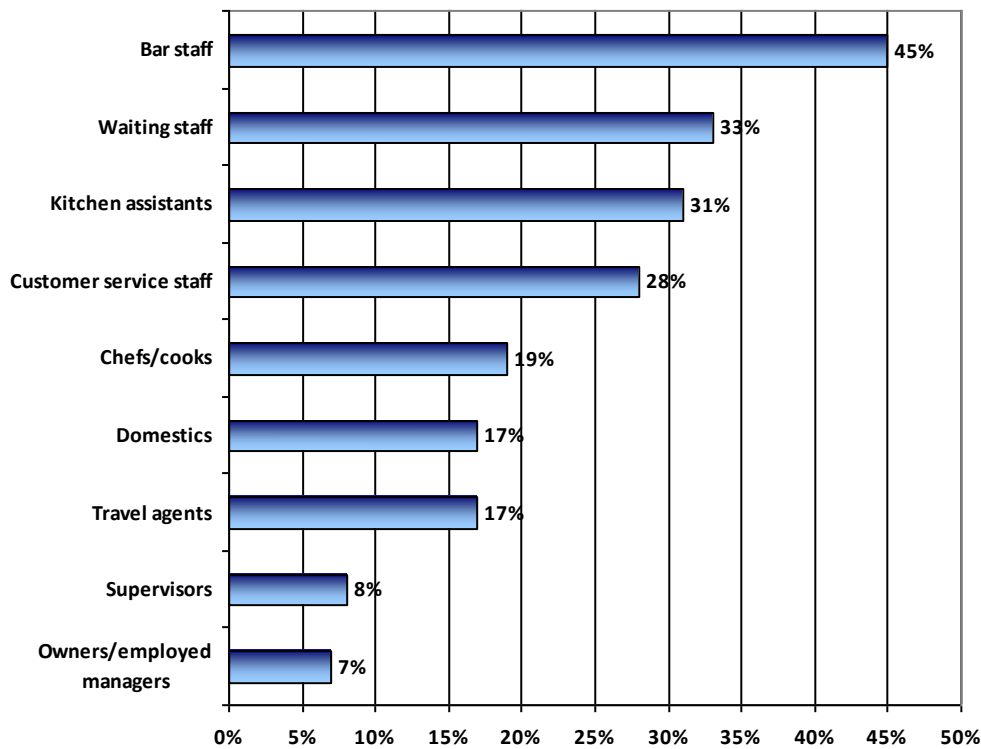
Source: People 1<sup>st</sup> employer survey 2009.

Base: All survey participants (1,303).

It is helpful to examine turnover rates at an occupational level to better understand the industry variations. Figure 3.4 shows that bar staff have the highest rates (45 percent), followed by waiting staff (33 percent) and kitchen assistants (31 percent). These occupations have been traditionally filled by transient workers, such as students and international workers and are more likely to be found in the restaurant and pubs, bars and nightclubs industry. More senior positions (such as owners, managers and supervisors) have much lower rates. However, almost a fifth (19 percent) of those falling within the 'skilled trade' categories (such as chefs and cooks) change jobs every year.

<sup>63</sup> Unfortunately, the sample sizes when broken down at this level do not all allow us to present reliable figures at a Northern Ireland level, but anecdotal and quantitative research suggests that this reflects the picture across all four home nations.

**Fig 3.4: Labour turnover rates by occupation (UK)**

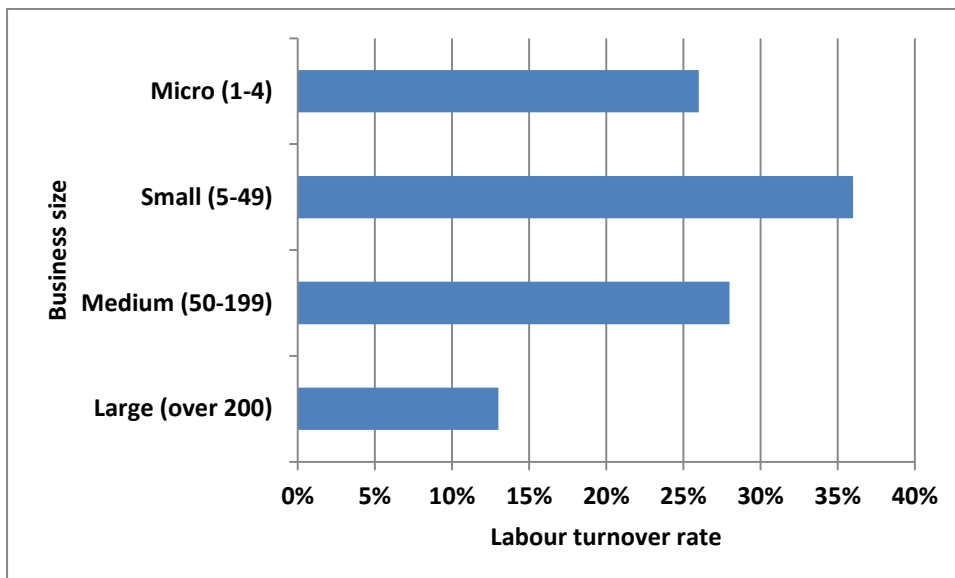


Base: All with employees in these particular occupational groups (varied).

Again, looking at a UK level, turnover rates are much higher in urban areas (35 percent) than in rural settings (22 percent). This largely reflects the fact that in urban areas, there is a larger, more fluid labour market which makes recruitment easier.

The challenge of tackling labour turnover is intensified when looking at the size of the business. Northern Ireland has a high proportion of small businesses and, 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 higher than larger businesses. Anecdotal evidence and qualitative research undertaken by People 1<sup>st</sup> suggests that in general smaller businesses are less 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 (which would increase retention), they are more likely to hire casual staff to deal with peaks of demand.

**Fig 3.5: Labour turnover across different size of business (UK)**



Base: All survey participants (1,303).

### 3.4 Recruitment

#### *Key messages*

- The proportion of businesses reporting vacancies has, despite drastic changes to the economy, changed little in recent years.
- For those who have recruited recently, the process has become much easier than before; largely owing to an increase in the number of high calibre applicants.
- Posts for skilled chefs and competent managers are the most difficult to fill.
- The vast majority of businesses provide training for their staff with waiting staff and supervisors being the most likely to receive training.
- Employers hope that training will benefit their businesses in a number of ways, not least by improving customer service and staff morale.

#### **3.4.1 Vacancies and hard to fill vacancies**

Across the hospitality, leisure, travel and tourism sector, 14 percent of employers currently have vacancies<sup>64</sup> (a rate which has remained unchanged since 2005). This compares to 12 percent across Northern Ireland as a whole and is the same as the passenger transport and retail industries.

<sup>64</sup> Department of Education and Learning in Northern Ireland, 'Northern Ireland Skills Monitoring Survey 2008', 2009.

The number of sector employers reporting difficult to fill vacancies is similar to that reported across the Northern Ireland economy as a whole (five percent compared to four percent across all sectors). The number of vacancies proving difficult to fill in the hospitality, leisure, travel and tourism sector is slightly higher at 31 percent, compared to 29 percent across the whole economy. Historically, the sector has reported higher instances of vacancies and difficult to fill vacancies than across the economy as a whole. 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 figures suggest that it is currently easier to recruit, owing to the more fluid labour market following the economic downturn. These figures compare to 14 percent of tourism employers reporting vacancies in the Republic of Ireland.<sup>65</sup>

**Table 3.5: Employment, vacancies and difficult-to-fill vacancies (Northern Ireland)**

	Total employment	Number of vacancies	Number of difficult-to-fill vacancies	Vacancies as a proportion of all employment	Difficult-to-fill vacancies as a proportion of vacancies
Financial services	18,275	225	100	1%	41%
Passenger transport	8,750	250	75	3%	35%
<b>Hospitality, leisure, travel and tourism</b>	<b>49,700</b>	<b>1,575</b>	<b>475</b>	<b>3%</b>	<b>31%</b>
Retail	89,100	3,125	675	4%	21%
Northern Ireland	723,100	17,400	5,050	2%	29%

Source: Northern Ireland Skills Monitoring Survey 2008.

There is a clear polarisation as to whether sector employers are recruiting. According to the People 1<sup>st</sup> employer survey (2010)<sup>66</sup> in the past 12 months, half of sector employers in Northern Ireland had recruited staff, 48 percent had not done so and the remaining two percent were unsure. This is slightly less than across the UK as a whole where 57 percent had recruited.

Table 3.6<sup>67</sup> indicates that all hotels had recruited in the last year compared to 71 percent of pubs, bars and nightclubs and close to two thirds (63 percent) of all food and service management businesses interviewed.

<sup>65</sup> Fáilte Ireland, Tourism employment and training survey 2009, September 2010.

<sup>66</sup> Conducted between January and March 2010.

<sup>67</sup> Caution should be exercised in the interpretation of these figures due to low sample size.

**Table 3.6: Differences in recruitment across industries, Northern Ireland**

	Number of businesses interviewed	Number who had recruited	Proportion who had recruited
Hotels	5	5	100%
Pubs, bars & nightclubs	14	10	71%
Food & service management	8	5	63%
Visitor attractions	13	7	54%
Events	4	2	50%
Restaurants	34	15	44%
Tourist services	11	4	36%
Travel Services	3	1	33%
Gambling	5	1	20%
Self catering accommodation, holiday parks and youth hostels	3	0	0%

Source: People 1<sup>st</sup> 2010.

Similarly there also appeared to be some variation in the likelihood of a business recruiting depending on its location; 56 percent of those in urban areas had recruited, compared to 46 percent in coastal settings and just 35 percent of those in rural ones.

Of those employers who had recruited new staff, the greatest proportion (48 percent) had found the process easier than in the past, which is largely down to the increased ratio of applicants to available vacancies (stated by 40 percent of respondents). For those who had found it more difficult, 77 percent believe it had become more difficult to find people with the right skills or experience. The survey also found that over half (51 percent) of businesses believed that the qualifications held by applicants for jobs had become more important in helping choose between them.

Occupational analysis is not available for the sector in Northern Ireland. However, anecdotal and qualitative research suggests that it is very much in line with the rest of the UK. Given the expansion across the sector, there are vacancies for most core occupations found across the sector. However, there are a number of significant vacancies. As table 3.7 shows, these are mainly in front-facing hospitality roles and for chefs and managers.

**Table 3.7: Summary of current skill needs in Northern Ireland**

Occupation	Recruitment, retention & skill needs					
	Labour turnover rates <sup>68</sup>	Retention <sup>69</sup> <sub>70</sub>	Significant vacancies	Hard to fill vacancies <sup>71</sup>	Skill shortage vacancy	Skill gaps
Chefs and cooks	19%	10%		33%		
Kitchen and catering assistants	31%	12%		14%		
Waiting staff	33%	13%		12%		
Bar staff	45%	16%		9%		
Restaurant & catering managers	***	6%		***		
Publicans & managers of licensed premises	***	6%		***		
Hotel & accommodation managers	***	5%		***		
Hotel porters	***	***		***		
Housekeepers	***	4%		***		
Conference & exhibition managers	***	7%		***		
Travel agency managers	***	***		***		
Travel agents	17%	7%		***		
Travel & tour guides	***	6%				
Leisure & theme park attendants	***	14%		***		
Supervisors	8%	***		11%		
Owners/managers	7%	***		17%		

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

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 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). They are typically recruited on personality and then trained on-the-job.

Historically, these positions have attracted a high proportion of transient staff, such as students and immigrants. Currently, 16 percent of bar staff and 19 percent of waiting staff are full-time students.

<sup>68</sup> People 1<sup>st</sup> employer survey 2009, UK figures.

<sup>69</sup> 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.

<sup>70</sup> UK figures.

<sup>71</sup> People 1<sup>st</sup> Employer Survey 2009, UK figures.

Up until the recession, many front line vacancies had been filled by EU accession state workers. According to the figures 3,805 accession state workers came to Northern Ireland to work in the hospitality and catering sector between May 2004 and March 2009 (35 percent of the top ten sectors entered by accession state workers). 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.

However, the number of those coming to Northern Ireland has reduced recently. Table 3.8 indicates that the peak year for entry into the Northern Ireland workforce was 2006 (with 8,970 individuals). In 2008 this had reduced by 35 percent to 5,835; the trends within the hospitality and catering industry are roughly in line with this.

**Table 3.8: Accession state workers across all Northern Ireland economy (2004–2008)**

Year	Accession state workforce (Northern Ireland)
2004	3,660
2005	8,845
2006	8,970
2007	8,500
2008	5,835

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 a 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, 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 suggests that more stable careers might be found in the sector in mainland Europe if the average age of people working in the sector in France, Italy and Spain were higher. However, according to 2008 figures from Eurostat, this does not appear to be the case, where on average the sector is employing ten percent more of the 15–34 age group than is found across the economy.<sup>72</sup>

Recruitment methods for these roles are largely informal. The most commonly used form of recruitment is word-of-mouth followed by internal advertisements.<sup>73</sup>

Under the category of 'Catering and hospitality' the Department of Education and Learning online jobcentre currently advertises 113 vacant posts:<sup>74</sup> 46 for kitchen/counter staff, 42 for chefs/cooks, 20 for waiting staff, three for bar staff and two for porters.

Table 3.9 shows the number of people in Northern Ireland who are currently unemployed (ie. claiming benefits) but state they are looking for work in a particular role. By way of

<sup>72</sup> Eurostat, EU Labour Force Survey, 2008.

<sup>73</sup> People 1<sup>st</sup>, Employer Survey, 2009.

<sup>74</sup> Figures accessed on 1<sup>st</sup> December 2010 at:

(<http://www.jobcentreonline.com/JCOLFront/ChildSOC.aspx?Parent=5500&SOCName=Catering+and+Hospitality>)

example the monthly average from January to August 2010 of unemployed individuals claiming they were looking for work as a chef was 978. This is a sizeable proportion of the total workforce employed in this position (11 percent) but could indicate that those seeking employment are lacking in the skills required by the majority of employers.

**Table 3.9: Claimant count Northern Ireland**

Occupation	Claimant count
Kitchen and catering assistants	978
Bar staff	974
Chefs, cooks	627
Waiters, waitresses	370
Housekeepers and related occupations	116
Hotel porters	56
Restaurant and catering managers	51
Hotel and accommodation managers	28
Elementary personal services occupations n.e.c.	27
Publicans and managers of licensed premises	18
Travel and tour guides	16
Travel agents	11
Conference and exhibition managers	7
Leisure and theme park attendants	6
Travel agency managers	3
Leisure and travel service occupations n.e.c.	3
All HLTT related occupation	3,286

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 chefs or occupations found in finance, marketing etc. In 2008/09 there were 3,953 students enrolled on hospitality, leisure, travel and tourism related courses in Northern Ireland, 39 percent of whom were studying towards a qualification in cookery.

**Table 3.10: Number of students enrolled on hospitality, leisure, travel and tourism related courses, Northern Ireland 2008/09**

Subject Area	Level 1 and entry	Level 2	Level 3	HE	Total
Cookery	304	925	292	6	1,527
Travel & Tourism	-	244	604	210	1,058
Others in Hotel, Catering & Institutional Management	71	75	90	36	272
Institutional House-keeping and Catering	-	264	-	-	264
Food Service	48	206	-	-	254
Catering & Institutional Management	4	28	58	131	221
Home Economics	39	26	7	-	72
Wines & Spirits/Alcoholic Beverages	48	24	-	-	72
Pastry Cooks	-	53	16	-	69
Design & Decoration of Flour Confectionary	-	67	-	-	67
Hotel & Catering Administration	10	-	28	-	38
Baking	-	24	-	-	24
Home & Community Studies	-	12	-	-	12
Hotel Reception	-	2	-	-	2
House-keeping & Catering	-	1	-	-	1
<b>Total</b>	<b>524</b>	<b>1,951</b>	<b>1,095</b>	<b>383</b>	<b>3,953</b>

Source: Department of Education and Learning.

Apprenticeships, whilst being undertaken in front of house roles, are in the main offered to existing staff and not necessary seen as an entry route into the sector.

Through the Future Skills Action Plan, there has been a considerable amount of work undertaken to produce more accurate and engaging information, advice and guidance relative to the sector in Northern Ireland. This has resulted in a DVD being produced promoting the opportunities of working in the sector in Northern Ireland, as well as Careers Awareness Raising Events targeting careers practitioners. This complements the increased focus on career progression routes, strengthened through the qualifications reform process undertaken by People 1<sup>st</sup>. This has seen the number of sector-specific qualifications reduced from 305 in 2008 to 167 in 2010. These career pathways are promoted on the sector's career and jobs website [www.uksp.co.uk](http://www.uksp.co.uk) The focus is now on emphasising the professionalism of the sector and specific entry routes.

Other methods by which People 1<sup>st</sup> has been promoting the sector include careers factsheets which have been produced for Northern Ireland.<sup>75</sup> These have been designed to provide up-

<sup>75</sup> See <http://www.careersserviceni.com/NR/rdonlyres/F81F2CDB-F634-4725-9493-F86721B36E29/0/HospitalityLeisureTravelandTourism.pdf>

to-date information to young people and adults in making decisions about their future careers.

## **3.5 Current skills needs**

### **3.5.1 Skills shortages**

According to the Northern Ireland Skills Monitoring Survey (2008), 15 percent of all vacancies were as a result of a lack of available candidates with the required skills, qualifications or work experience. Furthermore, almost half of all difficult-to-fill vacancies (48 percent) were proving difficult-to-fill owing to a lack of suitable applicants.

Occupational breakdowns are not available, but anecdotal evidence and qualitative research with employers has consistently identified chefs and managers as the most difficult occupation for which to recruit.

### **3.5.2 Skilled chefs**

Skilled chefs are repeatedly stated 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 year's relevant experience.<sup>76</sup>

Whilst this definition 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 3.11 shows the roles and functions found in a traditional brigade.

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<sup>76</sup> UK Border Agency, 'Government-approved shortage occupation list for Tier 2 of the Points Based System', 2010.

**Table 3.11: Roles and functions in a traditional brigade (fine dining)**

Occupation	Role	Core functions	Approximate qualifications level
<b>Head Chef</b>	Manage the operation of the kitchen and food preparation areas	<ul style="list-style-type: none"> <li>• Managing preparation, cooking and finishing of dishes</li> <li>• Menu development</li> <li>• Budgetary and finance</li> <li>• Managing and leading</li> </ul>	4
<b>Sous Chef</b>	Assist in managing the operation of the kitchen and in the production of high quality food	<ul style="list-style-type: none"> <li>• Prepare, cook and finish complex dishes</li> <li>• Basic budgetary and finance skills</li> <li>• Liaise with Head Chef on menu development</li> <li>• Stand in for Head Chef when required</li> </ul>	3/4
<b>Chef de Partie</b>	To prepare, cook and present food – focusing on a specific section of the kitchen (sauces, stock, fish, etc.)	<ul style="list-style-type: none"> <li>• Prepare, cook and finish complex dishes</li> <li>• Ensure consistent quality</li> <li>• Manage portion control</li> <li>• Participate in stock control</li> <li>• Minimise wastage</li> </ul>	3
<b>Commis Chef</b>	To prepare, cook and present food (covering all sections of the kitchen)	<ul style="list-style-type: none"> <li>• Prepare, cook and finish basic dishes</li> <li>• Ensure consistent quality</li> <li>• Manage portion control</li> <li>• Participate in stock control</li> <li>• Minimise wastage</li> </ul>	2
<b>Kitchen Porter</b>	To clean kitchen utensils, equipment and kitchen areas	<ul style="list-style-type: none"> <li>• Clean all utensils and crockery</li> <li>• Operate and maintain the efficient running of the dishwashing machine</li> <li>• Ensure surfaces and equipment are kept clean</li> </ul>	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:<sup>77</sup>

- 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.

<sup>77</sup> People 1<sup>st</sup>, 'Understanding the need for skilled chefs', 2008.

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. It is estimated that annually sector employers need to recruit around 2,000<sup>78</sup> chefs. As outlined earlier in the section, there are currently 1,527 individuals studying towards a cookery related qualification so, in short, there is a considerable shortfall in the supply of chefs compared to the demand.

The introduction of the Diploma in Professional Cookery at levels 1 and 2 has started to ensure 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.<sup>79</sup> 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, all six Northern Ireland colleges are delivering the Diploma and through the Future Skills Action Plan project have worked collaboratively to standardise delivery and share best practice. However, given the skill needs there needs to be greater focus at level 3.

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 it is as robust as its content.

The Compass Junior Chef Academy, run by colleges and providing 12–16 year olds with an opportunity to cook on a Saturday morning, has had high profile support from the sector and will hopefully result in greater numbers moving on to chef programmes in further education.

Collaborative action between employers and learning providers is critical to harness some of this success. It is hoped that the chef organisation in Northern Ireland will help sustain activities to attract and develop more skilled chefs into the Province, however, it requires dedicated resources in order to drive activity and impact.

Qualitative research conducted by People 1<sup>st</sup> 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.<sup>80</sup> This in turn is leading to increased labour turnover, which is further exacerbating the skill shortage.

### **3.5.3 Asian and Oriental cuisine**

The current demand for chefs with the skills and knowledge to prepare and cook Asian and Oriental food 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

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<sup>78</sup> Based on an annual labour turnover of 19 percent for the 10,800 chefs and cooks currently working in Northern Ireland.

<sup>79</sup> People 1<sup>st</sup>, 'Evaluation of the Professional Cookery Diploma', 2008.

<sup>80</sup> People 1<sup>st</sup>, 'Understanding the need for skilled chefs', 2008.

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 repeatedly highlights people management skills as a key problem.

In addition to highly skilled chefs, other less skilled chefs can be found across the sector 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, so requires heating and presentation.

#### **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 skilled chefs, employers seek a range of different management skills to reflect their business needs. However, the most critical skills employers look for in managers are<sup>81</sup>:

- 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

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<sup>81</sup> People 1<sup>st</sup>, 'National Occupational Standards Review of Supervision and Leadership', 2008.

- 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 almost three quarters (73 percent) of employers in Northern Ireland provide training for their managers 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. However, in the majority of cases, employers find that, for example, chefs and event co-ordinators they have taken on directly from college are fully competent in their role within six months.<sup>82</sup> 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 has increased, but as research conducted by People 1<sup>st</sup> in 2010 shows, the vast majority of employers require them to start at an operational level. Conventional wisdom in the events industry is that there are too many events management graduates for the jobs available. This is explored further in Labour Market Review for the Events Industry (2009), produced by People 1<sup>st</sup> and can be found at [www.people1st.co.uk/research](http://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<sup>83</sup>. 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, 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

<sup>82</sup> People 1<sup>st</sup> (2010) found that, across the UK, 63 percent of chefs and 60 percent of event co-ordinators recruited directly from full time education were judged to be fully competent in their roles within six months.

<sup>83</sup> With the exception of those in fields such as human resources, finance and marketing, etc.

little training or experience of dealing with customers. The emphasis on training and development is important. Whilst employers are training in this area, it seems to have done little to alleviate the number of employers reporting skills gaps in this area (see later sub-section on skills gaps).

In 2008, People 1<sup>st</sup> led research with a number of different Sector Skills Councils across the visitor economy.<sup>84</sup> 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 are standalone on the Qualification and Credit Framework, but are also part of apprenticeship and pre-employment frameworks.

In 2010, People 1<sup>st</sup> 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. This is currently being rolled out in Wales and England and discussions are underway about bringing it into Northern Ireland.

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

- The importance of providing excellent service
- Attitude and behaviour
- 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 to help customers understand the games, but also sales skills to encourage them to try different ones<sup>85</sup>. In hospitality, the focus continues to be on customer service and upselling. In all industries, the importance of product knowledge is critical.

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<sup>84</sup> People 1<sup>st</sup>, 'World class customer service... for 2012 and beyond', 2008.

<sup>85</sup> People1<sup>st</sup>, Labour Market Review of the Gambling Industry, 2008.  
(available to download at [www.people1st.co.uk/research](http://www.people1st.co.uk/research))

### 3.6 Skills gaps

Across the Northern Ireland economy, around one in seven employers (14 percent) identify a gap between the skills of their workforce and the skills they need to meet their business objectives. This compares to 18 percent in the hospitality, leisure, travel and tourism sector.<sup>86</sup>

According to the Northern Ireland Skills Monitoring Survey 2008, 34 percent of sector employers felt that their existing staff were not fully proficient in their jobs.<sup>87</sup> This is equivalent to 7,400 skills gaps or 15 percent of the sector's workforce.

This is much higher than across the Northern Ireland economy as a whole where over a fifth (22 percent) of employers report they have proficiency-based skill gaps. In looking at skills gaps across different sectors, hospitality, leisure, travel and tourism ranks in second place after science, engineering and manufacturing technologies, where 37 percent report skills gaps.

The People 1<sup>st</sup> Employer Survey (2010) found a lower percentage of employers reporting skill gaps in Northern Ireland; 12 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 1<sup>st</sup> employer survey (2010) examined what particular skills were lacking in the current workforce. These figures were based on an overall sample size of 100 for Northern Ireland. Employers were first asked in which particular occupations they currently employed people (see table 3.12).

**Table 3.12: Number of businesses employing particular members of staff**

	Number	Percentage
Frontline staff (including bar staff, waiting staff)	53	53%
Senior managers (including area manager, general manager, department manager, travel agency manager)	43	43%
Supervisors/team leaders/junior manager (Including bar manager, food and beverage manager)	41	41%
Customer service staff (including receptionists, counter assistants, croupiers, theme park attendants)	40	40%
Owner manager	38	38%
Chefs who cook from scratch	28	28%
Events co-ordinators	17	17%
Chefs who mainly cook pre-prepared food	15	15%
Travel consultants	2	2%

Source: People 1<sup>st</sup> 2010.

Respondents were then asked what skills were most lacking amongst the particular occupational groups in which they employ staff. Table 3.13 summarises these results, presenting the top five most reported skills lacking for each occupation<sup>88</sup>.

Note: These results should be treated with caution. As a result of the methodological approach, the resulting sample sizes are low, but do illustrate the specific skills reported by employers as most lacking.<sup>89</sup>

<sup>86</sup> Department of Education and Learning in Northern Ireland, 'Northern Ireland Skills Monitoring Survey 2008', 2009.

<sup>87</sup> A proficient employee is defined as someone who is 'able to do their job to the required level'.

<sup>88</sup> This discounts where respondents said that no skills were lacking.

**Table 3.13: Skills most lacking in key occupations across Northern Ireland**

Occupation	Skills most lacking	Number of employers stating skill lacking
Owner managers	Maximising potential of environmental savings	12
	Financial skills	11
	General IT user skills	9
	Training and developing staff	9
	Complying with legislation	8
Senior managers	Maximising potential of environmental cost savings	15
	Training and developing staff	13
	General IT user skills	12
	Customer handling skills/customer service	11
	Financial skills	11
Supervisors/team leaders/junior managers	Maximising potential of environmental cost savings	20
	Customer handling skills/customer service	15
	Leadership skills	15
	Training and developing staff	13
	General IT user skills	12
Chefs who cook from scratch	Oral communication	9
	The right attitude	8
	Food safety	6
	Product knowledge	6
	Basic literacy/numeracy	5
Chefs who cook pre-prepared foods	Team working	5
	The right attitude	5
	Oral communication	3
	Cooking skills	2
	Product knowledge	2
Frontline staff	Customer handling skills/customer service	22
	None	21
	Team working skills	15
	Oral communication skills	14
	The right attitude	14
Customer service staff	Job specific skills	13
	Customer handling skills/customer service	12
	Team working skills	8
	The right attitude	7
	Oral communication skills	5
	General IT user skills	4

<sup>89</sup> Note: frequencies have been used rather than percentages given the low sample size.

Events co-ordinators	Customer handling skills/customer service	4
	Marketing	4
	Negotiation/persuasion skills	4
	Project management	4
	Relationship building	3

Generally speaking, these are in line with those found across the sector at a UK level. Breaking down the analysis at an occupational level highlights that whilst the occupations where skills 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, but also a consumer trend where chefs are becoming more visible, such as through open kitchens. 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 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.

Looking at managerial skills, the importance of managing environmental and energy costs is now identified as one of the biggest skills gaps. As section two (what drives skills demands) highlights, 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 skills gaps. Figures also suggest that many employers are moving training back in-house and it could also reflect increased emphasis on the managers to train their staff.

A UK study of 200 owner operators across the sector in 2006 found that before setting up their business just under two thirds of them had had no experience of working in the sector.

<sup>90</sup> It also found that:

- 38 percent had had experience in the same field
- 12 percent of employers had had experience in hostels
- 12 percent had had catering experience
- Six percent had had experience in the pub and bar industry
- Three percent had had experience as a chef.

Most hadn't received any advice or guidance (83 percent) and those that had, had themselves sought out that advice. Financial matters, such as producing a business plan and raising capital were the most critical areas for advice.

Looking back, 20 percent of respondents believed that they would have benefited from a more detailed knowledge or experience. 55 percent would have benefited from better finance and accountancy and 30 percent marketing and advertising. Other areas include law,

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<sup>90</sup> People 1<sup>st</sup> Owner Operator Survey, 2006.

legislation and licensing, IT and computers, sector specific issues and information on business expansion and development.

19 percent have sought advice since setting up their business, mostly focused on financial matters. Only 10 percent thought that they currently needed advice and this was mostly in marketing and advertising.

Only a small percentage (13 percent) had considered getting any support at the time of the survey. Nearly a third (27 percent) did not really think they needed any support. More concerning, 41 percent said they had not owing to a lack of time and three percent because they didn't have the money. Nearly a quarter (23 percent) had not thought of getting any support at all.

Customer service skills have remained a consistent skills 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 vast majority (70 percent) of sector employers state that they had funded or arranged training for their staff in the past year. This is slightly higher than the average across Northern Ireland (26 percent) as a whole and considerably higher than the third of tourism employers providing training in the South.<sup>91</sup> In terms of its delivery, 29 percent had provided on the job training, nine percent provided off the job training, whilst 33 percent had provided both.

The People 1<sup>st</sup> Employer Survey (2009) examined which occupational groups were most likely to have received training across the sector in Northern Ireland. As table 3.14 shows, waiting staff appeared to be the most likely to have received training in the past year, followed by supervisors. The least likely occupational group to receive training was room attendants and cleaners.

**Table 3.14: Likelihood of receiving training by occupational grouping**

	Employers providing training	Proportion of employers who have individuals in this occupational group
Waiting staff	36	88%
Supervisors	35	83%
Chefs or cooks	37	79%
Customer service staff such as receptionists, counter assistants or croupiers	18	78%
Kitchen assistants such as those doing food preparation or pot washing	30	77%
Bar staff	21	72%
Owners of the business or employed managers	51	65%
Domestics such as room attendants or cleaners	12	48%
Travel agents	***	***

Source: People 1<sup>st</sup> 2009.

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

Breaking this down by whether the business was located in an urban or a rural location, table 3.15 shows that waiting staff, supervisors, chefs/cooks and customer service staff, individuals are more likely to have received training in an urban setting than a rural one. On one level, this is concerning as in theory these businesses need to be training more, given their increased turnover. However, it may be part of the explanation as to why turnover levels are lower in urban areas.

<sup>91</sup> Failte Ireland, Tourism employment and training survey 2009, September 2010.

**Table 3.15: Likelihood of receiving training by occupational grouping and location**

	Urban		Rural	
Waiting staff	24	92%	11	79%
Supervisors	27	87%	7	70%
Chefs or cooks	24	83%	12	71%
Customer service staff such as receptionists, counter assistants or croupiers	12	80%	5	71%
Kitchen assistants such as those doing food preparation or pot washing	18	75%	11	79%
Bar staff	10	67%	10	77%
Owners of the business or employed managers	33	65%	17	68%
Domestics such as room attendants or cleaners	7	50%	4	40%
Travel agents	-	-		
Average	155	76%	77	70%

Source: People 1<sup>st</sup> 2009.

In terms of the type of training given, the majority of sector employers across Northern Ireland (97 percent) had provided on-job, informal training (See table 3.16). Fewer employers are providing more formal training, such as offering qualifications and only 15 had an apprentice.

**Table 3.16: Areas where training is being provided**

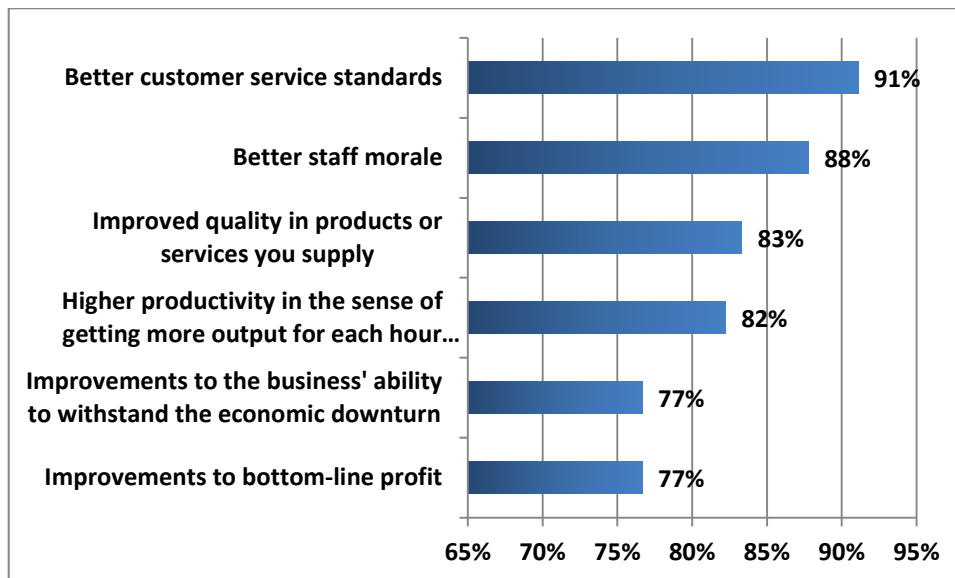
	Frequency	Percent
Trained staff informally by showing them new things or skills as they work	87	97%
Given short introductory training to new staff members	76	84%
Trained staff formally using the company's own expertise	75	83%
Given staff the opportunity to take nationally recognised qualification	58	64%
Paid or part-paid for the training of staff member whether on-site or off-site	45	50%
Had an Apprentice on the government-supported Apprentice scheme	15	17%

Source: People 1<sup>st</sup> 2009.

### 3.7.1 Reasons for undertaking training

As figure 3.6 shows, the most likely reasons for undertaking training were to attain better customer service standards and improve staff morale (mentioned by 91 and 88 percent of interviewees who had provided training).

**Fig 3.6: Reasons for undertaking training (Northern Ireland)**



Base: All who have trained in the last year (90).

Breaking this down further into trends at an industry level across the UK, the desire to improve customer service standards was particularly strong amongst travel and tourist services (89 percent of respondents), restaurants (88 percent), pubs, bars and nightclubs (87 percent) and hotels (83 percent). This is encouraging, giving 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.

However, evidence is emerging of the importance of tackling customer service skills more holistically. Research by the ROI Academy for People 1<sup>st</sup>,<sup>92</sup> assessed the return of investment of customer service skills on individual businesses. 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 ten 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 critical. 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 1<sup>st</sup>.<sup>93</sup> 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.

<sup>92</sup> People 1<sup>st</sup>, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

<sup>93</sup> People 1<sup>st</sup>, 'World class customer service ... for 2012 and beyond', 2008.

### 3.7.2 Training and retention

As figure 3.6 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 3.17 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 reaffirms 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 3.17: 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 1<sup>st</sup> 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 Northern Ireland, 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 1<sup>st</sup> 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 also is formulating future scenarios to help understand and prepare for future changes to the sector's labour market and skills 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](http://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<sup>94</sup> expects growth of 1.75 percent in 2010, followed by two percent in 2011. It believes that uncertain growth forecast means policies should stay flexible and that the current problem will not be over until there are significant falls in unemployment.<sup>95</sup>

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 area.

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<sup>94</sup> International Monetary Fund, 'Country Report No. 10/338', 2010.

<sup>95</sup> 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.<sup>96</sup> 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 true for the hotel industry. This view challenges the traditional assumption that higher level of growth, mirrored in consumer spending, will stimulate demand for higher value products and service.<sup>97</sup> 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*,<sup>98</sup> maintains its long term forecasts. They expect global international arrivals to reach nearly 1.6bn by the year 2020; Europe is expected to have the highest total of tourist arrivals (717m 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 Statistics<sup>99</sup> 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 will be 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 resumed.

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.

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<sup>96</sup> Douglas Hamilton, 'Bank of England not expecting double-dip recession in UK', 2010.

<sup>97</sup> UKCES, 'Skills for Jobs: Today and Tomorrow', 2010.

<sup>98</sup> World Tourism Organisation, 'Tourism 2020 Vision', 2001.

<sup>99</sup> Office for National Statistics data, 2009.

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, 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 customer needs, regardless of the market positioning of the business. This will see a move away from just training customer service to brand standards, but equipping them with a broader range of skills. However, 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 skills gaps reported for managers, but 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 and 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 phones, computers and media.

In 2010, Deloitte produced a Hospitality<sup>100</sup> 2015 report that identified key areas of technological development. Whilst the report focused on hospitality, the trends have resonance with 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.

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<sup>100</sup> 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.<sup>101</sup>

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 bookings online. 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 ten days.<sup>102</sup>

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,<sup>103</sup> café etc. and view their balance and reward points.<sup>104</sup>

In travel, online developments are likely to continue to represent 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.<sup>105</sup> 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.<sup>106</sup> 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

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<sup>101</sup> Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

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

<sup>103</sup> This system has been in place for a while now, but has now been extended to over 300 Starbucks stores in New York.

<sup>104</sup> 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>).

<sup>105</sup> Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

<sup>106</sup> Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

customise packages that suit their individual needs. Advances in technology will mean operators will be able to offer customers more relevant product options.<sup>107</sup> 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.

### **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 consumers decide 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 mainstream<sup>108</sup> and that sector employers 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.<sup>109</sup>

The so-called 'Generation Y'<sup>110</sup> has 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.

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<sup>107</sup> Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

<sup>108</sup> 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.

<sup>109</sup> Experian Hitwise, 'Getting to Grips with Social Media', 2010.

<sup>110</sup> Generation Y are those currently between the ages of 10 and 30.

- 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.

The use of smart card<sup>111</sup> technology is set to increase in restaurants, pubs, bars 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 being 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 we 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 less necessary. This will have repercussions on the events and travel industry. Businesses are likely to be much more selective 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:

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<sup>111</sup> 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.

### **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 the 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) continue to converge and integrate. These require specialist skills that, for smaller businesses, will be found through outsourcing to specialist agencies.

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 this field. It is likely in the future that there will be more applicants applying with these skills.

Smaller businesses will also need to enhance 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 and 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 shown by section two (what drives skills demand), 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 will experience, and this 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 skills 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 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 71.6 million. The percentage of those aged 15–29 will have decreased by two percent and increased by seven percent for those aged 60 and above.<sup>112</sup> Globally, the world population will have grown by 47 percent from 2000 to 2050 (from 6.1 billion to 8.9 billion).<sup>113</sup> It is estimated that by 2020 over half the world will be considered middle class (52 percent), compared to 30 percent in 2008.<sup>114</sup>

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 had better social skills. The increased education levels of those in developing countries provides a ready workforce for the future, but political factors make this unlikely.

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<sup>112</sup> Office for National Statistics data, 2009.

<sup>113</sup> United Nations, 'World Population to 2300', 2004.

<sup>114</sup> Deloitte, 'Serving the aging citizen', 2007.

## **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. This will benefit the events and hospitality industries and also rural areas which attract older, leisure workers, and 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**

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<sup>115</sup>. 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. However, the sector is likely to provide opportunities for them to work part-time. The situation provides the sector with 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 the 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 they 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 too does its middle class. In some countries this is likely to benefit the UK as a tourism destination. The travel patterns of the 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.<sup>116</sup>

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.<sup>117</sup> Understanding the desires and motivations of Chinese and Indian travellers will be fundamental to the success in these markets.

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<sup>115</sup> Deloitte, ‘Serving the aging citizen’, 2007.

<sup>116</sup> Deloitte, ‘Deloitte Hospitality 2015: Seven key trends to shape future success’, 2010.

<sup>117</sup> Deloitte, ‘Deloitte Hospitality 2015: Seven key trends to shape future success’, 2010.

#### **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 skills gaps as they are able to retain skills within their business. This is likely to prove more costly in the short-term, but reduce 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 of the population as a whole. Research<sup>118</sup> 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 from how 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 must have a greater understanding of the motivations of older workers, but are also able to 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.

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<sup>118</sup> University of Stirling, 'Ageing Workers are Reliable Employees', 2010.

## 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 using the 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 consumer's 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.

## 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 customer's 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 in 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 European high-speed rail network, with visitors from across the channel being able to reach not just London but Wales, the West of England, the Midlands, the North of England and Scotland.<sup>119</sup> This is likely to provide advantages and disadvantages

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<sup>119</sup> VisitBritain, 'Foresight', 2009.

Available at: [http://www.visitbritain.org/Images/Foresight%20Issue%2064\\_tcm139-167387.pdf](http://www.visitbritain.org/Images/Foresight%20Issue%2064_tcm139-167387.pdf)

to tourism, as it will be easier for travellers to enter and leave the UK. It also poses greater challenges for Northern Ireland.

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 to reflect that oil is a finite resource. In 2009, Virgin Atlantic became the first carrier to conduct the world's first ever flight by commercial flight powered by biofuel.<sup>120</sup>

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, there may be an increase in migration e.g. from North Africa to Europe.

This will be coupled with the continued consumer need for 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 on 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 and integrate their 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, but also a greater awareness of cheaper fish or meat cuts, which does not necessarily result in any loss of quality.

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<sup>120</sup> VisitBritain, 'Foresight', 2009.

Available at: [http://www.visitbritain.org/Images/Foresight%20Issue%2064\\_tcm139-167387.pdf](http://www.visitbritain.org/Images/Foresight%20Issue%2064_tcm139-167387.pdf)

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.<sup>121</sup>

Adults who will 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 what is appealing to boomers. It is likely that volunteering, hobby-based and educational holidays will appeal more to this customer base.

Offering a service or a product that is memorable and authentic 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.<sup>122</sup>

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<sup>121</sup> Mintel, 'British Lifestyle 2010 – Focusing on the Essentials', 2010.

<sup>122</sup> Mintel, 'British Lifestyle 2010 – Focusing on the Essentials', 2010.

### **Higher value does not necessarily mean ‘five star’ products**

Consumers are becoming harder to categorise and do not fit into neat boxes. For instance, the same customer that travels on Ryanair may stay at a five star hotel and eat at McDonald’s.<sup>123</sup> This challenges the old notions of quality, with consumers placing greater emphasis on relative value, rather than simply upgrading.

### **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.<sup>124</sup> 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.<sup>125</sup> 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 currently be found. 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 it 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.

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<sup>123</sup> British Tourism Framework Review, ‘Achieving the Full Potential of the Visitor Economy’, 2009.

<sup>124</sup> Mintel, ‘Hotel catering – Market Research Report’, 2009.

<sup>125</sup> Deloitte, ‘Hospitality 2015: game changers or spectators?’, 2010.

## **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 mean 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**

#### **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 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 and 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.<sup>126</sup> 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 has 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 in both destinations.

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<sup>126</sup> Deloitte, 'Deloitte Hospitality 2015: Seven key trends to shape future success', 2010.

#### **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 tourist 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 useful in ensuring that a business can respond effectively. However, training in crisis management will provide managers with the fundamental knowledge required. A recent survey by People 1<sup>st</sup> indicates that many travel employers believe that crisis management is a skill that will become increasingly important in the future.<sup>127</sup>

#### **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 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.

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<sup>127</sup> People 1<sup>st</sup> and ABTA, 'Trends in the Travel Industry', 2010.

### 4.3 Employment projections

The Northern Ireland Tourist Board (NITB) project that the number of jobs supported by tourism could increase by 10,000 to 50,000 in the ten years leading up to 2020. This will be in response to an increase of visitors from 3.3 million to 4.5 million and an increased revenue generated by tourism from £529m to £1bn.<sup>128</sup>

Whilst the NITB's figures relate purely to tourism, other employment projections are available for the full hospitality, leisure, travel and tourism sector over the ten year period between 2007 and 2017. These projections were developed before the full extent of the recession was realised but, generally speaking, it is felt that the long-term predictions should hold true.

Table 4.1 shows the employment projections for a number of broad occupational groups. Taking into account both expansion and replacement demand,<sup>129</sup> the sector in Northern Ireland will require the equivalent of an additional 55 percent of its 2007 workforce to be able to cope with demand by 2017.

**Table 4.1: Employment projections (2007–2017) Northern Ireland**

	2007	2017	Expansion demand	Replacement demand	Total demand
Managers and senior officials	12,100	16,000	3,900	4,500	8,400
Skilled trades	5,500	4,700	-800	2,100	1,200
Elementary roles	17,600	19,400	1,900	7,200	9,000
All occupations	49,300	57,300	8,000	19,100	27,200

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

Table 4.2 examines these figures further. We can estimate that there will be a 5,200 increase (24 percent) in the number of male workers and a 2,900 increase (ten percent) in the number of female workers overall. At present the sector in Northern Ireland is dominated by females but, as the number of males 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.

<sup>128</sup> Northern Ireland Tourist Board, 'Campaigning for tourism – One voice. One team', 2010.

<sup>129</sup> 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 4.2: Employment projections (2007–2017) Northern Ireland – breakdown by sex**

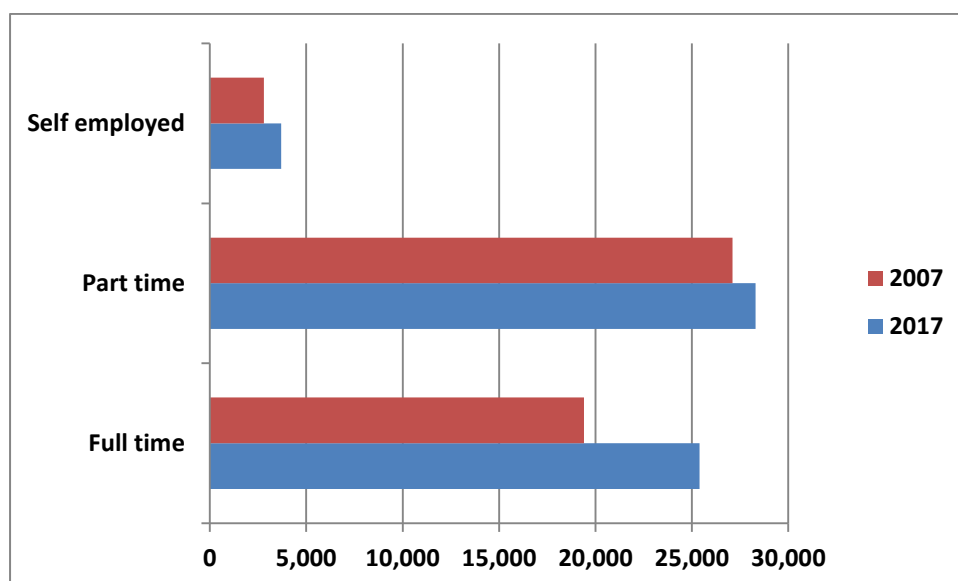
		2007	2017	Expansion demand	Replacement demand	Total demand
Managers and senior officials	Male	7,700	10,500	2,700	2,600	5,400
	Female	4,400	5,500	1,200	1,900	3,100
Skilled trades	Male	3,300	3,000	-300	1,000	700
	Female	2,200	1,700	-500	1,100	500
Elementary roles	Male	5,500	6,800	1,300	1,600	2,900
	Female	12,100	12,600	500	5,600	6,100
All occupations	Male	21,400	26,600	5,200	6,700	11,900
	Female	27,900	30,800	2,900	12,400	15,300

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 almost a third (32 percent). There will also be a considerable rise (11 percent) in the number working in elementary roles whilst those in skilled trade occupations will actually see a decrease of around 15 percent. In short, it appears the number working at either end of the spectrum (in terms of seniority) will increase whilst those in the middle will actually reduce.

Turning to working patterns, figure 4.1 indicates that whilst workforce numbers will increase for all working patterns, the proportion of full-time workers is set to increase more substantially than others (by almost a third [31 percent]) overall.

**Figure 4.1: Change in working patterns (2007–2017) Northern Ireland**



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

#### **4.4 Summary of implication of drivers on future employment and skills**

Through 'Project 2030', People 1<sup>st</sup> 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-rooted 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 looks 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](http://www.people1st.co.uk/research)

Table 4.3 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. Likely 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 from more localised labour pools or deskill their operations, thereby reducing the number of chefs required.

**Table 4.3: 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 4.4, 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 4.4: 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 better understand the hospitality, leisure, travel and tourism sector's skills and labour market priorities and how these may change. It also discusses the implications of these on current policy interventions and highlights 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 in Northern Ireland is large and growing. Within the People 1<sup>st</sup> footprint, there is currently a workforce of 47,200, which is set to reach 57,300 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. However, developments around the tourism signature projects, in particular the Titanic Commemorations in 2012 and Londonderry/Derry City of Culture in 2013 are likely to give it a lift.

#### 5.2.1 Economic importance of the sector to the Northern Ireland economy

The hospitality, leisure, travel and tourism sector continues to be an important contributor to the economy in Northern Ireland, with hotels and restaurants<sup>130</sup> making a £737m Gross Value Added (GVA)<sup>131</sup> contribution in 2007, 2.6 percent of national GVA. Hotel and restaurant contribution to GVA has increased by 63 percent in the last ten years alone.

The Northern Ireland Executive has acknowledged the sector's importance as a priority sector and through the Tourism Strategy, developed by the Department of Enterprise, Trade and Investment, it shares the sector's ambitions for the future. The Tourism Strategy sets out a bold ambition for the future by increasing tourism employment to 50,000 by 2020, with 4.5 million visitors annually generating £1bn for the Northern Ireland economy.<sup>132</sup>

Its emphasis on increasing the earnings from visitors, and the importance of investment, underlines the importance of skills to the successful realisation of its ambitions. The focus of the five signature projects also emphasises the need to ensure that the workforce not only have the appropriate skills across Northern Ireland, but that they also have them in the geographical areas where capital and marketing investment are going into the relevant signature projects. This is also critical for Derry in 2013.

The Strategy also highlights the importance of support from government and employer leadership. The report frequently highlights the need to think differently about how employers raise their own ambition and the skills of their staff. This must include a greater emphasis on more sustainable human resource practices in the way the sector recruits, trains and retains its staff. This is the responsibility of employers, but at the same time, there needs to be much more simplified support. The collaboration between the Northern Ireland

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<sup>130</sup> Standard Industrial Classification (SIC) code 55 covers roughly 80 percent of the hospitality, leisure, travel and tourism sector.

<sup>131</sup> 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.

<sup>132</sup> DETI, 'A Draft Tourism Strategy for Northern Ireland to 2010', 2010.

Tourist Board and People 1<sup>st</sup> demonstrates the importance and benefits of aligning tourism and skills activities to help sector employers. However, more needs to be done by the Government to ensure a greater synergy between skills and tourism policy at a national, regional and local level.

## **5.2.2 High proportion of small and micro operators**

The sector is still characterised by a large percentage of small, independent operators. Of the 3,800 sector businesses operating from over 5,000 individual establishments in Northern Ireland, nearly 90 percent are classed as SMEs and ten percent of these 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. Apart from the Titanic project, other Signature projects and the 2013 City of Culture all rely on smaller, independent operators. This presents a greater challenge for the sector if it is to benefit from these opportunities, as smaller businesses are less likely to offer structured training and more likely to struggle in the current environment.

## **5.2.3 Implication of current drivers**

The current economic downturn, changes to consumer expectations and technology are affecting all sector operators, but it emphasises the importance of management skills in smaller businesses and owner operators having a greater, all round skills base. This pressure is likely to exacerbate existing skills shortages and gaps for managers. It also highlights the challenge in the sector of increasing the average spend of its customers and for business to be able to provide added value to help extend a visitor's stay in specific geographic areas. 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. Effectively, this polarisation is between Belfast and the rest of the Province and may undermine the impact of specific signature projects outside of Belfast, if left unchecked.

# **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. 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 will be their labour productivity. 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.

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. The high proportion of small and micro businesses means that the sector in Northern Ireland has lower productivity than other UK home nations. 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, will 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 replaced the need for as many staff, but it is unlikely to have a significant impact on the sector in Northern Ireland, given that they are traditionally found in larger, urban areas. Already, Belfast has a number of value-driven accommodation providers.

Recent data on labour productivity in housekeeping departments,<sup>133</sup> appear 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 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, as well as 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 the 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 have resulted in persistent skills 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. Whilst employers in Belfast, and to a lesser extent Derry, are more easily able to fill positions, it remains very challenging in rural areas. The fundamental weakness with 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 1<sup>st</sup> estimates that labour turnover is costing the sector £980,000 a year in Northern Ireland.

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 the sector has traditionally tackled its human resource operations. A number of demographic drivers, such as an ageing workforce and 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 will be a focus of work for People 1<sup>st</sup> in the next 12 months. The signature projects and the 2013 City of Culture provide some ready opportunities to promote careers in the sector. This can build on the work the information,

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<sup>133</sup> Jones, P., & Siag, A., 'A re-examination of the factors that influence productivity in hotels: A study of the housekeeping function', 2009.

advice and guidance produced as part of the Future Skills Action Plan activities. However, it will be a missed opportunity if not tackled as part of a new human resource approach.

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 wider support, but contextualised for the sector.

## **5.4 Current skills priorities and how these may change**

In 2008, the Spinnaker report identified three critical skills needs facing the sector: chef skills, customer service skills and managerial skills. These skills remain the priority skills shortages and gaps facing the sector and that is likely to intensify in the future.

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 skills 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, 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 hospitality 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.

### **5.4.1 Skill shortages and gaps for chefs**

Clearer development pathways and the rollout of the Diplomas in Professional Cookery at level 2 should provide an opportunity for those wishing to become skilled chefs to develop a good foundation of skills and knowledge to enter the sector. However, there needs to be greater provision at level 3; either through the Diploma or the apprenticeship. The apprenticeship in professional cookery continues to provide a similar opportunity for those wishing to enter the sector.

Despite this, People 1<sup>st</sup> estimates that there is an annual shortfall of chefs entering the sector. Broader schemes, such as the Compass Junior Chef Academy, the emphasis on competitions and the on-going development of a robust chef guild for Northern Ireland, will all help to encourage demand.

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 at this level 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.

The increased focus on 'food tourism' and the promotion and availability of restaurants serving local produce is set to increase. This presents an opportunity for Northern Ireland, but at the same time will place 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. This and the lack of a real sense of a profession within Northern Ireland could be having a detrimental impact on skill gaps. The six 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 the Northern Ireland Chef Association.

Changes to immigration policy, which may reduce the number of chefs entering the UK, is unlikely to have a significant impact on Northern Ireland, as most Asian and Oriental restaurants are small, independent businesses which employ a second or third generation workforce which has UK citizenship.

#### **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 problem 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 and it is therefore 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 started 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 types of progression routes are in place across many travel businesses.

A number of specific skills 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 either in-house or in more formal training. A large percentage of management training is undertaken in-house and 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.

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 Northern Ireland, 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 most owner operators entering the sector have 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.

#### **5.4.4 Customer service**

Customer service remains a persistent skills gap. The number of employers reporting skill gaps is increasing, as is 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. Whilst Northern Ireland is regularly perceived as a friendly destination, the challenge remains to increase the polish of the welcome without damaging its warmth and sincerity.

On the surface it may seem puzzling why if training has increased, reported skill gaps have not reduced. A number of research studies<sup>134</sup> have underlined the importance of any customer service training being part of a genuine customer centric approach across an organisation and the importance of line managers 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, 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.

#### **5.4.5 Alignment of current policy implications**

Much work has already been jointly undertaken by employers and the public sector through the Future Skills Action Plan.

The focus on articulating chef routes into the sector and increasing the capability of the six colleges to deliver the relevant qualifications has been important. Equally, the roll out of the Compass Junior Chef Academy Programme, the pilot of the intensive chef programme and the creation of careers materials has done much to focus attention on chef careers. This work needs to continue and requires greater industry support to sustain and support the delivery of these qualifications and initiatives.

The Educators programme, and the collaborative work around developing a more consistent delivery of the Diplomas in Professional Cookery, has enabled the colleges to share best practice and think about opportunities by seeing other UK and international best practice. This should strengthen their understanding of the needs of the sector and how their needs can be met. It also requires greater engagement between sector employers, the six colleges

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<sup>134</sup> People 1<sup>st</sup>, 'World class customer service... for 2012 and beyond', 2008; People 1<sup>st</sup>, 'Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector', 2010.

and commercial providers to strengthen the qualification of provision into the sector and also increase structured training to existing employees.

The Compass Junior Chef Academy, the focus on getting a Northern Ireland competitor into WorldSkills and the creation of specific information, advice and guidance has done much to lay the foundations for raising the profile of the sector as a career. Without a substantial re-think about how the sector recruits, retains and trains its staff, the danger is that those attracted into the sector will soon leave.

The work of the Future Skills Action Group has been able to capitalise on wider UK activities being taken forward by People 1<sup>st</sup>, including:

- **Creating clear development pathways**, through more simplified qualification pathways which are increasingly receiving the endorsement of professional bodies in the sector.
- **Promotion of accessible information, advice and guidance**, through [www.uksp.co.uk](http://www.uksp.co.uk) sector pathways and training opportunities are presented, together with video clips of staff working in those positions. It also provides opportunities for employers to post jobs.
- **Creation of more robust and relevant apprenticeship frameworks**, that reflect the needs of the sector and ensure that an apprentice completing a framework has developed the necessary skills.
- **Badging Foundation Degrees**, to ensure that they reflect the needs of employers and that employers understand their relevance.
- **Rolling out the WorldHost customer programmes**, including modules on accessibility, customer service across cultures and accessibility. This programme was successfully used for the 2010 Winter Games in Vancouver and is aimed at front line staff and first line managers.

A number of challenges lie ahead that will need to be tackled by employers and sector partners:

- Continuing to promote, support and protect and endorse development pathways.
- Enriching the delivery of provision into the sector, through visits, guest lecturers, structured placements.
- A more structured approach to staff development, promoting progression routes and raising professionalism.
- Greater focus with businesses in the vicinity of signature projects to ensure that they are effective in the way they are recruiting, retaining and training their staff and that they are in a position to support and benefit from them.
- Greater focus with businesses in Derry to ensure that they are effective in the way they are recruiting, retaining and training their staff and that they are in a position to support and benefit from the 2013 City of Culture.

In order to further stimulate discussion between employers, partners and People 1<sup>st</sup> to take forward the 'Spinnaker' agenda, table 5.1 highlights a number of actions that could be taken forward, in addition to current activities, in order to address the issues highlighted in this report.

**Table 5.1: Potential policy interventions to address issues highlighted in the Sector Skills Assessment**

Strategic Policy Framework: Skills	Focus	Lead	Required Action
<b>Through Skills 2: The Skills Strategy for Northern Ireland</b>			
Simplification of demand side infrastructure	Understand demand for skills	Review by (NIAES)	Sector-based model followed which integrates skills and tourism infrastructure. This should take account of regional tourism destination groups.
Review of Priority Skill Areas	Determine priority skill areas	Review by (NIAES)	Tourism & Hospitality to remain as a priority sector
Harnessing Labour market Information	Effective workforce planning	DEL	Effective utilisation of Sector LMI to inform policy development Update sector smarter spending review
<b>Further education, higher education and work-based learning</b>			
Reform of Vocational Qualifications	Identify priority qualifications by level & occupation	DEL	Only those qualifications and training endorsed by the sector attract funding to address areas of priority skill need such as customer service, M&L & chef skills. This should include 14–16 pathways.
Revised approach to centres of excellence	Better align needs of business with products & services of centres	DEL	Industry input to inform revised approach to meet needs of tourism
Up-Skilling Skills Solutions Service	Up-skilling level 2 & level 3 skills in the workplace	DEL	Sector input to inform the effective implementation of the skills solutions service by DEL within the tourism sector. Co-ordinated implementation of a world class customer service programme to raise service quality
Training for Success (Apprenticeships NI)		DEL	Establish a sector focused effective co-ordinated partnership to expand the uptake of apprenticeships to ensure that current investment in apprenticeships delivers economic value to the sector
Management & Leadership	Increase management & leadership skills	DEL	Integrated support identified, branded and promoted across DEL & DETI for improving support & advice to SMEs Extend current support for M&L to support micro businesses.
Reduce Skills Barriers	Helping unemployed people back to work	DEL	Co-ordinated approach to attracting & developing jobseekers through a credible sector focused pre-employment programme

## Annex: Technical commentary on definitions, data and sources

### Sector definition

People 1<sup>st</sup>'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 guesthouses. The hotel industry is fragmented with a large number of owner operators and branded hotels. The industry is structured according to star ratings based on the quality and level of accommodation services offered.
Restaurants	Restaurants also include cafes, sandwich bars, fast food takeaways 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 pubs or gastro pubs.
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 onsite.
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 (TICs) 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 <sup>st</sup> 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 1<sup>st</sup>'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 1<sup>st</sup> 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 1<sup>st</sup> hospitality based roles (see SOC code definitions below) working in non-core People 1<sup>st</sup> 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 1<sup>st</sup> footprint)**

People 1 <sup>st</sup> 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 1<sup>st</sup> footprint. Please note that the industries in italics are not officially part of the People 1<sup>st</sup> 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 1<sup>st</sup> 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 that 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup>, 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 1<sup>st</sup> 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 1<sup>st</sup>, 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 1<sup>st</sup>*

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 1<sup>st</sup> employer survey 2009 which included a representative sample of 384 pub, bar and nightclub employers; analysis of People 1<sup>st</sup> 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 1<sup>st</sup>, 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 1<sup>st</sup> 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 1<sup>st</sup>*

This research was carried out for the ABTA and included an analysis of data from People 1<sup>st</sup> employer survey 2010 (159 employers from the business and leisure market); analysis of the People 1<sup>st</sup> 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 1<sup>st</sup>, 2009*

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

*Maximising the returns of customer service training in the hospitality, leisure, travel and tourism sector, People 1<sup>st</sup>, 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 1<sup>st</sup>, 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](http://www.people1st.co.uk/research)

### Peer assessment

This report has received comments and inputs from teams within People 1<sup>st</sup> 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.