

State of the Nation Report

Executive Summary (Scotland) – 2009

State Of The Nation

- The hospitality, leisure, travel and tourism sector continues to play an important role in the UK economy. It has enjoyed a sustained period of growth over the last 30 years and now accounts for nearly five percent of the UK's total economic output.
- The sector employs 201,200 people in Scotland.

What's Changed?

The workforce

- Fortunes across the sector have varied over the last five years in Scotland. The restaurant industry has enjoyed a period of growth of 28 percent in its workforce with food & service management also seeing an increase (12 percent). Both the gambling industry and hotels saw 11 percent growths in their workforce. On the other hand, the travel & tourism services workforce has fallen by 37 percent with pubs seeing a decrease of 13 percent.
- At an occupational level, there has been a 10 percent decline in the number of publicans and managers of licensed premises over the last five years in Scotland.
- Across the hospitality sector, other occupational groups are growing. There has been a 35 percent increase in the number of people working as restaurant and catering managers over the last five years and a 46 percent increase in the number of people working as hotel and accommodation managers over the same period.
- Within the travel industry, there has been an overall decline of around a third in the number of travel consultants over the last five years. However, the latest figures suggest the industry has stabilised after a period of decline.
- In terms of the characteristics of the workforce, the sector continues to be heavily reliant on young people. 30 percent of the workforce are aged under 25 whilst only six percent are over the age of 60.
- Whilst 61 percent of the workforce are female, the number of women working in senior management positions (in the hospitality industry in particular) is low. According to the One and All Foundation, less than six percent of hospitality industry company directors are women.

Recruitment

- 27 percent of hospitality, leisure, travel and tourism businesses froze recruitment at some point during the 12 months to March 2009 and 27 percent have cancelled plans to expand their workforce.
- 32 percent of sector businesses have reduced their use of temporary employees.
- Labour turnover across the sector is the highest of all sectors of the economy and despite the economic downturn currently stands at 29 percent. It is estimated that

sector employers spent £414 million on recruiting and developing new staff in 2008/09 across the UK.

- Approximately 15 percent of all sector vacancies are proving hard-to-fill due to a shortage of skilled applicants.
- Chefs remain the occupation that employers find most difficult to recruit for, mainly due to a lack of applicants with the required skills.

Skills and Training

- The sector appears to have made some inroads in improving the skills of the current workforce. Slightly fewer businesses reported that their staff lack skills in 2008 (25 percent) than in 2006 (27 percent). However, 13 percent of the workforce (around 21,400) still do not possess the skills their employer requires.
- Overall qualification levels have risen over the last five years. The proportion of the workforce with at least a Level 2 qualification rose from 62 percent in 2003/04 to 68 percent in 2007/08.
- The number of employers in the sector who are training their staff has remained roughly the same over the last few years. The most popular types of training are 'job specific training' followed by health and safety and induction training.
- Only around a quarter (24 percent) of employers know how to access government funded training provision. This is lower than the UK average of 28 percent.
- The five skills most commonly mentioned as missing in their workforce by employers are customer service skills, team working skills, planning and organising, problem solving skills and oral communication skills although there are signs of improvement.
- Improvements in service standards could in part be due to the high number of Accession State workers entering the sector (particularly the hospitality industry) who employers tend to believe have good customer service skills. As fewer migrant workers are now entering the sector (17 percent of employers who employ Accession State workers are employing fewer than 12 months ago) and employers become more reliant on the indigenous population, there is a danger that customer service levels could fall.
- Attempts to tackle skill needs need to take into account the polarisation of the sector. The majority of sector businesses are small and medium-sized enterprises (SMEs) and only a small percentage employ more than 250 people. However, these large businesses provide employment for a huge proportion of the workforce.
- Larger businesses are much more likely to be aware of sector related qualifications and to take advantage of public funding to train their staff. Smaller businesses remain largely unaware of what is available.
- Only 19 percent of micro businesses know who to contact about accessing government funding for training compared to 27 percent of small businesses and 33 percent of medium and large businesses.

What Is The Impact Of The Recession?

- The overall size of the workforce fell by about three percent during 2008.
- As a result of the recession there are fewer job vacancies across the sector. Just over a quarter of businesses have frozen recruitment.

- The recession has already meant that for the first time in over a decade many employers are in a position where they have a real choice in the selection of candidates. Consequently, 56 percent of sector businesses believe that qualifications are becoming more important in helping them choose between job applicants.
- Due to the economic downturn, 66 percent of employers now believe it will be easier to retain skilled staff.
- The recession is forcing more employers to think about cutting costs. It is therefore more important than ever that employers have credible retention strategies to retain skilled staff and reduce unnecessary recruitment costs.
- Training becomes more not less important in a recession but of concern is that, of those who believe training will be affected by the recession, 59 percent of sector businesses are planning to cut training. However, 25 percent are planning to increase training.
- 63 percent of businesses who pay for external training say that the recession will encourage them to move more training in-house.

What Does The Future Hold?

- Whilst, along with the rest of the economy, trading will be tough in the short term, in the long term the sector is still predicted to grow and remain an important contributor to the Scottish economy.
- Total employment in the sector is forecast to grow by over 7 percent (14,800 additional jobs) by 2017.
- When replacement demand is taken into account, projections indicate that a total of 94,400 additional people will be required to work in the sector between 2007 and 2017.
- It is forecast that demand for graduates will grow as there will be 4,300 more managerial jobs in the sector in 2017 than in 2007.
- The demand for positions such as waiting staff, bar staff and catering assistants is also set to grow (by around 9 percent to 219,000).
- Across the UK a relatively high proportion of sector graduates enter jobs in other industries with 13 percent entering jobs in the retail sector.
- The sector continues to be over-reliant on a shrinking pool of younger workers. 42 percent of the sector's workforce in Scotland are under the age of 30. In recent years, many hospitality employers have also become reliant on migrants from Eastern Europe, some of whom may be encouraged to return home in the current economic climate.
- Many young people and Eastern European migrants working in the sector are 'transient workers' which contributes to high levels of labour turnover. When the economy recovers and recruitment levels increase, employers that target their recruitment towards those who are potentially likely to stay with the business for a longer period (such as older workers and women returning to work) could improve their staff retention rates thereby reducing recruitment and training costs.

Preparing for Recovery across the UK

Brian Wisdom

Chief Executive, People 1st

Hospitality, leisure, travel and tourism sector businesses are operating in challenging times. Many are choosing to freeze recruitment in a bid to reduce costs and ride out the downturn. This is increasing the currency of sector-related qualifications as competition for vacancies intensifies. It is therefore more important than ever that those entering the labour market are equipped with the skills industry needs.

The role of schools and colleges is critical, as is the value and relevance of the qualifications students are studying. An important step forward is the creation of new Diplomas in Hospitality and Travel and Tourism in England. September 2009 will see the first students starting the Diploma in Hospitality, with the Diploma in Travel and Tourism following in 2010. What makes the Diplomas unique is the fact they have been designed by sector employers in partnership with educators. They provide an important opportunity to equip students aged between 14-19 with a broad range of skills required by the sector whilst at the same time demonstrating the exciting range of career opportunities across the sector. The Diplomas will be made available in Wales within the Welsh Baccalaureate.

The National Skills Strategy for the hospitality, leisure, travel and tourism sector was launched in 2007. It outlined three main skill priorities: management and leadership, chef skills and customer service. Two years on these priorities remain unchanged and this latest research underlines their significance. Indeed, the recession intensifies their importance, with management and customer service skills in particular likely to become even more important as competition intensifies for a declining customer base.

Progress continues apace in these three skill areas. In terms of customer service, People 1st is overseeing the development of two new short customer service qualifications for the hospitality, leisure, travel and tourism sector. These will be available from June 2009. The new qualifications are part of a wider strategy to tackle head on the significant numbers of people without adequate customer service skills. This will be crucial in ensuring that events such as the London 2012 Olympic and Paralympic Games and the Glasgow 2014 Commonwealth games are a success.

In terms of management and leadership, financial management skills are vital in the current climate as businesses look to reduce costs. Improving people management skills and staff retention will be one way to reduce costs as labour turnover across the sector remains high and a costly problem.

The economic downturn could provide opportunities for businesses within the sector to attract talented managers from other industries, particularly retail which requires a similar skill set and in which many redundancies have recently been made. It also poses a challenge to higher education institutions to ensure that courses are relevant and that more students can see the career opportunities available in the sector.

The evidence suggests that the demand for skilled chefs remains high. In 2006, in the context of mounting criticism of the National Vocational Qualification (NVQ) delivered in colleges, People 1st oversaw the development of the Diploma in Professional Cookery to equip full-time students with the skills and knowledge employers were demanding. This qualification is being rolled out across colleges in England, Wales and Northern Ireland and is likely to replace the full-time delivery of the equivalent NVQ by 2010.

Employer feedback has been very positive, largely because the content of the qualification is the same regardless of where it is being delivered, the robust practical end tests and the grading system of fail, pass, credit and distinction. In many cases an increasing number of employers are going into the colleges to help assess the practical end tests and are recruiting successful students.

Apprenticeships will play an increasingly important role in developing chef skills in the workplace. The Apprenticeship provides a viable alternative to full-time college courses for those wishing to go straight into industry. We are working closely with employers and learning providers to put in place robust Apprenticeships that develop the breadth of skills and knowledge employers require

This can be seen in the new Hospitality Supervision and Leadership Apprenticeship, which will be available from September 2009.

The recession has encouraged a third of employers to consider offering their staff nationally-recognised qualifications and accessing public funding. This is a positive reaction to a challenging time for many businesses as evidence suggests that formal qualifications can aid retention and increase the skills of staff.

People 1st's work to simplify the education and training system has already resulted in the removal of half of the available sector-related qualifications. This will make it easier for employers to understand the qualifications on offer.

In addition, following an agreement with government in 2008, People 1st brokered a Compact which will provide £112m worth of public funding to support training in the sector in England. This includes funding 4,000 places on the new customer service qualifications. Similarly in Northern Ireland, the Future Skills Action Plan will enable funding to be directed towards qualifications valued by employers. The reaction of many employers is to cut back training budgets during a recession. However, there is a growing wealth of evidence which suggests that cutting training is a false economy and that those who continue to develop the skills of their staff will be in a better position to take advantage of the anticipated upturn. For those businesses who do decide to move more training in-house it will be critical that they are supported and that internal staff are skilled to be able to deliver that training to a high standard. The recession provides new challenges and opportunities for the sector. People 1st is working with government to help re-skill jobseekers to work in the sector, as well as to provide ongoing support to smaller businesses during this difficult period.

Looking beyond the recession, the sector is projected to grow and it is important that we continue to move the National Skills Strategy forward to ensure that, in the long-term, the demands that this growth will bring can be met.

This report presents the findings of research conducted by the People 1st research team between January and March 2009. The research methodology included a representative survey of 1,300 sector businesses, analysis of a range of secondary datasets, interviews with industry experts and a review of relevant literature.



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