people **1st**

performance through people

The performance & talent management revolution: Driving productivity in hospitality & tourism

June 2017

Foreword

There has never been a more challenging time to be dealing with people matters in the hospitality and tourism sector. For some this brings considerable headaches, for others it presents exciting opportunities. Either way, it means sizable changes to the way businesses go about recruiting, retaining and developing their people.

We embarked on this research to identify how large hospitality and tourism businesses are addressing rising costs, recruitment difficulties and changing employee attitudes in order to highlight innovative approaches and support employers across the sector in navigating these challenges.

What the findings tells us is that a growing number of businesses are thinking long-term about their people, ensuring that their strategy underpins the wider businesses strategy, and that they need to be able to demonstrate a tangible return on their investment. As a result, businesses are increasingly looking at new approaches to retain their staff to drive productivity and performance.

Businesses are at different stages of this journey and we want these insights to not only highlight the fundamental change in the way that employers are seeking to invest in their people, but also to stimulate and showcase examples of how businesses are tackling the common challenges and overcoming barriers along the way.

We have identified three broad typologies which shed light on how businesses are approaching and taking forward their people strategies, as they embark on transforming the productivity of their people.

We fundamentally believe that the new approaches that challenge traditional thinking and practices will not only benefit the businesses adopting them, but also the way the sector is perceived as a career choice and as a critical driver of growth to the UK economy.

Simon Tarr

Chief Executive, People 1st

This research was undertaken by Martin-Christian Kent, Executive Director of People 1st, and is based on interviews with 40 businesses, including:

Adnams, Amaris Hospitality, Baxter Storey, Casual Dining Group, CH&Co Catering, Compass Group UK & Ireland, Costa Coffee, D&D London, Drake & Morgan, Enterprise Inns, Harrison Catering Services, Harbour & Jones, Hilton Worldwide, Hotelcare, J D Wetherspoon, Jamie Oliver Enterprises, Kew Green Hotels, Living Ventures, McDonald's, Marriott, Merlin Entertainments Group, Mitchells & Butlers, Paul UK, Punch Taverns, Q Hotels, Red Carnation Hotels, Sodexo, TGI Fridays, Thai Leisure Group, The Restaurant Group, The Ritz London, Travelodge, Wahaca, Warner Leisure Hotels, Yum brands

Introduction

There has probably never been a more challenging time to be in human resources (HR) or be responsible for people in the hospitality and tourism sector.

However, with those challenges come opportunities.

An increasing number of hospitality and tourism businesses are rethinking ways to get the most from their staff. Rising costs, recruitment difficulties and changing employee attitudes mean that, for many employers, the traditional approaches to recruiting, training and retaining staff are being disrupted.

This report explores how businesses are addressing these challenges and how they are looking to maximise the performance of their people to increase productivity.

The findings are based on telephone interviews with 40 large businesses, representing a cross-section of the hospitality and tourism sector. We have included verbatim quotes throughout the report to illustrate their thinking and actions, while maintaining their anonymity for confidentiality purposes.

We would like to thank participating businesses for their time, openness and passion.

The report is presented in seven key sections:

- **Section one examines the productivity challenge** facing the hospitality and tourism sector as a whole and the factors undermining productivity

- **Section two focuses on the key drivers** disrupting the way in which businesses have traditionally approached their people strategies

- **Section three takes a look at recruitment** and how businesses are rethinking traditional approaches

- **Section four examines staff retention** and why businesses are paying greater attention to retaining talent and how they are going about it

- **Section five focuses on learning and development** and how it is changing, given the increased focus on retention

- **Section six examines businesses' thoughts on increasing productivity** and how they are going about it

- **Section seven looks at how at HR teams demonstrate the value of their work** to their business and how they measure key outputs

The report concludes by summing up the findings of the research and the opportunities and challenges emerging from this report

Contents

1. The productivity and performance challenge

Introduction

Productivity is getting increasing attention, as the UK looks to compete more effectively on a global stage. In this section, we look at the productivity debate in the UK and its importance to the economy and the hospitality sector. We will examine how hospitality and tourism is faring against other UK sectors, explore the challenges of measuring its productivity and look at the factors undermining its productivity and performance.

The productivity puzzle

Much has been written about the UK's productivity challenge. Despite higher economic growth than many of its G7 partners, its productivity levels are lower. This phenomenon has been dubbed the 'productivity puzzle'.

Essentially, productivity is a measurement of specific outputs generated by a number of given inputs. In basic terms, productivity can be increased by:

- **Increasing outputs** using the same inputs

- **Maintaining output**, but using fewer inputs

- **Increasing outputs** whilst reducing the number of inputs

So why is the UK experiencing such low productivity levels?

The problem of measuring productivity

Productivity is notoriously difficult to measure. Just think about outputs. In a manufacturing or engineering setting, this could be the number of cars, washing machines or solar panels produced. In a hospitality and tourism setting, outputs are harder to define. What's the better measure - number of customers; average spend; return business; or customer satisfaction?

Inputs are also difficult to measure. Research tends to identify four key underpinning factors that contribute to productivity, of which skills are an important component: [1]

- **Investment** – capital and other investments being pumped into a business

- **Innovation** – the use of new ideas and technology

- **Enterprise** – the freedom and willingness of businesses to take opportunity

- **Competition** – the extent to which there are multiple players in a given market

These factors are difficult to capture, isolate and measure, particularly in a service-sector context. This is a challenge for the UK, which has a significantly larger service sector than many of its main competitors. As a result, the true levels of productivity are being underestimated.

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[1] Michael E Porter (2004), The Competitive Strategy: Techniques for Analyzing Industries and Competitors The Competitive Strategy: Techniques for Analyzing Industries and Competitors

Growth of lower-skilled, lower-paid jobs in relation to higher-skilled roles

Another potential factor is the relative growth of the low-skilled economy in relation to 'higher value' sectors such as science and engineering.[2] The 2008 recession marked a watershed for many advanced economies and a number still haven't seen employment come back to its pre-recession levels. So, for example, unemployment in France is currently **10.1%**, Italy, **11.7%** and Germany **3.9%**, compared to **4.8%** in the UK.[3]

Whilst UK unemployment rose after 2008, it didn't increase at the same rate as other advanced economies. This was largely due to the growth of service sectors such as hospitality and tourism and retail.

In policy terms, the service sectors are acknowledged for their size in employment terms, but are often overlooked when looking at productivity given the skill levels of the workforce and the ratio of inputs to outputs, which are much lower than more productive sectors, such as manufacturing, and construction.

There is also a policy debate over concern about the value of these jobs to individuals. There has been significant coverage about how the world of work is changing in the 21st Century and, with it, the rights of workers. This comes on the back of negative coverage of working conditions at Sports Direct and the growth of the 'gig economy' with businesses like Uber and Deliveroo.

An independent review for the government is currently being undertaken by Matthew Taylor, chief executive of the Royal Society of Arts, into whether employment regulation and practices are keeping pace with the changing world of work. He recently outlined that the quality of work in Britain had worsened in "some respects", with some workers treated like "cogs in a machine".

Taylor went on to outline his belief that "stressful work with low levels of flexibility and autonomy is a critical factor leading to hundreds of thousands of workers dropping out of employment every year into disability". He cited figures which suggested that **37%** of workers were stressed always or often in 2012, compared to **28%** in 1989.

Hospitality and tourism businesses strongly defend their value as employers, as well as working practices in the sector. However, media reporting of zero-hour contracts, and examples of specific businesses such as Sports Direct, have done much to erode how the service sector, including hospitality and tourism, is perceived as an employer – **11.5%** of the hospitality workforce are on zero-hour contracts, second only to education.[4]

When looking at the value of jobs, the need to operate in a low-cost environment is often presented as a zero-sum game. However, this does not have to be the case as Professor Zeynep Ton, from the MIT Sloan School of Management, has compellingly shown in her book – the Good Jobs Strategy.[5] She demonstrates the financial benefits of businesses that have moved away from an approach that assumes pay and conditions need to be low in a low-cost business model.

Instead, she highlights a range of international examples in the service sector, where low-cost operators have designed jobs and increased pay to improve performance.

[2] Thompson, Colebrook, Hatfield & Doyle (31 May 2016), Boosting Britain's Low Wage Sectors: A Strategy for Productivity, Innovation and Growth, IPPR
[3] ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics
[4] ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contracts thatdonotguaranteeaminimumnumberofhours/latest
[5] Zeynep Ton (2014) The Good Jobs Strategy – How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits, Amazon Publishing

The importance of productivity growth post-Brexit

The vote to leave the EU and the need to compete in a freer, global environment has put the UK's low productivity in the spotlight. In January 2017, the UK government released its Industrial Strategy Green Paper, the objective of which is to improve living standards and economic growth by increasing productivity and driving growth across the whole economy. The government wants to close the gap between best performing companies, industries, places and people and those which are less productive.[6]

Given this new political landscape, how does productivity in the hospitality and tourism sector compare to other sectors?

Productivity levels across the hospitality and tourism sector

Sectoral productivity is measured by Gross Value Added (GVA). Since 2008, GVA across the hospitality and tourism sector has increased by **52%**, rising from **£34,951m** to **£52,978m**
(see table 1.1).

Whilst this rise is much greater than comparable sectors such as manufacturing, construction and retail, the actual level of GVA is still much lower – in fact, it's three times lower than manufacturing. This partly explains why the government has traditionally focused so heavily on encouraging sectors like manufacturing and engineering to help increase economic performance.

> ### Gross Value Added
>
> GVA is a productivity metric that measures the contribution to an economy, producer, sector or region. GVA provides a monetary value for the amount of goods and services that have been produced less the cost of all inputs and raw materials that are directly attributable to that production.

GVA INCREASE

2015

⬆

2008

Hospitality and tourism 52%

Compared to:

Entire economy 28%

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[6] People 1st analysis on how the visitor economy compares with other sectors on some of the main industrial strategy themes can be found at people1st.co.uk/insight-opinion/latest-insights/industrial-strategy-and-the-visitor-economy/

Table 1.1: Gross Value Added (GVA) across a selection of sectors in the UK (2008-2015)

GVA (million)	2008	2009	2010	2011	2012	2013	2014	2015	% change since 2008
Manufacturing	149,441	131,202	145,997	149,313	149,498	155,099	155,489	164,688	10%
Construction	84,812	68,885	67,359	70,150	73,807	77,607	85,289	92,122	9%
Retail	65,123	69,924	71,500	70,871	73,876	81,368	84,416	84,621	30%
Hospitality and tourism	34,951	33,555	35,784	39,430	42,112	43,080	49,251	52,978	52%
Passenger Transport	24,993	24,368	27,728	27,868	30,992	33,007	35,579	38,548	54%
Agriculture	1,723	1,536	1,487	1,585	1,402	1,896	2,044	1,936	12%
Cleaning	4,361	5,077	5,123	5,287	5,593	5,525	5,965	5,561	28%
Care	10,200	11,286	11,610	12,782	13,172	13,354	13,990	16,144	58%
Entire economy	909,662	847,761	880,920	915,655	937,039	1,004,978	1,093,382	1,166,527	28%

Source: Annual Business Survey (2015), Office for National Statistics

However, these figures do not take into account the relative size of a sector. By looking at GVA per head, we can see that hospitality and tourism GVA is half of that of manufacturing and passenger transport, and just below retail. See table 1.2.

Hospitality and tourism
25.9k

Passenger transport
49.7k
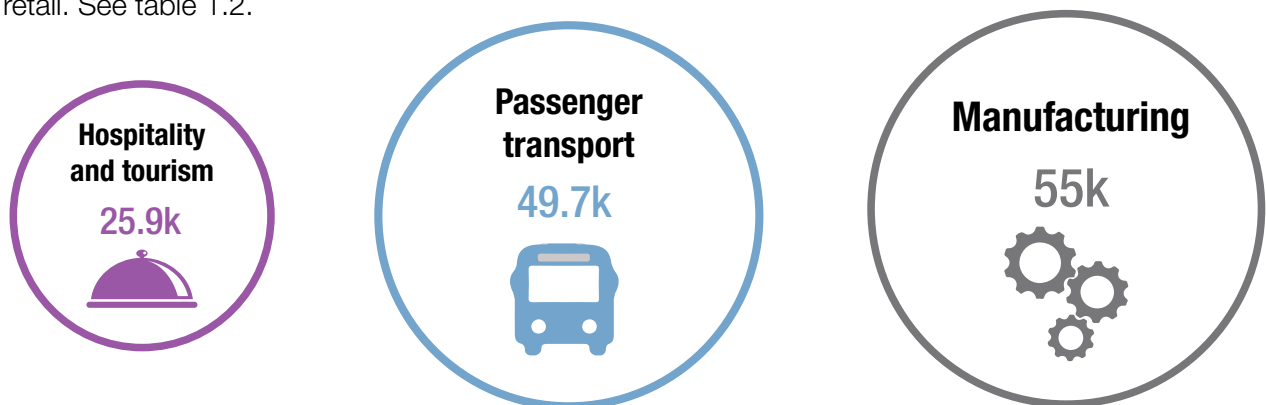
Manufacturing
55k

Table 1.2: Gross Value Added (GVA) per capita across a selection of sectors in the UK (2015)

Industry	GVA 2015	Employment 2015	Per head
Manufacturing	164,688,000,000	2,993,120	55,022
Passenger transport	38,548,000,000	776,320	49,655
Construction	92,122,000,000	2,234,303	41,231
Retail	84,621,000,000	2,867,308	29,512
Hospitality and tourism	52,978,000,000	2,045,588	25,899
Care	16,144,000,000	954,316	16,917
Cleaning	5,561,000,000	424,204	13,109
Agriculture	1,936,000,000	355,510	5,446
Entire economy	1,166,527,000,000	30,981,938	37,652

Source: Annual Business Survey (2015), Office for National Statistics

## Factors undermining productivity in the hospitality and tourism sector

So why are productivity levels in the hospitality and tourism sector so much lower than comparative sectors?

"We are a people business"

If we go back to the measure of productivity, the hospitality sector, like many service sectors, has a high ratio of staff to outputs. Since the industrial revolution, many other sectors have become more productive by replacing staff with technology. This has moved the workforce from agriculture to manufacturing and, over the past 40 years, into the service sectors.

However, things are changing. Writers such as Martin Ford and Erik Brynjolfsson[7] are projecting that with automation and the rise of Artificial Intelligence (AI), most routine jobs will be undertaken by technology, rather than by employees – not just in sectors like manufacturing and engineering, but in others like law and medicine too.

A recent report, analysing **79 million** UK job advertisements from the previous two years, found that automation was the main driver for **13** out of **20** of the greatest declining roles. Travel and engineering were most affected by this. In contrast, hospitality and catering were seen as the fastest growing sectors. However, these figures could be inflated due to labour turnover.

Automation was the main driver for *13* **out of** **20** of the greatest declining roles
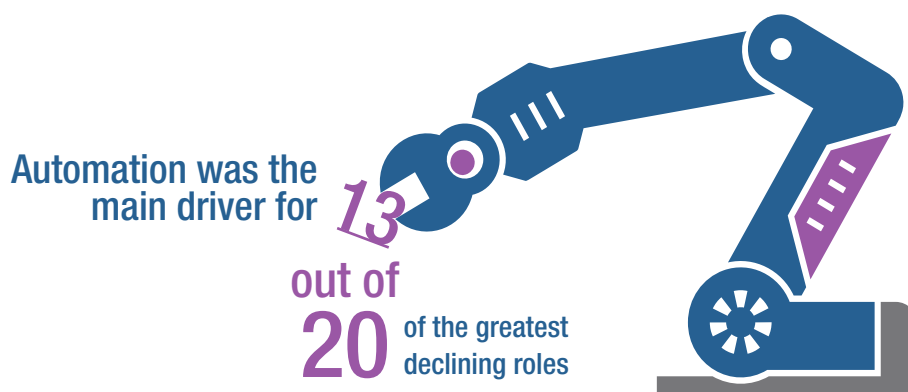
For hospitality businesses looking to automate, the choice isn't as straightforward. By removing staff, they could damage the customer experience, reducing customer satisfaction, spend and customer retention. However, as the aviation and retail sectors have demonstrated, technology can disrupt the customer experience without necessarily eroding it. The challenge is knowing how technology can be best be utilised, how it can help drive outputs and its implications on the people working with it.

As we'll explore in section six, businesses are looking at this in numerous ways, but it's unlikely that technology will replace the need for specific roles, or lead to the significant reduction in demand for staff that we have seen in other sectors.

For example, the high street travel industry has changed enormously as a result of the rise of internet booking. Consequentially, its workforce fell from **88,343** to **76,689** between 2011 and 2016. Across the retail sector, which has experienced similar disruption, the number of people in customer service roles fell from **1,515,993** to **1,507,451** in the same period.

However, given the nature of the hospitality and tourism sector, technology is unlikely to replace large chunks of the workforce, but rather change the way they work. However, it could help alleviate skill shortages in some occupational areas.

Employers interviewed for this research point to developments which are likely to change the workforce composition and raise productivity levels. The rise of home delivery, and the setting up of production kitchens, is likely to alleviate the need for so many chefs and waiting staff.

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[7] Martin Ford (2015) The Rise of the Robots; Technology and the Threat of Mass Unemployment, Oneworld, Erik Brynjolfsson & Andrew McAfee (2012) Race Against the Machine: How the Digital Revolution is Accelerating Innovation, Driving Productivity, and Irreversibly Transforming Employment and the Economy, Digital Frontier Press

Many suggest that the most change may occur in front office roles, given that they are largely transactional. Some hotel chains already allow guests to check in and out and access their room with their mobile phone. The experience of similar changes in aviation highlight that customers in many settings are likely to embrace these changes, as long as it is quick and easy.

These developments are unlikely to remove the need for front office staff completely, but instead emphasis their role as host to welcome guests. Of course, these changes are unlikely to occur in top-end hotels.

Technology is also being used to increase efficiency and productivity in other ways, and this is explored in section six.

Skill gaps and high labour turnover

When it comes to increasing productivity levels, skills are a critical factor. Yet hospitality and tourism reports one of the highest levels of skills gaps of any UK sector.

In 2015, **18%** of hospitality and tourism businesses reported that their staff lacked the necessary skills to meet their business needs – a figure only topped by the care and manufacturing sectors (see table 1.3).

The good news is that, unlike other sectors, the percentage of reported skill gaps has dropped slightly since 2011, which is possibly a response to the increasing emphasis on staff retention.
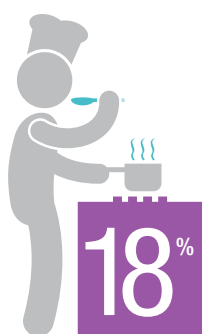
**18%** of hospitality and tourism businesses in 2015 reported that their staff **lacked the necessary skills** to meet their **business needs**

Table 1.3: Reported skill gaps across selected sectors	2011		2015
Manufacturing	16%		19%
Construction	10%		10%
Retail	17%		16%
Hospitality and tourism	19%		18%
Passenger and transport	10%		13%
Agriculture	10%		7%
Cleaning	6%		10%
Care	22%		20%
Entire Economy	12%		14%

Source: Employer Skill Survey (2011, 2015), UK Commission for Employment and Skills

Employers report that the main reason for these skills gaps is that staff have not yet completed their training or are new in post. Both of these factors are associated with high labour turnover, something that the hospitality and tourism industry has traditionally struggled with.

This low staff retention is partly down to the seasonal nature of the industry in some parts of the UK, but is mostly due to employing a largely young and transient workforce. Currently, **35%** of the hospitality and tourism workforce is under 25, while **16%** are full-time students.

Our data analysis suggests that labour turnover is in the region of **75% (compared to the UK all-sector average of about 15%)**. Given that the average cost of recruitment and initial training is **£750** per person, this alone costs the sector **£1.1bn** annually. For a business with 40 full-time staff (or equivalent), that's an average
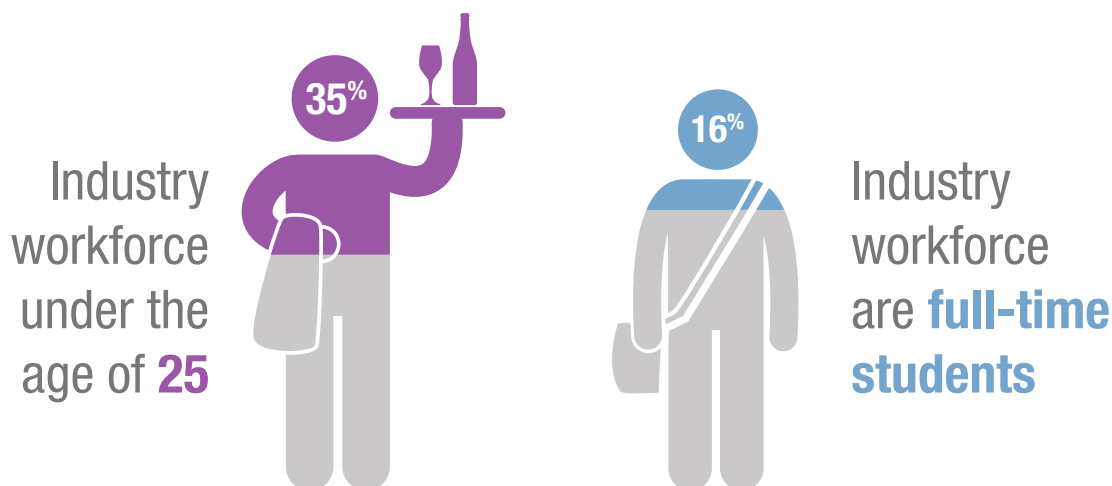
35% Industry workforce under the age of **25**

16% Industry workforce are **full-time students**

The average **cost** of recruitment and initial training is **£750** per person
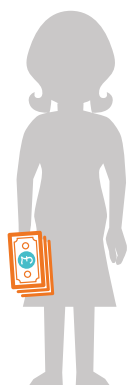
This alone costs the sector **£1.1bn** annually

For a business with 40 full-time staff, that's an average of **£22,500** per year

of **£22,500** per year.

Not only is high labour turnover fuelling staff shortages in hospitality and tourism – the sector needs **971,313** more people by 2024 simply to replace existing staff – but it's also undermining its productivity levels. If staff aren't staying long in post, they don't become fully competent. If they're not fully competent, then they can't become fully productive.

971,313 more people needed in the sector by 2024 simply to replace existing staff
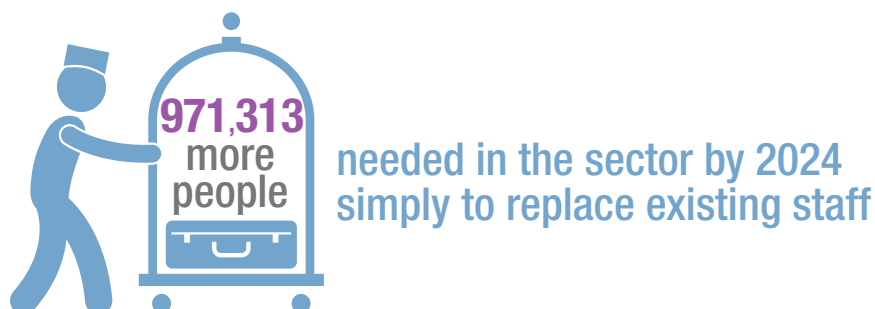
In summary

Despite the growth of the UK economy, productivity levels remain low and the hospitality and tourism sector has lower rates than many of its competitors.

There are some key reasons for this. Some of it is due to measurement, but, critically, the sector is not maximising its skills base. In the next section we will see how the productivity debate is playing out at a business level and how businesses are planning to tackle it.

2. Why businesses are starting to think differently about their people

Introduction

We have seen that productivity levels in the hospitality and tourism sector are low and have explored some of the factors causing this, but why should businesses care?

Hospitality and tourism businesses have traditionally recruited in large numbers, trained in large numbers and experienced high labour turnover. For many this has been a successful strategy and has helped the sector increase its workforce from **1.8m** in 2011 to **2.1m** in 2016, a **16%** increase. On the flip side, it has also undermined productivity levels.

Many businesses are now moving away from this strategy and this is largely due to three key factors:

1. **Rising costs**
2. **Recruitment difficulties**
3. **Changing employee attitudes**

In this section, we examine some of the reasons why hospitality and tourism employers are beginning to look at productivity and rethinking the way they invest in and develop their people.

Rising costs

Before the National Living Wage (NLW) was introduced in April 2016, the hospitality and tourism sector saw moderate price rises. As table 2.1 shows, between 2011 and 2015, hourly pay had risen by **50p** so that by 2015, median hourly pay in the sector was **£7.00**.

The NLW was introduced at a rate of **£7.20,** rising to **£7.50** from April 2017, which means that hourly wages have risen at the same rate in the past two years as did in the previous five. This goes a long way to explain the impact the NLW has had on many employers.

The sector increased its workforce from **1.8m** in 2011 to **2.1m** in 2016, a **16**% increase
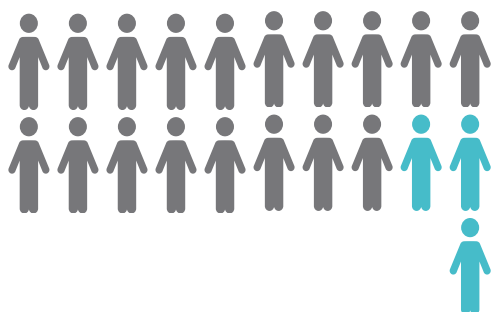
Hourly pay had **risen by 50p** so that by 2015, **median** hourly pay in the sector was **£7.00**

Table 2.1: Hourly and annual pay across the workforce in selected sectors (2011, 2015)

Industry	Hourly pay			Annual Payment		
	2011	2015	Difference	2011	2015	Difference
Manufacturing	£11.89	£12.88	£0.99	£25,044	£27,146	£2,102
Construction	£12.14	£12.94	£0.80	£25,810	£27,632	£1,822
Retail	£7.16	£7.87	£0.71	£11,441	£12,747	£1,306
Hospitality and tourism	£6.40	£7.00	£0.60	£10,721	£12,091	£1,370
Passenger transport	£12.27	13.42	£1.15	£24,796	£27,367	£2,571
Agriculture	£8.51	£9.02	£0.51	£17,641	£19,244	£1,603
Cleaning	£6.53	£7.00	£0.47	£7,195	£6,961	-£234
Care	£7.69	£8.10	£0.41	£13,394	£13,974	£580
Entire economy	£11.13	£11.81	£0.68	£21,085	£22,492	£1,407

Source: Annual Survey of Hours and Earning 2011-2015, ONS/People1st

How hospitality and tourism pay compares to other sectors is also important in a tightening labour market where competition for talent is becoming intense. Hourly pay is £5.88 more in manufacturing and, significantly, 80p more in the retail sector.

The introduction of the NLW has had a significant impact on companies' cost bases and how they are reacting to it. Some are looking to cut other costs, but others are looking at how they can mitigate these costs by increasing outputs:

"Quite frankly, last year it put a significant cost into our business that we had to mitigate because it wasn't built into our budgets, and we have a similar situation going forward. We're quite happy about the principle of the National Living Wage but it's just throwing everything else out. It's not just about increasing certain people's rates of pay, we've got to look at our whole pay structure. Like any hotel business, our biggest cost is our people, so it has a massive impact."

"In terms of how it's potentially going to affect us, you're talking millions to the bottom line. So there's a huge impact to the business and I think that's part of the thing that is driving the other bits in terms of people development, people managers, apprenticeships and all these things, to try and mitigate some of that, because, as a business, we probably can't sustain the extra cost."

Whilst businesses are feeling the effect of the NLW, a large number of those we interviewed saw potential to make hospitality and tourism more attractive as a career option, with positive repercussions for recruitment and retention.

"The National Living Wage coming in has helped us because the wage gap is not as big as it used to be. We've always been a National Minimum Wage employer. Now the living wage, or the National Living Wage, has come in, it's obviously reduced the gap for some of the retailers and food businesses that used to pay more than we did."

A separate report is being produced from this research focusing on how businesses are reacting to the NLW and their plans to address it.*

Recruitment difficulties

Recruitment is becoming increasingly challenging for many employers. According to the latest Employer Skills Survey, **25%** of hospitality and tourism businesses reported vacancies, of which **38%** considered them hard to fill.

Just four years previously, in 2011, only **10%** of employers reported vacancies, with **36%** considered hard to fill.

25%

**of hospitality and tourism businesses** reported **vacancies of which 38% considered them hard-to-fill**

This increase reflects falling unemployment and a much tighter labour market. In 2011, unemployment was at **8.1%**, the UK was picking itself up from a deep recession and, for many hospitality businesses, it was the easiest time to recruit for many decades. In contrast, unemployment currently stands at **4.8%** and recruiting talent is much more competitive. It's unlikely to get any easier, as current projections suggest that by 2024, the sector will need to recruit an additional **1.3m** people.

Unemployment was at **8.1%** in 2011

Unemployment currently stands at 4.8% and **recruiting talent** is much **more competitive**
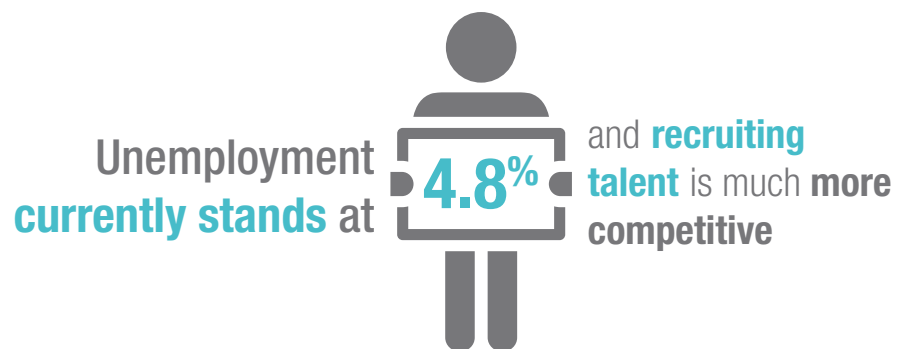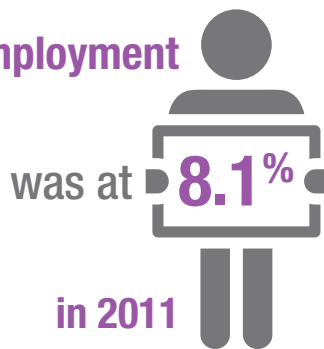
The sector will need to recruit an additional

1.3 million people
by 2024

Contrary to the perception that the hospitality and tourism is simply a lower-skilled sector, it will need to recruit **226,000** people into management positions and **11,000** chefs. Unlike employers in many other sectors, hospitality and tourism employers aren't just suffering from a labour shortage, but also a skill shortage.

Need to **recruit**

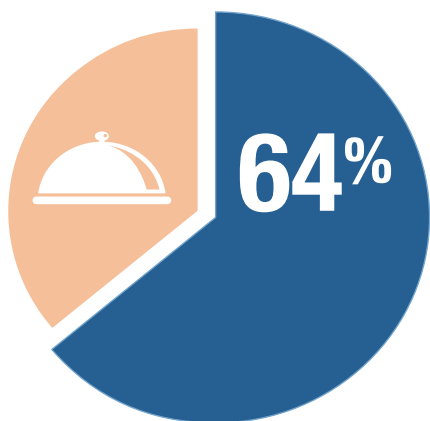**226,000** people into **management positions**

and **11,000** chefs

Some **64%** of hospitality businesses with a vacancy suggest that they are hard to fill because there are insufficient candidates with the skills required. Chefs continues to be one of the most challenging positions to recruit, but employers also experience difficulty recruiting skilled front-of-house staff and managers.[9]

As the labour market has tightened, employers have looked outside of the UK in a search for talent.

Between 2011 and 2016, the number of migrant workers in the hospitality and tourism sector increased by **27%**, with the majority of this increase coming from other EU countries. Currently, a quarter of the workforce is made up of migrant workers, of which **52%** come from outside of the EU.

64%

of hospitality businesses with a **vacancy** suggest that they are **hard to fill** because there are **insufficient** candidates with the **skills** required.

27% increase

Migrant workers in the hospitality and tourism sector

2011   2016

with the **majority** of this **increase** coming from other **EU countries**

25%
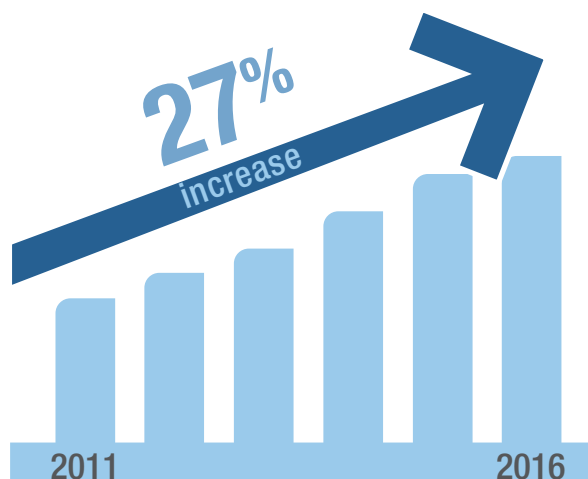
of the hospitality and tourism workforce is made up of migrant workers

52%
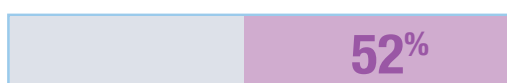
of these migrant workers come from outside of the EU

Passport

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9 To register to receive a free copy of our forthcoming report on the chef shortage go to:
   www.people1st.co.uk/insight-opinion/chef-shortage/21st-century-chef/

"It was always hard to recruit people. Ever since I've been in London, maybe 25 years, we were always dependent on migrant populations. When I first came to London there were Filipino and Caribbean people, then it went through all the European countries bit by bit, and it feels like we've run out of people now. Still, it's a job nobody wants to do and the only way I would see forward is that we pay a worthwhile salary to say, "For this job you get £12 an hour." It's not a manual minimum wage job, it's a job that we need to pay people the proper rate of pay for to get it done."

Brexit is likely to make it more challenging for businesses to recruit staff from the EU. As yet, it's not clear what the UK's departure will mean for existing EU workers in the UK or for any future agreement about bringing workers into the UK from the EU. The lack of detail makes it difficult to plan.[10]

Another important factor affecting employment is demographics. Research suggests that, by 2022, there will be **700,000** fewer 16-25 year olds and **3.7m** more over 50s.[11] Given that the hospitality and tourism sector has traditionally recruited young people – **a third** of the workforce are under 25, two times the proportion across the economy as a whole – this is likely to have an impact on recruitment.

Falling unemployment and fewer young workers mean that the sector is recruiting in a much smaller pool than in the past. This is already placing strain on many businesses. Traditionally, in these circumstances, businesses have looked outside of the UK to support their recruitment needs, but Brexit may mean that this option is curtailed going forward.

There will be **700,000 fewer**

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A third of the workforce
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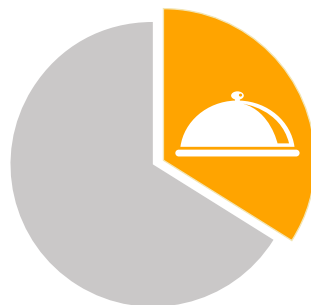
10   To register to receive a free copy of our forthcoming report on 'Reflections on Brexit' visit www.people1st.co.uk/Brexit
11   Ros Altmann (2015) A New Vision for Older Workers: Retain, Retrain, Recruit, Report to Government

Changing employee attitudes

In May 2016, HR magazine released findings from a survey of **150** HR leaders. This revealed that **73%** of them see 'changing values of employees' as one of the most significant disrupters to their business.[12] Changing employee attitudes have also emerged strongly from this research, with employers highlighting the different values of the millennial generation.

73%

HR leaders see **'changing values of employees'** as one of the most **significant disrupters** to their business.

The term 'millennial' is usually used to describe those born between the mid-1980s to the mid-1990s, who therefore entered adulthood during the first decade of the millennium. However, it is often used to capture those born up to, and sometimes after, the millennium.[13]

Another label for this generation is 'generation Y' and an analysis of generational characterises described them as 'protected', 'heroic' and 'hubristic'.[14]

Employers interviewed for this research had mixed views as to whether changing employee attitudes were simply down to the emergence of millennials or whether changing expectations span multiple generations.

However, they consistently highlighted that younger staff were motivated by different factors and needed to be engaged and managed differently than previous generations:

"It's really difficult to get some of our old-school managers to understand that these guys aren't being precious, it's just they've been taught that you're treated a certain way when you start a job. That you'll be inducted a certain way, that you'll be looked after, that you'll have your uniform on day one and a name badge, and there isn't a delay on all of those things. They're really important to them. Everybody wants to get paid on the right day, with the right amount, at the right time. Occasionally, there'll be a blip in that. There's no expectation from millennials that can happen. It's a given for them that they will be paid, it will be correct and they shouldn't have to question it."

"You would get people previously that had clear expectations, and as I say, they're absolutely the right expectations. It's just not always 100% achievable in real-world situations. You would have an odd blip here and there. But now, there's almost an expectation that you can't have a blip because, "This is what you should be giving me because you're my employer." And it's not in a demanding way, it's that they don't know any different and this is what they've been told to expect."

"The millennial generation's expectation of the role is very different, certainly to when I worked in hospitality and lots of our management team did. We're finding increasingly, every single year, it's changing. The expectation of how people will be looked after in a business is very different. It's very much an idealistic approach versus what we're used to. So we're all having to do a lot of work to be able to meet the expectations of a different generation and that's a reality."

These differences are having an impact on how businesses recruit, engage, motivate and manage staff.

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[12] The Future of HR (May 2017), HR Magazine
[13] Ros Altmann (2015) A New Vision for Older Workers: Retain, Retrain, Recruit, Report to Government
[14] Generation Z – The New Kids on the Block Have Arrived (2014), Happen

HR priorities

The businesses participating in this research have a broad range of HR priorities.

Despite this, talent retention appears in most companies' top priorities. This wouldn't have been the case five years ago, when recruitment would have been number one for most of these businesses.

Aligning the HR strategy with the business strategy is also critically important, and this draws out those HR teams that see themselves as a key component working at the heart of the business to drive profitability through its people, rather than the historic role as a support department. Often, these HR teams are represented on the board or have the clear support of senior managers.

The support from senior managers shouldn't be surprising, given some of the critical people-related issues facing hospitality and tourism businesses. This is something Peter Cappelli, professor of management at Wharton School in the US, highlighted in his 2015 article 'Why We Love to Hate HR… and What HR Can Do About It'.[15]

Cappelli observes that: "when companies are struggling with labor [sic] issues HR is seen as a valued leadership partner. When things are going more smoothly all around, managers tend to think "What's HR doing for us anyway?"" He goes on to state that HR should be setting the agenda by laying out the issues facing the business, focusing on issues that matter in the here and now, acquiring business knowledge, highlighting financial benefits and walking away from time wasters.

This represents a clear difference to how many HR teams have worked in the past and it's something that the vast majority of HR teams taking part in this research are working towards.

Many businesses see retention as a solution to rising costs. Others are making it a key priority because the businesses is re-engineering its customer journey.

Similarly, many are prioritising learning and development. Some have always focussed on this; for others, it's part of a major job redesign programme or talent retention strategy. Recruitment still continues to be important for many businesses, but is largely seen as a part of a wider talent retention strategy. One or two businesses also have 'increasing productivity' as an explicit priority.

A number of businesses acknowledged that they developed their HR strategy largely independently from the business strategy, and that it remains mostly unchanged from five years ago. These respondents tended to be fairly fatalistic about the current challenges, rather than seeing opportunities to address them. Similarly, they were most likely to mention that they are seen as a cost by senior managers and their focus was one of getting costs down, rather than aiming to increase outputs.

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[15] Peter Cappelli (July-August 2015) Why We Love to Hate HR… and What HR Can Do About It, Harvard Business Review

Helping to understand how businesses are thinking about their people strategies

Through this research we have identified three broad typologies, or ways of categorising thinking, that help classify HR teams' thinking and approaches in large hospitality and tourism businesses.

These are 'architects', 'interior designers' and 'builders'.

Architects

HR team is working to redesign the way the business looks

- HR is typically externally focused, such as working to increase customer experience and retention
- The people strategy is visible and is a central plank of the business strategy
- There is a strong link to the external brand

Interior Designers

HR team is working to improve people's performance

- HR is internally focused on increasing staff performance
- The people strategy is clearly aligned with the strategy, but often supporting the central strategy, rather than being integral to it
- There is a strong link to the external brand

Builders

HR team are building or repairing infrastructure

- HR team is a support function underpinning the business strategy
- It is largely solving problems or keeping things moving
- The people strategy is not visible outside of the HR team
- Weak link to external brand

Businesses tend to reflect the dominant characteristics of one of these typologies, even though they might be doing specific activities which would be typically found in another.

These typologies also reflect the journey that many HR teams are consciously or subconsciously working towards. For example, whilst some teams recognise that they are currently builders, they are working towards becoming interior designers and architects. Other HR teams talked about issues that would fall into the architect category, but, given a lack of senior support or resources, they are undertaking activities that would typically be done by builders.

We will consider these typologies at the end of each section, to see which typology is adopting which kind of initiative.

3. Rethinking recruitment

Introduction

Recruiting staff is obviously a major challenge for most hospitality and tourism businesses. In this section, we look at how businesses are addressing it by examining their thinking and approaches.

The need to rethink recruitment

Hospitality and tourism businesses interviewed for this research all acknowledged how tough recruitment has become and recognise the challenges we have already visited.

"The skills that I want are exactly the same as what every other caterer or hospitality event wants. Our industry has exploded, if you like, but also the same skills that I want, they want in retail, or in front-line banking where someone is hosting. You know, when you walk in banks now you have hosts, and things like that. It's interpersonal skills, people skills, which is everything you want for hospitality. You can train someone to carry a tray. Everybody wants those skills and I think that skill level, or that pool, is getting smaller purely because there are more opportunities for people to work elsewhere."

"I think the quality of candidate is very different. I think the volume of candidates is very different. There's just so much more competition. We have to work harder and harder than ever before."

Many businesses acknowledge that with unemployment continuing to fall and Brexit around the corner they need to make changes now, so that they are in a better position when we leave the EU.

Businesses are looking afresh at the way they attract and recruit staff – from where they advertise to the way they are perceived as an employer, who they target and the process for profiling and inducting candidates.

"I think it is the difficulty in recruitment. I think it's the definition of insanity, isn't it? Keep doing the same thing expecting different results. We can't just keep putting things out in the usual channels and not getting anything from it."

Chef recruitment continue to be the most acute challenge facing businesses, with insufficient numbers coming in the industry to meet the demand.

"I think we're very good at bringing chefs in at a junior, apprentice or trainee level and getting trainees interested in becoming chefs. But if we need to recruit at chef de partie, junior sous chef or sous chef level, that's when it becomes quite difficult. Again, the salaries are market-driven. The other thing about chefs is that they aren't very good at recruitment, in the sense that they don't go necessarily go on the internet looking for hours and hours for the nicest jobs. They're not interested in an hour-long process of uploading their CV and doing all that. They might only be getting one or two days a week free and that's the only time they can come for an interview and a trial. Particularly good chefs have got the pickings of wherever they want to be, really. I think as well, this is probably always the case, but career chefs like to say, "I'll do a year in a restaurant and I'll do a year in a hotel, and I'll do a year in contract catering.""

The majority of businesses participating in this research had drawn up specific plans to address the difficulties recruiting chefs, such as developing chef academies, with mixed results.

A growing bubble of staff being promoted beyond their capability

As a result of the growing skills and labour shortages, staff are moving employment more frequently with the allure of better pay and promotion. This has led to a growing bubble of staff who are being promoted and paid above their capabilities and experience.

This is a particular problem when it comes to chefs, and poses particular challenges for businesses and the sector overall as it skews wages and increases skill gaps.

Recruiting to retain talent

Given the difficulty of recruiting, businesses are placing more emphasis on retaining staff. For recruiters, this means that they are increasingly focusing on finding staff who are more likely to stay with the business. For some businesses, this means being clearer and more consistent about who is being recruited, as well as having better mechanisms to identify existing talent to fill internal vacancies.

"The difficulty is, if you're moving towards fewer, better people, we're looking at potential. So, it's about having the right person. It's about encouraging people to spend the amount of time to recruit the best person, rather than just someone to come in and do the job."

Centralising recruitment

The emphasis on retention has resulted in stronger processes being put in place to attract and recruit the right profile of people and a trend to centralise recruitment. For some, this means that all recruitment is undertaken centrally; for others, HR and recruitment teams take a greater role to ensure that unit or area managers have the skills, processes and support to recruit the talent they need.

"Recruitment is having a positive impact in the business, because we've taken the burden of recruitment away from what were normally called 'area managers'. We've taken it away and centralised it, so now that's a big stress off them. We're definitely seeing the benefit of that, and we're being smarter about recruitment. We're trying to come across as more professional, and still have a way to go to get to where we want."

"They [unit managers] know their clients, they know their teams – you can never replace that local knowledge. If they had a couple of tools that could help them they would be better at selecting the right people."

What businesses are doing to recruit the right people

Hospitality and tourism businesses are taking different approaches to attraction and recruitment, depending on the type of business, their size and culture. The following outlines some of the ways in which businesses are trying to address the current recruitment challenge.

Creating a positive impression and being honest

A lot of businesses are frustrated with the poor perceptions of careers in hospitality and tourism and the quality of information, advice and guidance on offer. Employers are largely thinking about careers advice given at an early age but, given demographic changes, it is important that it is accurate and engaging for all ages.

Many companies try to go into schools to give talks and outline the career opportunities on offer. Others are equally frustrated about how difficult it is to provide accurate careers advice.

Some businesses are ramping up activities to engage the local community and decision makers and highlight the positive aspects of working in the sector and the potential careers on offer. Some businesses acknowledge the difficulty of doing this, as costs are being cut, but those who do report a positive return:

"We realise that we are not a local councillor's first choice of a business introduced into your locale. We've had to do a huge piece of work because, obviously, we want to attract talent or we want to get councillors on our side, but also because we think working with local communities is the right thing to do."

"Whether it's offering job opportunities to unemployed young people, or working with local charities, or giving some of our food away to local homeless or disability charities, I would say those types of activities have been a major shift over the last five years too."

Many businesses have been doing these activities for a long time, but the fundamental shift is that they are not ignoring the negative aspects of work and trying to be as honest and upfront as possible. By drawing people's attention to them and giving them real experience of working in the business, they are hoping to address the high turnover of staff in the first few months, where expectations of the role often don't fit with the reality.

"We're also really focusing on the first interview. Making it much more of a realistic preview of the job so that when they join in two weeks' time, they have a realistic perception of the job. We're not necessarily trying to widen the funnel but make it tighter in terms of people knowing much more about the opportunity before they join."

As we'll see in the next chapter on retaining talent, a lot of businesses are working hard to revise some of the areas that make jobs less attractive, such as contracts and pay.

"We look at the job ads that we are putting out. When we are advertising locally for roles we are saying, "Come and join us. Work any time between four hours and 40 hours across seven days a week." I think we have had a bit of a dawning realisation over the last six to 12 months that this is clearly not an attractive proposition in the current employment market. It might give us a really high degree of flexibility, which a lot of our managers value. However I think it is also leading to a high degree of instability amongst our team."

Emphasising the brand

Businesses are also maximising their brand and the values it represents. This is believed to be particularly important to the millennial generation. People want to see that the way a business employs and motivates its staff reflects the external consumer-facing brand.

For some, this is relatively straightforward. It plays particularly well for edgy, engaging brands.

For others, it is a challenge, particularly for larger businesses that operate a variety of brands or manage properties using another company's brand. In these instances, they are either trying to promote their overall brand more predominately, or highlight the career options available by working for a particular brand because of its link with the broader parent company.

" When I talk about our resourcing strategy, one of the key parts of that is how we make [name of parent brand] a place that people know about and want to come and work at, rather than, as always, having to go and find them and then sell the company. So the [name of parent brand] brand as an employer brand is something we're increasingly trying to grow, so that people understand that it's not just about working at the [smaller brand], that there's a world of opportunity and actually we're a much bigger, much broader company. "

This emphasis on brand goes hand in hand with many companies' move to centralise their promotion and recruitment processes. It also reflects a broader trend for companies to highlight their career progression opportunities, primarily using career maps to show the vertical and horizontal opportunities within a business and how best to get there.

Rethinking how businesses target applicants

An area that is likely to change enormously in the coming years is how businesses advertise. The vast majority use a variety of generic or sector-specific job sites, but employers are increasingly becoming dissatisfied with their effectiveness as the labour market tightens and are increasingly trying to target key audiences.

Businesses are looking at this in different ways:

" Things are changing, so we're currently looking at things like programmatic recruitment, which is really fabulous targeting. So, I've looked on the careers site and next thing it pops up on your Facebook page: 'Have you thought about a job with [name of company]?' We don't have a one-size-fits-all approach, but we have different techniques depending on the roles. "

" What we've found over the last three or four months is a real drive from the job app, for use of a better word, like London Today or Job Today I think it's called. It's kind of like Tinder or online dating for work. You post a job and someone goes, "Oh I like that." Then you enter into a chat with them and you invite them along for an interview, as opposed to that kind of more traditional, 'we post a job and if someone sees it you go for it'. "

An increasing number of businesses are targeting staff from other sectors, with the same interpersonal skills that they are seeking. As a result, some businesses are targeting job sites in retail and aviation. Also, a small number of businesses incentivise their staff financially if they can recommend an applicant who subsequently gets recruited.

Rethinking talent targets

The hospitality and tourism sector has traditionally targeted and attracted a young workforce, but in the face of changing demographics, businesses are casting a wider net.

For most businesses this is a new approach, as they start to target older workers and women returners. Given that the working population over **50** will increase by **3.7m** in the next five years, this is critical.

The working population **over 50** will increase by **3.7 million** in the next **five years,** this is critical

" In next year's strategy we have a focus on looking at an older workforce. We've had some successes in odd hotels with that this year already. It's just evolved on its own, rather than us having a particular focus. "

A few business believe that targeting an older workforce is not realistic, as it doesn't reflect their brand or customer base, but there are clear opportunities for many parts of the sector which explains why businesses are focusing on this.

As we have documented over the years through our Women 1st campaign, targeting women returners can bring substantive benefits to a business, but it does require businesses to remove barriers that prevent them working effectively. However, given some of the changes to increase retention, some of these barriers will be removed.[16]

Initiatives include dedicated recruitment campaigns for female chefs and managers, and specific development programmes tailored for women returners.

Systematically refining processes based on results

Most of the businesses interviewed have a central portal where people can apply for roles and undergo screening, then sophisticated assessment centres where staff can be further screened.

For some companies, this thinking and investment is new. For others it's a tried-and-tested method they have been using for years.

Many businesses are systematically refining their processes based on evidence of what works and taking into account the changing labour market. In some cases, this means businesses are tweaking aspects of their processes. For others it means putting these components in place for the first time. A number of businesses admitted to catching up:

" We're doing a lot more sort of recruitment and assessment days and things like that, where you can invite people in, rather than the old stiff-upper-lip interview, where you are facing two or three people across a desk, answering questions. Then they will come in and we will assess more about the person and what they can do on an assessment day, rather than just listening to qualifications, age, you know, diversity of a person. We can then look at people within themselves and see how they interact. "

The methods used vary depending on the type of role, with some focusing on interpersonal skills, others on more technical, skills-based tests.

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[16] For a copy of the research, go to people1st.co.uk/insight-opinion/latest-insights/female-talent/

Maximising the use of college, universities and job centres

A number of businesses are establishing, or in many cases re-establishing, links with further education colleges and universities in order to attract better-quality applicants.

Colleges are seen as an important source for future chefs, with some companies forging links with multiple colleges where the chef shortages are most acute.[17] Often, this involves providing work placement opportunities, but a number of businesses have also sponsored and designed college restaurants, which encourages greater links and brand recognition.

However, as our research on the chef shortage shows, a large proportion of college students leave the industry in the first 12 months due to the number of hours they are working. Therefore, there needs to a suitable transition for new entrants.[18]

Business are similarly engaging universities to attract graduates to fill first-line management positions and, as a result, they are again placing more emphasis on graduate programmes as well as looking into higher-level apprenticeships.

Some businesses are also reaching out to see how job centres can help support recruitment. At the same time, others are actively moving away from job centres and are looking at more online targeting and engagement that we saw above.

Summary

Talent recruitment continues to grow in sophistication, with many businesses investing heavily to attract the right talent that will stay and progress with the business.

The emphasis on retention is changing the profile of who is being targeted, as is the changing labour market.

Architects

HR team is working to redesign the way the business looks

- Centralised control of recruitment
- Advanced profiling
- Key focus on brand
- Experimenting with online 'remarketing' techniques
- Forging links with colleges and universities

Interior Designers

HR team is working to improve people's performance

- Centralised control of recruitment
- Advanced profiling
- Forging links with colleges and universities

Builders

HR team are building or repairing infrastructure

- Links with job centres
- Recruitment is run separately by each unit
- Focus on recruitment is a priority
- Activities largely remain unchanged

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[17] For a list of colleges accredited by hospitality employers go to www.people1st.co.uk/our-networks/provider-network/ hospitality-accredited-providers/
[18] To register to receive a free copy of our forthcoming report on the chef shortage go to: people1st.co.uk/insight-opinion/chef-shortage/21st-century-chef/

4. Talent retention and progression

Introduction

Talent retention is increasingly becoming the central focus for many businesses. In this section we examine why retention is getting so much attention, what is driving the trend and how businesses are tackling both talent retention and progression.

Retention: the new recruitment

Undoubtedly, businesses are focusing on staff retention like never before. Whilst a small number of those businesses interviewed believed that they have good staff retention, many admit that labour turnover is too high:

"It's almost soul-destroying. You work really hard on getting somebody in, you watch them settle in a bit, and then they don't stay. So I think there is a battle weariness to that endless cycle that's also driving it."

"When I talk about talent management, one of the key parts of that is, how do you attract them? How do you retain them? How do you reward them? Because that's all out of kilter at the moment."

Whilst labour turnover has not necessarily increased in the past few years, there has been a break with historical thinking. It's something that's no longer seen as inevitable, or just part of the way the hospitality and tourism sector works. It's is now seen as something that can't go unaddressed:

"Like anybody, our turnover is high, but it's not the highest. It's certainly not best in class – we sit circa 80% and 90%, depending on who you talk to at any one time. We're under three figures, which is still disastrous, in my opinion, but we're not in the horror-story camp of 120%, 130%, 140% turnover."

However, for some HR teams, it's still an upwards struggle to convince their business of the impact of labour turnover and the need to change.

"I don't come from a hospitality background. I think I was quite surprised when people said, "Oh, that's just how it is." It's almost like, "Well, that's that then. That's just how it is in hospitality. There is this churn." Well, why?"

Some businesses still argue that, by having high labour turnover, the hospitality and tourism sector is helping instil key employability skills that, in turn, help other sectors. Whilst this is undoubtedly true, it doesn't explain why the sector should invest so heavily in skills development only to lose those staff to other industries, especially as costs are rising and the labour market is getting tighter. It's therefore a false argument that businesses can no longer seriously adopt.

Rising costs and the cost of labour turnover has ensured that, for the majority of businesses interviewed, retention is not just seen as a priority for HR teams, but for the business as a whole:

"[Retention] affects us obviously from a monetary perspective in as much as that every new team member costs us about £9,000 to recruit, train and bring into the business. But also from a consistency point of view, and a business point of view of developing a business, it haemorrhages us really. It's very difficult to build on something when you're continually having people leave the business."

"I think there is also the impact of this endless recruitment. You can't keep pulling them in the door if you're letting them out the front door and they're going out the back."

As we'll see in section six, rising costs are driving a focus on productivity improvements, but it is also ensuring a focus on staff retention, as businesses look for efficiency and cost savings, rather than passing those costs on to their clients.

This is particularly the case in business-to-business transactions, such as in contract food service management or hotel services, where the clients themselves have been squeezed by high costs and are looking at cost savings from their suppliers:

"I think there is the cost. I think our clients are demanding more and more cost-effectiveness. So there definitely is that."

"If you are not continually recruiting and training new people – and as we know, new people are not as productive on day one as someone who has been with you for two years – that will have a direct link to productivity."

The shrinking labour pool is also a strong driver, so businesses acknowledge the time and cost benefits of retaining valuable staff:

"I think the HR priorities within business are very, very much attributed to retention at the moment. I think there is now a desire that if you have got good people, you've really got to try to keep them because there are not many good people behind them. We're in a situation where there's a scarcity of good staff, so you better work really hard to keep the ones you've got. I think some companies – and I see this from my plural activities – are better at doing that than others. Retention is certainly higher up on the agenda than it has been probably in the last five years."

"If the supply pool is declining, the demand is going to be there, so it's going to force up wages, as we try to attract and retain the best. And it's not just wages, obviously, it's the whole package. And that must be being felt across the hospitality sector, because we're by no means unique."

Talent management strategies

Many large businesses have well-established talent management strategies, of which retention is a key component. However, businesses are looking afresh at their existing retention mechanisms to assess their impact and look at what else they need to be doing:

"I think we've recognised this year that our retention levels are generally quite poor, and certainly in the lower level of team. Upper and higher level, and head office level, it's not too bad – quite good in some respects. But certainly in that sort of bottom order of team; the real crux of what we need, we have quite a large turnover and churn of staff in terms of the people coming and going."

The initial employment period is the most important for retention, and employers are increasingly focusing on strengthening the experience for new members of staff. As we explored in the previous section, businesses are also looking afresh at the profile of staff they are recruiting:

"26% of people we hire leave within the first 12 weeks of working for us. So retention, and how we focus on both retaining great staff but also hiring staff that are qualified, understand the opportunity and hopefully want to stick around for the future, is a big, big concern for us, but also a big priority."

"Some of our venues run at very low retention rates through the year. What we've found was that most people were leaving in the first three to six months. We had some venues running at around 60% of people not staying."

"It's zero to three months. For people in our business, they either get it or they don't, they either like it or they don't, they either stay or they go. That's a very obvious thing to say, but I spoke a little bit about onboarding, and about how we develop that first part of the journey. I think it's something that everybody is scratching their heads over."

Businesses are also emphasising career progression by making it more transparent through career maps and linking this more closely to performance management and succession planning.

"A lot of the work we're doing around talent and career paths and succession planning is around making sure that people don't need to leave us to go and have a career, because one of the special things about us is there are so many different jobs here."

Causes of high labour turnover

Not all businesses measure the reasons for staff leaving, but those that do have identified a range of different factors. Naturally, this forms the focus of their talent retention strategies:

"[Staff leave for] remarkably different reasons. Sometimes it's the pay, sometimes it's that they just want to leave, a lot of the time they've been changing career. Our current HR system doesn't really limit the choice for the reasons why staff typically leave, there are about 20 choices, to actually get more data about that is quite challenging."

Whilst the reliance on a young, transient workforce continues to fuel labour turnover, businesses are also finding that the tighter labour market is resulting in staff going into comparable sectors, such as retail, that offer marginally better wages. As we saw in section two, median wages in retail are **80p** more per hour than hospitality and tourism:

"Interestingly, we very rarely lose our staff to other hospitality organisations; we lose them more to places like supermarkets, and in particular at the moment the discount retailers, like Lidl and Aldi. Interestingly, it's really about pay. Lidl and Aldi, for example – as well as IKEA, which we've lost a tranche of people to in a number of locations – are paying as much as £2 an hour more for a team member than we are. When you put that into real terms over the course of the year, clearly it all adds up."

Median wages in retail are 80p more per hour than hospitality and tourism
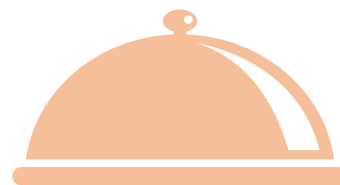
Staff aren't only leaving to work in other sectors. The continuing skills and labour shortages mean that there is a significant churn within hospitality and tourism, with staff moving between businesses. This is driven partly by higher pay, but also the chance for greater promotion. A number of businesses point to a growing bubble of wage inflation for staff who are being over-promoted and don't have the skills or experience to do their job.

This is a particularly acute for chefs, and is something we explore in our separate report on the chef shortages.

"People either get poached or they leave within 12 months, at the 12-month cycle, or whatever it is. It's always upsetting when good members of the team leave, but as I said before, a lot of people are leaving because they are being over-promoted into other businesses. A duty manager in one of our restaurants will run 500 covers on a Saturday and they're working in restaurants that are taking forty, fifty grand a week as an average. They're often poached by people who are opening little pop-ups, hipster, cool, café places who are offering them a couple of grand more to have a much more senior position. So you can't stop people from wanting that. People want progression, they want it quickly."

A number of businesses report that staff do come back when they see that the career progression opportunities are not as attractive as they initially thought or, in the case of some roles, that the job was routine and didn't provide the same satisfaction as their previous role:

"Quite a lot of people come straight back to us because they are saying that when they go to places like that they don't speak to another staff member for an entire shift."

As a result, many businesses are emphasising the fun, social and non-routine aspects of job roles both to retain, attract and bring back talent.

Rethinking and tackling talent retention

Some businesses are further down the road than others in rethinking their talent management strategies. They are adopting different approaches depending on their size, market and underlying organisational culture and values.

A number of businesses admit that they are going back to square one and building new retention strategies based on what staff are saying when they leave, as well as identifying the wider factors (like those explored in section one) that are influencing turnover:

"I think the first thing we have started to do is to find out, "Why are you going?" We can make guesses, but we need to really understand."

Businesses are also reviewing their existing talent management activities to see how effective they are and identify gaps, as well as looking at which areas of the business have the biggest problems and which staff they want to retain to build a talent pipeline:

"We need to have much more of a coherent strategy. We should be sitting down and be able to map out where the talent is across the group – so I could come into any site, and I could map the talent of the site. Then, I could go to a group level and say, "Okay, so who's where?" So it becomes like a talent pipeline. We almost know we can move a floor manager into a restaurant manager role, and backfill, and I guess that's what I'm working towards. But this is a slow cultural shift."

Whilst businesses are taking different approaches, they are consistently starting with measures and data to understand the types of people they employ, why some staff leave and, importantly, why they stay.

Measurement and monitoring

Of the businesses we interviewed, half felt that they had good systems in place to measure staff retention and turnover and the remainder were focusing on putting them in place.

"I think that's a main factor is those figures and knowing, We network quite a lot within the industry and we know that it's a common problem. Particularly on the chef side of things, it's far worse than front-of-house. Yes, I think there are different elements you can look at as to why that's happening."

The types of measurements and subsequent reporting are becoming more sophisticated and frequent, but businesses feel they are providing rewards:

"How we 'onboard' people, and how we get them from zero to three months, and then really be in a position where they want to hang around, is tricky. For me, that comes down to my reporting, you get numbers stacked. It's the sort of thing I do every single week, is look at these reports and look at the reasons for leaving, particularly the general managers, and start to understand why people in that zero to three month category are turning around."

"We're tracking metrics now at a site level, to see, "Is this site better than that one? If so, why is it? Is it a local management thing? Is it a 'way of working' thing? What is this?" So we're trying to look at why we're losing people."

This places a lot of burden on HR teams, but many view it as essential to help them work more effectively.

Importance of good management

This type of monitoring has highlighted the influence managers have on labour turnover. Most businesses have higher retention rates at senior level, but some have identified that high managerial turnover causes its own instability and has a negative knock-on effect across the business:

"We recognise, because we're going to have this period of growth, it's very important that we can retain people and give them career development, but it's also about sharing the culture of the business. If we have high turnover at leadership level, that makes it more difficult to build our employer brand and share our culture as we acquire new businesses."

Many businesses cited poor management skills as an acute problem that increases staff turnover, and this is partly due the current recruitment problems. In many instances, managers have been promoted without the necessary development and support and may lack the skills and experience to manage, motivate and retain staff effectively.

As a result, businesses are making managers a key learning and development focus, to help them become better people managers and give them the skills and confidence to address individual team needs.

"We are really changing the mind-set from "If you have got a problem with your employees, go see HR", to "Let's just make sure, as a leader, we don't have those problems to start with.""

This is also helping managers reinforce the business' culture and values and ensure that staff are treated consistently.

"I think that it's more about the behaviour than knowing how to lay a table. . It's more about leadership and being able to manage the people to get the best out of them, rather than solely managing the tasks or activities that they do."

Pay and the National Living Wage

As we have seen, an increasing number of staff leave after being attracted by marginally higher pay elsewhere in the sector. In these cases, some businesses are being forced to pay more to attract talent. And when it comes to staff retention, the introduction of the National Living Wage (NLW) has brought some challenges as well as opportunities.

One such challenge is whether to pay all staff the NLW (**£7.50** per hour), despite their age. Currently, the NLW only applies to those aged 25 or over. Most businesses interviewed had decided to introduce the increase across the board, regardless of age, to ensure fairness. Of course some hospitality and tourism businesses, particularly in London, are already paying significantly more than **£7.50**.

Another challenge has been the knock-on effect on pay for higher-level roles, particularly team leaders, and the fact that the pay difference between those in operational and supervisory roles has been reduced. Whilst businesses have tried to adjust higher levels of pay to ensure suitable progression, the cost of doing this extensively has been prohibitive.

On the flipside, many businesses interviewed thought the NLW had made the sector more attractive, as reducing the pay difference with other sectors allows hospitality and tourism businesses to compete more effectively.

Addressing millennials' needs

We explored changing employee attitudes and, in particular, the millennial generation in section two. A lot of companies are grappling with this, and are looking at how their external values are carried through consistently in the way they communicate and engage with staff - particularly through technology.

Most businesses we interviewed were at the start of this journey, but others had introduced systems allowing staff to interact with the business on their phones to amend rotas, access training and exchange views on forums.

Many employers recognise how important it is to be consistent in the way their external values permeate through the business, which means that some have invested heavily in upgrading changing rooms, staff food and social opportunities for staff to engage with one another. In marked contrast, other businesses are downgrading the exact same areas to reduce costs due to budget cuts.

"From a millennial perspective, that whole retention piece is the challenge with millennials. They come to work for different reasons. They expect to be treated differently than maybe our industry did 5, 10 years ago. And for all of the right reasons, but I think they're far less accepting of poor working conditions or long hours than ever before. The things that are important to them are very different to 5, 10 years ago when people would be prepared to do that, because they were career-driven and hungry. And actually now, we recognise you can still be all of those things without having to work 70 hours a week. I think people just don't want to do it."

The importance of getting buy-in

Businesses frequently highlighted the challenge of getting buy-in from senior management and, critically, managers in specific sites on the importance of having talent retention and development plans.

The good news is that rising costs and the recruitment challenge have persuaded many senior leaders to think differently. A number of those interviewed mentioned that the introduction of the apprenticeship levy had given their finance teams greater appreciation of the true costs and challenges facing the business in regards to its people.

The real challenge remains convincing managers of the need to think differently about retention, and then supporting them to put plans in place. This will require a break in thinking from the past, where many managers viewed high labour turnover as inevitable.

"I don't know whether it's cultural across the industry. I think that because there's always been this mobility in hospitality, that people can move, the formal HR process side of things is a bit like: "Well, why do we need it?" However, the industry's changing, and it's the classic thing, where you get to be a manager in hospitality because you've been a fantastic waiter – but that doesn't make you a great manager."
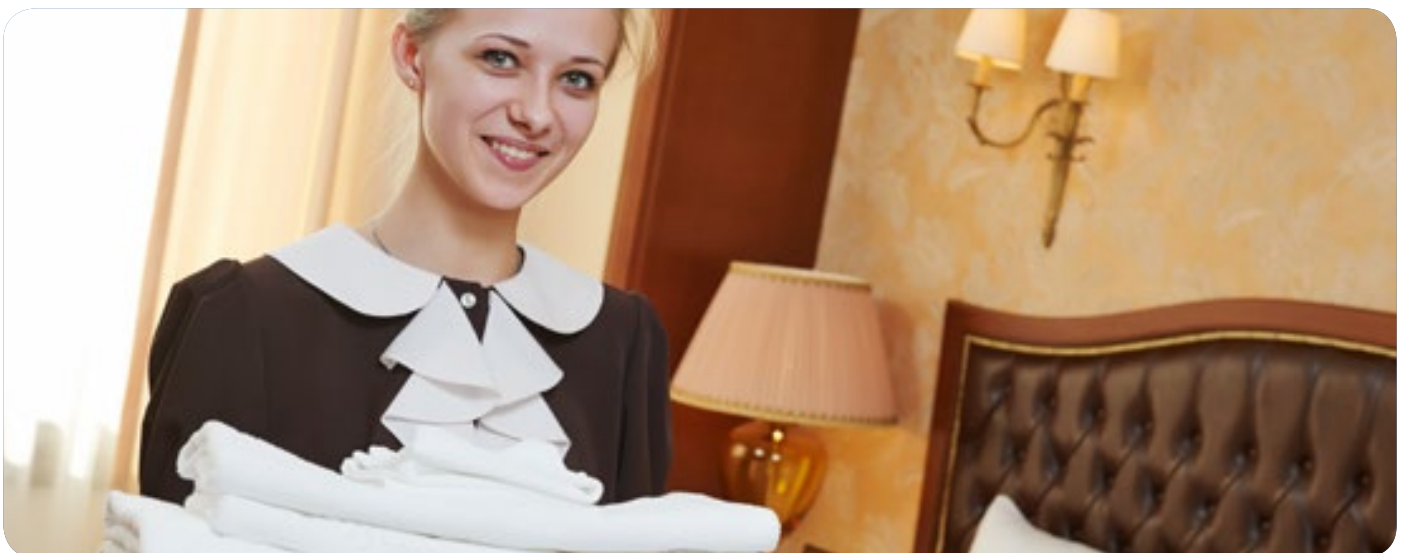
What businesses are doing to retain the right people

While businesses are at different stages in their thinking, there are two common threads: keeping retention plans simple and demonstrating their value to the business. This requires HR to be well-integrated with other parts of the business and a good set of metrics.

Performance management

Many businesses are trying to understand individuals' needs and motivations better, and therefore changing performance management systems to collect this type of information more effectively.

The way they are doing this depends on the structure and culture of the business, but there is a trend away from formal performance reviews to more regular, informal meetings. Some businesses call these talent or job chats or conversations, but the aim is dedicated time for the manager and staff member to talk openly and widely about performance, short-term targets, development and career aspirations.

Many businesses are developing and supporting managers with these conversations, but also investing time and resources to put systems and technology in place so they can action and monitor the issues arising from these meetings:

"Last year I completely ripped up the appraisal process, because, for one, an annual appraisal process in hospitality is crazy. So now we do a quarterly appraisal that combines job chats and reviews. It's like a 20-minute, half-an-hour maximum over coffee."

"The first part of it is talking about the last three months, and the next part is setting objectives for the next three months. Then, you assign them a talent rating based on their potential to develop within the group and their performance within their role. It's done really simply with a score of one to three. So, in terms of performance, one is underperforming, two is performing, and three is over-performing. In terms of potential, one is low, two is medium, three is high. Then, putting the two scores together, you can map them."

A strong induction period

Given the evidence suggesting that the initial employment period is critical to retention, many businesses are focusing on improving its structure and content, as well as the support new recruits receive.

Approaches differ across businesses, but common themes include ongoing communication, a clear structure and a big push on values and culture, so new staff buy into the essence of the business.

"[The induction plan] is basically a road map of what they're going to cover in the first three months. There are lots of check-in points where they need to go and either interact with our members of staff, or have members of staff interact with them, to try to engage them, keep them happy and keep them wanting to stay with us because of what they're learning and what they're promised they're going to learn."

In some cases, businesses appoint a buddy to support a new member of staff:

"Each unit has a buddy. Each department, depending on its size, will have a buddy as well, so that instead of someone going, "Oh I don't want to go and speak to my manager because they're busy," they've got 'Johnny the buddy' who is going to look after them when they need to know something. We're hoping, and I think we are quite confident, that will work and that will reduce the number of staff leaving down by hopefully quite a significant amount if we can tackle that first three-to-six-month portion of people we have challenges with."

Adjusting packages and benefits

The hospitality and tourism sector has come under criticism for having a high number of staff on zero-hour contracts. Employers have defended their use, believing that they offer flexibility, but this research suggests that they are reviewing the packages they are offering their staff.

Whilst legislation continues to allow for zero-hour contracts, businesses will continue to use them. However, they are increasingly offering a choice of contracts to potential recruits and existing staff.

This comes on the back of a number of businesses surveying staff and discovering that, whilst zero-hour contracts are popular with students and young people, they are less so for older workers. Both recruitment and retention are more challenging if older people do not want to join the company, as young people are more transient.

In addition, a lot of businesses have identified that many staff on zero-hour contracts are working a full working week.

"If we take zero-hour contracts as our starting point and then look at what we physically contract people to, there is a real gap. We have this historic tendency of contracting people to ridiculously low contracted hours, such as four, six or eight hours a week. In reality we are asking these people to work a lot longer than that. If you compare contracted hours versus average hours worked, again there is quite a difference."

"We are looking at how we can provide more guaranteed hours to people. How can we start to segment our workforce and understand how different hours propositions might appeal to different segments?"

As we have seen, the introduction of the NLW has resulted in many businesses looking at whether paying more will reduce their labour turnover:

"Paying the Living Wage and above, is there an opportunity that can support us by attracting a different calibre of person, potentially? Going back to our debate about being able to reduce your reliance on students, by paying that little bit more, maybe you can reduce your employee turnover and slow down that revolving door."

Most businesses offer broader benefits to staff, such as pensions, healthcare and discounts. However, many are reviewing these benefits to assess their relevance and impact. One employer described how they had added additional benefits each year with the best intentions but, in reality, staff didn't understand the benefits, nor did they value or use them. Some businesses send an annual statement to their staff outlining their benefits and, in some cases, the extent to which they have used them.

Others are scaling down the number of benefits on offer to make them easier to value or have segmented them into packages for different target audiences of staff, such as students.

Getting communication and engagement right

Most businesses use some form of employee engagement survey to understand staff views and monitor satisfaction levels. In some instances these are linked to external benchmarks such as 'Best Places to Work'.

Some are building on this by doing a selection of 'deep dive' interviews with existing staff to understand why they continue to work for the business:

"You tend to do a lot of exit interviews. So you speak to people that leave. Some will be quite open and honest and candid with you about the reasons, and that is great because you can do something about that, but it is after they have left. So we are trying to turn it round and speak to people about what makes them stay. So if we can understand what it is that makes our chefs stay, then we can do more on that, or make sure we don't change it, or make sure managers understand."

Businesses are also seeking more ongoing communication and engagement, rather than just relying on surveys.

Some have created forums or mechanisms for staff to feed back ideas, views or complaints through social media or internal platforms. Others have created forums at a site level where staff can get together anonymously and the views are fed to managers.

Some HR teams feed in staff concerns and views anonymously at specific meetings, although there is a debate amongst some teams as to whether this is appropriate as it "makes HR looks like it is not on the same side as the business". Others believe that this argument assumes that there are different sides, and it should be viewed as just another mechanism to improve communication and share ideas.

Values and culture play a critical role in how involved staff feel in the business and how they engage on a social level. Some businesses organise regular social events and this reflects the external brand of the business. Others are more traditional, with perhaps a celebration once a year.

However, businesses interviewed were quick to highlight that just because a business has fun, engaging activities, it doesn't necessarily mean they have high levels of retention. It must instead be viewed as an overall package, linked to the other factors discussed in this section.

"Retention isn't great. We're probably looking at, sort of, a 12-month cycle for many staff members. We find what happens in our business is that, you know, we look after people. We expect a lot from people, but we do look after people. So they have good bonus structure and they have the benefits and 50-percent discount off this and we have parties and quizzes and all of that kind of stuff. I think the thing that keeps our people happy is the fact that we have a very clear structure of what happens."

Recognising good performance

With a greater focus on performance management comes a greater emphasis on recognition and rewards.

How this is done largely reflects the company's culture and brand values, but it's something that businesses placing more emphasis on, from a traditional pay perspective as well as competitions, award ceremonies etc.

"It's definitely become more and more in the mind's eye. We always have felt that we're a fun place to work. We have a massive recognition culture that basically extends to just telling people they've done a good job and giving people cuddly toys, or cards or gifts that say, "Hey, you really helped me out today.""

Recruiting for potential

A lot of businesses are looking at how they can recruit to retain – which means identifying the right fit in terms of personality, and understanding the type of person that stays and progresses within the company.

Businesses are increasingly adopting more sophisticated profiling approaches and some are trying to use this to identify staff who might have greater potential. There is some scepticism about how easy or effective this approach is and, for many businesses, it is too soon to tell whether it will have a positive impact.

"There is a move to profile applicants based on future needs, but the whole 'recruiting for potential' thing is interesting because it's quite a difficult thing to do."

A number of employers are using this approach to help recruit onto apprenticeship programmes. It identifies specific skills in initial profiling and particular traits and characteristics during assessment centres.

Promoting and facilitating transparent progression opportunities

In the previous section on recruitment, we saw the growing importance of a company's 'brand' as an employer, and making sure staff are aware of opportunities across that brand. This trend can also be seen in retention.

Many businesses acknowledge that they have historically underplayed their career progression opportunities, so many are turning to 'career mapping' to highlight them. Career maps are interactive online maps that showcase the progression opportunities across a business. Often, they also show the learning and development opportunities required to progress to certain roles.

This transparency of the career progression is also being closely aligned to more effective performance management.

"Being quite a big and widespread company, there is a lot of opportunity to transfer. It's a very open and transparent process and, as much as possible, everybody has an appraisal. You have a goal setting, then a mid-year review, then an end-of-year appraisal and at least three opportunities to sit down with your boss a year. If you have any thoughts in mind about your next step or your development or whatever, there is opportunity to talk about it, hopefully."

"Then we do a lot to publicise it, because we really want to make sure that people are aware of the career options and the availability. We've done a big piece of work this year on career pathways. Regardless of whether you come in at apprenticeship level, transactional level, graduate level, experience level, "This is what a career could look like for you," and it all joins up at some point."

Promoting transfer opportunities

Businesses are increasing the ease with which staff can transfer between sites, rather than losing them if they relocate – something that is a particular challenge with students. This practice is widespread in retail, but is now being adopted more frequently in hospitality and tourism. It comes on the back of better electronic systems, but also more effective performance management and engagement with staff.

"If it's suitable, which hopefully it is if they want to stay working in a hotel, we could look to transfer them to another property – looking at their own property first, and then maybe another property in London or the UK or Europe or worldwide. It's trying to keep people in the family, rather than losing them to another company or elsewhere. People don't always want to stay in the same discipline, so there are plenty of good stories where people have moved into sales or revenue, finance, HR. You don't have to stay in banqueting just because that's where you started."

Similarly, seasonal businesses are focusing heavily on trying to retain staff from season to season, using similar techniques.

"The more trained people that we can retain, the better in terms of the less cost than to retrain and rehire, and that's where we're then starting to make that up into compensation strategy to say, "Well, actually somebody has already done a season. Actually they're more experienced. They can actually bring more value than somebody who we've just literally just trained and is a new member of the team for us." So we continually focus on that."

Learning and development and the role of the apprenticeships

Businesses continue to use learning and development as a means to retain staff, and often choose training that leads to formal qualifications as a way to offer value.

Managers are currently a large focus of learning and development, helping to ensure they have the critical skills and behaviours required to do their job well and, in particular, manage people.

"We do a management training programme, which is a 12-workshop programme that runs basically 24 weeks, because it runs every 2 weeks. So, the idea is that someone will come on that, and we should retain them. But I'm saying, "Well, if they do that and then there's nothing for them to go into, then it's not going to work.""

"We're taking lots of different approaches. At the moment we're working on a transitional leadership programme, which will be the first 100 days. So, if you are in a senior management leadership team position, what are we giving you to support you bedding in, particularly because we're not just focusing on people from our sector now when we're recruiting?"

"I guess that goes through to try to teach the management teams, as well in the restaurants, to look after their staff and how they do that. So whether it's making sure that the staff food is great – I know that sounds like a simple thing – or making sure that the rotas are done fairly and properly. There are lots of simple management techniques that can be done and then there are some bigger things."

The reformed apprenticeship programme in England and the introduction of the levy is increasingly being seen less as a recruitment tool, but more as a means to retain and progress people into first line management and middle management positions. This is likely to see an increase in the number of level 3 apprentices in the sector and greater management progression in a business.

Summary

Retention has become the major focus for most large hospitality and tourism businesses. Whilst the activities they are undertaking vary, an effective performance management culture and good metric to understand why staff stay and leave are critical.

Architects

HR team is working to redesign the way the business looks

- Emphasis on effective performance management
- Broad engagement and communication
- Strong induction periods
- Adjusting packages and contracts
- Promotion of career progression
- Use of apprenticeships to help retain and progress staff

Interior Designers

HR team is working to improve people's performance

Builders

HR team are building or repairing infrastructure

- Engagement surveys
- Leaving surveys

5. The role of learning and development

Introduction

Learning and development has changed enormously in recent years, as businesses take advantage of new technology to help make learning accessible to everyone.

In this section we look at the way businesses are currently thinking about learning and development, how they see it supporting retention as part of a holistic talent management strategy and the role of technology.

Rethinking the role and delivery of learning and development

The hospitality and tourism sector has traditionally invested a significant amount of money on learning and development but, often, this investment hasn't fully benefited the businesses as staff don't stay long enough to become fully competent.

Equally, learning and development budgets have been skewed towards initial training, rather than addressing key skill gaps, in order to support the constant recruitment needs fuelled by high labour turnover. Moving forward, with the increased focus on retention, is this likely to change?

Its role as a key component of the talent management strategy

Businesses speak extremely positively about the training they offer, and they don't want this to change. Instead, they are mainly looking at how linking learning and development to specific development needs can help it play a greater role in the talent management strategy.

This signals a shift away from the traditional approach of putting whole cohorts of teams automatically through specific training programmes:

" We're literally having to go away from this more 'sheep-dip' approach but also recognise that, in large parts of our business, we don't have training teams."

" We have done an overhaul of our talent development programmes, for a couple of reasons. One is about making sure that what we're giving them, from a talent development perspective and not a learning and development perspective, is the right thing for them to develop and progress, so they're quite tailored."

Businesses can make this transition through the use of learning management systems and, to a lesser extent, a range of e-learning, but also as a result of focusing on performance management:

" You will certainly come in as a new member of staff and undertake mandatory and prescriptive training because that is what you need to do, and then, based on individual conversations at your performance development reviews, you talk about what is right for you. And that is then particularly individual to you with a range of online learning, attend a training course, go on a secondment somewhere, be part of an opening team."

" So we're changing how we're training and developing people anyway, and also linking that up with "These are capability gaps for your next role, this is how we can help you meet them," and it not necessarily just being formal training. It can be about experience or projects or things like that as well."

Underpinning progression

This emphasis on learning and development to support the talent management strategy also means that it's seen as an effective tool to aid staff progression, particularly to help support people into first-level management and beyond:

" We're looking to change the way we're training - we've still got quite a traditional training model in place at the moment which is very programmatic and quite formal training-led. What we're trying to do is drive from much more of a capability perspective and say, "Actually, what do you think the capabilities you need for your role or career path are? And where are you against those and how can you develop them?" Rather than saying: "You're at this grade/level – this is the programme that you go on." "

Evolving learning content

Whilst businesses are extremely positive about their training programmes, they also recognise the importance of evolving the types of training on offer to ensure it continues to meet their needs. This is hard to achieve without the HR and learning and development teams working closely with other teams and aligning the overall people strategy with the needs of the business.

There is a growing emphasis on programmes to help develop specific skills and behaviours around communicating and working more effectively, such as managing organisational politics and different behaviours and styles for stakeholders, clients, senior people and peers.

Businesses are positioning these programmes at various levels to help staff develop specific behaviours as they progress in the company.

The introduction of the apprenticeship levy

When the apprenticeship levy was announced in 2016, there was considerable dismay from the business community as it was seen as an additional burden on the back of rising costs and, in particular, the introduction of the NLW.

Since then, HR teams have had time to look at the new apprenticeship standards and reforms and many had firm plans in place when the levy came into effect in April 2017.

Given the cost of the levy, teams have had to look afresh at their overall training and how apprenticeships interact with it. The majority of businesses we interviewed are doing two things; firstly, embedding apprenticeships into the overall talent management strategy, rather than seeing them as a 'bolt-on' to a training framework, which was previously the case in many businesses.

Secondly, they are increasingly seeing apprenticeships as a means to help retention and support progression at management level, rather than simply a recruitment tool and entry programme.

" We're definitely not seeing it as an added cost. It looks like we're doing apprenticeships because the levy's coming down the line. But, we were going to do apprenticeships anyway. That's been in the pipeline, and now it's all colliding. In the ideal world, we would've been a year ahead of where we are at the moment. But, there's just so much happening. You can't do everything all the time. But we see it as an opportunity. "

Managing with resource constraints

The amount of investment in learning and development varies enormously across businesses and, for some, the introduction of the apprenticeship levy has prevented them delivering a significant amount of training outside of it.

For some, the problem is more acute as some senior managers do not see the value of learning and development given the current rates of labour turnover.

"I think there is also a reluctance – and this is the yin and yang of it- to invest proper money in training because people generally fear that person is going to take those skills to somebody else."

This has led some businesses to adopt e-learning – not necessarily because it's more effective, but due to its relatively-lower cost.

Harnessing technology

Technology has changed the way businesses train across hospitality and tourism – and some businesses are taking advantage of it more than others.

Balancing technology and traditional development methods

Some businesses are concerned that there needs to be a better balance between e-learning and more traditional training:

"I worry that we push too much e-learning out to people. We're talking about a sector where some people might only work 8/12 hours a week, and we ask them to do lots of e-learning around health and safety and all sorts of stuff. I do think, with some of the changes that are happening, we're utilising things like being able to pre-record and do classroom learning via video, which removes the travel issues and things like this for people."

"When it [e-learning] first came out, everyone was trying to train everything that way and then they worked out, "Well, that doesn't work." It's just basic skills you train that way, to do the mass training, mass induction, that type of thing. Actual normal skills training, then you don't. It's not moved on much. Leadership training and that type of thing, that's still done in the traditional way. It's still groups of people together discussing, debating, doing exercises, that type of thing. They don't actually, necessarily, do it all online, because you can only get so much across online."

A lot of e-learning is made available through learning management systems; these are either off-the-shelf products or tailored to particular companies. The systems enable learners to access particular learning modules, but are often part of a wider infrastructure that allows an employee to communicate and interact with their employer 24/7.

This inherent flexibility provides huge advantages for businesses, particularly those with large numbers of multi-site operations, and it shifts the responsibility for learning to the employee as much as the employer.

A number of businesses interviewed have not adopted this model due to the cost of developing a robust learning management system, because staff don't have access to the internet, or because they are uneasy about staff accessing information using their own equipment.

A limitation with e-learning is that it takes place in isolation, so learners don't have the advantage of discussing it with others and feeling a sense of community in the same way as traditional classroom training:

"I think you do need to have a number of different options, of which technology-based learning is one. I think people get a lot out of sharing collaboratively and working with their colleagues on that workshop or training day, whereas doing it in isolation on something like an e-learning platform, I think, is not the right way to initially develop and train people."

What businesses are doing

This section highlights some of the practical things businesses are doing across the learning and development arena.

Effective management of learning and development

Businesses are increasingly centralising learning and development. For some this has always been the case but, in some instances, sites have had discretion to procure training from local providers.

The increased use of learning management systems, the close link with performance management and the introduction of the apprenticeship levy all make centralisation more possible.

By taking this approach, employers aim to increase training's efficiency and impact. However, to successfully centralise learning and development, HR teams need to work and communicate well with the rest of the business – both to identify and respond to new needs and help address skill gaps.

How businesses are organising their learning and development

"We have a very good reputation for training. On average, we probably look to do maybe 10 hours of training a year for team members. That doesn't sound very much over a year, but it's quite a lot, and about 40 hours for managers. So it's an actual measurable target that people have, quite a lot of money put aside for it as well. So for management training, there's 19 different what we call 'core management courses' – things like Foundation of Leadership, Managing Business Priorities, Seven Habits, Five Choices. Crucial Conversations is a new one this year."

"The way that we approach our business partnership model is predominantly our learning and development team will go out and talk to the business. It's not about, "Here's a list of things. Tell me how many you want to do next year." Now it's around, "What are your plans?" The conversation the L&D partners have is far more strategic than it ever was before. It's more like, "Talk to me, regional director," or, "Talk to me." It's not just working with the HR business partners, and the HR directors, and the heads of HR within those sectors about what's on your plan."

"The training at front-line level is quite structured, with job skills, job purpose, statements that will get you from being, 'I know nothing', to be able to do a front-line colleague role."

"And then there are vast numbers of training programmes that take you through the different layers in the organisation, so how do I get supervisory skills? How do I become a leader? Right the way up to an executive school for senior directors."

"We have training champions in every venue. The training champions are part of the management development programme, so they are individually focussed to deliver KPIs within their business. They're on the learning and development calendar in terms of their own personal development. Each venue has its own pinch points, I suppose, its own issues that the training champions will identify on a weekly basis. Now, whether it's speed of service, cleanliness, venue breakdown, atmosphere management, or whatever that might be, each venue has its own priorities that are dealt with on a venue-by-venue basis. The general manager and the head of learning and development will identify where those issues and needs are, and then we will support the venue, through the training champion, to be able to deliver the training that is needed to react to the issues of the day."

The importance of good learning management systems

Businesses are increasingly rolling out learning management systems to manage individual learning and development. Given the link to performance management, businesses make use of these systems in different ways, but a common concern is making sure that staff are being nominated for training for the right reasons.

"Generally, general managers nominate managers to come on to the development programme. The trouble is, I want to move away from them trying to use this as a reward, for like, "Someone's been here a long time, so they'll go on that training." So it will be something that actually is for people who are going to benefit from it."

"We don't have a formal learning management system at the moment, but we are looking at what technology we need to support learning. But again it would be much more capability driven. Where am I to complete this assessment and this job? What resources may help me? As opposed to saying, "There's a big lot of training you can put yourselves on.""

Accessibility of learning and development

How accessible learning and development is largely depends on the business' culture and structure. In some instances employees, need to be nominated to go on a particular learning programme. In others, staff are encouraged to access a variety of learning that interests and engages them.

This is often part of a wider talent management strategy that uses learning and development to engage staff and, through career maps, signal what training is needed to help them progress into different roles. Some businesses use a variety of mechanisms to promote opportunities to support staff. For example, the use of social media and forums allows learners to share their experience and discuss topics:

"There might be some elements of the talent development programme that could sit in L&D, but we've made it so it's not from any of the suite of tools that we've got within our L&D offer, and we've got a lot. This is about focusing really heavily on the front end and really heavily at the end around you, so people really need to reflect and they need to get advice. We do 360 and we do other sorts of stuff, but what do you need and what's holding you back?"

"Now, it has extended that much further with social media and obviously opportunities that people are saying, "Oh have you seen this forum, or this blog, or can we get involved with this?" And chefs are more willing to get involved with things outside of the workplace and environment to show their team and the candidates that they are happy to keep them involved and fresh with ideas and what is going on."

Innovation and delivery

Businesses are increasingly looking at opportunities to enrich learning and development, by expanding learning opportunities outside conventional training where budgets allow for it. This is partly as a means to engage and motivate staff, but also to help upskilling and broader development.

The businesses we interviewed tended to give examples for chefs and management.

Whilst this is extremely positive, the flipside is that a number of those interviewed warn of the dangers of going for fads and the importance of assessing whether it is adding value to the business.

"We have a programme that is as far up the scale of management development that we run internally. This would be for people that are aspiring to be general managers, but maybe they're heads of department or deputy general managers at the moment. As well as learning all the different aspects – leadership, project management, financial awareness – at the highest level that we can do internally, we've also flown this group to each hotel for their training. They have flown in on a Sunday, had a tour of the hotel, learnt about the challenges at that particular hotel from a business or customer point of view. They've met the general manager, who has described a bit about their career. Some of the hotels have put on extra things; they've taken people out for the day. Then on the Monday they have the actual training day."

"The last couple of years the focus has all been around the customer experience. So we've looked at wellbeing, and how your physical and mental wellbeing impacts on the customer."

Chefs and apprenticeships

There is a clear move from seeing apprenticeships simply as a recruitment tool to seeing them as a retention tool. Increasingly, hospitality and tourism businesses are using the apprenticeship as a tool to help recruit, retain and develop chefs. An increasing number of businesses are developing chef academies, delivered internally or by a commercial provider. Many report positive results in terms of retention and in addition to the core training and assessment many use the opportunity to involve suppliers to enrich the programme and give chefs an opportunity to visit farms, markets and abattoirs to widen their knowledge and insight. This area is examined in more depth in our separate report on the chef shortages.[19]

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[19] To register to receive a free copy of our forthcoming report on the chef shortage go to: people1st.co.uk/insight-opinion/chef-shortage/21st-century-chef/

Summary

Learning and development continues to be seen as the jewel in the crown for many HR teams. Now, the focus on retention is linking it more firmly to performance management and progression.

This is fuelled by investment in learning management systems, which enable learning and development to be targeted at the areas where it is needed the most.

Architects

HR team is working to redesign the way the business looks

- Good learning management systems in place
- Learning linked to development needs and progression
- Balance between traditional delivery and e-learning
- Training linked to job redesign

Interior Designers

HR team is working to improve people's performance

- Good learning management systems in place
- Learning linked to development needs and progression
- Balance between traditional delivery and e-learning

Builders

HR team are building or repairing infrastructure

- Good learning management systems in place
- Large focus on learning and development
- Largely programme-led training
- Large focus on induction training
- Large use of e-learning

6. Increasing productivity and performance

Introduction

This section looks at how businesses see productivity as part of their wider HR strategy. It explores some of their thinking and looks at some of the approaches being adopted.

Is increasing productivity the next big thing?

About a third of the businesses interviewed described themselves as being at an early stage of thinking about how they can increase productivity levels.

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"I guess that [rising costs] is what is causing us to stop and think, and a bit of a realisation that we are going to have to get our head around the whole productivity piece over the next year in light of changes."

"From a productivity point of view we are at quite an early stage of that journey. We have been having conversations over the last couple of months about how we can get a better sense of productivity. How are we measuring it for example? That is probably as far as we are at in terms of understanding that we need to do something, and we need to understand that better. We need that to be able to inform some of our decision-making that we do as a business"

A small number of businesses are looking at their current activities as part of a productivity strategy. They are assessing whether they will increase productivity levels and what additional interventions would be needed.

"We're looking at unit-based productivity. We're looking at scheduling in line with demand, structures, job roles etc.."

There are wide variations as to what these strategies look like, with some bringing together conventional HR approaches, such as learning and development and retention. Others are using broader approaches, including the customer journey, the use of technology and the ergonomics of specific sites.

How a business tackles productivity is often shaped by who is leading on it within the business – i.e. HR, finance or operational teams – as each will tend to steer towards their areas of expertise. However, increasingly businesses are establishing cross-functional teams, involving specialists from each area, to take it forward.

Some businesses increasingly see productivity as problematic because it is so difficult to operationalise, measure and deconstruct in order to look at how each component can be maximised.

"I don't think we've gone, "Oh, gosh. We need to be more productive." I think we perhaps struggle with that a little bit in the hospitality industry. I think you can measure productivity very differently if you're producing something, but I think it's quite difficult to quantify."

"I've struggled with that a bit myself. How do you measure that level of productivity in a service business? Is it about making sure you've got less people to deliver the same service? Well, what impact does that have on the client and the experience they have? So I struggle with that a bit."

Another challenge is how easily productivity improvements can be rolled out across sites. This is a particular challenge for businesses that have older sites, such as some hotels and restaurants, and for contract food service operators working in other companies.

Those who had experience of working in other industries also highlighted a lack of conformity as a specific challenge in the hospitality and tourism sector.

"I think in the past we've not been terribly strategic at this, because, unlike some of the retailers I've worked in, each unit is different. I'm not saying it's easy in retail, but in retail you know the till system that you've got. Every store generally has the same till system, so you can identify transactions in minute detail, and you can roll that out across the estate."

Many businesses interviewed believe that they are increasing productivity as a consequence of the HR interventions they are taking forward, rather than having a dedicated focus on it.

"What are we doing? I don't know, actually, I'd need to think about that one. We don't really talk about productivity. We talk very much about figures, retention figures, engagement figures but productivity is not something that we tend to talk about."

"I guess it's quite tenuous. My boss doesn't come to me and say, "Do you know what? That business is taking £30,000 a week, we need to take £40,000 a week. What are you going to do about it?" Yes, I may need to recruit extra people to help drive sales. We may need to develop some more training around speed of service, and upselling, etc., which is driven by a site. Yes, the department clearly is massively linked to productivity, but it's always a tenuous link based around training and development."

"If you talk about retention and you talk about consistency of teams, it's clearly my focus to manage that. All of that is absolutely directly linked to productivity. A strong team with a general manager that understands his business, that isn't just reacting to the clientele, who understands the clientele, and is passionate about it, is massively important. The HR team plays a huge part in that, clearly. So, yes, I think it tenuous, but it is absolutely linked, and it's something that we focus on every day for understanding our business and our P&L."

The reasons why businesses don't focus on productivity vary. For some, it's seen as so complex and far removed from the day-to-day financial measures that it doesn't seem relevant. For others, the sheer difficulty of operationalising and measuring productivity is just too difficult. A number of businesses cite time as a barrier, whilst others are waiting for the business to identify the need to increase it at a senior level.

Why the current focus on productivity?

Those businesses that are actively looking to increase productivity, or are starting to think about doing so, are motivated by two key drivers: customer and cost.

Technological developments have disrupted the customer experience and journey, allowing customers to interact, order and feed back online. This poses some challenges to traditional ways of providing a service.

Many businesses describe themselves as 'customer obsessed' in how they are geared towards increasing the customer experience and, with it, customer satisfaction, increase in average spend, return business and customer loyalty. These developments have a direct impact on how efficient staff need to be, as well as the level of service they provide:

"I think from a technology point of view, that will obviously have an influence, as in many industries. I think materially it can also impact hospitality industry and the customer experience. I think it's all driven around the customer experience, how to make that a more positive experience."

We have already seen how increasing costs are having a major impact on how businesses are looking to maximise their staff. This is also driving much of the focus on increasing productivity and, for many, it goes hand in hand with being 'customer obsessed'.

"Most hotels try to think, "How are we going to mitigate this? How are we not going to pass a price rise to a customer?" Whereas there is only so much you can mitigate, absorb, re-engineer ways of working, etc. before you think, "Oh, okay, we can't take any more costs out.""

"The living wage… all the wage inflation that's out there is going to have a marked impact on performance. Ultimately, consumers won't pay for that increase, I'm pretty certain, so it's going to tip the balance of profitability. It will damage everybody, and their ability to survive."

For those supplying other businesses, the need to reduce costs is being passed on, which is, in turn, driving a focus on productivity.

"Clients are now wanting everything at a reduced cost, which means we've had to probably speed up that process to meet their demands and try and remove people."

Business acknowledge that whilst they were growing and expanding rapidly, productivity was less of a priority, but as some markets are slowing down, the need to increase profits is forcing them look seriously at cost savings.

One interviewee describes being tasked to work with an operational head to reduce costs by 5%. She described the choice as either slashing costs or looking for efficiencies. In her mind, slashing costs meant a significant reduction in head count, which would have been unrealistic for the business. Instead, they set about looking at the efficiency of particular role.

As a result, they are now redesigning site layouts to increase service speed and make them more ergonomically efficient, altering the food on offer to reduce the costs and processes involved in preparing it, as well as introducing new learning and development programmes to support these changes.

This highlights the straight choice available to most businesses – i.e. cut costs or increase outputs - as well as the opportunities to use productivity to drive change, with HR teams working effectively with other teams across the business.

However, it also highlights the difference between cost cutting and raising productivity levels. For some businesses, this distinction has become blurred.

Measuring productivity

Productivity is difficult to measure, so businesses are approaching it differently. Some are looking at productivity on a broad scale, whereas others are focusing on one of two specific measures:

"If we look at productivity in terms of the output, so how many hours are used to generate the revenue and so on. There are so many variables to that. I think, from a human element, productivity and engagement go hand-in-hand. It's about looking at it from two perspectives. So, it's about what that output is, but also, the quality of that output as well. I think it's getting managers to look at that."

Those specific measures often include looking at staff scheduling to make sure that there are sufficient staff to meet demand. This is as much about ensuring that there are enough staff to deliver customer satisfaction as it is to reduce costs by not having too many staff on duty.

"We have a number of tools in place to monitor productivity. We're just bringing in a new time and attendance system to carry that on."

More research is required in this area to help operationalise productivity and make it easier for businesses to measure and deconstruct it, so they can try to increase it.

What businesses are doing to increase productivity

Given that businesses think about productivity in different ways, they are using a range of interventions and approaches to help increase productivity levels.

Restructuring

Restructuring has always been a natural response for operators looking to cut costs, but is it an effective means to increase productivity?

A number of businesses are looking at restructuring as part of efficiency gains. For example, if we can empower operational staff and monitor their performance better with technology, do we need so many managers?

"It's making us think, okay, we are not a business where we have lots of people running around doing nothing, we are quite a lean business, so it's forcing us to look at the service that we deliver, and actually how we deliver it."

"There is a restructuring exercise going on at the moment, but probably more at management level or executive management level than at the team member level. If you look at our organisation chart, there are probably more managers than we need for the amount of revenue that some of the hotels take."

Whist businesses are looking to remove layers of managers as a result of these reviews, others are actually adding them in, both to help increase progression opportunities to support their retention strategies and to facilitate the apprenticeship levy and reforms. This is because an apprentice must be new to a job but, at the same time, can't be promoted to a management position without the required development.

Technology is removing the need for some staff, with front office departments in hotels probably experiencing the most change. As guests take most of their calls on their mobile phones and book online, there is less demand for switchboard and reservation teams.

"I think [in one hotel], we used to have 4,000 calls a day and now we have less than 400, so it has decreased by 10 times."

Similarly, as customers increasingly check-in online, there will be less demand for reception staff, or their roles could change.

Kitchens are another area that has seen staff restructures. Much of this has been a result of the chef shortages – in some instances, kitchens have been de-skilled to reduce the number of staff as well as the experience and skills base required of chefs. In others, more pre-prepared food is being bought in. For some operations this is not necessary de-skilling, but outsourcing specific labour intensive tasks, such as bread-making and desserts.

Design and its impact on ergonomics and skills

We have already highlighted the example of a business looking to reduce costs by looking at the customer journey and its impact on ergonomics and skills. This appears to be a direction that an increasing number of businesses want to go down, but many are only at an early stage of their thinking.

A lot of mainstream restaurant brands are redesigning the customer journey to improve the customer experience and a number of businesses are looking at this alongside productivity improvements:

"We have service kiosks, where you can walk into a restaurant and, technically speaking, you don't even have to talk to a member of staff. You can just go to the service kiosk, put in your order, and collect that from the counter in a period of time. That also has a dramatic impact upon the productivity of those individuals. We could potentially have less staff. We can rely on technology to help support us with that."

This is a major piece of work for many businesses, so others are looking at more tactical interventions. A frequent area of focus for many food-related businesses has been simplifying menus, or adding dishes with a greater profit margin. This has largely aimed been at reducing rising costs, but for a lot of businesses, it has not had the desired impact as a standalone intervention.

"Initially, the cost of living wage was looked at more creatively through a new menu launch and trying to gain those costs through higher food GP items, so that we'd pass it onto the customer. We'd try to drive the cost of living wage through a new menu launch. It hasn't been as successful as we wanted it to be."

This simplification is linked to the trend to de-skill the kitchen in order to reduce costs but, as we explore in our report on the chef shortages, it comes at a price, as it goes against the current trend for consumers seeking a more authentic experience. The challenge for the consumer and business is that fresh, authentic produce cooked by a professional chef comes at a price, and whether the consumer is prepared to pay for that.

"One way is to look at your operating model and think about your labour costs percentages and maybe your food offer and simplifying… Either simplifying your food offer or, I hate to use the word 'deskilling' but I think you'll know what I mean. By looking at what do you need to do and what complexity you build in."

"We work with what we call a job purpose statement, it is around defining what each job role is, looking at perhaps the redesign of a kitchen. Can the actual food offering in a hotel be different? Will the kitchen be different? Can we provide food in a different way? What does that mean to the manning structure? What does that mean for the skills we now need for the people that work in the kitchen?"

The rise of centralised kitchens is also having an impact. These kitchens can support a number of local units, as well as home and work deliveries. This reduces the need for so many chefs and helps alleviate the chef shortage, as less experienced staff can work in units, whilst more experienced ones can cook a broader range of dishes centrally.

"To be fair, that's what food retail did 15 years ago. They took everything centrally. You would've gone into supermarkets 20 years ago and found meat prep departments where they were doing it all on-site. Now nothing's done on-site, it's all pre-prepared. Is that the right thing? I don't know, but that's what could happen going forward… I'm certainly not a food development expert, I hasten to add, but you could look at how that process works."

One problem facing a number of operators is the difficulty of driving through design efficiencies when they are operating from older premises. This is a particular challenge for hotel chains, which can introduce greater efficiency in new, purpose-built properties, than old or recently-purchased ones that used to be run by a different operator.

Technology and innovation

Technology and the growth of artificial intelligence has brought significant productivity gains to other sectors. However, the hospitality and tourism sector does not seem to have adopted technology on the same scale.

Emerging thinking on technology and innovation

Many respondents described themselves as 'catching up' in adopting new technology as part of the customer journey, but also to become more productive by monitoring and managing more effectively.

"I don't think about technology massively. I think in hospitality we're a bit far behind that, aren't we? Particularly in hotels we are anyway, probably not so much on the restaurant side."

"We're bringing in industry standards, that to be quite frank, it's shocking that they weren't in a few years ago. We're not bringing in 2020 technology, we're bringing in millennial technology that's tried and tested across the space, and that's going to make our administration processing much slicker. It's going to make our efficiency measures more transparent, and it's going to make our staff better. The key to the success of that is that it's not all about saving cost, although that will be a component of it."

The reason for this lack of investment varies. For some, it's cost-related, with the company unable to make a significant capital investment in this area. In others, it's down to priorities. A number of respondents spoke about technology being led by the finance directors, who are unwilling to sign-off expenditure, or it gets overshadowed as they concentrate on the financial management of the business.

"Innovation without strategy is always tricky, because you're not really reviewing and evaluating everything. That's really what I'm trying to support the business with at the moment. So technology has taken a bit of a back seat, purely because it's sitting with one director who's predominately focused on finance, not technology."

Thanks to increasing labour costs and radical changes to the customer journey, this perspective is shifting. Many businesses are introducing new technology as they begin to rethink their customer journey, which is sometimes disrupting the ways staff work. Others are introducing technology to help staff undertake specific tasks more effectively.

A number of respondents have made the strategic decision that introducing certain technologies would not be in keeping in relation to their customer profile or brand.

"I know lots of hotels now are bringing in this touch screen check-in, check-out. For us, we very much consider ourselves a bit old-fashioned, we're about customer service, we want people interaction. So, that's certainly not something we're looking to consider doing."

On the other hand, there are specific businesses that are early adopters and continue driving to innovate through their use of technology.

"It's fair to say that we like to trial new things, because innovation is very core to our business, it has been to our success as well, because we continuously innovate."
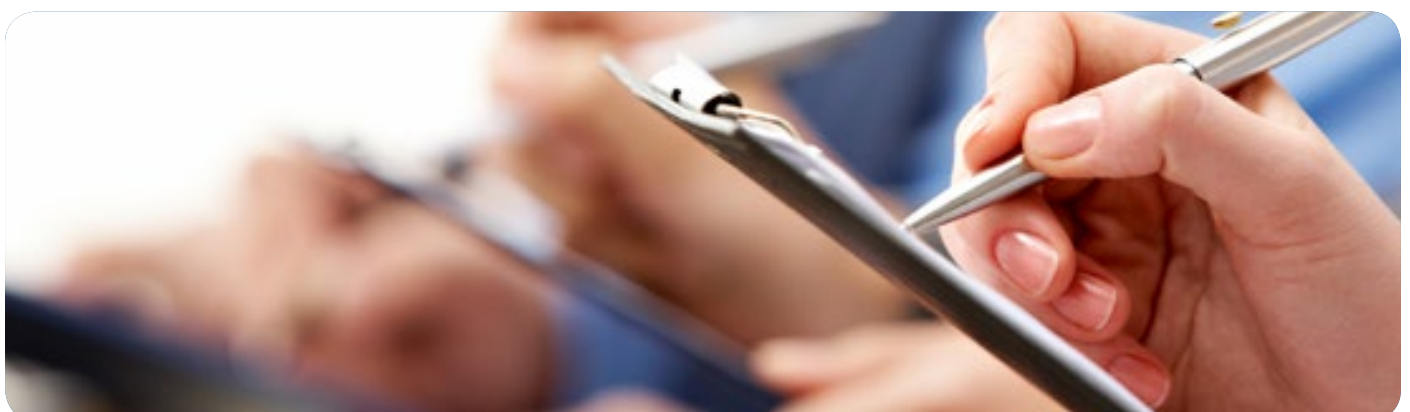
Making tasks more productive

Much of the technological investment businesses cited is aims to help support staff complete core tasks more efficiently. Such investments include hand-held devices to send orders directly to the kitchen, new payment systems and hand-held checklists for room attendants.

"We make sure that we've got the right stock in the right restaurants, at the right time, and we're giving our waitresses the tools, hand-held devices, to speed up the process of customer service."

"We're looking at tablets and those diary and table management systems to operate our restaurants much more efficiently, booking systems, etc. That's the main element that we're looking at for next year. But at the moment we're looking to enhance our service, not remove any."

"We had already introduced, 'Flypay' to try and increase turning tables without having to wait for waiters to put payments through. So we have implemented [technology], but we haven't directly tied that into a strategy around efficiency. So, it's kind of happened more by default, if I'm being honest."

Looking to the future, businesses feel that this type of investment will continue across the industry, although there is some scepticism that conventional roles will be replaced as we have seen in other sectors.

"I guess the whole 'fewer, better people' is a way of looking at productivity and getting more out of the people that you use. I think, in terms of the technology piece, we are… I know in terms of, like, virtual waiters or things like that, we're not going down that road yet. I think, because of the fine dining element, there's still the human element. But, it's more about focusing, about getting more out of the people that you've got on the floor. So, using the floor more effectively to get the best out of them."

Labour scheduling and staff monitoring

There is increasing investment in labour scheduling tools to help manage the supply and demand of staff. Often these are off-the-shelf products developed for the sector, but sometimes they are bespoke to a particular business. This has helped staff rotas become more effective, not only to reduce unnecessary head-count, but also to make sure there are enough staff to meet customer expectations.

"The real super-sexy stuff is it links it into our POS, our point of sale. If the system knows that on Tuesday afternoon you serve 10 afternoon teas, for example, and afternoon tea is quite a labour-intensive service, it will tell you to up-staff or allow you to up-staff so that you can service that need. Whereas on a Thursday, where you only sell two afternoon teas, it will flex back and it will know you only need two staff instead of five on the Tuesday."

"It links to managing absence. We have teams where there's a percentage of employees that call in sick on a fairly regular basis. So people will do a rota for a Saturday evening thinking, "Well, we had better put one extra on, because we're certain that someone is going to call in sick." Which is slightly unbelievable really. I think what then happens is productivity dips, simply because there are too many people there. If you've got 38 people in for breakfast, we should all be very clear on what levels of people are required to effectively serve them."

There are other investments in technology that allow for better monitoring for managers, that highlights the outputs of staff and so measure staff efficiency. More businesses are looking to adopt this type of technology, which is largely being used in housekeeping and food and beverage service.

"All the girls and guys will have one of those, and we'll be able to see when they start a room, finish the room, and then, "Oh, hang on. What's happening..?" Not that anyone's going to look at it that closely, but the head housekeeper might, and go, "Oh, Martin's finished that room 20 minutes ago and he's still not started another room. What's going on?" You know, go and find you, and see what's happening."

Role redesign and cross-training

Many businesses interviewed are beginning to look at whether jobs can be redesigned to increase efficiency or to provide more flexibility. This is often associated with cross-training so that the business can rely on a more flexible workforce, particularly between front-office and food and beverage service.

The introduction of technology is sometimes the catalyst for job redesign, although many businesses acknowledge that they are at an early stage in their thinking.

"You tend to cut things a bit and you run in a very lean way, but not necessarily the best way. Now it's all about saying, "Okay, let's re-look at this. Let's look at the job roles that we've got. Do we need to change things? Do we need to do more cross-training?" Those sorts of things."

A small number of businesses are also redesigning roles to remove routine tasks or increase team work to boost concentration and motivation which, in turn, is felt to raise productivity and retention.

In some instances, the attempt to redesign roles has come up against resistance in certain parts of the business:

"There is a perception coming from a different industry, in some cases, it reminds me a little bit of the 1970s England and the unions, in that you have a role, and you've already got the commis role, and once you've done the commis role, you never go back to doing that. So it's like, "I'm a head waiter, I'll never clear a table again. All I do is take the orders." I think that sometimes, you need to rip that up and look at it differently, and saying, "Actually, sometimes you need to go for a strategy of fewer, better people." Actually, sometimes you can have one person doing all of those jobs. Other times, there are restaurants where you have to have those levels. I think there is still this hierarchical progression within the industry. People don't want to step back once they've moved on."

Effective management and performance

Managers' skills and performance are a major focus for businesses when it comes to talent retention and learning and development. For similar reasons, it's also a focus for businesses seeking to increase performance. A number are analysing unit-level data to better understand the impact individual managers have on business effectiveness.

As a result of this type of analysis, businesses want to capture the skills and techniques used by successful managers in order to influence existing managers, as well as recruitment and learning and development activities.

"We have started to look at, "What is the role, what are the component parts, what does the day-to-day and everyday look like for these people and are they focused on the things that truly add value?" That is a piece of work that is underway at the moment and ultimately may inform some changes to job design, role design, the type of person we are looking for and all of that sort of stuff."

One of the biggest challenges for managers is how they utilise the skills and experience of their existing staff, and those interviewed believed that this will become more important as businesses seek to increase productivity.

Summary

A significant amount of businesses are looking to increase productivity, but far fewer are doing this explicitly, rather than it being a natural consequence of key HR activities.

Specific actions to increase productivity are likely to increase and grow in importance, but currently appear to be in their infancy.

Architects	Interior Designers	Builders
HR team is working to redesign the way the business looks	**HR team is working to improve people's performance**	**HR team are building or repairing infrastructure**
• Labour scheduling in place • Job re-design • Integration of customer focused technology • Strong performance management and monitoring	• Labour scheduling in place • Cross-training • Strong performance management and monitoring	• Labour scheduling being investigated • Emerging performance management and monitoring

Measuring performance and the impact of HR

Introduction

Human resource teams and those responsible for people have a major role to play in driving productivity forward. Throughout this report, we have looked at some of their thinking and approaches to tackling an increasingly challenging environment.

The role of HR in the hospitality and tourism sector is growing in importance, partly as a result of these pressures. Yet how they demonstrate the impact of their work, given the difficulty of measuring and isolating factors, remains a challenge for HR teams in all sectors.

This final section looks at how HR teams are measuring key outputs and can demonstrate their impact on their business.

Demonstrating the impact of HR on the business

"I had my team meeting the other day and one of my team took part in our employee survey just like everybody else did, and one of the comments that had come through in the survey was that we've come a long way, but people still don't see the value of HR. I have this big thing of, "Well, you've got to show them what the return on their investment is.""

As HR grows as a profession, so will the importance, robustness and consistency of the measures it uses to demonstrate impact.

Businesses participating in the research were asked how they demonstrated HR's impact. There were a broad range of answers, but what distinguishes architects and interior designers from builders was the extent to which the respondent saw their HR strategy underpinning the overall business plan:

"I think you have to be business-aligned. There's no point going off and doing HR stuff that you think is cool but has no link to the actual business strategy."

Those businesses that felt that their HR strategy was aligned with the business plan were more likely to measure their activities against broader business metrics, such as customer satisfaction and spend, as well as traditional HR metrics, such as turnover and engagement:

"Because of my personal, or my informed philosophy on people and a people team and what we are there to deliver, I fundamentally believe that it's ingrained into the business objectives, and not just being an HR or personnel strategy sitting on the side. I would ultimately say it's the success of the business. The success of the business is not only sales, it's labour turnover figures, it's headcount figures, it's engagement figures, it's how quickly your business is able to grow whilst maintaining a fantastic culture."

"I would always explain to the business there should be an absolute alignment between the HR people team and operations for it to be successful. Success for me absolutely equates to internal success rates, high engagement scores, opening up your target restaurants every year and, like I said, sales profits and all the rest of them."

"Probably once a year I might give a HR presentation based around metrics to the board, possibly. But actually they're more interested in understanding what we're doing from a values point of view. They're more interested in understanding how we're supporting innovation and that type of thing. They would expect me to highlight a drastic change in retention, or sickness, or health and safety incidences, but there's an assumption that those things are being managed as a matter of course, really."

This highlights the changing nature and focus of HR teams. It's a far cry from the traditional image of a HR team working on a range of important activities that are often isolated from wider business changes.

"I think we are much more pragmatic about how we deal with HR issues, as well as training issues and recruitment issues. I think if we sat in a kind of ivory HR tower then people would say, "See, it's all very well for them, but in the real world, blah, blah, blah." I don't think we sit there. I hope we don't."

Thinking back to our typologies, there is clear move toward becoming 'architects', with many businesses either beginning or well into that journey.

Driving this is the fact that issues that were traditionally seen as purely HR's responsibility are now centre stage for a lot of businesses, such as ongoing recruitment problems, rising costs, the introduction of the NLW, the apprenticeship levy and Brexit. These issues are uppermost in the minds of all areas of the business and, in particular, senior managers:

"I think people do get it. We, as a senior leadership team, we've all had to bring one big idea to the table for next year. Out of those big ideas there's obviously mine, which is very HR-focused, but four of my colleagues brought things to the table which are all about our people as well. They're people that work in operations or within other specialist roles. I think people do get it and I think the fact that our CEO is very supportive is a big part of that."

The importance of measuring inputs and outputs

Over the past 18 months, the Chartered Institute of Personnel and Development (CIPD) has been undertaking a project called 'Valuing Your Talent'. This encourages businesses realise the full potential of their workforce by understanding and measuring the impact and contribution of people to business performance.

One of the challenges the CIPD and others have recognised is the lack of consistency in measuring people metrics and understanding about how these areas impact on one another. This is something our research also highlighted.

The vast majority of businesses we interviewed have measures in place, to differing degrees, and all respondents valued their importance in helping guide their work. These are discussed below.

These measures are also regularly reported to senior management, so are seen as a measure of HR's impact on the business as well as influencing the work of teams. They are increasingly being used by HR as a means to drive through change and enable the business to think about its people and people management in a different way.

"When I talk about performance management I am talking about trying to embed a performance management culture within the business whereby people feel more confident, more capable and able to recognise when performance isn't where it needs to be and then take steps to address that. That is probably the performance management piece and we have really got quite a large programme of work over the course of 2017 that seeks to make some quite considerable inroads into that."

The sophistication of available data helps identify underperforming units, which in turn can drive collective action to address any underlying problems. For contract food service providers, these measures are regularly reported on to clients and are seen as part and parcel of their contract.

"I'm only picking my own function here, but they look at other stats around turnover for hiring, cost of hiring, time to hire. These are all impacting on service if not delivered."

"Some of our clients want to know data around, I'll use apprenticeships as an example. They will want to know that a percentage of the individuals that are on their sites are going through an apprenticeship programme, and we report on that. We take those apprenticeships through to graduation with those sites, quite regularly."

The extent to which businesses are measuring their activities

Businesses are increasingly seeing the importance of having a good range of metrics. Many believe that they have these in place and use and report on them regularly.

"That's a big piece of work that's going on, but then some of it is back to HR basics. We've been working really hard to get our people data in a good place. Now that we have, we can start to look at: "Why has that unit got an absence rate that's twice the rate of our average figure? Have we got return-to-work interviews?""

"This is some of the stuff that's not very sexy and I was doing 20 years ago, but actually, if you want to get a hold of your costs and managing your people properly, then some of this is back to basics."

Others don't have systems but acknowledge their importance and, for the most part, are working to put them in place:

"This is one of the problems in coming into the company, I was dismayed that we still weren't able to easily gather data about our workforce, and this is one of the other reasons for this new system that we're putting in. It gives us a whole HR database off the back of it as well."

"That's one of the biggest difficulties; we're guessing a lot of the time. We haven't got the data. From the information that I do have, I would say it's fairly diverse. We've been doing some roadshows in our hotels this week, talking to staff, and certainly, based on the attendance at those meetings, it's still very diverse, our workforce, but there will be differences in different areas."

A broad range of businesses raised concerns about how the data is being interpreted and used. It often explains 'what' is happening, but not the 'why', and there is a danger that companies could initiate action to address a perceived problem, which in fact is not a problem at all.

Many see the greater role of HR as a way to help address this problem, with a business using the HR team not just to report the data, but to also to diagnose the problem and come up with a solution.

"Historically, if I'm being honest, because there wasn't a people director sitting at the board, I would say that the people strategy was being driven by the ops director and the MD. But, not necessarily tied down to what the root cause would be. Rather, it would be, "Okay, we're struggling with labour turnover. There must be an issue; it's probably pay." I think the opportunity I have as the first people director is to help tie and pull all of these KPIs across the business and get to the root cause of some of the things. Rather than just assuming, let's validate some of this information. So, what's the whole picture of all the KPIs telling us in terms of retention and engagement as well as the hard measures of profits and sales? Really, looking at the bigger piece."

Another concern was the lack of available data on which to benchmark a business against the average for the sector. Few businesses measure productivity, largely due to the difficulty of operationalising it that we saw in section six.

"It's something I'm looking at the moment. How does one measure that effectively? It's become the holy grail, really. Again, I think from an HR profession, one should really be driving whatever HR intervention into how it impacts the bottom line. How does it impact the profitability of the organisation? That's where we should be driving things from."

The types of measures being used

Businesses are using a range of metrics to measure key HR outputs, reflecting the differing priorities we saw in section two:

"We have a lot of goals and measures and data. We have from recruitment time-to-fill, which is the one I hate most of all because the time-to-fill is until when I find the right candidate. I could have time-to-fill of two days, but is that the right candidate? I don't think so. Labour turnover, length of service retention, how much we've spent on recruitment, how much we've spent on training, training hours. We have quality of hire, which is a questionnaire, really."

"Within the brands, it'll be, "Have you managed to recruit more people? Have we got any vacancies? The training initiatives that each brand are putting in place, are they being delivered? Have you managed to solve the chef shortage? Have you managed to make sure that the people that we've got in the businesses are the right sort of people we want?" Whatever initiatives their particular brand MD gives the HR director. I can't give you details."

"Our main metric that we measure our hotels on, alongside all the financial ones and operational ones, is our engagement. That is a very important metric for us, understanding how satisfied our employees are working for us. Going forward, again, because of this new system that we're having which is going to revolutionise everything, we will start to look closer at some of the more traditional metrics like retention, turnover, absenteeism, those sorts of things. We're also going to do a lot on succession planning, so again that will become a measurement in terms of career progression within the company."

"We look at everything. So as an exec, we intertwine everything with balance score cards, but for us as a brand it starts with our people. So it's our people's stability now, our expectation of sales growth, profit, guests' accounts, etc., all come off that as a base. So basically everything that we do is around the stability of our team. That's why it's so critical, so every measure comes into it."

Measuring retention

The increasing focus on talent retention is resulting in businesses putting better metrics in place to measure labour turnover and understand the reasons for it.

"It's, in theory, a very simple kind of product cycle that we go through for an employee. But getting it right and getting engaged, we talked about the attrition rates and so forth, it becomes quite complicated."

"We're building a model that says, "Well actually we can offset the impact of the Living Wage by improving and reducing our employee turnover." Actually, what we've looked at is, even at this stage, how much does it cost us to recruit somebody, train them? Let's factor in the fact that they may be only 50% productive for maybe the first six to eight weeks of their employment. When you put all of those costs together, actually, there is a significant amount of money that you could go after to offset the impact of Living Wage."

"I look at turnover by department, age, restaurant, region, tenure, all of that, because it all tells us a pattern. We do guest engagement surveys. We do guest measures every day. We count compliments against guests. We look at sales and covers. We look at what managers are on shifts and what sales that come through, what training and support they need."

Productivity measurements

Despite the concern over measuring productivity, a number of businesses are measuring and reporting a range of quantitative outputs that could link to productivity outputs, such as average spend and number of rooms cleaned.

"We have quite a lot of productivity statistics on how many hours people have worked against how many covers we've done, how many rooms we've cleaned, how many people we've checked in and different information like that which helps us then to forecast rotas a bit more accurately."

Customer service-driven metrics

Businesses are also measuring more productivity metrics that are related to the customer experience.

Whilst a number of HR teams are contributing to these measures, it is largely through a logic chain that says: if staff are motivated and trained, then this is a good input measurement to predict a better customer service-driven output. However, some businesses have analysed their data statistically looking for correlations:

"Ultimately the key driver is customer experience and customer satisfaction. We work with a Net Promoter Score customer survey that we use for all of our guests. Whilst that is customer experience and not necessarily hard pounds, it is incredibly important to us as a business. As a private equity-backed business, in some respects, our Net Promoter Score is our currency as are Trip Advisor scores. That is up there in terms of strategic imperative. What I have been able to identify, through quite a lot of analysis and correlation work that we have done, is that there is a direct link between stability in hotels and between Net Promoter Score performance. In the hotels where we have a more stable management team and lower people turnover we are achieving higher customer experience or higher Net Promoter Scores. In hotels where that isn't the case we tend to suffer more in that respect."

Apprenticeships

Following its introduction in April 2017, a number of businesses are beginning to measure their apprenticeship levy investment and its returns.

"Apprenticeships are a potential example and a lot of interventions relate to employee engagement. Then that obviously leads to absenteeism and attrition. You're obviously then looking to potentially upskilling, so you're looking to increase productivity. So that obviously has a direct impact on customer service and profitability that goes with that. The more customers, the better experience and so forth. That obviously then has an impact upon the customer service scores."

"Things like apprenticeships will be measured on, "Have you managed to put in a scheme that makes sure we get the levy back each year and are we saving cost on wages?" It'll be that type of thing. In the brands, it'll be things like keeping safe, "Have you managed to keep the business safe?" i.e. you've got a process in place to avoid any trunk pitfalls or any immigration pitfalls. I'm using it as an example."

Summary

As the role of HR becomes increasingly critical to business performance, then the range of metrics to measure it become vitally important.

Whilst the majority of businesses have a good set of metrics in places, others are catching up and there is little consistency in what is being measured. In many respects, this reflects the extent to which the HR strategy is aligned with the overall business strategy.

Architects

HR team is working to redesign the way the business looks

- HR measuring performance against wider business metrics, such as customer satisfaction, retention and spend

Interior Designers

HR team is working to improve people's performance

- Good HR metrics in place measuring inputs and outputs across recruitment, learning and development and retention

Builders

HR team are building or repairing infrastructure

- Traditional metrics, such as absenteeism and length of service

Conclusions

Hospitality and tourism businesses face a number of critical challenges and those responsible for HR are centre stage in helping overcome them. There has probably never been a more exciting time to be working in HR in the sector.

When it comes to recruitment, retention and learning and development, there is a clear rupture with the ways large businesses have done things in the past, and these changes present some critical opportunities. There is a new focus on retaining talent and this impacts on how businesses are recruiting and taking forward learning and development.

Large businesses are critically important to the hospitality and tourism sector, as they employ **44%** of the workforce. It's also likely that their actions and best practice will trickle down and have an impact on smaller employers. Smaller employers naturally face the same challenges, but don't necessarily have the dedicated HR resources to address the challenges in the same way as larger businesses. Further research is required to better understand how smaller businesses are addressing these issues.

Large businesses are critically **important** to the hospitality and tourism sector, as they **employ 44%** of the workforce

The three key drivers of rising costs, recruitment difficulties and changing employee expectations are also increasing the number of businesses homing in on productivity improvements to help offset costs and maximise customer experience and profitability.

These changes are also likely to have a positive impact on the sector as a whole, as actions to increase staff engagement will make it a more attractive destination for career seekers. This is going to be critical as the labour market continues to become more competitive and we see the full details of the Brexit deal with the EU.

These changes are not going to happen overnight. Many businesses are on a journey.

This research has identified three typologies – builders, interior designers and architects – that highlight where they are on that journey. Whilst these typologies naturally simplify the transitions, they do help encapsulate the thinking and actions of large hospitality and tourism businesses and can help inspire and support other businesses that are on a similar journey.

No one has all the answers, and with the uncertainty over Brexit and the economy as a whole, it's a fluid picture. To help businesses navigate these journeys we have established 'The Wire', a largely virtual network that helps business engage with the key themes emerging from this report, share experiences and hear from experts in their respective fields. In this way we hope it will provide vital support to HR teams and those responsible for people. To join the wire go to **www.people1st.co.uk/the-wire.**

We are also embarking on new research that picks up on some of the themes emerging from this report. The first focuses on the customer experience and the second on what our managers of the future will look like. More information is available at **www.people1st.co.uk/upcoming-research**

Additionally, we are beginning to work with interested businesses to develop a productivity model that allows businesses to easily, but meaningfully measure productivity. We are also putting together an anonymous benchmarking tool to help businesses see how they compare on key measures against the sector average. Interested businesses can find out more at **www.people1st.co.uk/measuring-productivity.**

It's a pivotal time to be working in HR or driving people-related issues in hospitality and tourism. While the industry faces some key challenges, they also open up real opportunities that will help businesses increase productivity and profitability.

About People 1st

People 1st is a unique, insight-driven performance and talent management expert.

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