

Essex

Hospitality, Leisure, Travel and Tourism

(Subsequently referred to as Hospitality)



Leading learning and skills

Targeting the sectors vital to the economy of Essex

Introduction

This paper outlines the workforce dynamics and skills and training issues in key sectors in the Essex economy.

The paper sets out:

- The demographics of the workforce
- The skills and qualifications profile of the workforce
- The likely demand for and supply of new skills and workers, now and in the future
- The local business drivers

Definition of the Sector:

People 1st is the Sector Skills Council for the hospitality, leisure, travel and tourism sector, representing the following industries:

Hotels; pubs, bars and nightclubs; gambling; membership clubs; tourist services; youth hostels; self catering accommodation; restaurants; travel services, events; visitor attractions; holiday parks; hospitality services and contract food service providers.

Hospitality in the Essex economy

The majority of establishments, 80% are 'micro businesses' employing between 1 and 10 people.¹ There is a female/male ratio of 55% to 45% and there is a 50/50 split between full time and part time employees. This is similar to the East of England as a whole.

The importance of micro businesses in the sector has implications for workforce development initiatives. Historically, stakeholders have found it difficult to encourage owners and managers of establishments of this kind to engage in workforce development or their own lifelong learning. The reality for many small and micro businesses is that with the nature of the industry, they cannot provide cover for people engaged in learning away from the workplace.

¹ Annual Business Inquiry 2006

The National and Regional Context

Background

The Hospitality, Leisure Travel and Tourism sector is a large and diverse sector employing a workforce of over 1.9m across the UK, in more than 180,000 establishments, generating an estimated total turnover of £135 billion per year.

Latest research from 'Visit Britain' values tourism alone in the UK at a massive £85 billion in 2005 with almost 80% of this generated by domestic tourism and 17% accounted for by spending by overseas visitors during their visit to the UK.

The diversity of the sector is demonstrated by the fact that the Sector Skills Council represents 14 different industries within the sector, as detailed above. In general terms, sector activity is determined by levels of demand in two broad markets:

1. Demand for hospitality from tourists and business visitors to the region (hotels, guesthouses, camping and caravan sites, restaurants pubs etc) and
2. Within-county demand for services - domestic and business expenditure in pubs, restaurants, cafes, catering services (weddings and other social events), corporate entertainments etc.

The sector is inherently tied to the strength of the economy. When the economy performs well consumer confidence is high, and people are more willing to spend their disposable income on holidays, and eating out. However, the sectors link to the tourism industry also makes it susceptible to unforeseen events over which it has no control such as real or threat of terrorist attacks, the foot and mouth crisis, and more recently the bird flu outbreak, all of which can have significant financial implications for the sector.

In common with other key sectors, there is growing recognition that the skill supply is insufficient to meet sector needs. In addition to the replacement demand due to staff leaving or retiring from the sector, and the projected general sector growth, the 2012 Olympics will have significant implications on the demand for skilled staff.

With staff turnover estimated to be at 30%, this is the equivalent of losing nearly 600,000 people per year, costing the sector nearly £900 million annually – and if this rate continues until 2012, this would be the equivalent of losing over 4 million people and costing the industry £6.2 billion.

The sector is characterised by low rates of pay, high staff turnover, low levels of training, low skills levels, unsocial hours, seasonal nature of work, predominance of casual staff, and the non-professional image of the industry

Recent research ² concludes that labour productivity is the lowest of any sector in the UK. Research identified that amongst other things, the shortage of good management skills is at the heart of the sector's productivity problems.

The sector is aware of this problem, however, a growing skills shortage and labour crisis is also affecting the sector. Particular areas where hard to fill vacancies are more prominent include kitchen and catering assistants and bar staff, chefs and cooks and waiting staff, as well as experienced managers.

Key national facts ³

- There are approximately 180,000 individual establishments in Great Britain, of which a third are pubs, bars and nightclubs, and a further third are restaurants. This pattern is reflected at a regional level.
- The sector employs nearly two million people nationally- the restaurant industry is the largest in terms of employment (500,000 people).
- The sector is dominated by small businesses.
- Businesses with over 250 staff account for 0.2 per cent of businesses but represent 45% of the workforce.
- The sector employs a young workforce – with over a third of staff under the age of 25.
- 11% of the workforce are from ethnic minorities.
- There is an estimated staff turnover of at least 30%.
- 17% of the workforce are from overseas, rising to an average of 60% in London.
- Since May 2004, nearly 90,000 workers from the EU Accession States have entered the sector.

Key drivers of change

A raft of regulations - minimum wage and holiday entitlement, health and safety, changes in licensing laws, no smoking legislation - have all had, and will continue to have a major impact on the way the industry operates.

For example, The Licensing Act, which fully into force in England and Wales in November 2005, has had an impact on the sector through the relaxation of closing times.

Longer and/or flexible opening hours have created further demand for labour, both to accommodate potential growth in the sector spend and to ensure staff cover at different times of day. Research has identified that young people are more open to a 24/7 society and accept they may be required to work shifts and weekends nevertheless this sector is under additional pressure. ⁴

² People 1st – The Clock is Ticking (February 2006)

³ People 1st Research

⁴ Springboard UK

Further legislative changes came into effect on October 1st 2007 - the Working Time Regulations on annual holiday entitlement and an increase in the national minimum wage will further impact on this sector.

The advent of internet booking and the use of more advanced technology for food preparation has changed the face of the industry, leading to an increased need for ICT skills.

The strength of the economy affects the sector. When consumer confidence is high people are more willing to spend disposable income on holidays, and eating out. Increases in interest rates, fuel bills and threats of recession can all quickly impact on the sector.

Workforce development priorities

Almost 70% of those working in front-of-house positions in the industry are under the age of 25. For many, this is their first job (about 40%).⁵ Employers comment that staff lack communication and customer service skills but employers should perhaps shoulder some responsibility for training in this area - given that for about 40% of staff this is first job.

Career pathway issues need to be addressed and there is an increasing need for qualifications to better respond to the needs of employers (e.g. for seasonal or part-time workers). New methods of delivery and assessment are being cited as critical to both the engagement of employers and the skills development of employees. A new initiative, People 1st UK Skills Passport, is a Sector Skills Council approach to help employers, prospective employees and employees find a solution to these and other issues such as recruitment and retention.

There is an increasing need for ESOL provision due to high levels of migrant workers.

There is an increasing need for IT skills within the sector.

A recent report concluded that 28% of businesses that didn't provide training ceased trading compared to 3% of businesses that did provide training⁶

The significant proportion of the hospitality workforce without Level 2 qualifications highlights that the sector has much to gain from the Train to Gain programme. The industry view is that employers will only embrace this entitlement and support the development of workforce skills where they see a clear link to improved financial performance. This in turn requires learning to be focused on the needs of the sector such as improving customer service and reducing labour turnover.

Many employers are reluctant to provide accredited training for their employees in view of the high staff turnover - a job in the sector is often seen as temporary rather than permanent employment.

⁵ People 1st Research – May 2006

⁶ 'Training and Establishment Survival' – Skills for Business Publication: March 2007

Workforce development for the industry requires a two-pronged approach. On the one hand, the sector needs to maintain flexibility and ease of access to employment in order to attract a continuous supply of new workers, - on the other hand it needs to increase development opportunities for core staff, in order to improve retention and attract more graduates and other skilled workers into the sector, as a career choice.

The sector is characterised by a high proportion of small and medium sized businesses. Improving the management skills of SME managers will be vital if they are to continue to diversify increase levels of customer service and take advantage of new technology opportunities.

Looking ahead to the Olympics, if the turnover rate continues at the current rate, by 2012 over 4 million employees will be lost nationally, which would cost the sector over £6 billion. The ongoing rate of turnover is having a drastic effect on the skills base – staff leaving before they develop the skills they need to do the job properly. Staff training is often restricted to health and safety and food safety – with employers saying that they will not train staff because they will leave – and so the vicious cycle continues.⁷

Employment Forecasts

According to Working Futures 2004-2014, regional employment in the Hotel and Restaurants industry is set to rise from 170,000 (2004) to 185,000 in 2014, with a percentage change of 9% from 2004 to 2014. The England comparison is 6.2% for the same period.

From research conducted, the most pressing workforce development needs over the next 3–5 years for the sector include:

- Improve the image of the sector as a permanent career choice.
- Ensure appropriate provision is available to support Level 2 entitlements.
- Develop and promote opportunities for progression.
- Improve management skills particularly of small business managers and/or owners.
- Reduce the crippling staff turnover rate.
- Improved understanding of the correlation between effective people management practices and business success.

Strengths

- Easily accessible by road, rail and air.
- Wide and diverse range of visitor attractions and places of interest
- Forecast employment growth.

Weaknesses

- Jobs are perceived as poorly paid with long and unsociable hours.
- High staff turnover and poor staff retention.
- Lack of training

⁷ People 1st Research – The Clock is Ticking (February 2006)

Opportunities

- Opportunities for on-line marketing and promotion as a result of increased use of the internet and digital technology.
- Relaxation of licensing laws.
- Changes in holidaying and leisure trends.
- Train to Gain and Skills Pledge.
- New employer units under qualification reform

Threats

- Unforeseen events – economic, political or environmental.
- Significant numbers of self employed and small business managers, who are often more difficult to engage in a learning culture than managers in larger businesses.

The Current Workforce

Key messages

- The hospitality sector is reliant on a flexible workforce with high levels of part-time, student employment.
- Staff turnover is estimated at around 30% although some restaurant, pub and contract catering groups believe the figure to be much higher⁸.(According to the same report, factors include young age profile, high number of students, unsociable hours, low pay and poor people management.)
- The age profile of the workforce suggests many young people view employment in the sector as a temporary job before embarking on a career elsewhere.
- A third of the workforce are low skilled. Around half of those with low skills are from elementary occupations and a further 24% are managers and senior officials.
- Recruitment difficulties are high, and skills shortages more common than across all industries.
- Skill gaps are also commonly reported by employers particularly amongst elementary occupations such as bar staff and waiters/waitresses.
- These skills gaps are having a significant impact on customer service objectives – improving customer service skills will be key to future competitiveness of the sector.

⁸ People 1st Research – Hokey Cokey (10th May 2006)

The Hospitality Sector

Table 1: Businesses in Essex

Employer size band	
	Number of businesses
1-10	3,700
11-49	825
50 +	115

Source: Annual Business Inquiry, 2006 (using People 1st Footprint)

Table 2: Employees in hospitality sector

Number of employees in Hospitality (People 1 st)	
Essex	42,000
Total EoE	159,200

Source: Annual Business Inquiry, 2006

Table 3: Employees by gender - Essex

Employees by gender	
Male	19,000
Female	23,000
Total	42,000

Source: Annual Business Inquiry, 2006

Table 4: Part time/full time employees - Essex

Employees: Part time/Full time	
Full Time	20,700
Part Time	21,300
Total	42,000

Source: Annual Business Inquiry, 2006

Table 5: Number of employees by business type in People 1st

	Businesses by number of employees (People 1 st)	
	Number of employees	
	Essex	East of England
Hotels	4,000	21250
Restaurants	16,575	53000
Bars	11,950	45350
Canteen /catering	4,750	16630
Travel Agents	2,190	9700
Other entertainment	350	1140
Gambling	1,920	6920
Other lodgings	265	4600

Source: Annual Business Inquiry, 2006

Table 6: Number of businesses by type in People 1st

Businesses by type (People 1st)		
	Number of businesses	
	Essex	East of England
Hotels	260	800
Restaurants	1750	6310
Bars	1700	5119
Canteen /catering	490	1511
Travel Agents	400	1070
Gambling	190	848

Skills shortages and gaps

The National Employer Skills Survey (NESS) offers some insight into the sectors skills shortages (a lack of suitably skilled people in the labour market) and skills gaps (skills deficiencies in the existing workforce). It is important to note that the NESS does not include the self employed or businesses with only one employee. NESS data is regionally based and cannot be brought down to local level with any degree of certainty of information.

Table 7: Skills Gaps

Formal assessment of whether individual employees have gaps in their skills		
	Employers in People 1st	All employers
Yes	52%	54%
No	45%	44%
Don't know	3%	2%

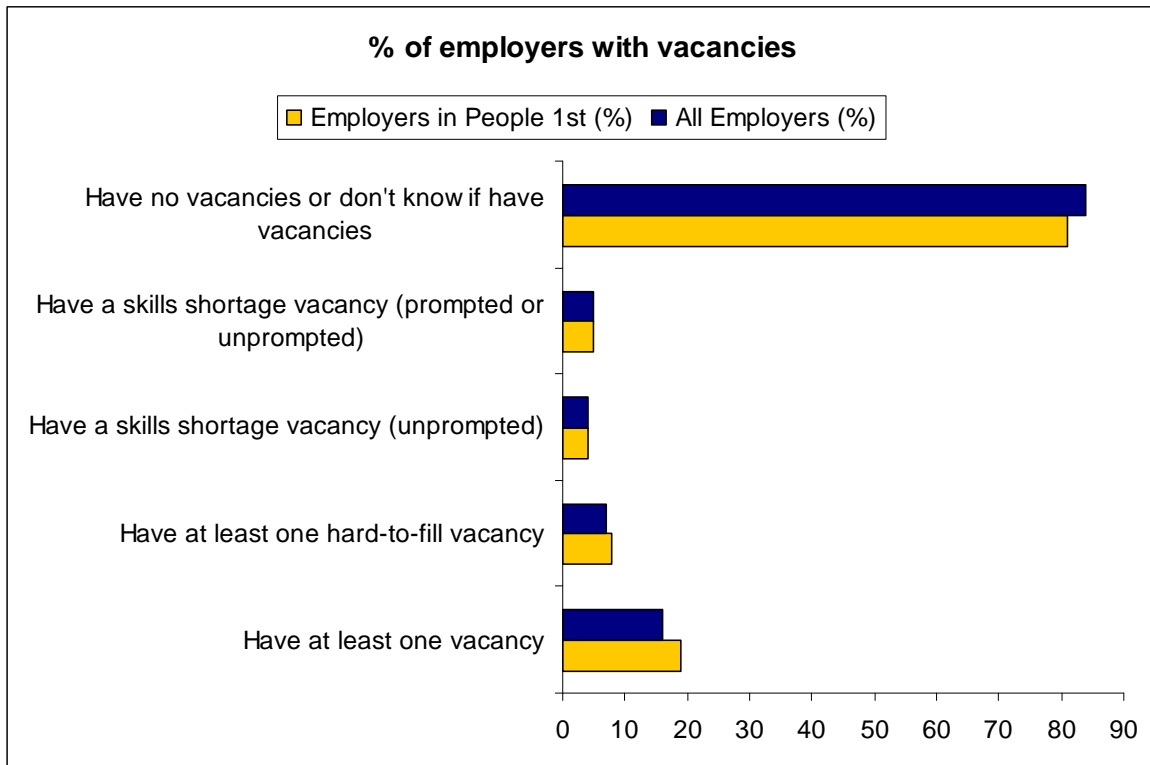
Source: National Employer Skills Survey, 2005

Table 8: Training

Whether funded/arranged training over last 12 months		
	Employers in People 1st	All employers
On job and off job training	29%	34%
Off job training only	13%	14%
On job training only	22%	17%
No training	37%	35%

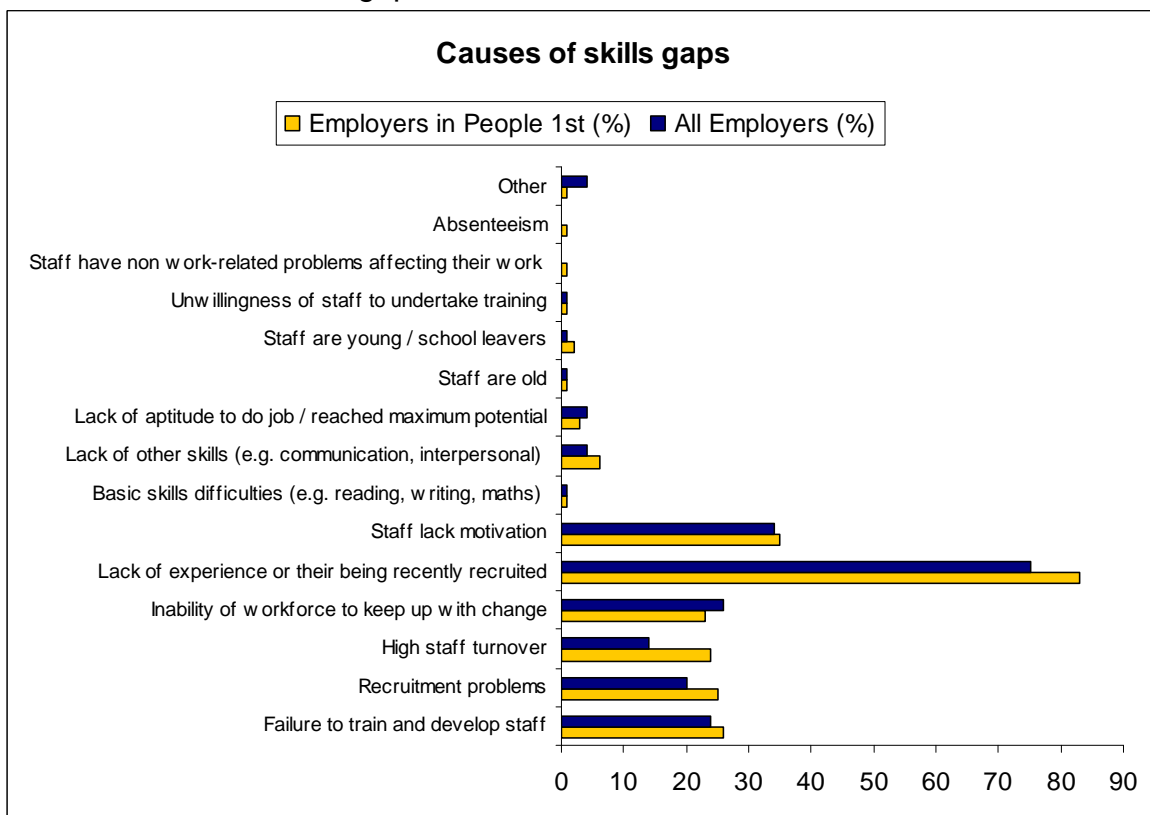
Source: National Employer Skills Survey, 2005

Chart 1: Percentage of employers with vacancies



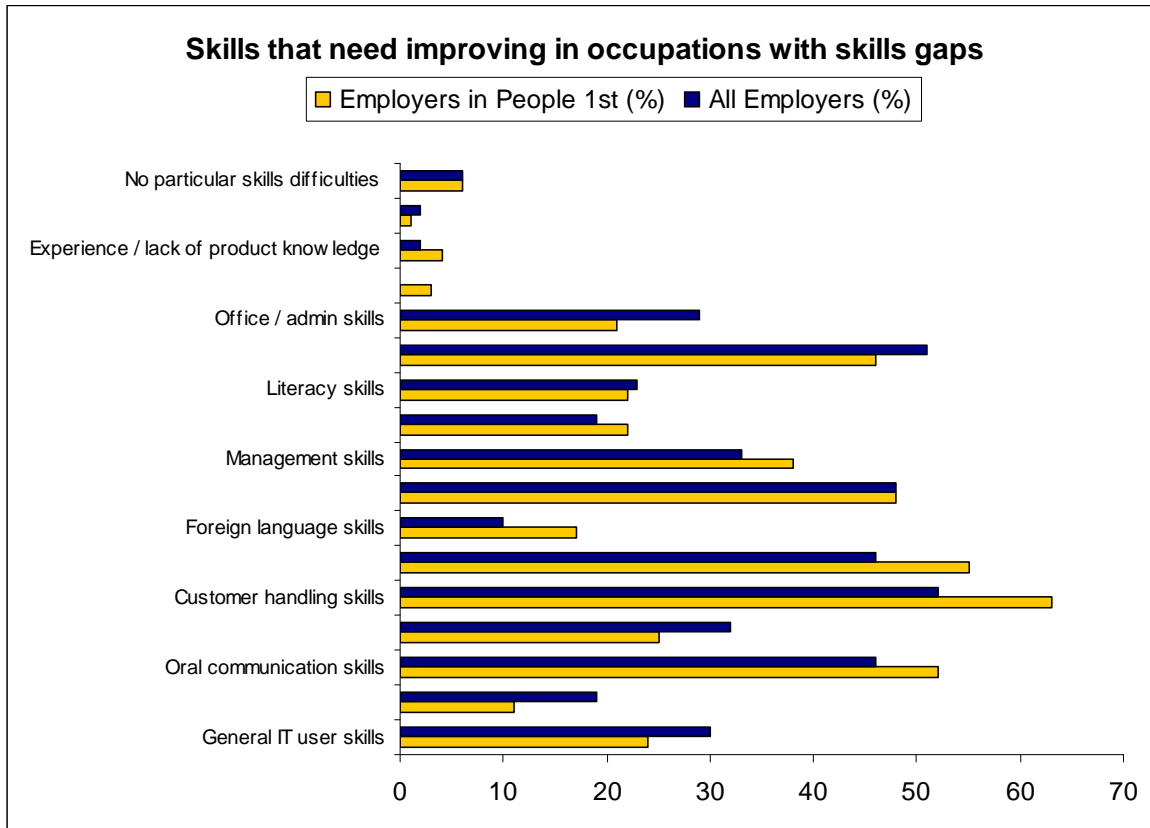
Source: National Employer Skills Survey, 2005

Chart 2: Causes of skills gaps



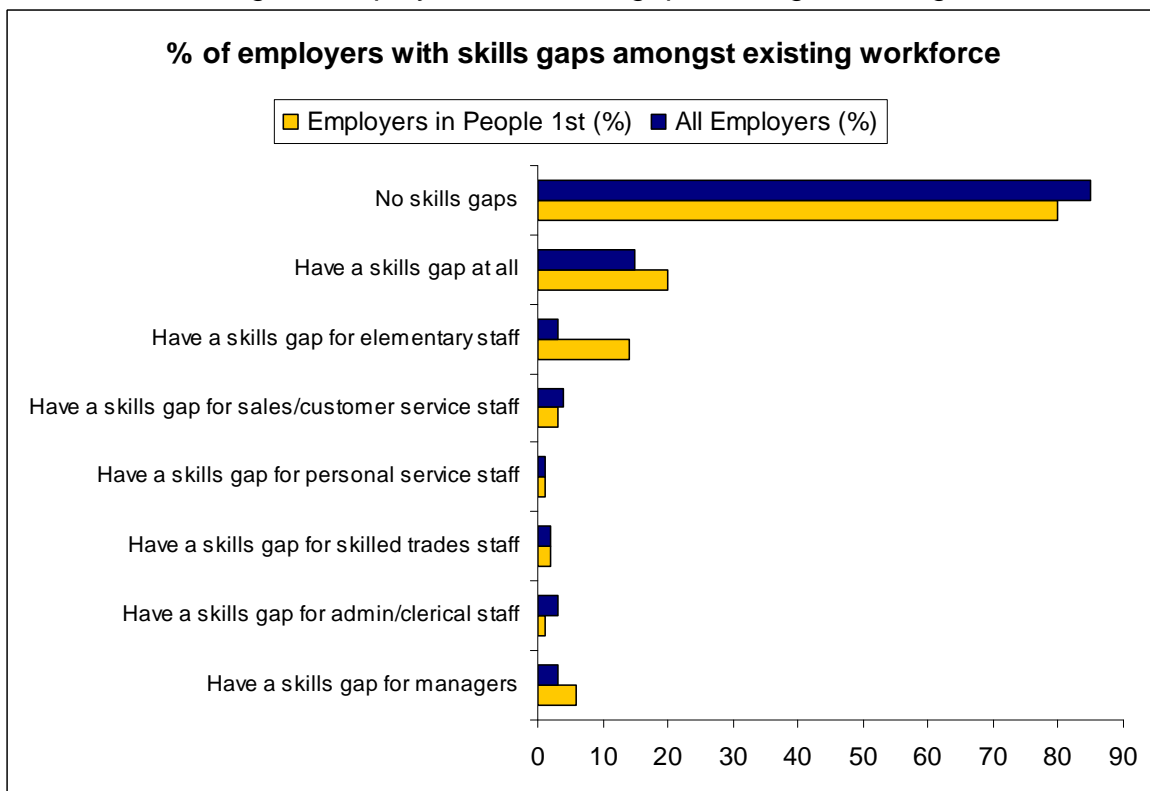
Source: National Employer Skills Survey, 2005

Chart 3: Skills that need improving in occupations with skills gaps



Source: National Employer Skills Survey, 2005

Chart 4: Percentage of employers with skills gaps amongst existing workforce



Source: National Employer Skills Survey, 2005

Key Findings and Conclusions

The Hospitality, Leisure Travel and Tourism sector is a large and diverse sector, Inherently tied to the strength of the economy, and susceptible to unforeseen political, economic or environmental events over which it has no control.

The sector is characterised by low rates of pay, high staff turnover, low levels of training, low skills levels, unsocial hours, seasonal nature of work, predominance of casual staff, and the non-professional image of the industry.

Ensuring an adequate supply of skilled new entrants to the workforce

Replacement demands – the sector is facing a labour shortage

70% of recruitment is to replace existing staff – vicious cycle of recruitment and retention

Skills shortages are highest for chefs and managers

Career option for young people, rather than temporary employment

Higher qualification levels –unskilled/skilled and management

Better understanding of correlation between people management practices and business success

Encouraging employers to engage in workforce development

Train to Gain

Sector Skills Council pushing for skilled workforce.

Two thirds of employers report that more than half of all applicants lack communications skills, team working skills and customer handling skills

Labour turnover at least 30% - innovative measures to reduce wastage

Nearly a quarter of businesses report that staff are not fully proficient to meet needs of the business

33% of employers do not train – 25% report that nothing would encourage them to train

80% of employers do not know where to access government funding

Encourage managers to plan for succession both for themselves and for the workforce as a whole

Appendix

Definition of Sector		
Sector Skills Council	Sector activity	SIC Codes - Description
People 1st www.people1st.co.uk	Hotels	55.1
	Pubs bars and nightclubs	55.4, 92.34
	Membership clubs	55.4
	Gambling	92.71
	Tourist services	63.3
	Youth hostels	55.21
	Self-catering accommodation	55.23
	Restaurants	55.3
	Contract food service providers	55.5
	Travel services	63.3
	Visitor attractions	92.33
	Holiday parks	55.23

Source: The Sector Skills Almanac UK 2007 (Skills For Business)

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