UK COMMISSION FOR EMPLOYMENT AND SKILLS

Sector Skills Insights: Tourism

Evidence Report 55
August 2012

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Sector Skills Insights: Tourism

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and promote economic growth. Our strategic objectives are to:

- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them;
- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

These strategic objectives are supported by a research programme that provides a robust evidence base for our insights and actions and which draws on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring '**relevance'** to our most pressing strategic priorities; '**salience'** and effectively translating and sharing the key insights we find; **international benchmarking** and drawing insights from good practice abroad; **high quality** analysis which is leading edge, robust and action orientated; being **responsive** to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a **co-ordinated** approach to research.

This report contributes to the UK Commission's work to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. It outlines the performance challenges faced in the **tourism** sector, the 'real-life' skills solutions implemented by leading and successful businesses to overcome them, and the benefits from doing so. Similar reports are available for the following sectors: Advanced Manufacturing; Construction; Digital and Creative; Education; Energy; Health and Social Care, Professional and Business Services; Retail. Each report is summarised by an accompanying PowerPoint slide pack. By understanding the key performance challenges employers face and the skills solutions available to address them on a sector-by-sector basis the UK Commission can make better use of its investment funds to support economic growth.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. Each Evidence Report is accompanied by an executive summary. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk

But these outputs are only the beginning of the process and we will be continually looking for mechanisms to share our findings, debate the issues they raise and extend their reach and impact.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number.

Lesley Giles
Deputy Director
UK Commission for Employment and Skills

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GLOSSARY

This report uses data from several sources and a slightly varying definition of the sector depending upon which data sources are available.

PRINCIPAL DATA SOURCES

Employer Perspectives Survey 2010 (EPS 2010)

The UK Commission's Employer Perspectives Survey 2010 (Shury et al., 2011) gathered the views of approximately 14,500 employers on the UK's employment and skills system. The aim of the survey is to provide evidence to stakeholders operating in the system across the four UK nations to inform policy and improve service delivery.
http://www.ukces.org.uk/publications/er25-employer-perspectives-survey

The UK Commission's UK Employers Skills Survey 2011 (ESS 2011)

The UK Commission's UK Employer Skills Survey (UK Commission, 2012) provides UK-wide data on skills deficiencies and workforce development across the UK on a comparable basis. It was undertaken at the establishment level and involved over 87,500 interviews, with a follow up survey of over 11,000 employers focusing on employers' expenditures on training.
http://www.ukces.org.uk/publications/employer-skills-survey-2011

Working Futures Database

Working Futures 2010-2020 (Wilson and Homenidou, 2011) is the most detailed and comprehensive set of UK labour market forecasts available. The results provide a picture of employment prospects by industry, occupation, qualification level, gender and employment status for the UK and for nations and English regions up to 2020. The database used to produce the projections is held by the University of Warwick Institute for Employment Research and Cambridge Econometrics.
http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-41-working-futures-2010-2020.pdf

Labour Force Survey

The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in the United Kingdom. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. It is conducted by the Office for National Statistics. Figures quoted in this report are based on a four quarter average unless otherwise stated in the text.
http://www.ons.gov.uk/ons/guide-method/surveys/respondents/household/labour-force-survey/index.html

SECTOR DEFINITIONS

The definition of the sector used in this report is: Accommodation (SIC07 55: including hotels, self-catering accommodation and holiday parks); Food and beverage services (SIC07 56: including restaurants, event catering and public houses); Travel agencies and tour operators (SIC07 79); Gambling and betting (SIC07 92); and Sports activities and amusements parks (SIC07 93).

Where the UK Commission's Employer Skills Survey data is referenced, the sector definition is slightly different and covers Accommodation and food service activities (SIC55-56)

Executive Summary

This report examines the tourism sector in the UK, the challenges it faces over the medium term, how they can be addressed through skill development and how the sector can grow and contribute to the recovery of the UK economy.

The sector comprises restaurants and bars (which employ just over half of all workers in the sector), sport and recreation activities, hotels and other accommodation, travel agencies and tour operators, and gambling and betting.

The importance of the sector

The UK's tourism sector makes a significant direct and indirect contribution to the UK economy. The net output of the sector in 2010 was £62 billion, six per cent of the UK total. It grew by 5.6 per cent per annum over the previous decade, faster than the economy as a whole. In addition to its direct contribution to national output, business in other sectors sell to and purchase from the visitor economy, contributing as much again to GDP. Employment in the sector accounted for around eight per cent of total employment in the UK in 2010 (about 2.5 million people).

Britain is the seventh leading destination in the world in terms of revenue from inbound tourists. The sector is projected to be one of the fastest growing in the UK over the next ten years, with output projected to increase by over five per cent per annum. Employment is also projected to grow, albeit at a slower rate of just over one per cent per annum, indicating projected increases in productivity.

The 2.5 million people who work in the sector are less qualified than average, and over one third work in elementary occupations, compared with one in ten workers overall. Employment is concentrated among small workplaces, although the proportion of self-employed workers is below the average for the whole economy. However, the sector provides lots of opportunities for part-time and temporary employment. Female workers outnumber male workers, although the proportion of women in the sector has been falling over the last decade. The sector has a very young age profile, with one third of workers aged under 25. A key issue for the sector is the relatively high rate of labour turnover.

Key Challenges

The sector has the potential to continue to expand over the coming decade and capitalise on a series of sporting and other major events in the UK and the growing international tourist market. However it faces growing international competition and is vulnerable to exchange rate movements. Changes in technology and consumer demand will present challenges to the tourism workforce to adapt and ensure excellent customer service. Labour turnover is a significant challenge and the sector needs to develop and promote progression routes for careers in the sector.

The government has announced ambitious plans for the sector, with two key goals:

- To become one of the Top 5 destinations in the world in terms of revenue from in-bound tourists.
- For half of the tourism expenditure of UK residents to be spent in the UK rather than overseas.

This vision is dependent on the sector being able to drive up its skill levels across the workforce and introducing working practices and progression routes which will make it an exciting sector in which to work, and in turn attract talented individuals into the sector.

Skill demand

The key drivers of skill demand in the sector over the medium term suggest that employment will continue to expand to 2020 when the sector is expected to employ 289,000 more people than it did in 2010. In addition to filling the new jobs, because the sector has a relatively high rate of labour turnover, tourism employers are expected to have to replace over a million employees between 2010 and 2020. Taking new and replacement demand the sector will need to recruit around 135,000 people a year.

Generally skill levels are expected to increase, although there will still be a large number of opportunities for people with low level (ie level 1 and 2) qualifications. There will be significant demand for management skills and customer service skills across the sector.

Under-employment refers to workers who are over-qualified or over-skilled (they do not require their qualifications or experience to do their job). Nearly one quarter (24 per cent) of employees in the sector are over-qualified, compared to 16 per cent across the whole economy. Adopting High Performance Working (HPW) could increase opportunities for task discretion as well as the variety of tasks undertaken by employees, allowing them to use their skills more fully as so reducing under-employment.

Effective management skills can drive performance improvements in the sector by raising productivity through better staff planning and scheduling, employing new technology and improving employee motivation, thereby reducing staff turnover.

The need for improved customer service skills will be driven by increasing customer expectations. Businesses will need to create a consumer-focused culture, driven from the top down by leaders and supervisors. There will also be specific skill needs for technology professionals and technical staff as technological developments lead to new ways for business to interact with customers.

Skills supply

The evidence suggests a mixed picture regarding skills supply to the sector. The number of apprentices in the sector has been rising rapidly in recent years, as has the number of students studying tourism-related degrees. However the numbers are still small relative to the potential demand. In 2010/2011 some 9,500 people completed a relevant apprenticeship and about the same number graduated with a tourism-related degree – only a fraction of the 135,000 people that the industry is likely to need to recruit each year.

On workplace training, the sector has one of the highest training expenditures per employee, although much of this expenditure is on initial training of recruits due to the high labour turnover within the sector. While the proportions of employers who arrange training for their staff, and arrange training towards nationally recognised qualifications, are slightly above the averages across the economy as a whole, there is some evidence that the proportion of the sector workforce that receives training is below average, and has been falling in recent years. Tourism employers are also less likely than those in other sectors to engage with external training providers, particularly higher education providers. However, involvement with apprenticeships has increased dramatically in the last few years, and a higher than average proportion of employers are accredited with Investors in People.

The high labour turnover in the sector can hamper skills development. A key reason for high levels of turnover is the historic recruitment of transient labour, such as students and international workers, who are seeking short-term job opportunities rather than long-term careers in the sector. A reliance on transient workers can reduce the effectiveness of skills development activities, such as employee engagement, and may result in a vicious circle where high labour turnover undermines employee engagement activities, which leads to a demotivated workforce and contributes to higher labour turnover. This can be exacerbated if staff do not receive appropriate training, and do not perceive there to be clear career pathways within the sector.

Conclusion: growth through skills

There is evidence that the demand for labour across the sector is outstripping supply. Currently skill shortages and gaps are predominantly concentrated among elementary occupations, and mainly around customer service skills. While addressing these shortages and gaps directly will improve the situation for the sector, sustainable improvements will come from developing management skills, particularly the people management skills of first line managers and supervisors.

The sector faces a number of key skills challenges including:

- Raising productivity levels
- Securing sufficient supply of skills to the sector to meet expected high levels of expansion and replacement demand
- Improving employee engagement and motivation and minimising labour turnover, so that employers and employees can reap the benefits of training and improved customer service
- Continually improving the skill base of existing staff to minimise skill gaps and make up for skill shortages. This will include investing in management skills and customer service skills.

Employers across the sector can engage in a range of activities to ensure their future growth through investing in skills by:

- Helping to improve information, advice and guidance to people thinking of working in the sector and providing efficient ways of matching potential recruits to employers.
- Growing the number of apprenticeships to provide a stronger supply of people to fill skills shortages and gaps in elementary occupations, and offering pathways to supervisory and management roles for young people in the sector.
- Broadening their recruitment pools – in additional to recruiting young people straight from education, whose numbers will be falling over the coming decade, employers will need to look to alternative labour pools to meet their recruitment needs, such as women returners and early retirees.
- Improving management training – management skills are crucial for the sector to make the most of the market opportunities available and in particular to engage and motivate staff to ensure high levels of performance and minimise labour turnover.

- Raising levels of employee engagement and customer service – management training is not the only way to improve employee motivation and performance. Employers can develop their own approaches to employee engagement and/or use support programmes, such as Smiles of Britain (developed by the National Skills Academy for Hospitality).

1 The Economic and Policy Climate

Increasingly, the competitiveness of advanced industrial nations is explained with reference to the capabilities of their respective labour forces. Hence, national education and training systems are seen as providing comparative economic advantages. It is notable that over the recent past education and training have taken centre stage in policies designed to foster the UK's competitiveness and lie at the heart of the current Government's plans to kick start the recovery against a backdrop of challenging global economic conditions. To understand the role skills development might play in stimulating growth within the tourism sector requires some consideration of the current economic situation and current skills policy.

In 2012 the UK economy, and indeed the global economy, is still coming to terms with the repercussions of the 2008/9 economic recession. By comparison with previous recessions, 2008/9 was relatively deep and it continues to cast a long shadow over the country's medium-term economic prospects (see Table 1.1). The economic climate at the time of the 2008/9 recession and in the period afterwards has been characterised by low interest rates and a depreciation of sterling against other currencies, notably the dollar and the euro. Whilst these would usually be sufficient to give a fillip to the economy by boosting demand and, given time, increasing output, the potential for export led growth has been seriously undermined by continuing weak demand conditions across the global economy, especially in the Eurozone and the USA. Also the difficulties households and businesses have had gaining access to finance as the banks have sought to increase their capital has restricted growth. Moreover, the markets' continuing disquiet over developments in the Eurozone has contributed further to the climate of uncertainty in the global economy thereby further dampening demand.

Table 1.1 Four recent periods of recession in the UK

	Start date	Date of bottom of recession	Length of period from start to bottom of recession	Total decline in GDP (%)	Time taken for GDP to recover to level at start of recession
1	1974 Q4	1975 Q3	4 Quarters	3.8	7 Quarters
2	1980 Q1	1980 Q4	4 Quarters	5.9	13 Quarters
3	1990 Q3	1992 Q2	8 Quarters	2.3	11 Quarters
4	2008 Q2	2009 Q1	6 Quarters	6.3	?

Source: Office of National Statistics Quarterly Economic Accounts 1975, 1981, 1993, and 2010

As a consequence of the above developments, the rapid acceleration in growth observed after the recessions of the early 1980s and 1990s has failed to materialise. Nevertheless the economy is expected to resume its long-run growth path over time (see Figure 1.1) but in order to do so there are specific steps the UK economy needs to take. The UK Treasury has identified a number of weaknesses which need to be addressed if a sustained recovery is to be achieved (BIS, 2011):

1 the level of debt funded household consumption;

2 the share of the economy accounted for by the public sector;

3 weak business investment;

4 an over-dependence upon financial and business services; and

5 unbalanced regional growth.

Government has identified four ambitions which need to be realised in order to restore long-term sustainable growth (BIS, 2011):

1 creating the most competitive tax system in the G20;

2 making the UK one of the best places in Europe to start, finance and grow a business;

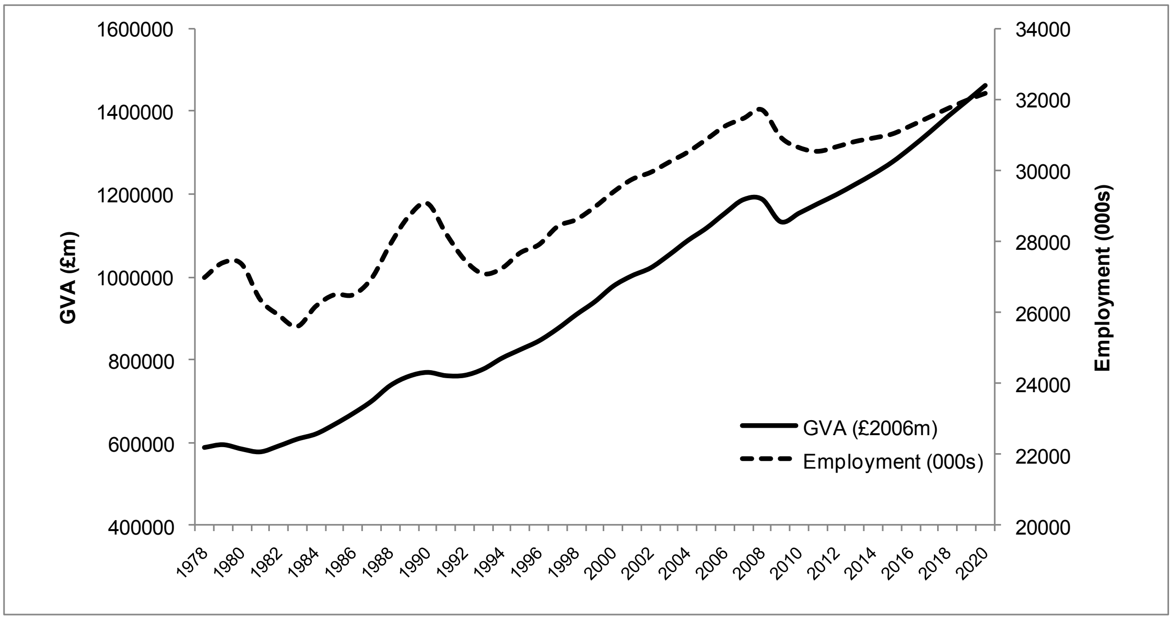
3 an over-dependence upon financial and business services; and

4 creating a more educated workforce that is the most flexible in Europe.

Therefore, the role of skills in national economic policy is clearly an essential one; to bring about recovery and sustainability by creating jobs and growth.

From the employer's perspective there is a need to adapt to both global demand side conditions and the consequences which are likely to arise from policies designed to rebalance the UK economy. Depending upon the sector there are likely to be a number of skill-related performance challenges which employers will need to address as they seek to consolidate existing markets, develop new ones, and introduce technical and organisational changes to improve their competitiveness. The importance of these challenges become even more apparent if one considers the role of skills in the economic cycle. Evidence demonstrates that the recovery from previous economic recessions was hampered by skills shortages, and that these skill shortages then contributed to further downturns in the economy (Blake *et al*., 2000). Therefore, the message is clear: a failure to invest sufficiently in skills now has the potential to dampen future growth.

Figure 1.1 Employment and Gross Value-Added 1978 - 2020



Source: Wilson and Homenidou (2011)

At a time when capital investments are constrained as a consequence of problems in the global banking system, investments in skills, and human resources more generally, made through programmes such as Apprenticeships and Investors in People, and funded through initiatives such as the Growth and Innovation Fund, may be the most amenable to employers.

Based on the latest evidence available, this report considers the specific situation in the tourism sector to provide:

1 an overview of the size and structure of the sector and the principal drivers of change over the medium term which are likely to have some bearing upon skill demand;

2 an outline of current and expected patterns of skill demand in the sector;

3 a description of skills supply and how this has adapted to changing patterns of skill demand;

4 an analysis of mismatches between the demand for, and supply of skills, and the implications of this for the sector.

In conclusion, the report identifies the performance challenges faced by the sector and highlights the skills solutions available to address them thereby delivering increased levels of growth and contributing to the recovery of the UK economy.

2 The Importance of the Sector

The tourism sector makes a significant contribution to the UK economy. It directly accounts for around six per cent of UK GDP, and businesses in other sectors selling to and purchasing from the visitor economy contributes as much again to GDP. The sector employs around 2.5 million people, approximately one in 12 of the working population. Each UK nation has a tourism strategy which aims to 'raise the ambition of tourism over the next decade' (People 1st, 2010a). The tourism sector was one of eight key sectors addressed in the Government's first growth review (BIS, 2011).

The sector is made up of a number of sub-sectors:

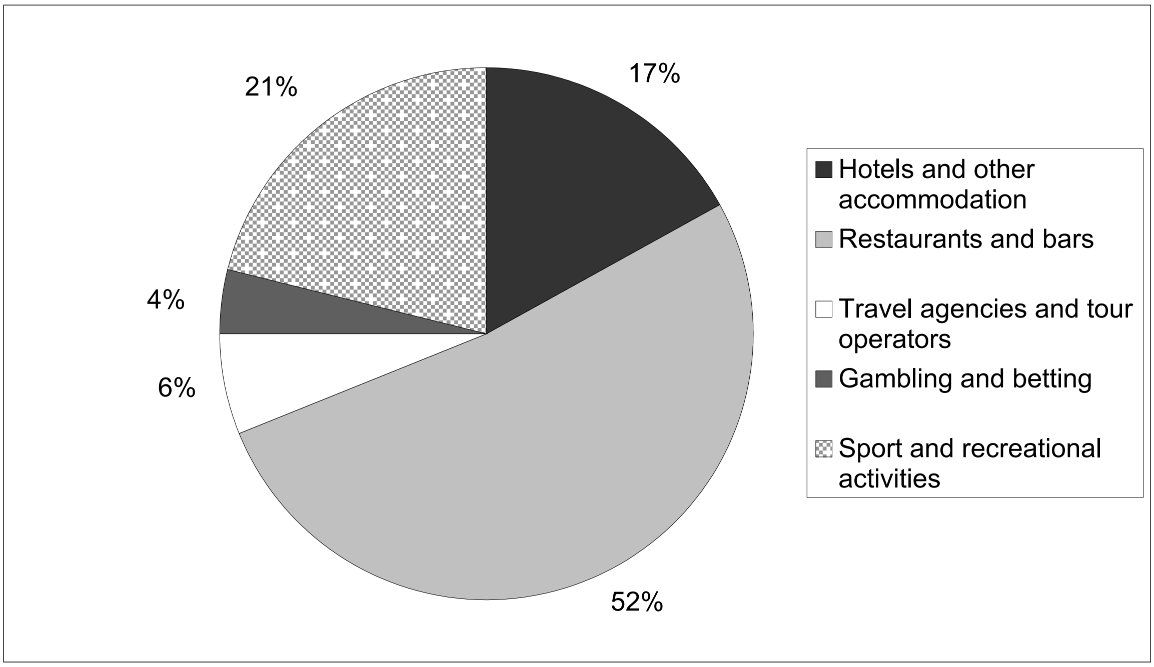
- Accommodation (SIC07 55): including hotels, self-catering accommodation and holiday parks
- Food and beverage services (SIC07 56): including restaurants, event catering and public houses
- Travel agencies and tour operators (SIC07 79)
- Gambling and betting (SIC07 92), and
- Sports activities and amusements parks (SIC07 93).

In addition, sub-sectors include many businesses that are not solely driven by tourism, and may not identify themselves as being in the tourism sector.

The share of total employment in each of the sub-sectors is shown in Figure 2.1. Restaurants and bars make up about half of the overall sector in terms of employment. Accommodation and sports and amusements each employ about a fifth of the sector's workforce, while travel and tour operators and the gambling sub-sector are much smaller.

The occupational profile, skills needs and client base of these sub-sectors (and further sub-divisions) differ, and the impact of macroeconomic conditions for each also varies. Differences are considered in more detail in later sections of the report.

Figure 2.1 Employment size distribution of tourism sub-sectors



Source : Labour Force Survey (ONS 2010)

2.1 Overall Output and Employment Performance

Table 2.2 highlights key output and employment indicators for the tourism sector over the last ten years, and for the coming decade. The sector contributed £62 billion in 2010 (2006 prices), about five per cent of total GVA. This has grown over the ten years to 2010, with output increasing by over 11 per cent between 2000-2010. Output growth is projected to increase by nearly 32 per cent over the coming decade, equivalent to 2.8 per cent per year.

Turning to the employment performance, the sector's workforce grew slowly throughout the last decade, at 0.6 per cent per year (compared to 0.4 per cent for the economy as a whole). However, the number of women employed in the sector fell between 2000 and 2010, by an average of 0.7 per cent per year, while the male workforce grew by over two per cent per year. Employment growth was more marked among the self-employed than among employees, and among full-time workers. Future employment growth is expected to be broadly similar between men and women at just over one per cent per year (twice the whole-economy average of 0.5 per cent), and between full-timers and part-timers. The self-employed workforce is projected to shrink slightly, by 0.3 per cent per year.

Table 2.2 Key Output and Employment Indicators

Tourism	2010 level	Growth rate: 2000-2010 (% p.a.)	Changes (absolute)	Growth: 2010-2020 (%)	Growth rate: 2010-2020 (% p.a.)	Changes (absolute)
Output (£2006m)	56,341	1.1	5,747	70.9	5.5	44,222
Employment	2,551,995	0.6	137,237	11.3	1.1	288,757
Part time employment	1,218,805	0.2	24,789	13.7	1.3	167,076
Full time employment	1,073,395	0.6	65,851	12.0	1.1	128,783
Self employment	259,795	2.0	46,597	-2.7	-0.3	-7,102
Male employment	1,226,186	2.2	239,762	10.5	1.0	128,531
Female employment	1,325,809	-0.7	-102,525	12.1	1.1	160,226

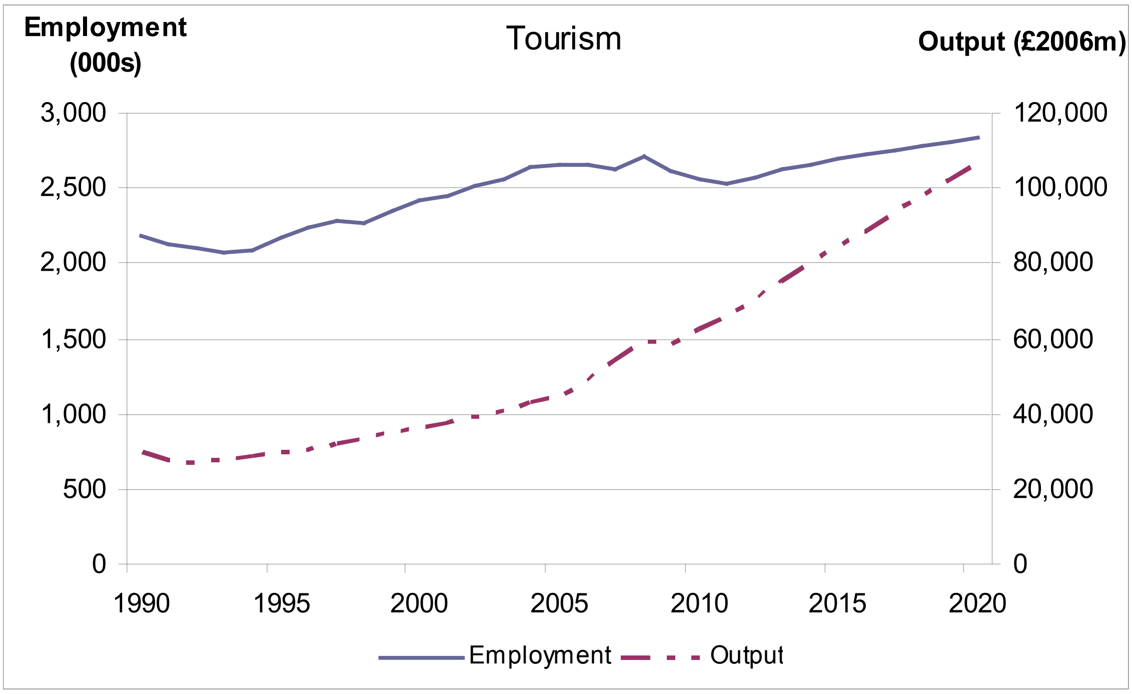
Source: Wilson and Homenidou (2011)

Employment in the sector has been affected somewhat by the macro-economic performance of the economy as a whole, with employment levels falling since 2008, although they are expected to bottom out in 2012 and then increase to 2020 (see Figure 2.2).

Productivity

Productivity in the sector is lower than average. GVA per person employed was £20,000 across the sector as a whole in 2010, compared with £34,000 across all sectors. Gambling and betting has the highest GVA per person (£58,000) followed by travel and tourism (£54,000) and accommodation (£24,000). Sports and amusements (£20,000) and particularly restaurants and bars (£14,000) are the least productive areas of the sector (UKCES, forthcoming). Research by People 1st and others suggest a link between low levels of qualifications in the sectors (see section 2.2) high labour turnover and low levels of productivity (UKCES forthcoming).

Figure 2.2 Trends in Employment and Output



Source: Wilson and Homenidou (2011)

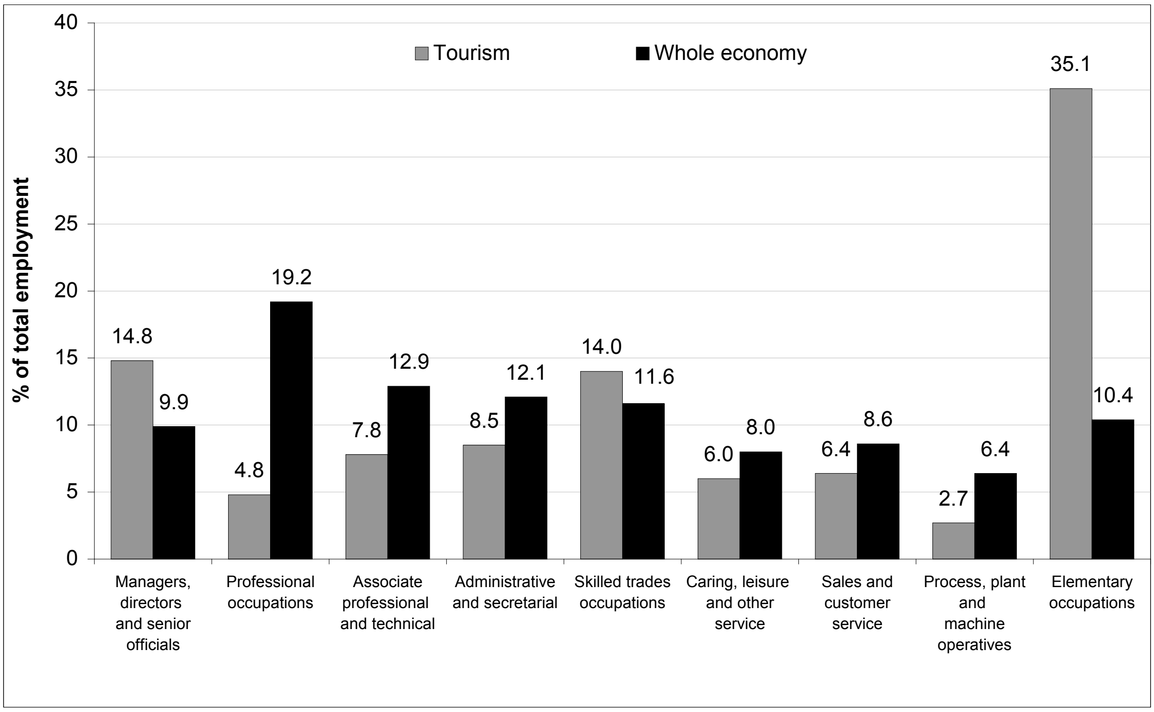
2.2 Employment Structure

Jobs in the tourism sector tend to be concentrated towards the lower end of the occupational scale, and nearly half of all jobs are part-time. The workforce is generally young, and less qualified than the workforce as a whole. In this section we look in more detail at the employment structure of the sector (as at 2010).

Employment by occupation and qualification level

Over one-third of the tourism workforce are in elementary occupations, such as kitchen assistants, waiters, bar staff and cleaners, as Figure 2.3 shows. This compares with one in ten workers across all sectors in elementary occupations. There are also over-representations of managers (managing hotels, restaurants and public houses), and skilled trades workers (for example chefs) in the tourism sector. Managers make up 15 per cent of the tourism workforce, compared with 10 per cent across all sectors, and skilled trades workers make up 14 per cent of the tourism workforce, compared with 12 per cent across all sectors. There are relatively few professional workers in the tourism sector, comprising just five per cent of the total workforce compared with 19 per cent of all workers.

Figure 2.3 Employment by Occupation, Tourism, 2010

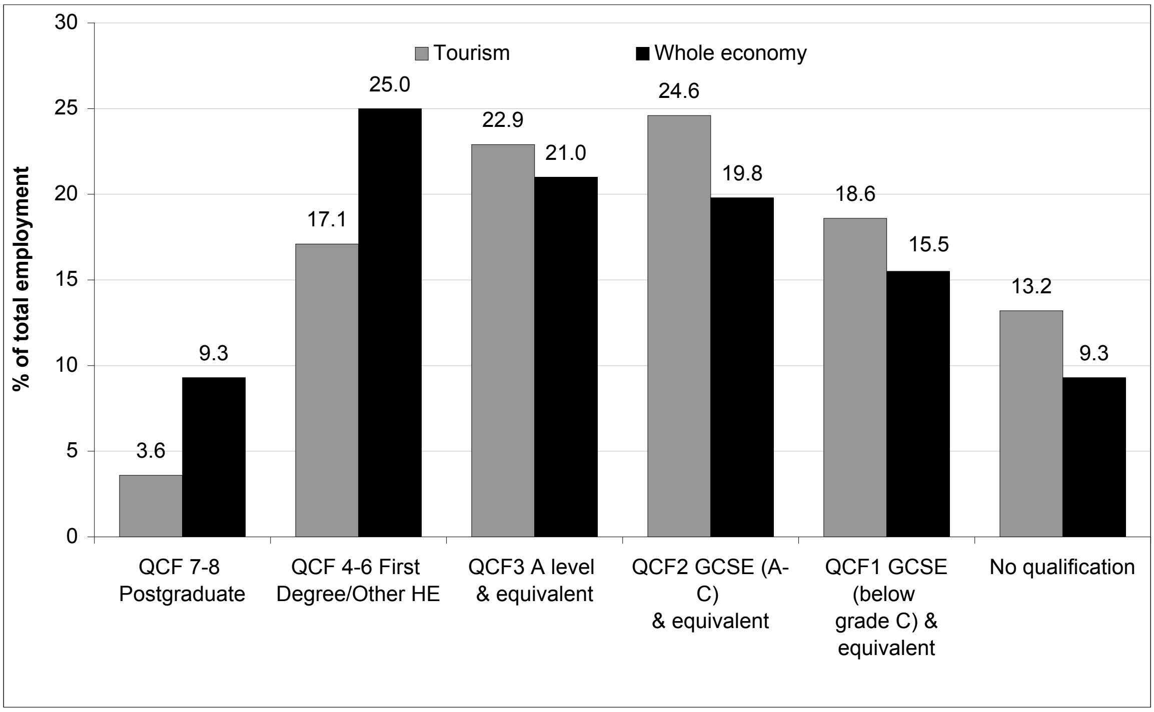


Source: Wilson and Homenidou (2011)

Turning to the qualification profile of the sector's workforce, only one in five workers (21 per cent) have a higher education qualification, compared with one in three workers (34 per cent) across all sectors. The proportions of the sector workforce with school, college and other qualifications are above the overall averages, as is the proportion with no qualifications (13 per cent, compared with nine per cent of all workers).

A comparison over time suggests that the sector is not becoming any relatively more qualified than the rest of the UK's workforce. For example, between 2002 and 2010 the proportion of employees with a level 4 qualification in the economy as a whole rose from 28 per cent to 37 per cent, a rise of about a third. Over the same period the proportion in the tourism sector rose at a similar rate, but from a much lower base, from 15 to 20 per cent.

Figure 2.4 Employment by Qualification, Tourism, 2010



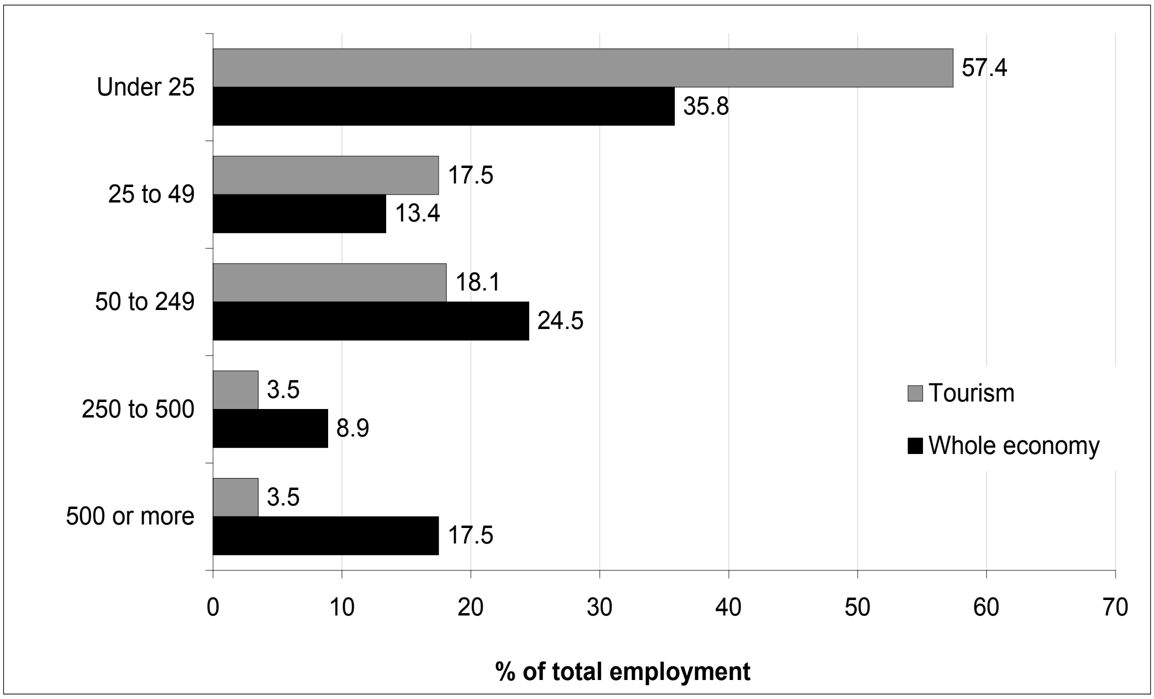
Source: Wilson and Homenidou (2011)

Employment by size of employer

The distribution of employment by size of employer in the tourism sector is shown in Figure 2.5. The sector is dominated by small and micro employers, with over half of the workforce (57 per cent) working in organisations with fewer than 25 employees. This compares to the proportion across all sectors of 36 per cent. Less than four per cent of tourism employees work in organisations with 500 or more employees, compared to 18 per cent in the economy as a whole.

Between 2006 and 2010, the number of establishments in the sector rose by two per cent, in line with the rest of the economy, with a rise in the number of restaurants and a decline in the number of public houses. Over 5,700 licences to sell alcohol were surrendered in 2010, double the number in 2007 (Big Hospitality, 2011).

Figure 2.5 Size Structure of Employment (% of employment by employer size band)



Source: Labour Force Survey (ONS, 2010)

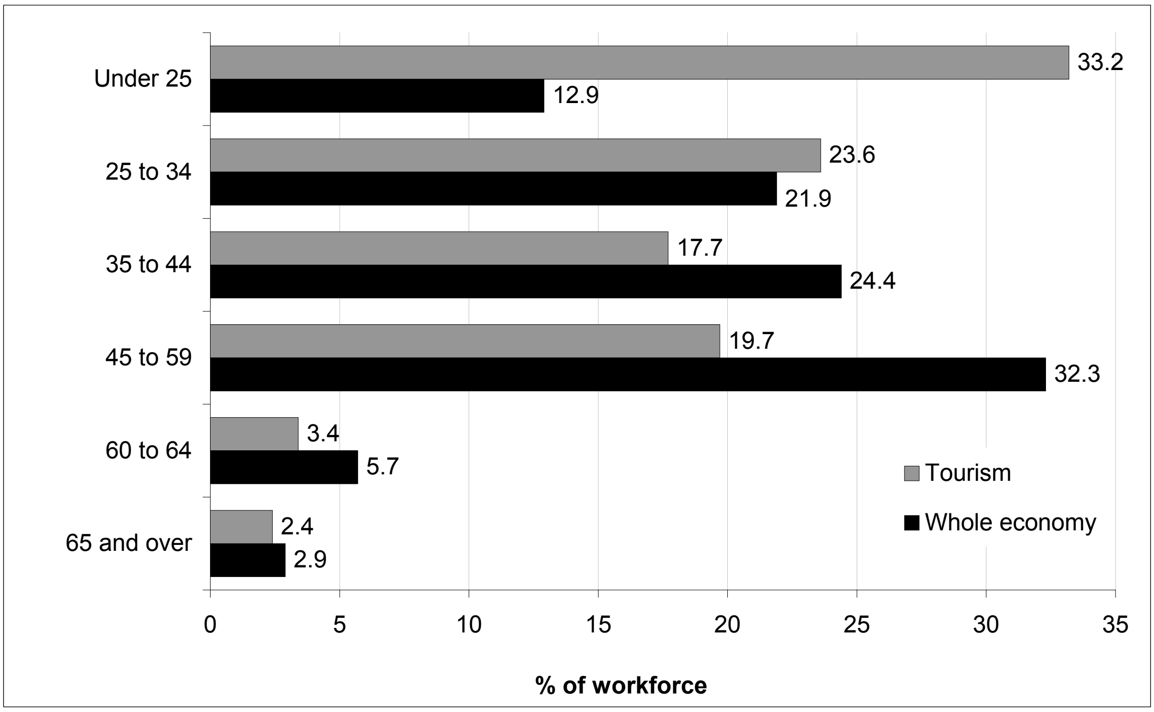
Employment by gender

Women made up just over half (52 per cent) of the sector workforce in 2010, although the proportion has been falling in recent years, and is down from 59 per cent in 2000.

Employment by age

Figure 2.6 shows the age structure of the tourism workforce in comparison with the overall workforce. The sector has a much younger age profile than the workforce as a whole, with one third of workers aged under 25, compared to the average across all sectors of 13 per cent. In the workforce as a whole the largest group is those aged 45 to 59, who make up one third of all workers, whereas in the tourism sector this age group accounts for only 19 per cent of the total.

Figure 2.6 Age Structure of Workforce

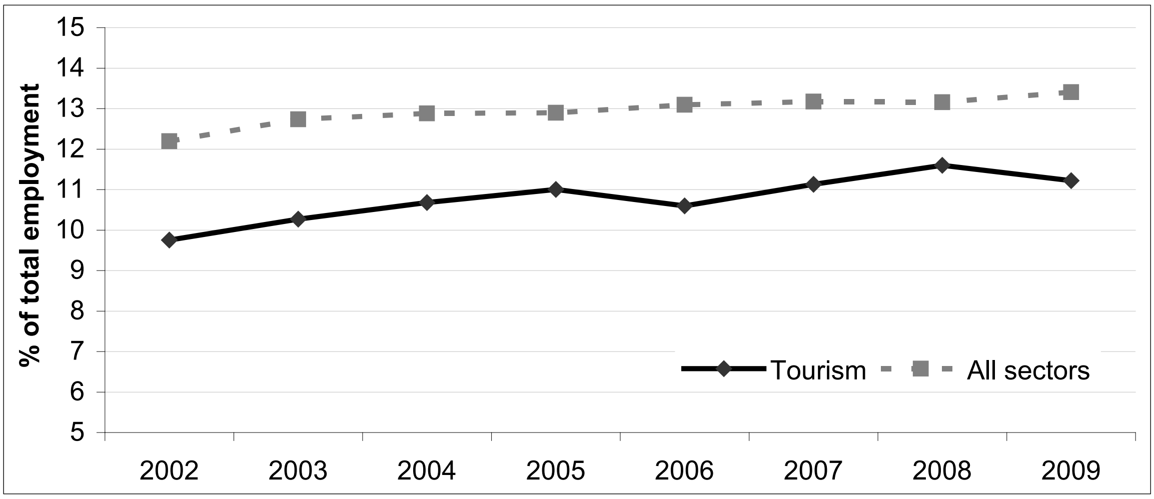


Source: Labour Force Survey (ONS, 2010)

2.3 Employment status and working patterns

Although some parts of the tourism sector (such as bed and breakfasts, and restaurants) are characterised as having high rates of owner businesses, the proportion of self-employment across the sector as a whole is below average, at 11 per cent compared to 13 per cent across all sectors (see Figure 2.7). However, the incidence of self-employment has been growing faster in the tourism sector than across all sectors (an increase of 1.4 percentage points between 2002 and 2009 compared to the overall increase of 1.2 percentage points).

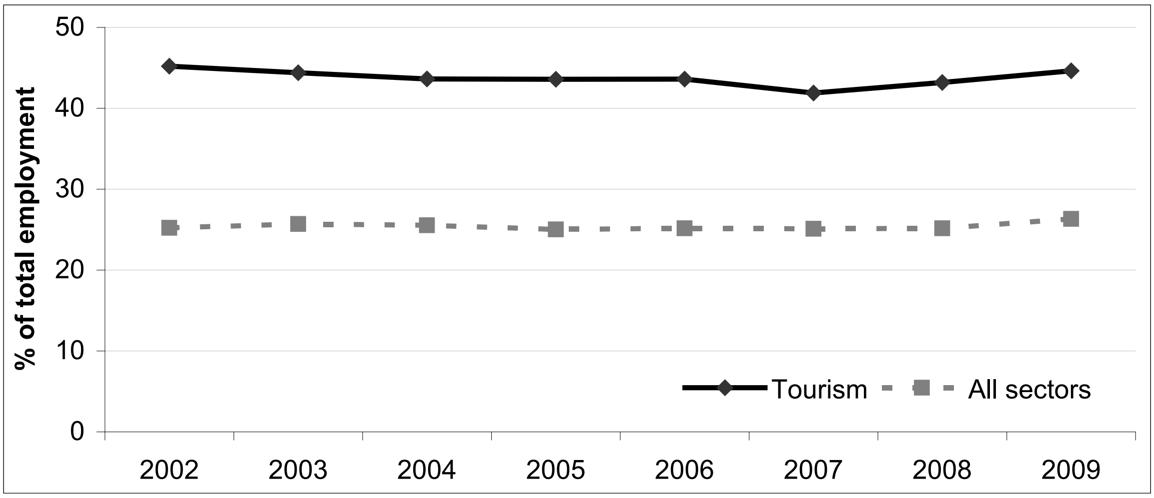
Figure 2.7 Incidence of self-employment



Source: Labour Force Survey (ONS, 2010); UKCES (2011)

The tourism sector relies heavily on part-time labour, with part-time workers making up 45 per cent of the sector's workforce in 2009, compared to the average across all sectors of 26 per cent. Bar and restaurant staff in particular tend to be employed on a part-time basis. Part-time employment in tourism had been on a downward trend between 2002 and 2007, before rising sharply to 2009 with the onset of the recession and decrease in full-time employment (see Figure 2.8). Nevertheless, the still sector has the lowest proportion of full-time staff (55 per cent) of any major UK sector.

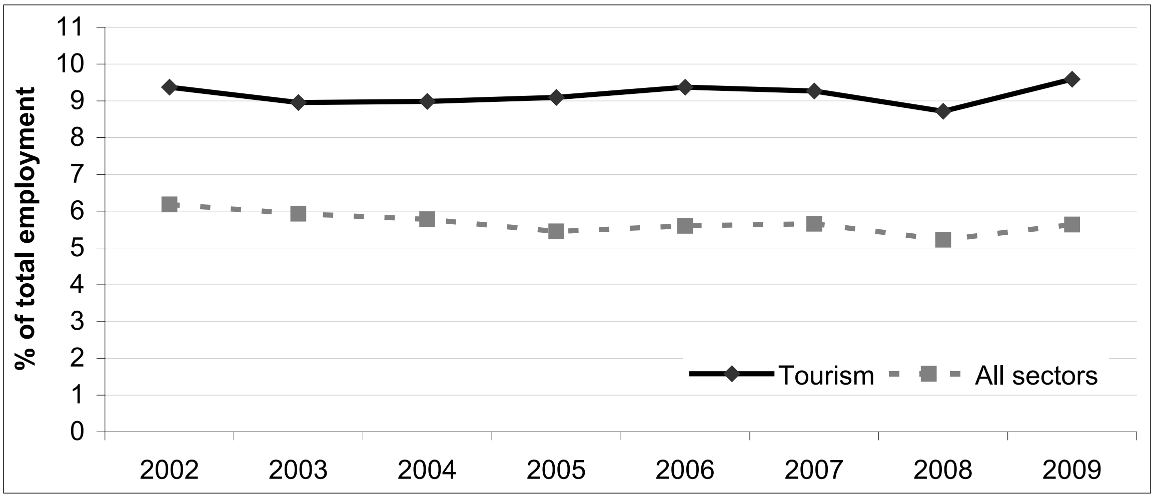
Figure 2.8 Incidence of part-time employment



Source: Labour Force Survey (ONS, 2010); UKCES (2011)

The sector also has a strong tradition of using casual and short-term labour, with almost one in ten workers on temporary or short-term contracts, much higher than the proportion in the workforce as a whole of around five to six per cent (see Figure 2.9).

Figure 2.9 Incidence of temporary employment



Source: Labour Force Survey (ONS, 2010); UKCES (2011)

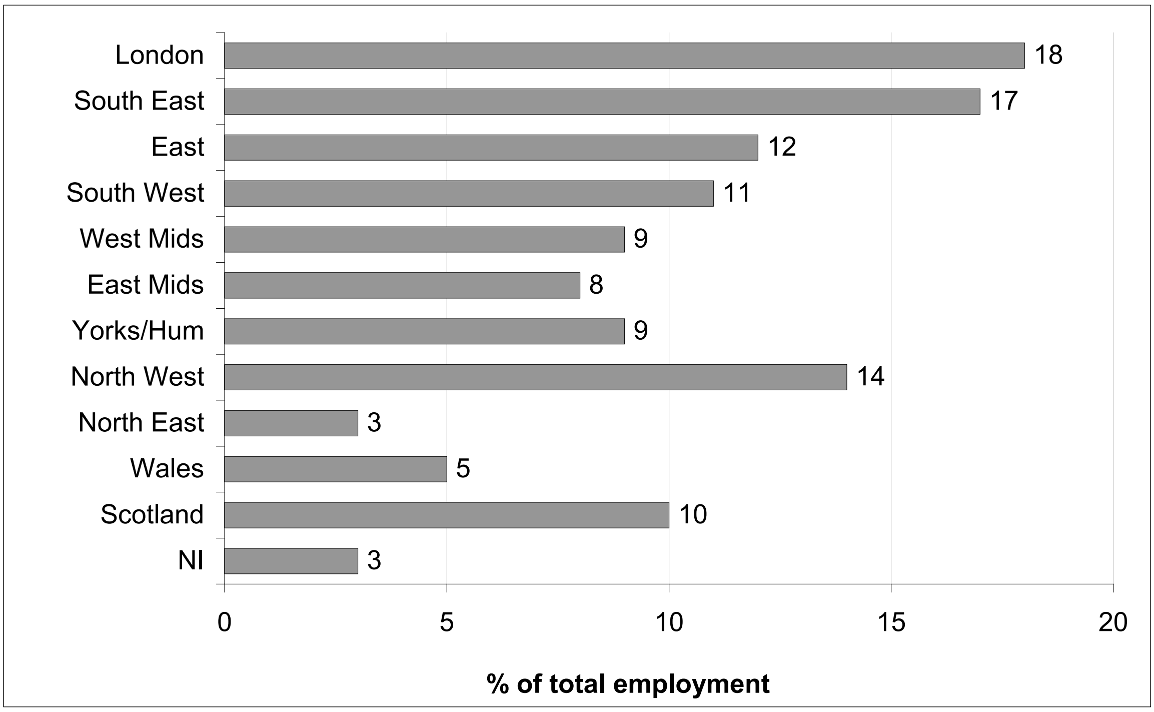
Labour turnover

The sector has a high rate of labour turnover. Research by People 1st found that in pubs, bars and nightclubs the rate of annual turnover was 31 per cent in 2009 and 23 per cent in 2011, one of the highest among any UK sector. Rates within travel and tourism were much lower at 16 per cent (People 1st, 2011).

2.4 Distribution of Employment by Nation and Region

Figure 2.10 shows the geographical distribution of employment in the tourism sector. Employment is concentrated in England, as it is across all sectors, and within England there is good representation in each of the regions. Compared to the distribution of total employment, tourism employment is over-represented in Wales (five per cent of total employment compared to four per cent for all sectors) and Scotland (ten per cent compared to eight per cent for all sectors.

Figure 2.10 Employment by Nation and Region (tourism sector)



Source: Wilson and Homenidou (2011)

2.5 International Standing of the Sector

The UK is currently the seventh leading destination in the world in terms of revenue from inbound tourists, and the government has announced an ambition for the country to break into the top five. However, according to Futurebrand's Country Brand Index, the UK has (for the first time since the study began seven years ago) fallen out of the top ten overall ranking. The index ranks a number of countries on a variety of different scales, including: value systems, quality of life, good for business, heritage and culture and tourism. The UK performs relatively poorly in areas such as value for money (Futurebrand, 2011).

In first position in the Country Brand Index's overall rankings is Canada, helped in part by country brand development for the Vancouver 2010 Winter Olympics. The UK therefore has an opportunity to improve its 'brand image' through its hosting of the London Olympic 2012 (UKCES, forthcoming).

International comparisons of productivity in the tourism sector suggest that the UK lags behind the US and particularly France, although caution should be used in making such comparisons, as each country classifies sectors and estimates of labour productivity differently (O'Mahony and de Boer, 2002). Analysis of European hotels data for the period from February 2008 to July 2010 shows that London achieved higher occupancy, higher room rates and at the same time higher labour productivity levels than other European cities such as Amsterdam, Berlin, Budapest, Munich, Paris, Prague, Vienna and Warsaw (People 1st, 2010a).

2.6 Conclusion

The tourism sector makes a significant contribution to the UK economy, directly through output and employment, and indirectly through other businesses selling to and purchasing from the visitor economy. Over the past decade the sector has been growing significantly faster than the economy as a whole, but there are indications that it is slipping back relative to other countries as a destination of choice and productivity is relatively low.

The structure of employment in the sector differs from the rest of the UK economy with a high number of small workplaces and a relatively low level of self-employment. The sector has a relatively young workforce and high levels of part-time and temporary employment, which offer opportunities for young people to enter the labour market. However, the sector has a relatively low qualification profile and low levels of skill are likely to contribute to low productivity. A key issue for the sector is the relatively high rate of labour turnover.

In the next two sections we look at the developments facing the sector in the coming years and their implications for skills, before considering whether the supply of skills will meet future demand.

3 Key Developments in the Sector over the Medium Term

The previous chapter demonstrated the success that the sector has experienced over the last few years. Continuing that trajectory will depend on the sector's ability to capitalise on future technological and business developments.

In the short-term, the impact of the economic downturn will have implications for the sector's performance. Issues such as global competition and changing consumer demand will continue to present challenges and many will become increasingly important. This section considers these key developments.

3.1 The recession and recovery

The economic downturn affected the sector in a number of ways, with declining customer bases in both leisure and business markets, reduced consumer expenditure, rising costs, and changes in exchange rates having major impacts throughout the sector. The performance in different parts of the sector has been mixed, with lower cost areas such as fast food, budget hotels and self-catering accommodation performing relatively well (People 1st, 2010a).

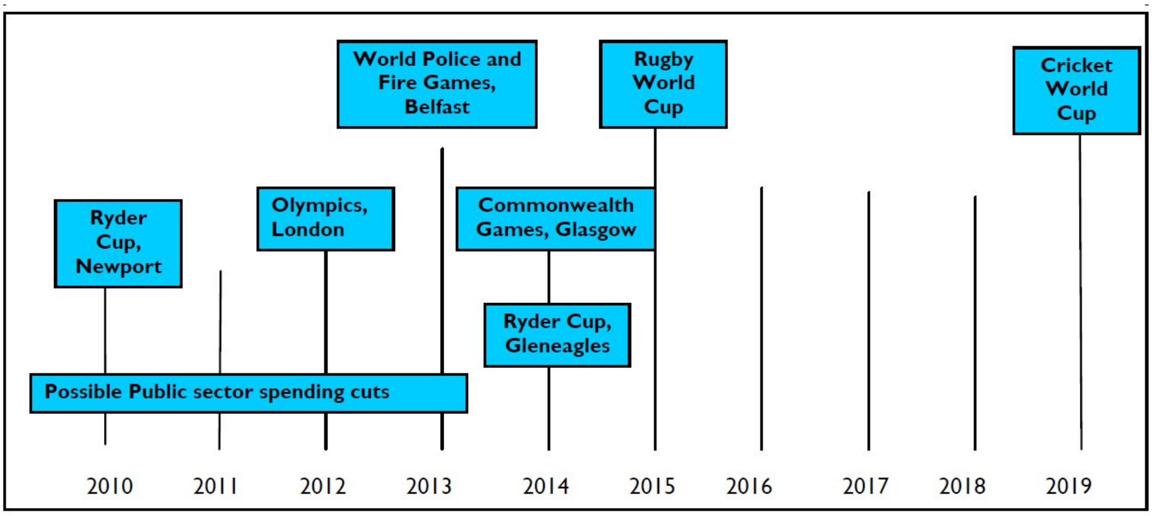
Although many businesses found that trading conditions improved from the second half of 2009, it is likely that the recession will impact on consumer spending and confidence for some time. Employer strategies to cope with the economic downturn have focused on asking existing staff to work shorter hours, not replacing permanent staff that leave, reducing the money spent on recruitment, and cancelling plans to expand the number of permanent staff (People 1st 2010b). However, the downturn may result in more domestic visitors staying in the UK, which may mitigate the reduction in demand for labour or even lead to increased demand for labour in certain parts of the sector and the country.

3.2 Investment and innovation

Since the start of the recession investment in the sector has fallen, in line with the rest of the economy. Data from the Office of National Statistics shows that in 2011 the hotel and restaurant sector invested some £4 billion, some 15 per cent less than in 2008 and about three per cent of all business investment in the UK. A lot of recent investment in the hotel sector has been connected to providing facilities of the forthcoming Olympic Games in London. For example, Travelodge are reported to have plans to open 26 new hotel facilities in the London area in 2011 and 2012.

The rest of the decade provides a range of opportunities for similar levels of investment. These include a number of international sporting events to be held across the UK during the Golden Decade of Sport (see Figure 3.1), as well as other major events such as the Queen's Diamond Jubilee celebrations and the 2013 City of Culture in Derry/Londonderry. The Government plans to support the sector with a co-funded £100milion campaign aimed at attracting four million additional visitors to the UK by 2015 (DCMS, 2011).

Figure 3.1 UK Golden Decade of Sport 2010-2019



Source: SkillsActive (2010)

3.3 Technology

Investment is not just related to capital projects, but also to the adoption of new technology. Over the past ten years the importance of technology to enhance service and attract customers and visitors has increased. This is set to continue, and there is likely to be greater integration between technologies such as mobile phones and computers.

Key areas of technological development that are likely to impact on the tourism sector over the next few years include:

- Online booking and mobile technology – Businesses will increasingly interact with the customer online, through bookings, promotion and after-service. In particular, mobile phone technology is now used to target customers who are 'connected' at all times, and access to consumers via this method will grow significantly. This may enable businesses to foster greater loyalty, but they need to ensure websites are mobile-friendly to maximize the benefits. In the travel and tourism sector, online developments are likely to continue to represent a threat as well as an opportunity, as customers increasing book holidays via the internet rather than through tour operators (People 1st, 2010a).
- Customer Relationship Management (CRM) – building and maintaining relationships with the customer online will become increasingly important. Different ways of building customer relationships is something businesses need to do to stay ahead of the competition (People 1st, 2010a).
- Online social networking – social networking is becoming part of the mainstream and is now a growing phenomenon among older age groups as well as young adults. Tourism sector businesses will need to tap into this (see People 1st, 2010a).
- Data security – certain parts of the sector (hotels, travel businesses) are increasingly storing large amounts of personal data on customers. Businesses need to be clear about their data protection responsibilities and ensure measures are in place to protect customer data. In the gambling sector, security will need to grow in sophistication to tackle ever more innovative fraud (People 1st, 2010a).
- Enhancing the customer experience – as budget hotel chains roll out flat screen TVs and wireless broadband, higher-end businesses will increasingly need to use technological advances to enhance customers' experiences. The use of smart card technology is set to increase in restaurants and bars, and store information on customers' purchasing habits and allow customers to pay without going through traditional payment processes. Use of smart cards may also increase in the gambling sector, as they are currently used widely in the European casino industry (People 1st, 2010a).

3.4 Global competition

Tourism is primarily a domestically provided service, meeting the needs of consumers located in the UK. The success of the sector therefore relies on serving UK-domiciled consumers, encouraging them to eat, drink and seek entertainment outside the home and not to take holidays abroad, as well as encouraging overseas visitors to the UK. Perceptions of value for money and the relative purchasing power of the pound compared with other currencies are important. The general decline in the value of sterling in the last few years has made the UK a relatively competitive destination. However in recent months sterling has gained in strength and is currently (May 2012) worth ten per cent more than a year ago compared to the euro. The stronger sterling remains the more expensive it is for visitors to come to the UK and cheaper for UK citizens to take holidays abroad. Increases in holidays abroad will benefit overseas tour companies, although as we have seen, they comprise a relatively small part of the overall sector.

Despite the current global economic uncertainty, long-term forecasts are for global international arrivals to reach nearly 1.6 billion by the year 2020. Europe is expected to have the highest total of tourist arrivals (717 million tourists) worldwide, with long-haul travel expected to grow faster (5.4 per cent per year over the period 1995–2020) than intra-regional travel (3.8 per cent) (UNWTO, 2001).

As the world population continues to grow, its middle class is projected to grow too (People 1st, 2010a). This is likely to benefit the UK as a tourism destination as more people are able to travel to the UK. For example, Gross Domestic Product (GDP) per capita in China will more than double between 2010 and 2015, providing the population with greater disposable income to spend on hospitality (People 1st, 2010a). The travel patterns of middle classes of China and India are set to move from domestic to regional to international. India alone is forecast to have 50 million outbound tourists by 2020 (Deloitte, 2010). Understanding the desires and motivations of Chinese and Indian travellers will be fundamental to success in these markets.

3.5 Consumer demand

Changing consumer trends are hard to predict and are in large part influenced by many of the other drivers outlined in this section. Consumer research suggests that affluent will continue spending on non-essential luxury and durable goods that offer ‘emotional value’ (People 1st, 2010a). Retired baby boomers may take more adventure-style holidays, which they have seen their children do in gap years and on volunteering holidays. Travel operators will need to tap into understanding and appealing to this section of the population.

Customers are becoming less destination driven and increasingly experience driven, meaning that what to do is becoming more important than where to go. In food, drink and holidays for instance, consumers are searching for real experiences and products with provenance and authenticity. In general, consumers are becoming harder to categorise and no longer fit into neat boxes. For example, a customer may stay in a five star hotel, but use budget airlines and eat in fast food outlets. (People 1st, 2010a).

Consumers are also seeking more sophisticated dining opportunities, driving up quality in the restaurant market. Hotels and restaurants are co-branding, and this trend is likely to increase in the coming years. Brands provide reassurance (consumers know what to expect). This poses both a challenge and an opportunity to smaller, independent operators (People 1st, 2010a).

Over eight million adults currently participate in sport and active recreation (21 per cent of the adult population) (SkillsActive, 2010). Significantly, however, rates of participation in physical activity decrease with age, with a sharp drop-off among teenagers, partly for lifestyle reasons, but also because they must be proactive in finding active leisure opportunities once they leave school. Family activity is a growing focus of health and fitness, as it is felt that children need parental encouragement to pay attention to fitness and health. The proportion of people over the age of 45 participating in sport increased from 18.1 per cent in 2005/06 to 19.1 per cent in 2007/08 (Sport England, 2009).

In health and fitness, a key feature of the last ten years has been the rise of fitness activities in private health clubs or at sports clubs with added fitness facilities. Consumer expectations in terms of value for money and choice have increased. However, consumer society remains polarised, with health-conscious, super-fit consumers at one end of the scale, and inactive and often overweight consumers at the other (SkillsActive, 2010).

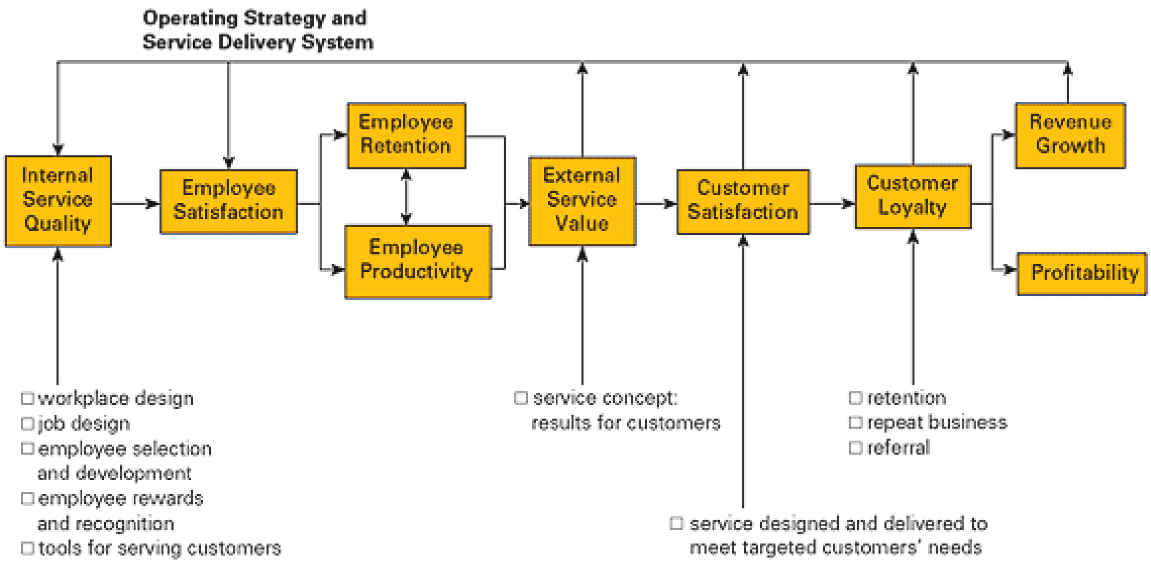
3.6 Environment

Sustainability will become a key issue for the hospitality, leisure, travel and tourism sector by 2015, and by 2030 will be a central and normal part of sector operations (People 1st, 2010a). The need to reduce carbon emissions will increase the focus on the design and installation of materials to reduce energy consumption, while there is a growing risk of resource shortages or price increases as world consumption continues to grow.

3.7 Strategic management skills

Managers can play a key role in increasing productivity and profitability by anticipating and reacting to developments affecting the sector, and ensuring that staff are engaged and motivated. The service profit chain theory advocates that motivated employees, who are happy in their jobs, are more likely to provide good customer service, which leads to satisfied customers and ultimately greater profit (Haskett et al. 1994). While most employers are conscious of the link between good customer service and increased business and profitability, they may be less clear about the link between motivated employees and satisfied customers (see Figure 3.2).

Figure 3.2 Links in the Service Profit Chain



Source: Heskett et al, 1994

Employee engagement is critical in helping businesses to maximise the potential of their staff. While the majority of tourism businesses feel their employees are quite engaged or very engaged at work, some businesses do little to engage their staff, mainly as they do not believe their employees intend to stay in the job. Management quality (in particular line management) is key to high levels of employee engagement (Robinson and Hayday, 2009). Other employee engagement interventions (flexible hours or working patterns, employee involvement practices such as appraisals and consultations, or financial incentives and bonuses) can, if done successfully, also benefit both the individual and the business. Benefits to the individual include improved performance and ability to cope with workload or work-related problems, greater loyalty to the company and greater personal well-being. Benefits to the business include improved organisational performance, improved customer service and lower customer complaints, and lower sickness absence and reduced staff turnover.

3.8 Role of skills in overall competitiveness

The sector is likely to face a number of challenges over the coming decade as consumer demand and expectations increase. Technology offers opportunities to develop new services and enhance existing ones. The potential is there for the sector to continue to expand in both economic and employment terms. The likelihood of that happening will depend, at least in part, on the ability of sector managers to understand and exploit the strategic opportunities available and motivate their employees to continually improve their skills and level of performance. Employees' skills will need to be refreshed to meet new demands, and their customer service skills will need to be enhanced to ensure that domestic and overseas tourists have a fulfilling experience.

4 Employment and Skill Demand in the Sector

4.1 The Changing Demand for Employment

Sector employment is predicted to increase by nearly 300,000 people by 2020. The share of part-time working has increased significantly. The proportion of temporary workers has also increased rapidly recently. In this section we examine the implications for the demand for skills and employment across the sector from the broad trends outlined in the previous chapter.

4.2 Factors Affecting the Demand for Skills

The National Strategic Skills Audit (UKCES, 2010) identifies a number of key drivers that will impact on the demand for skills in the future. These drivers are interdependent and the dynamic interplay of these means that the future skill requirements are not certain. A number of the key trends were identified in the previous chapter. The implications of these and other more detailed drivers for the demand for skills are explored here.

Policy, regulation and legislation

There are a number of key policy issues that are likely to affect the demand for skills in the sector.

- Migration – the sector has traditionally filled vacancies through migrant labour and Asian and Oriental restaurants in particular are heavily dependent on recruiting workers from outside the European Union (EU). Government policy in the next five years is likely to restrict employers bringing in skilled workers from outside of the EU.
- Government expenditure constraints – These is likely to result in less moneybeing invested in sector-specific schemes. Employers are likely to have to invest greater amounts of their own money in education and training, as public sector subsidies become more difficult to sustain in the medium-term.
- Health, fitness and sport – the Public Health White Paper ‘Choosing Health: Making healthy choices easier’ (2004) and the accompanying physical activity action plan (Choosing Activity, 2005) set out the aim of marketing and promoting healthy lifestyles through the voluntary and independent sector. Each UK nation has sport and recreation strategies aimed at increasing sports participation and reducing the post-16 drop off in sport/physical activity (Skillsactive, 2010).

- Legislation – there are a number of areas of legislation and regulation with which employers in the sector have to comply, notably health and safety, food safety, and licensing laws. Managers and supervisors may lack knowledge if these requirements and the skills needed to ensure compliance. Employers in the health, recreation and outdoors sectors identify a range of challenges including insurance, minibus driving, ensuring facilities are fit for purpose, employment law, planning/public rights of way and associated regulations. The cost of compliance is also an area of concern. There is also some evidence of an increased 'compensation culture', which increases risk for outdoors organisations. Maintaining interest in the outdoors in an increasingly risk averse society is a challenge (Skillsactive, 2010).

Technology

The technological changes outlined in Chapter 3 are likely to affect employment and skills in the sector in three ways:

- Increased roles for technology professionals within the sector, as larger businesses recruit web designers and other staff. Smaller businesses are likely to find these specialist skills by outsourcing to specialist agencies.
- Increased in communication or marketing roles using technology to manage and maximize the use of customer-generated data. Managers and customer-facing staff will have to use a variety of new technologies, and develop the required technology skill alongside customer service skills.
- Managers will need to have a good understanding of technology to manage the adoption, integration and use of new technology, and of the importance of technology in maximizing business opportunities. There will be more emphasis on them training staff to use technology, and monitoring customers' interaction with technology. In addition, new cooking techniques (such as sous-vide cooking) require chefs and other kitchen staff to adapt their skills to ensure that they apply the new techniques efficiently and safely.

Consumer demand

The consumer trends outlined in Chapter 3 mean that customer service skills will continue to grow in importance (People 1st, 2010a). Businesses need to adopt holistic approach to customer service, such as ensuring organisational culture reflects customer needs and that managers support and empower front line staff to reflect the needs of their customers. The trends also put more focus on brand design. While larger businesses are likely to have dedicated teams to manage specific brands, smaller operators need to have greater knowledge and skills to keep their brands fresh and reflect the needs of their target customer base.

There is also likely to be a focus on chefs who can cook using fresh ingredients from scratch, and more transparent preparation and cooking at an establishment level, rather than in a centralised kitchen. In some cases, there will be a continuation of the fusing between kitchen and front-of-house roles, where staff do both (UKCES, forthcoming).

Environmental

Managers will need to have a greater awareness of energy costs as well as an understanding of the solutions. As technology to monitor energy usage becomes more widespread, managers will be expected to manage energy levels and costs using these tools. Managers will also need to support and monitor their staff's energy usage. Larger businesses are likely to increase the number of dedicated staff to plan and manage energy costs and sustainability.

As sustainability and climate change have an increasing impact on consumers' choice of destination, travel agents will need to have knowledge of environmentally friendly destinations and tour operators are likely to increase their development and marketing of these types of products.

Demographic change

Demographic changes are likely to increase the potential domestic customer base at the same time as reducing the traditional labour pool of young workers.

The so-called baby boomer generation (those aged 45–64) will retire in greater numbers. Their relatively high levels of disposable income will benefit the sector as they continue to go on holidays and go out to eat and drink (Deloitte, 2007). Consumers aged 50 and over can be more complex in their preferences than their younger counterparts (People 1st, 2010a). This is likely to emphasise the importance of high level customer service.

At the same time, not all those in this age bracket will necessarily stop working or want to stop working. Changes to pension and equality legislation are likely to see a higher percentage of over 50s in the labour market. This poses challenges and opportunities for the sector, which has traditionally targeted younger workers. The sector is likely to provide opportunities for older workers to work part-time. The workforce would then better mirror the customer base and better understands its needs.

However, research shows that older workers are motivated by different factors, such as flexible hours and the importance of social interaction (University of Stirling, 2010). Employers will have to consider these factors if they are to successfully recruit and retain them. This will mean that managers in particular have a greater understanding of the motivations of older workers, but can also capitalise on their skills and knowledge, as they are likely to have had varied careers in the past (People 1st, 2010a).

4.3 Changing Patterns of Skill Demand

The factors outlined in the previous section mean that tourism workforce will have to adapt to changing demands and pressures. In some case new skills and knowledge will have to be learnt and applied to replace existing ways of doing things, and in others employees will have to change their traditional roles to add additional skills and capabilities. In addition, the size and occupational profile of the workforce will shift to meet changing demands.

Table 4.1 presents projected changes in skill demand for the tourism sector, based on Working Futures forecasts for the period 2010 to 2020 (Wilson and Homenidou, 2011). Total employment in the sector is projected to increase by 11 per cent, more than twice the increase projected for the UK workforce as a whole (5 per cent). As a result by 2010, the sector is expected to employ 289,000 more people than it did in 2010.

The shares of total employment in higher occupational groups (managers, directors and senior officials, professional occupations and associate professional and technical occupations) are expected to increase over the period 2010 to 2020, from 27.4 per cent of the total workforce to 30.3 per cent. The projected increase for managers is similar to that across all sectors, while the growth among professional and associate professional workers in tourism is projected to be twice that across all sectors, in line with the implications of the drivers of skills demand and the key challenges facing the sector discussed above.

In addition to the growth in employment among highly skilled managerial, professional and associate professional/technical occupations, there will also be increasing employment opportunities among personal service and elementary occupations. Demand for caring, leisure and other service occupations is projected to increase by 24.3 per cent over the 10 years to 2020 (compared to 11.5 per cent across all sectors), with an absolute change in employment of 37,000 jobs. Demand for elementary occupations is projected to increase by 12.5 per cent (compared to 3.2 per cent across all sectors), with 112,000 additional workers. There are projected to be small increases in administrative and secretarial occupations and in sales and customer service occupations, although their share of total employment is expected to decrease slightly.

Table 4.1 Changing Pattern of Skill Demand

Employment Growth	**Numbers (000s)**			**% shares**			**Change (000s)**	**Change (%)**	**All sectors change (%)**
Tourism	2010	2015	2020	2010	2015	2020		**2010-2020**	
Managers, directors and senior officials	377	401	449	14.8	14.9	15.8	71	18.9	18.0
Professional occupations	123	140	162	4.8	5.2	5.7	40	32.3	14.9
Associate professional and technical	199	223	251	7.8	8.3	8.8	52	26.2	14.0
Administrative and secretarial	218	232	237	8.5	8.6	8.4	20	9.0	-10.5
Skilled trades occupations	356	327	299	14.0	12.1	10.5	-57	-16.1	-6.5
Caring, leisure and other service	153	169	190	6.0	6.3	6.7	37	24.3	11.5
Sales and customer service	162	170	177	6.4	6.3	6.2	15	9.2	0.1
Process, plant and machine operatives	68	68	68	2.7	2.5	2.4	-1	-1.2	-10.9
Elementary occupations	895	965	1,007	35.1	35.8	35.5	112	12.5	3.2
All occupations	2,552	2,696	2,841	100.0	100.0	100.0	289	11.3	5.1

Source: Wilson and Homenidou (2011)

Demand for skilled trades occupations is expected to decrease between 2010 and 2020, by 57,000 jobs, or a 16.1 per cent decrease.

Table 4.2 shows the projected changes in employment by qualification level. In 2020 over a fifth (22 per cent) of the workforce is projected to be qualified to first degree level or above, compared to 14 per cent in 2010, with the number of workers qualified at this level increasing by 265,000 over this period. There are projected to be small increases in the numbers of workers qualified at higher education below first degree level, and in the number of those low-level qualifications, and decreases in the numbers with school level qualifications (GCSEs and A-levels) and no formal qualifications.

Table 4.2 Changing Pattern of Skill Demand by qualification level

	Numbers (000s)			**% shares**			**Change (000s)**	**Change (%)**	**All sectors change (%)**
Tourism	2010	2015	2020	2010	2015	2020		**2010-2020**	
QCF8 Doctorate	5	7	10	0.2	0.3	0.4	5	110.4	67.0
QCF7 Other higher degree	88	133	184	3.4	4.9	6.5	96	109.0	67.7
QCF6 First degree	263	345	427	10.3	12.8	15.0	164	62.1	25.0
QCF5 Foundation degree;	82	98	118	3.2	3.6	4.2	36	44.6	-9.9
QCF4 HE below degree level	91	103	118	3.6	3.8	4.1	27	29.7	11.5
QCF3 A level & equivalent	583	547	489	22.9	20.3	17.2	-94	-16.2	-14.4
QCF2 GCSE(A-C) & equivalent	628	628	627	24.6	23.3	22.1	-1	-0.1	-3.6
QCF1 GCSE(below grade C) & equivalent	475	534	596	18.6	19.8	21.0	120	25.3	10.1
No Qualification	337	301	272	13.2	11.2	9.6	-65	-19.3	-28.7
Total	2,552	2,696	2,841	100.0	100.0	100.0	289	11.3	5.1

Source: Wilson and Homenidou (2011)

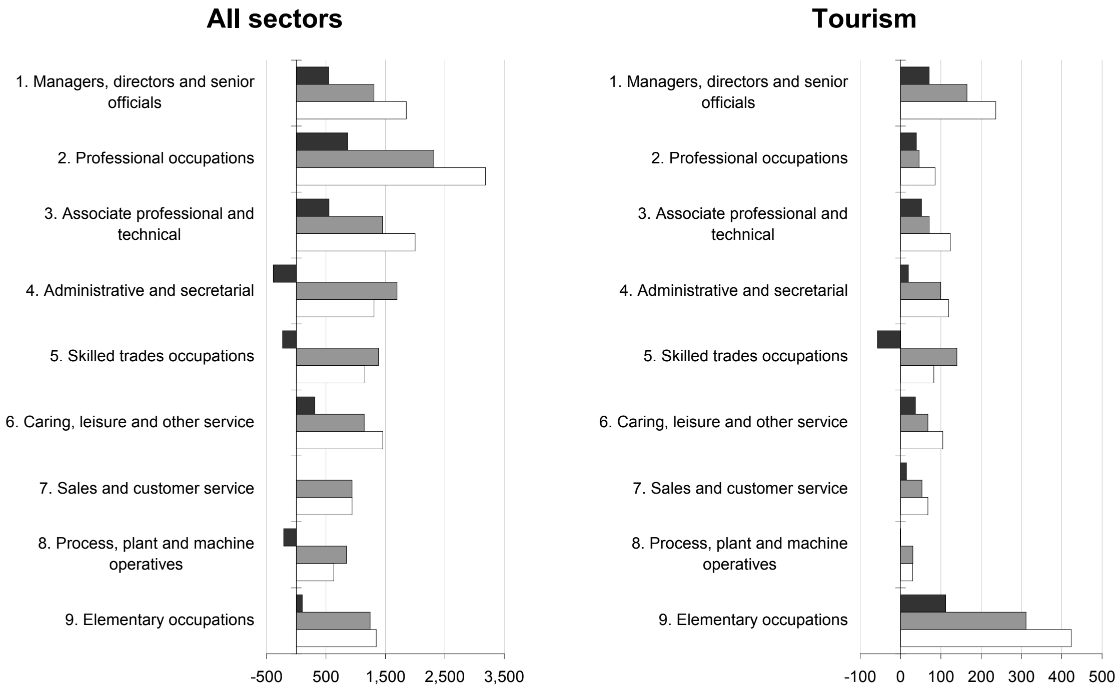
4.4 Replacement Demand

In addition to new jobs, there will be a need to replace retirees and people who leave the sector as well as backfill jobs (where an existing employee is promoted and leaves an unfilled vacancy). Overall the tourism sector is expected to require over a million new recruits to replace leavers over the period between 2010 and 2020; a fifth of the total 2010 sector workforce. Combined with the projected expansion demand, the sector is expected to take on 1,350,000 new recruits over the ten year period, i.e. about 135,000 a year.

Figure 4.1 shows net employment change (covering replacement demand and total requirement) in absolute terms by occupation, for the whole economy and for the tourism sector to 2020. Across all sectors, there is a net decrease in employment forecast between 2010 and 2020 for administrative and secretarial occupations, skilled trades occupations and process, plant and machine operatives. This pattern is also true for skilled trades and operatives occupations in the tourism sector, although there is a positive net change in employment for administrative and secretarial occupations in tourism.

Replacement demand in the tourism sector is greatest in the elementary occupations, at more than 300,000 jobs. The greatest replacement demand for the whole economy is expected in professional occupations (around 2 million). The largest net change in demand in tourism is forecast for elementary occupations, followed by managerial occupations, whereas in the economy as a whole the largest net changes are projected for professional, and associate professional and technical occupations.

Figure 4.1 Net Demand, 2010 to 2020



Key: ■ *newly-arising demand* ■ *replacement demand* □ *net demand*

Source: Wilson and Homenidou (2011)

4.5 Conclusion

Employment in the tourism sector is projected to increase by 11 per cent by 2020, more than twice the increase projected for the UK workforce as a whole. As a result the sector is expected to employ 289,000 more people than it did in 2010. In addition to filling these new jobs, tourism employers are expected to have to replace over a million employees between 2010 and 2020. This means the sector will have to recruit around 135,000 people a year over a ten year period.

Changing consumer demand, technological innovation and global competition mean that the sector workforce will need to change and develop, particularly at managerial level. Generally skill levels are expected to rise, although there will still be a large number of opportunities for people with low level (ie level 1 and 2) qualifications.

In the next section we turn to the sector's sources of skills supply.

5 Skills Supply

In this section we look at the supply side of the tourism labour market and examine: the overall supply infrastructure; sources of initial supply including vocational education and training and higher education; and the skill development and training employers provide to their workforce.

5.1 The Supply Infrastructure

Skills supply is dependent upon the supply of labour, the skills infrastructure (including compulsory education, further education and higher education), and employers' investment in skills. A sufficient supply of skills is required to increase productivity and to meet future demand for skills thus encouraging growth in the tourism sector.

There are two Sector Skills Councils covering the tourism sector:

- People 1st – covers hospitality, leisure, travel and tourism
- SkillsActive – covers sport and recreation.

These provide a number of products and services including:

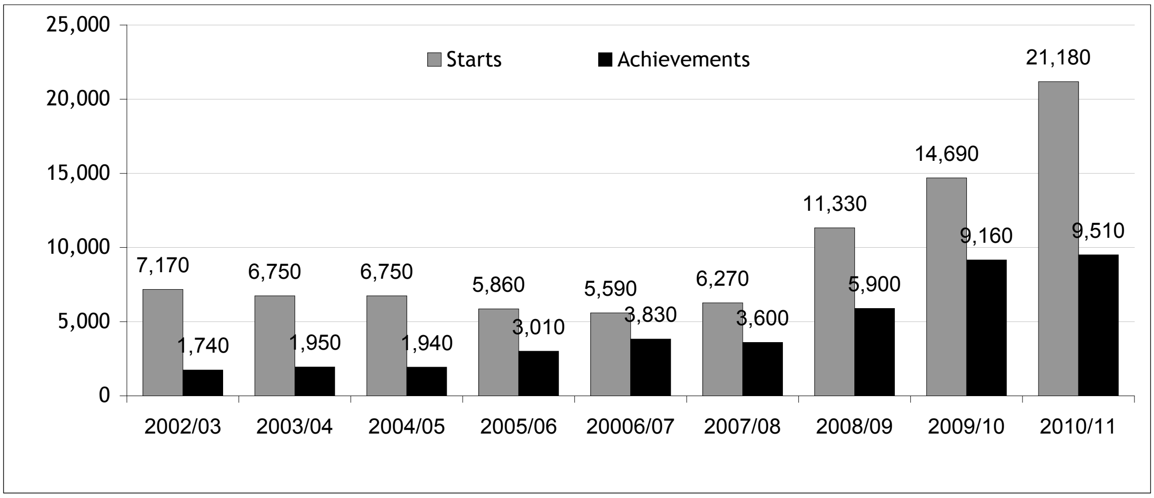
- National Skills Academies for Hospitality, and for Sport and Active Leisure
- UKSP, a guidance website for careers in hospitality, leisure, travel and tourism aimed at employers, employees and students
- Activepassport, a verified online record of an individual's training, volunteering, and CPD in the sport and recreation sector
- People 1st training company helping businesses become more competitive
- Employment 1st pre-employment training programme preparing people for a career in hospitality, leisure, travel and tourism
- Women 1st dedicated training and mentoring to empower the female leaders of tomorrow.

FE colleges and HE institutions provide relevant courses of study. A number of private training providers also provide relevant training.

5.2 Trends in Skill Supply: Individuals

The tourism sector has not historically had a strong tradition of involvement with apprenticeships, although activity has increased dramatically in recent years (Figure 5.1). In 2010/11 there were 21,180 apprenticeship starts, more than three times the figure just three years previously (6,270 in 2007/08). Apprenticeship achievements totalled 9,510 in 2010/11, a 160 per cent increase on the figure for 2007/08.

Figure 5.1 Apprenticeship starts and achievements (all levels), 2002/03 to 2010/11



Notes: 2010/11 figures are provisional

Source: Data Service (2012)

Table 5.1 shows starts in Intermediate and Advanced Apprenticeships by age between 2002/03 and 2010/11. Most of the growth in apprenticeship starts in the last two years has been among intermediate apprenticeships, whose numbers have nearly trebled since 2007/08. There has been rapid growth in the number of older apprentices aged 25 and over since 2007/08, with the number increasing from 530 in 2007/08 to 3,620 in 2010/11.

Table 5.1 Tourism apprenticeship starts by level and age, 2002/03-2010/11

Intermediate Apprenticeships									
	02/03	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**
<19	1,430	1,730	1,980	2,150	2,120	1,810	2,620	5,450	7,070
19-24	2,240	2,670	1,960	2,010	1,570	1,710	2,900	3,730	5,720
25+	-	-	-	-	-	270	1,310	870	2,110
Total	3,670	4,400	3,940	4,160	3,690	3,790	6,830	10,050	14,900
Advanced Apprenticeships									
	02/03	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**
<19	1,790	1,040	2,010	940	990	1,180	2,000	2,190	2,460
19-24	1,710	1,310	790	750	910	1,040	1,450	1,740	2,310
25+	-	-	-	-	-	270	1,050	710	1,510
Total	3,500	2,350	2,800	1,700	1,900	2,480	4,490	4,640	6,280
All Apprenticeships									
	02/03	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**
<19	3,220	2,770	4,000	3,100	3,110	2,990	4,620	7,640	9,530
19-24	3,950	3,980	2,750	2,760	2,480	2,750	4,350	5,470	8,030
25+	-	-	-	-	-	530	2,360	1,580	3,620
Total	7,170	6,750	6,750	5,860	5,590	6,270	11,330	14,690	21,180

Notes: 2010/11 figures are provisional

Source :Data Service (2012)

An example of how one tourism employer has become involved with apprenticeships to ensure there is a stream of skilled and committed workers into the sector is set out in the box below.

Case study: Tonic

The challenge

Ensuring a supply of talented and skilled chefs is crucial for sector businesses including restaurants. Award-winning restaurant Tonic, which opened in Nottingham in 2007, wanted to ensure a good supply of skilled chefs and decided to invest in its workforce by offering apprenticeships.

The approach

Tonic has engaged with Apprenticeship provision at New College Nottingham. The Apprenticeship includes an NVQ and key skills training. It combines off-the-job training at college with on-the-job training which ensures apprentices develop the full range of skills required to become a competent chef. The apprentices work four days in the kitchen (40 hours per week) and have one day a week at college. The college works with Head Chefs in the Nottingham area to plan menus, lessons and lessons to ensure that what the apprentice learns at college is directly relevant to their business.

The Benefits

Involvement with the Apprenticeship has brought a number of benefits to the business:

- The college sources new apprentices when the restaurant needs them, and the apprentices want to learn and improve their skills.

- The Apprenticeship teaches them life skills, such as communication and team-working, and business skills, including how to price menus
- Apprentices are a source of new ideas, and at the same time the business is ensuring it has skilled chefs coming up through the ranks.
- Apprentices are good value for money on the restaurants wage margin, and are very flexible in terms of working patterns and covering shifts.

'*It's what it's about – you're training tomorrow's chefs. If another employer was considering taking on an Apprentice, I'd say definitely to it, you've got nothing to lose. Some people think it'll be hard work in teaching them, but I think the rewards far outweigh that*.' (Leroy Allen, Head Chef)

Source: People 1st (2009)

Higher education

Another potential source of supply of young people is from higher education. In 2010/11 there was a total of 31,905 students studying for a higher education qualification (of whom 24,045 were UK domiciled) related to hospitality, leisure, tourism and transport. This represented an increase of 29 per cent on the 24,650 studying for similar qualifications in 2007/08 and was almost four times as many as the 8,365 studying for tourism, transport and travel HE qualifications in 2002/03 – a much faster rise than the general increase in overall student numbers.

5.3 Employer Investment in Skills

Table 5.2 indicates the number of employees in receipt of work-related training over the past 13 weeks. The proportion of the tourism workforce in receipt of such training (19.4 per cent) is lower than the proportion across the whole economy (25.5 per cent). This training shortfall is evident among both men and women, and among young workers, with the percentage of workers aged 25 years and under who have received such training lower in the tourism sector (26.3 per cent) than across all sectors (29.5 per cent).

By major occupation groups, the tourism sector provides more training to workers in elementary occupations than is the case across the whole economy, but for the higher level occupational groups – managerial, professional and associate professional and technical occupations – much less training is provided to workers in the tourism sector than across all sectors.

Table 5.2 Number of employees in receipt of work-related training over the past 13 weeks

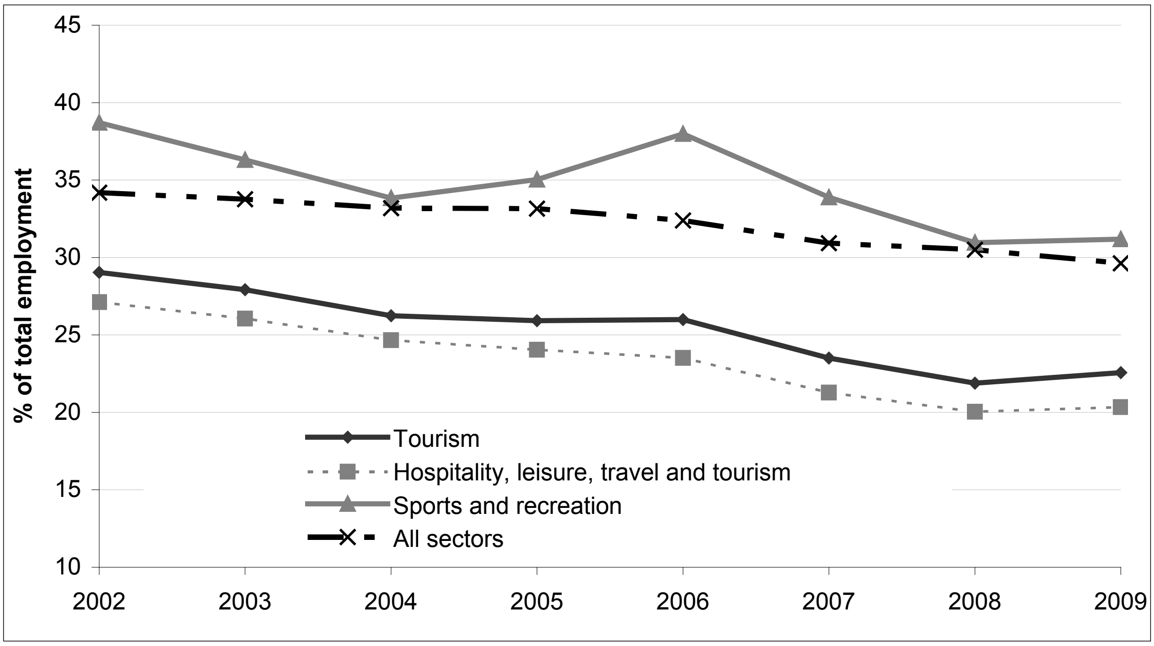
Occupation	Tourism Number	Tourism % of workforce	Whole economy Number	Whole economy % of workforce
All	396,00	19.4	7,353,000	25.5
Managers, directors and senior officials	64,000	16.3	1,008,000	22.6
Professional occupations	*	34.0	1,588,000	39.5
Associate professional and technical	47,000	27.8	1,505,000	35.3
Administrative and secretarial	26,000	18.6	670,000	21.1
Skilled trades occupations	34,000	14.0	477,000	15.6
Caring, leisure and other service	39,000	26.8	928,000	36.5
Sales and customer service	23,000	20.7	417,000	19.4
Process, plant and machine operatives	*	17.0	289,000	15.2
Elementary occupations	148,000	19.0	470,000	14.5
Women	202,000	19.0	3,868,000	28.9
Men	194,000	19.7	3,484,000	22.6
People aged under 25	179,000	26.3	1,092,000	29.5

*Note: * indicates data are not statistically reliable and have been suppressed*

Source: Labour Force Survey (ONS, 2010)

Not only is the incidence of work-related training lower in the tourism sector than in the workforce as a whole, the incidence has been falling in recent years at a faster rate than across all sectors. Figure 5.2 shows the recent trend in the proportion of employees who had received work-related training over the past 13 weeks. The proportion of employees in receipt of training in the tourism sector fell from 29 per cent in 2002 to 23 per cent 2009, while the proportion of employees in receipt of training across all sectors fell from 34 per cent to 30 per cent over the same period.

Figure 5.2 Percentage of employees in receipt of work-related training over the past 13 weeks



Source: Labour Force Survey (ONS, 2010); UKCES (2011)

Davies et al. (2012) report that 61 per cent of establishments in the tourism sector were providing training to their employees, slightly above the overall figure of 59 per cent of establishments across all sectors who provided training (see Table 5.3). The average number of days of training per trainee was 9.9 days in the tourism sector, slightly higher than the 8.9 days across all sectors. The average training spend per employee was also considerably higher in the tourism sector, although much of this is a result of high levels of induction training because of relatively high staff turnover.

Shury et al. (2011) indicate that the sector's involvement with apprenticeships is slightly below average, despite the sector having a high level of recruitment of young people straight from education. According to Davies et al. (2012), eight per cent of tourism employees had recruited someone aged 16 straight from school in the last 12 months and 12 per cent had recruited a 17 or 18 year old from school considerably higher than the proportion across all sectors (of four per cent and five per cent respectively). The sector also is a big recruiter of people straight from further and higher education. One in ten had hired college or university leavers in the past year, roughly twice the rate among all employers.

Table 5.3 Employer Investments in Skills

	Tourism	Whole economy
% of employers training	60	59
% of employees receiving training	47	46
average number of training days (per trainee)	9.9	8.9
Average expenditure on training per trainee	£3,635	£3,275
Average expenditure on training per employee	£1,975	£1,775
% of employers who have any staff undertaking Apprenticeships at their site*	3	5
% of employers who currently offer Apprenticeships at their site*	3	4
% of employers who plan to offer Apprenticeships in the future*	6	8
% of employers who have recruited someone to their first job aged 16 from school	8	4
% of employers who have recruited someone to their first job aged 17 or18 from school	12	5
% of employers who have recruited someone to their first job aged17 or18 from FE college	11	5
% of employers who have recruited someone to their first job from university/HE	10	7

Note: training expenditure data and EPS 2010 data covers hotels and restaurants only

*Source: * - Shury et al. (2011), Davies et al. (2012)*

Where tourism employers do provide training, it is more likely to lead to a nationally recognised qualification. Davies et al. (2012) found that 50 per cent of tourism respondents who provided training said that staff had been trained towards a nationally recognised qualification in past 12 months, compared to 43 per cent of all firms across all sectors (Table 5.4). Where training to a qualification is provided, it is most likely to be for a lower level (e.g. level 2) qualification. Tourism employers were less likely than average to provide training to a higher level qualification.

Table 5.4 Further Indicators of Training Activity

	Tourism	UK
% all establishments with business plan	62	61
% all establishments with training plan	42	38
% all establishments with training budget	28	29
Annual review of staff (all establishments)		
All staff reviewed	47	47
No staff reviewed	40	43
Provide training (all establishments)	60	59
Train towards qualification (all employers providing training)	50	43
Training to Level 2 qualification	21	14
Training to Level 3 qualification	16	16
Training to Level 4 qualification	7	12
Assess training delivered	69	65
% of employees trained towards a qualification in last 12 months	14	12

Source: Davies et al. (2012)

These statistics give an overview of the level of training and skills development activity undertaken by employers, but insights can also be obtained from looking at specific examples of employers' training activities and the value they place in what they provide (see case studies in Chapter 7).

Employer use of external training providers

Despite an above average proportion of the sector workforce being trained towards a qualification, evidence from the Employer Perspectives Survey suggests that tourism employers are less likely to engage with external training providers than employers in general: 43 per cent of tourism establishments had no contact with external providers compared with 29 per cent of all employers. They are much less likely to engage with universities and HE institutions than establishments in other sectors (five per cent, compared with 13 per cent of all establishments), and are also less likely to use private training providers (41 per cent compared with 54 per cent of all establishments) FE colleges (17 per cent compared with 23 per cent of all establishments), and third sector/not-for-profit providers (13 per cent compared with 19 per cent of all establishments).

The reasons given by tourism employers for not training their staff were broadly in line with those given by employers in other sectors. The most common reason was that they thought their staff were fully proficient (62 per cent compared with 64 per cent of all employers), followed by having no money available for training (10 per cent of both tourism employers and all employers) (Davies et al., 2012).

Managing people

All these data suggest a relative lack of formality in the way people are managed and developed across the sector, which may be a function of the relatively small size of many workplaces. However, despite this a relatively large number of establishments in the tourism sector are accredited to Investors in People compared to the UK average. Table 5.5 shows that one in five tourism establishments have met the IiP standard, compared with 16 per cent of establishments across the economy. Furthermore, tourism establishments are just as likely as any other to have a business plan or training budget and to review the performance of their employees (see Table 5.4 above).

Table 5.5 Investors in People accreditation

	Tourism	UK
IIP accredited (%)	20	16
Not IIP accredited (%)	62	69
Don't know (%)	18	15
Weighted base	220,055	2,299,921
Unweighted base	11,318	87,572

Source: Davies et al. (2012)

5.4 Migration

A further source of labour supply is to recruit staff from abroad either from within or (for designated skilled staff only) outside the EU. The Migration Advisory Committee (MAC) shortage occupation list includes skilled chefs and cooks who meet all of the following criteria:

- the pay is at least £28,260 per year after deductions for accommodation and meals
- the job requires five or more years relevant experience in a role of at least equivalent status to the one they are entering
- the job is not in either a fast food outlet, a standard fare outlet, or an establishment which provides a take-away service
- the job is in one of the following roles:

- executive chef – limited to one per establishment
- head chef – limited to one per establishment
- sous chef – limited to one for every four kitchen staff per establishment
- specialist chef – limited to one per speciality per establishment

5.5 Conclusion

The number of apprentices in the sector has been rising rapidly in recent years as have the number of students studying for tourism-related degrees. However the numbers are still small relative to potential demand. In 2010/2011 9,500 people completed their apprenticeship and about the same number graduated with a tourism-related degree; only a fraction of the 135,000 people that the industry is likely to need to recruit each year. The volume of initial supply will need to increase to meet this level of demand unless employer-provided training can take up the slack. Here the picture. Most employers provide training to their staff they tend to spend more than average and are more likely to provide training towards a qualification. However the qualifications are generally low level and a lot of training is likely to be induction-type , to cope with the high levels of labour turnover, than skill-related

In the next section we look at the evidence on skills mismatch to see whether the supply side is coping with current levels of demand.

6 Skill Mismatches

6.1 Defining Skill Mismatches

Previous evidence has demonstrated that mismatches between the demand for, and supply of skills, can be damaging for organisational performance (Wilson and Hogarth, 2002). To some extent, skill mismatches will result from ongoing processes of technical and organisational changes within firms, and shifts in the pattern of demand in external markets. These may be transitional mismatches as the demand side begins to fully articulate its skill requirements and the supply side responds accordingly. But there are also likely to be structural mismatches where the demand for, and supply of, skills remain out of kilter despite the market signalling what skills are required.

As there is no direct measure of mismatches between the demand for, and supply of, skills, at the sectoral level, inferences about the balance between the two are typically made through various means given that each measure provides only partial information.

A common method is employer reports of skill mismatches in the form of hard-to-fill vacancies (HtFVs) and skill-shortage vacancies (SSVs) which provide an indication of the difficulties employers have in recruiting people from the external labour market with the skills and attributes they require. Surveys also capture information about problems employers experience with the skills of existing staff with respect to the extent they lack full proficiency in their jobs (i.e. skill gaps). Skill deficiencies can also be inferred from other data, such as earnings, as employers may respond to a skill shortage by offering higher wages. Conversely, survey evidence on underemployment can indicate where available skills are not being fully utilised.

6.2 Evidence of employer reported skill deficiencies

Davies et al. (2012) shows that labour demand is higher in the tourism sector than across the economy as a whole, with 32 vacancies per 1,000 employees, compared to the average across all sectors of 23 vacancies per 1,000 workers (Table 6.1). Furthermore, not only are tourism employers more likely to report vacancies compared with all employers, they are also more likely to report hard-to-fill vacancies, and more likely to report that vacancies are hard-to-fill due to a shortage of applicants with the required experience, skills or qualifications. This suggests that skill shortages adversely affect the sector.

Table 6.1 Skill Deficiencies

	UK	Tourism sector
Vacancies		
per 1,000 employees	23.1	31.9
as a % of employees	2%	3%
% of establishments with at least one vacancy	12%	15%
Total	635,900	73,900
Hard to fill vacancies (HtFVs)		
per 1,000 employees	5.2	7.9
as a % of vacancies	23%	25%
% of establishments with at least one HTFV	4%	5%
Total	143,550	18,250
Skill Shortage Vacancies		
per 1,000 employees	3.8	4.8
as % of all vacancies	16%	15%
% of establishment with at least one SSV	3%	3%
Total	103,450	11,150
Skill Gaps		
per 1,000 employees	54.1	83.7
as % of employees	5%	8%
% of establishments reporting a skill gap	13%	20%
Total	1,489,500	193,550

Various bases: All establishments; Vacancies as a % of employees based on all employment; Hard-to-fill vacancies as a % of vacancies based on all vacancies; SSVs as a % of vacancies based on all vacancies; Skills gaps as a % of employees based on all employment.

Notes: Numbers rounded to nearest 50

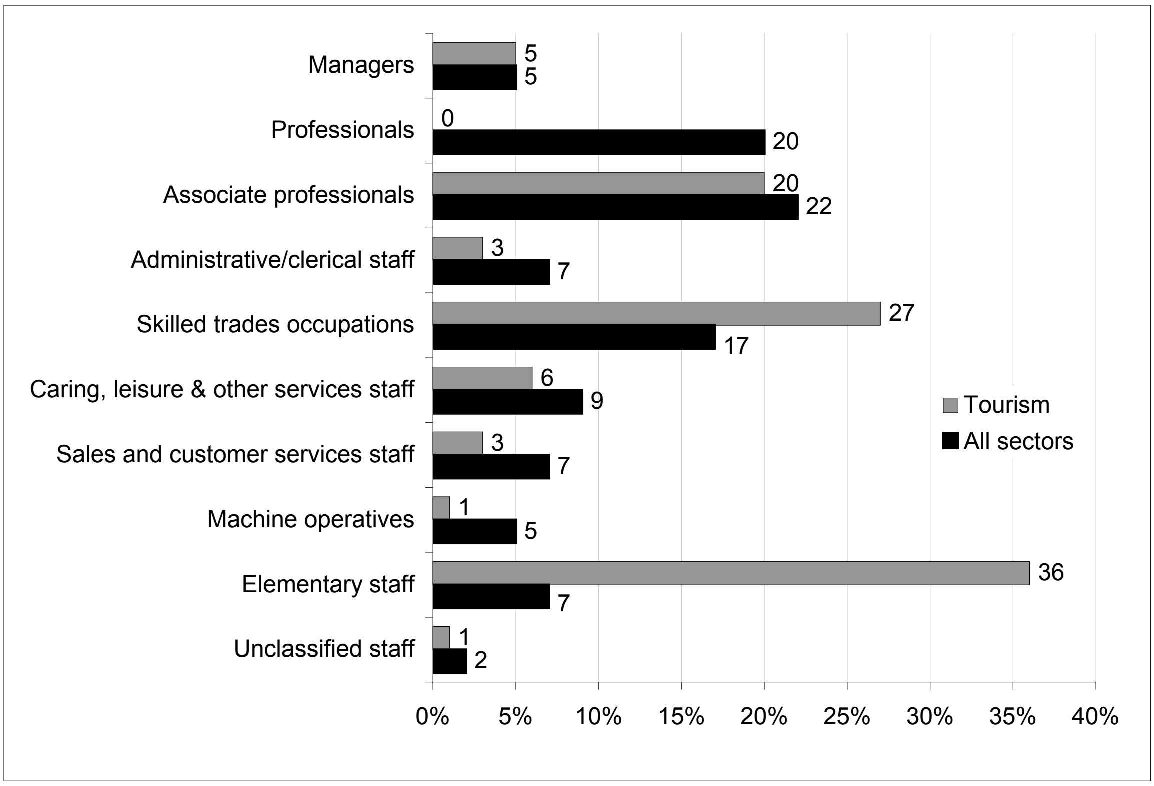
Source: Davies et al. (2012)

Skill gaps (the extent to which employers regard their workforce as not being fully proficient at their existing job) are significantly higher in the sector than average. Employers in the sector report that 84 staff in every 1,000 are less than fully proficient in their job, compared with 54 per 1,000 employees across the economy as a whole.

Overall, where tourism employers report skill shortages they are much more likely to be in elementary occupations, and skilled trade occupations, compared with the economy as a whole (see Figure 6.1). Elementary occupations account for over one third of all skill shortages in the sector, and skilled trade occupations account for over a quarter, whereas across all sectors these occupations account for seven per cent and 17 per cent of skill shortages respectively. These are critically important occupations for the tourism sector, comprising the largest occupational shares of employment.

Reported skill shortages among the higher occupational groups in the sector are similar to the overall averages for managerial and associate professional and technical occupations. There are virtually no skill shortages reported among professional occupations in tourism, but the numbers of people in these occupations are low so this should be interpreted with caution.

Figure 6.1 Occupational Distribution of Skill Shortages in Tourism



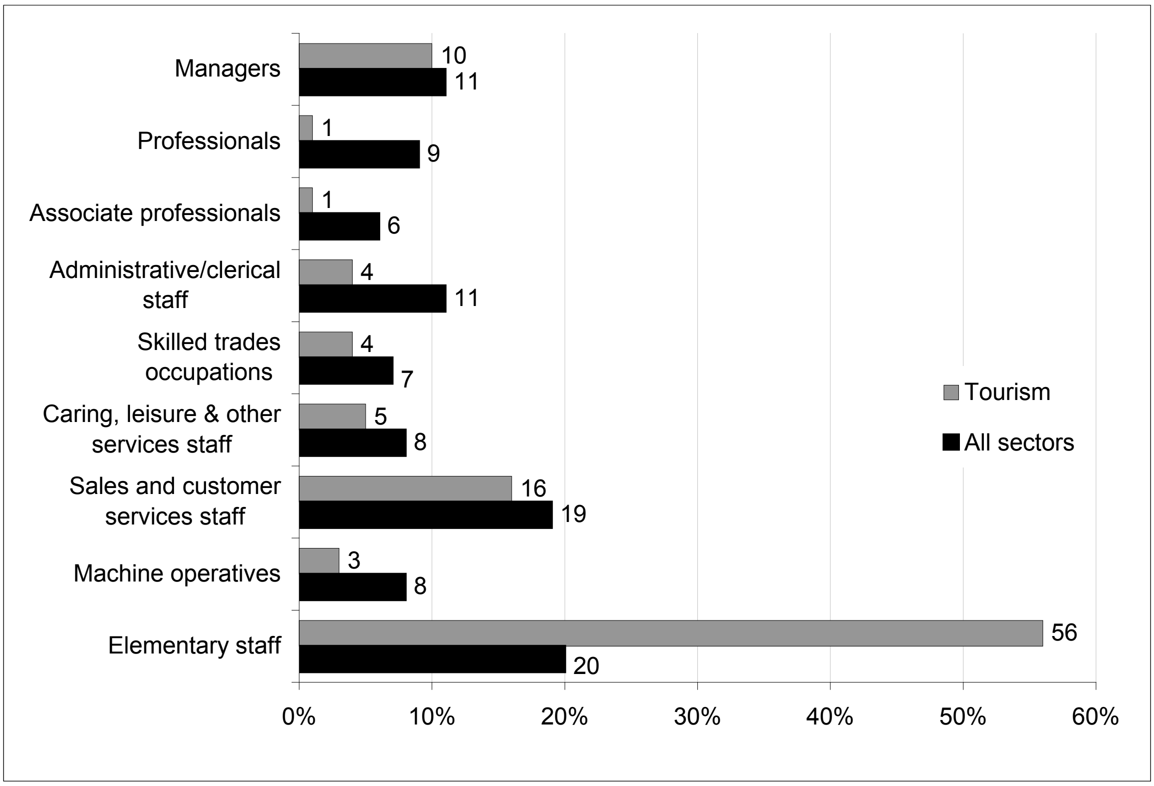
Base: All skill shortage vacancies

Source: Davies et al. (2012)

Skill gaps

More than half of all skills gaps in the sector are in elementary occupations and 16 per cent are in sales and service occupations, while across all sectors one fifth of skill gaps are in each of these occupational groups. As with skill shortages, skill gaps for higher level occupations are similar to the average for the economy as a whole.

Figure 6.2 Occupational Distribution of Skill Gaps in Tourism



Base: All skills gaps

Source: Davies et al. (2012)

Causes, Impacts and Remedies

Davies et al. (2012) provide a wealth of information about the causes and implications of skill shortages and skill gaps, based on findings from the UK Commission's Employer Skills Survey 2011.

In general, the most common cause of skill shortages was a low number of applicants with the required skills, reported by 30 per cent of tourism establishments, compared to 40 per cent of establishments across all sectors. Particular issues for the tourism sector, compared to other sectors, were:

- Low number of applicants with the required attitude, motivation or personality (21 per cent, compared to 18 per cent across all sectors)
- Job entails shift work/unsociable hours (20 per cent, compared to nine per cent across all sectors)
- Not enough people interested in doing this type of job (20 per cent, compared to 18 per cent across all sectors)

- Poor terms and conditions (e.g. pay) offered for post (18 per cent, compared to 13 per cent across all sectors)
- Remote location/poor public transport (12 per cent, compared to six per cent across all sectors).

There were a range of skills that tourism establishments found difficult were lacking in applicants. Job-specific skills were the most common skill in short supply, but less commonly mentioned than in other sectors (63 per cent of tourism employers, compared to 67 per cent of all employers). Planning and organisation skills, customer handling skills, oral communication skills, and team working skills were each mentioned by half of tourism establishments, and were more commonly mentioned by tourism establishments than establishments overall. Other skills that were particular issues for tourism establishments were literacy skills, numeracy skills and foreign language skills.

The main implications of skill shortages for the operation of the organisation was to increase the workload of others, mentioned by 82 per cent of tourism establishments compared to 83 per cent of all establishments, and difficulties meeting customer services objectives, mentioned by 45 per cent of tourism establishments, the same proportion as across all sectors. Skills shortages also caused significant numbers of tourism establishments to have difficulties meeting quality standards, mentioned by 41 per cent of tourism establishments compared to 34 per cent of all establishments.

The main responses to experiencing skill shortages were to increase advertising or recruitment spend, mentioned by 40 per cent of tourism establishments with skills shortages, and to use new recruitment methods or channels, mentioned by 27 per cent. These proportions are close to those found across all establishments. Six per cent of tourism establishments with skill shortages said they would increase salaries to attract more suitably skilled employees, above the overall proportion of four per cent.

Skill gaps were seen to result from staff being only partially trained or being new to their role. Tourism establishments also reported that skills gaps resulted from staff lacking motivation (39 per cent, compared to 32 per cent of all establishments), staff having been on training but their performance not improving sufficiently (35 per cent, compared to 29 per cent), being unable to recruit staff with the required skills (23 per cent, compared to 18 per cent), and problems retaining staff (15 per cent, compared to eight per cent).

The skills that most commonly needed improving were customer handling skills (reported by 59 per cent of tourism establishments compared to 45 per cent of all establishments). Tourism establishments were more likely than other establishments to report that planning and organisation skills, team working skills, oral communication skills and problem solving skills needed improvement.

Skill gaps were having a major impact on how the establishment performed in 16 per cent of tourism establishments, close to the figure of 15 per cent across all sectors. The main implication of skill gaps was increased workload for other staff, as was the case across all firms. However a particular issue for tourism establishments is difficulties meeting quality standards, mentioned by 51 per cent of tourism establishments compared to 40 per cent of all establishments. Increased operating costs, and losing business or orders to competitors, were also commonly mentioned by tourism establishments.

Tourism establishments were just as likely as those in other sectors to have taken steps to improve the proficiency or skills of staff with skill gaps – 76 per cent of tourism establishments had taken steps to improve staff proficiency, compared to 75 per cent of all establishments. The actions that were taken were broadly in line with those across all sectors: increasing training activity/spend or increasing or expanding trainee programmes, followed by more supervision of staff, more staff appraisals/performance reviews, implementation of mentoring/buddying scheme, and re-allocating work. Tourism establishments were more likely than those in other sectors to recruit workers who are non-UK nationals (17 per cent compared to 10 per cent overall).

6.3 Under-employment

Under-employment refers to workers who are over-qualified or over-skilled (they do not require their qualifications or experience to do their job). The picture regarding workforce under-employment is a slightly mixed in the tourism sector. On the one hand, the sector is more likely than the economy as a whole to have under-employed staff: 60 per cent of tourism establishments said they had some under-employed, compared to 49 per cent of establishments across all sectors. In addition, 24 per cent of employees in the sector are over-qualified, compared to 16 per cent across the whole economy. However, a slightly lower than average proportion of tourism establishments reported that all staff were under-employed (17 per cent, compared to 19 per cent across all sectors) (Davies et al., 2012).

One way of reducing under-employment is to adopt High Performance Working (HPW). HPW is ‘a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance’ (Belt and Giles, 2009), and provides opportunities for employees to use their skills more effectively at work. In the sector, 39 per cent of employers say their employees have variety in their work ’to a large extent’ compared to 55 per cent across the economy as a whole, and 40 per cents said employees have discretion over how they do their work ‘to a large extent’ compared to 52 per cent across the economy as a whole. (Davies et al., 2012). Adopting HPW could increase opportunities for task discretion as well as the variety of tasks undertaken by employees, allowing them to use their skills more fully as so reducing under-employment.

6.4 Wages

Another potential indicator of mismatch between demand and supply for skills is earnings, as where skills are scarce wages tend to rise. Table 6.3 sets out the latest data from the Annual Survey of Hours and Earnings (ASHE, 2011) on a number of industries in the tourism sector. Data for the sector as a whole are not available.

Generally wages in the sector are relatively low, reflecting the occupational and qualification profiles of the workforce. There is a mixed picture in terms of earnings growth over the last year, with earnings growing in the accommodation and gambling sectors, falling in the travel agency and tour operator sector, and in sports activities and amusement and recreation activities, and being broadly stable in the food and beverage service activities sector.

Table 6.3 Earnings growth in the tourism sectors

Sector	SIC Code	Median (£)	Annual % change	Mean (£)	Annual % change
All Employees	-	403.9	0.0	491.4	0.8
All Service Industries	-	384.4	0.1	478.0	0.7
Accommodation	55	250.6	0.9	294.6	2.2
Food and beverage service activities	56	186.8	0.6	226.3	-0.2
Travel agencies, tour operators etc.	79	358.8	-2.7	457.0	-1.5
Gambling and betting	92	282.8	1.6	337.9	0.1
Sports activities and amusement and recreation activities	93	244.9	0.0	329.3	-10.2

Source: ASHE 2011, provisional data

6.5 Conclusion

The most recent evidence relating to skills mismatches and skills deficiencies indicates relatively strong labour demand in the tourism sector that is outstripping supply even in the current slack labour market. Although wages are generally rising no faster in the tourism sector than in the economy as a whole, tourism establishments were more likely to experience difficulties filling vacancies with the right skills than establishments in general. Skill shortages were most commonly encountered for elementary staff, and skilled trades occupations. The existence of experienced chefs on the MAC skill shortage occupation list is further evidence of the difficulties some employers are facing in finding the right people for some roles. In addition to job-specific skills, employers found it difficult to obtain organisation skills, customer handling skills, oral communication skills, and team working skills from the external labour market.

Tourism employers are also concerned about the proficiency of existing staff, with skill gaps more common in the tourism sector than in the whole UK workforce, mainly due to a lack of motivation among employees, poor levels of performance and retention difficulties. However skill gaps were no more likely to have a major impact in the tourism sector as elsewhere, and establishments in the sector were just as likely as those elsewhere to have taken steps to remedy them. As was the case with skills shortages, gaps were most likely among elementary staff, with customer handling skills, organisation skills, team working skills and oral communication skills most commonly needing improving.

7 Conclusion

7.1 The Sector Today and Tomorrow

The tourism sector is important to the UK economy in terms of the employment and gross value added it contributes. The sector accounts for five per cent of total GDP and eight per cent of total employment. In addition, businesses in other sectors sell to and purchase from the visitor economy, contributing as much again to GDP. Output has increased rapidly over the last decade, by over five per cent per year, and is projected to increase at a similar rate over the coming decade, but productivity in the sector as a whole is relatively low.

The government has announced ambitious plans for the sector, with two key goals:

- to become one of the Top 5 destinations in the world in terms of revenue from in-bound tourists
- for half of the tourism expenditure of UK residents to be spent in the UK rather than overseas.

The 'Golden Decade of Sport' (major sporting events across UK from the Olympics to the Cricket World Cup) and other events such as the Queen's Diamond Jubilee and the 2013 City of Culture in Derry/Londonderry provide incredible opportunities to promote the UK visitor economy, at a time when international tourism is set to grow rapidly.

To realise these ambitions the sector as a whole will need recognise talent as a source of competitive advantage. Employers will need to collaborate on, lead and own solutions to the sector's skills issues. In partnership with government, and education and training providers, tourism employers can ensure the UK has the capability to attract a growing share of the international tourism market, and bring knock-on benefits to other sectors.

This vision is dependent upon the sector being able to drive up skill levels across the workforce and introducing the types of working practices and progression opportunities which will make it an exciting sector in which to work and attract talented individuals.

7.2 The Performance Challenge

The sector faces a number of challenges in its drive to improve performance, particularly at a time when many employers are clearly faced with substantial risks to their survival as a consequence of the low levels of demand in the economy.

Productivity is lower in the tourism sector than in most other sectors and there is also a greater dispersion in productivity between the top performers and the bottom performers. One driver in improving productivity is a better matching of staff to workload, as accurately predicting demand and improved staff scheduling reduces staff downtime and increases productivity. Managerial capability is a key factor affecting staff planning and scheduling and thus sector productivity.

The tourism industry has one of the highest levels of staff turnover of all UK sectors, which results in large costs to the sector in terms of recruitment costs and initial investment in training for new recruits. A key reason for high levels of labour turnover is the historic recruitment of transient labour, such as students and international workers, who are seeking short-term job opportunities rather than long-term careers in the sector. Reliance on transient workers can reduce the effectiveness of employer engagement activities, which in turn reduces the potential for greater productivity gains. Alternatives to transient workers could include female returners and older workers, who may prefer permanently flexible roles, and could provide businesses with flexibility whilst reducing staff turnover costs and the loss of skills and knowledge.

The interaction between employee engagement and labour turnover may result in a vicious circle, whereby high levels of labour turnover undermine employee engagement activities, which leads to a demotivated workforce and contributes to high labour turnover. This can be exacerbated if staff don't receive appropriate training and don't perceive there to be career pathways within the sector. However, employers who invest in staff can turn this around, and create a virtuous circle where workforce upskilling and engagement results in greater levels of motivation and satisfaction, a more stable workforce, and improved business performance.

Nestled within the wider set of performance challenges is a specific set of skill challenges which the sector will need to increasingly address, including:

- Secure sufficient supply of skill to the sector to meet expected high levels of expansion and replacement demand
- Improve employee engagement and motivation and minimise labour turnover, so that employers and employees can reap the benefits of training and improved customer service
- Continually improve the skill base of existing staff to minimise skill gaps and make up for skill shortages. This will include investing in management skills and customer service skills.

7.3 Growth through Skills

Substantial training and skills development infrastructure provided through the sector bodies, the education sector and private training providers. This provides structured, externally accredited training at both initial and continuing levels, and much training arranged by employers leads to nationally recognised qualifications.

There are a number of activities employers from across the sector should be engaging in to ensure their future growth:

Improving information, advice and guidance – employers offering people a ‘taster’ of the sector is a good way of changing perceptions, and offering a work experience placement can help people decide whether the sector is for them. For example, UKSP is a guidance website for careers in hospitality, leisure, travel and tourism. It provides individuals with information on sector roles and career paths. Employers can post vacancies, search the ‘talent directory’ of individuals looking for a career in the sector, and get access to information on qualifications and training courses.

There are also initiatives introduced by the national skills academies such as the Recruitment Academy, which matches early-career young chefs and front of house staff graduating from accredited colleges to employers, and pre-employment training opportunities that employers can get involved in and benefit from.

Use of apprenticeships – the sector recruits a lot of young people straight from school or college, and formal apprenticeships could help to deal with the skills shortages and skills gaps in elementary occupations, which in turn could help turnover and retention issues in the sector. Apprenticeships can also help to develop clear pathways to management roles for young people in the sector, as in the example of TUI Travel (see panel).

Case study: TUI Travel

The challenge

TUI Travel PLC is a large travel group which employs 19,000 people in the UK. The company needed to ensure a sufficient supply of future workers for its posts in the UK and overseas.

The approach

TUI Travel PLC established an extensive apprenticeship programme. They receive 15,000 applications per year and have a rigorous selection process which includes a “taster day” in a branch. They provide a range of support to apprentices, including a two-day “Welcome Event”, five hours of study time a week, six formal off-the-job training days a year, and e-learning support. There are now 450 apprentices working towards the Level 2 Apprenticeship in Travel and Tourism Services and 350 on Level 3

Advanced Apprenticeship (2008***)***.

Additional support includes an Apprenticeship Expert in each region, Shop Managers with specific responsibility for the delivery of training to apprentices, and an individual workplace mentor (usually an ex-apprentice).

The benefits

The benefits of investing in workforce skills include*:*

- Improved sales performance – ex-apprentice Travel Advisors achieve 16 per cent more sales than non-apprentices, ex-apprentice Retail Managers 13 per cent more.
- Improved retention – apprentices stay with the company on average two years longer than non-apprentices.
- Improved progression – 44 per cent of Assistant Retail Managers are ex-apprentices, compared to 13 per cent of Travel Advisors, and all apprentices are provided with a 'career map' which sets out the range of progression opportunities.

Source: People 1st (2008)

Untapped labour pools – in addition to recruiting young people straight from education, whose numbers will be falling over the coming decade, the sector also relies heavily on transient labour. Employers will need to look to alternative labour pools to meet their recruitment needs, such as women returners and early retirees, who may desire flexible working options and can substitute for transient workers. This can help to give the sector a workforce that better mirrors its customer base and better understands its needs.

Improve management training – management skills are crucial for the sector to make the most of the market opportunities available and in particular to engage and motivate staff to ensure high levels of performance and minimise labour turnover. The value of management training in reducing labour turnover and improving employee satisfaction can be seen in the example of Red Carnation Hotels (see panel)

Case study: Red Carnation Hotels

Red Carnation Hotels, a collection of 13 international boutique hotels with 900 staff in the UK and 2,000 staff worldwide, was experiencing retention problems, with high labour turnover of 80 per cent, potentially damaging the quality and consistency of service and the reputation of the company.

The Approach

Red Carnation Hotels developed a management and leadership training programme (Ambassadors in Management) to improve people management skills. The AIM programme, linked to nationally recognised qualifications, was designed to equip managers with the skills to become excellent people managers. The Managing Director took a close interest in the programme.

'*That's a key message for any CEO, MD or GM – you need to take an interest, it's amazing the impact that has on the staff. If we want to keep and grow them, we've all got to take an interest and give our time*.' (Liz McGivern, HR and Training Director)

The Benefits

AIM has resulted in significant business benefits:

- Labour turnover reduced from 80 per cent in 2001 to 24 per cent in 2009, with improvements at all levels
- The business saved £500,000 in recruitment costs over the past eight years
- Improved succession planning, and increased internal promotion of managers
- Improved employee satisfaction, resulting in the company being awarded First Class status in Best Companies to Work for 2009.

Source: People 1st (2009)

Raise levels of employee engagement and customer service – management training is not the only way to improve employee motivation and performance. Employers can develop their own approaches to employee engagement and/or use support programmes such as Smiles of Britain, offered by National Skills Academy for Hospitality/

A comprehensive strategy to improve levels of customer service through improved employee engagement can generate significant benefits for the tourism sector as the example of Malmaison demonstrates (see panel)

Case study: Malmaison and Hotel du Vin

The challenge

Sister hotel groups Malmaison and Hotel du Vin were, like many others in the tourism sector, affected by the economic downturn. They decided to "*put customer service back on the agenda*", to differentiate themselves from competitors who prioritise cost cutting and revenue generation over the customer experience during an economic downturn.

The Approach

The approach was to develop an employee engagement strategy, with the aim of having happy staff at all levels, engaged in their jobs and caring for guests.

At the heart of the engagement strategy is a focus on customer service and a philosophy of 'win-win' – employees are offered training to support career progression, and the business expects excellent performance – and 'keep it simple' – staff are given the freedom to be themselves and make their own decisions of in providing high quality customer service.

Focus groups with staff identified the behaviours of actively engaged employees:

- strong relationship building with customers, managers & peers
- attention to detail, and giving the extra ten per cent
- energy and drive
- resilience and passion in one's work
- shaping each working day into one's own, and being achievement-focused

A number of practices were introduced to encourage and develop these qualities in employees, including a development day for managers, an appraisal system based on the five behaviours, training opportunities, and improved communication between management and staff.

The Benefits

A number of benefits have been measured:

- customer service complaints have decreased by 15 per cent following staff training, and repeat business is thought to have increased although it has been too early to measure;
- staff turnover has declined by 17 per cent year on year since the initiatives were introduced; and
- average customer spend increased in hotel brasseries by 11 per cent.

Source: People 1st (2011)

7.4 Business benefits

As outlined throughout this paper, investing in skill development can bring a range of benefits individual, employers and wider economic and societal perspective as demonstrated in the comprehensive review of the value of skills undertaken by UKCES (Garrett et al., 2010).

Generally the possession and acquisition of skills and qualifications is directly associated with an individual's employment and earnings prospects. Garrett et al. (2010) outlined the economic return to higher level academic qualifications (ie Bachelor degrees and above) and also apprenticeships. There are significant wage premium attached to gaining an apprenticeship, from an individual's point of view and employers recoup any costs they incur in providing apprenticeships in a short space of time.

There are a range of business benefits that investment in training can bring employers. Evidence across a number of sectors suggests that employers who invest in training are more likely to survive than those who don't (Collier, *et al.*, 2007). Just one per cent of sector employers (and all employers) that do not train say it is because trained staff may be poached by another employer (Wilson and Homenidou, 2011). Employees who receive training are in fact more likely to stay with their employer than those who do not (Garrett et al, 2010).

Another way of looking at the benefits of training is to consider the costs associated with not developing the skills of the workforce. As pace of technological change intensifies the need to update and refresh the skill base of the workforce can only increase. Hotels and restaurants that do not train are nine times more likely to close than those who do train their staff. The business benefits of training in the sector go beyond company survival. Businesses that are willing and able to innovate, and that do not see any inherent conflict between technological or creative excellence, and commercial excellence, will reap rewards through increased sales and turnover, and staff satisfaction and retention. Garrett et al. (2010) conclude that 'the investments employers make in workforce training raises productivity and firm performance across a range of measures', and that the 'productivity effect of training available to employers is up to 5 times that captured by employees in wages'.

There is evidence that the demand for labour across the tourism sector is outstripping supply. Currently skill shortages and gaps are predominantly concentrated among elementary occupations, and mainly around customer service skills. While addressing these shortages and gaps directly will improve the situation for the sector, sustainable improvements will come from developing management skills, particularly the people management skills of first line managers and supervisors. As the labour market recovers the ability to improve skills through recruitment will only become more difficult. Greater levels of employer investment in the existing workforce provide a cost effective alternative for the sector to develop and grow,

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Produced by the Institute for Employment Studies for the UK Commission for Employment and Skills.

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ISBN 978-1-908418-21-0