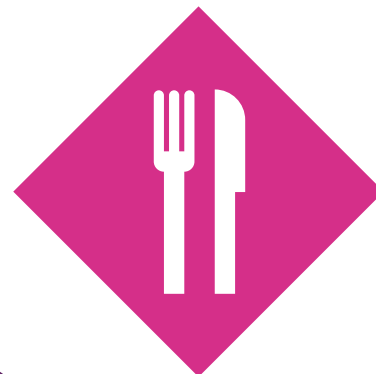


People power sector report

Hospitality and catering





177,000
new job predicted
between 2016 and
2024 in this sector



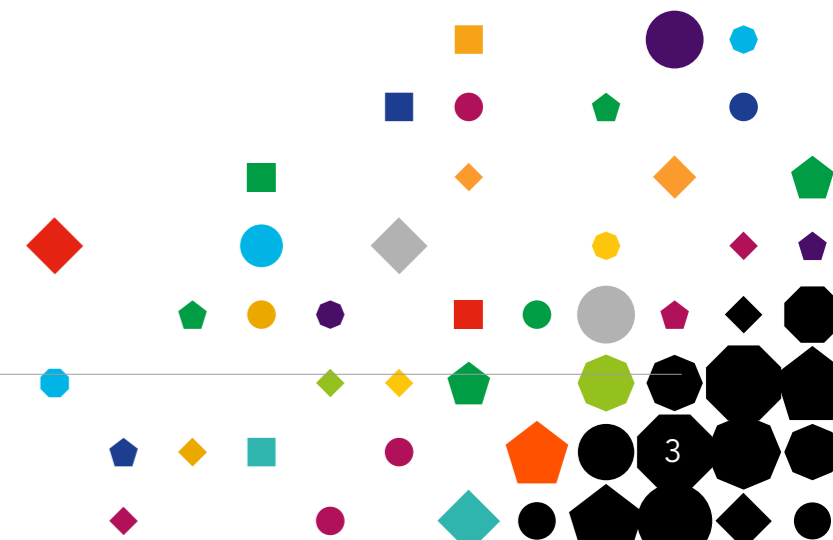
Introduction

As Britain prepares itself to broker a new relationship with the EU, the skills gaps and shortages we have grappled with for years look set to increase significantly. This uncertainty is particularly difficult for certain industries who are most heavily reliant on a steady flow of international labour and haven't yet built up the right infrastructure to home-grow the talent they need.

The hospitality and catering sector (officially named the accommodation and food services sector) has a predicted growth of almost 177,000 new jobs between 2016 and 2024. According to the British Hospitality Association, 15.5% of the 4.5 million people that work in the hospitality and tourism industry in the UK are from the European Union and many of the occupations in the sector are at the lower, possibly less attractive, end of the wage scale. So if the sector is set to grow, then the question of how vacancies are to be filled is likely to become more pressing.

To better understand the skills gaps and shortages currently facing businesses in the accommodation and food services sector, we spoke to employers about their growth plans, skills and development issues, and factors affecting their ability to succeed.

What emerged was a sector that is positive about its growth prospects, but that has serious concerns about operating in a highly competitive business environment, struggling to recruit the right staff and having to pay more to secure them. Recruitment into the sector is primarily at entry level, and the increasing lack of managers and leaders is driving some businesses to invest in more training and development, while others look elsewhere for highly skilled staff. Government policy is needed to support better training for staff. A collaborative approach between business, education and government could be the key.



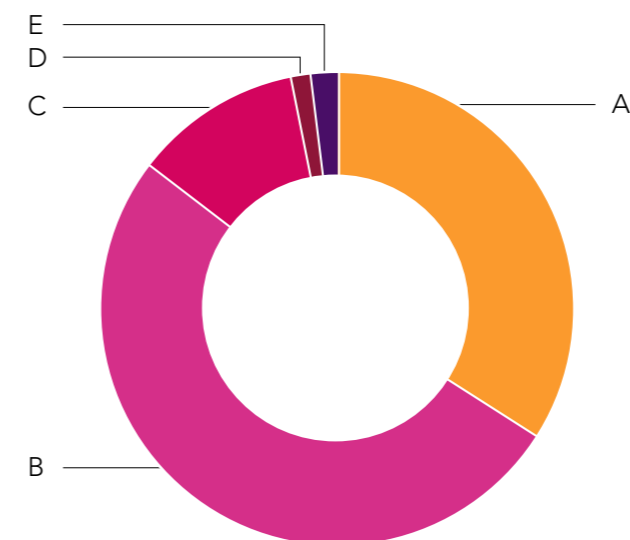
Quantitative findings

1. Will your business grow in the next 12 months?
2. What internal factors might impact upon the productivity of your business over the next three to five years?
3. What external factors might impact upon the ability of your business to grow over the next three to five years?
4. What type of roles are you planning to recruit for in the next three to five years?
5. Do you currently struggle to recruit the skilled staff you need?
6. If yes, which job levels do you struggle to recruit most?
7. If yes, why do you have problems recruiting skilled staff?
8. In the next three to five years do you believe skills gaps in your business are likely to change?
9. What kind of impact do skills gaps have on your business?
10. How effective are the measures you have in place to address skills gaps in your business?
11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?
12. How do you encourage entrants to the workplace in your business?
13. What kind of training do you offer your staff?
14. What value do your training programmes bring to the business?
15. Currently what percentage of your staff come from the European Union?
16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?
17. How do you believe that the skills gaps should be tackled in the UK?
18. Which piece of Government policy do you think will be most effective at tackling skills gaps?



1. Will your business grow in the next 12 months?

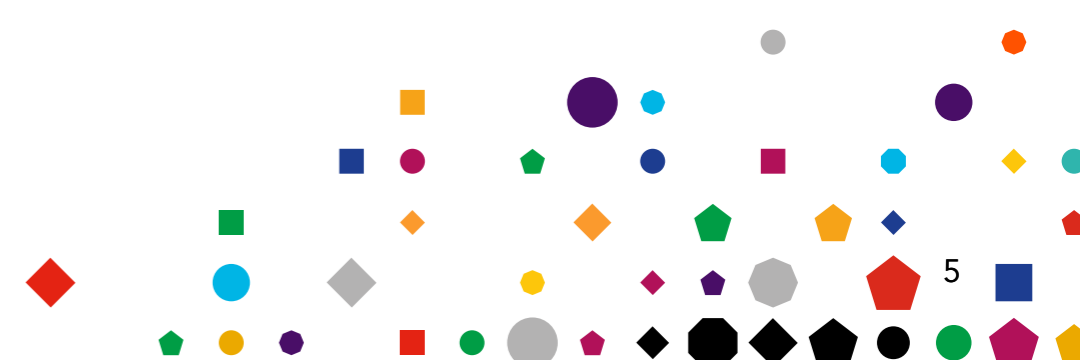
There is an optimistic outlook for short-term growth in the sector, with 87% of employers predicting that their business will grow in 2018/19, with just 3% expecting their business to shrink.



A. We will grow significantly	35%
B. We will grow moderately	52%
C. We will remain the same	10%
D. We will shrink moderately	1%
E. We will shrink significantly	2%
F. Other, please specify	-

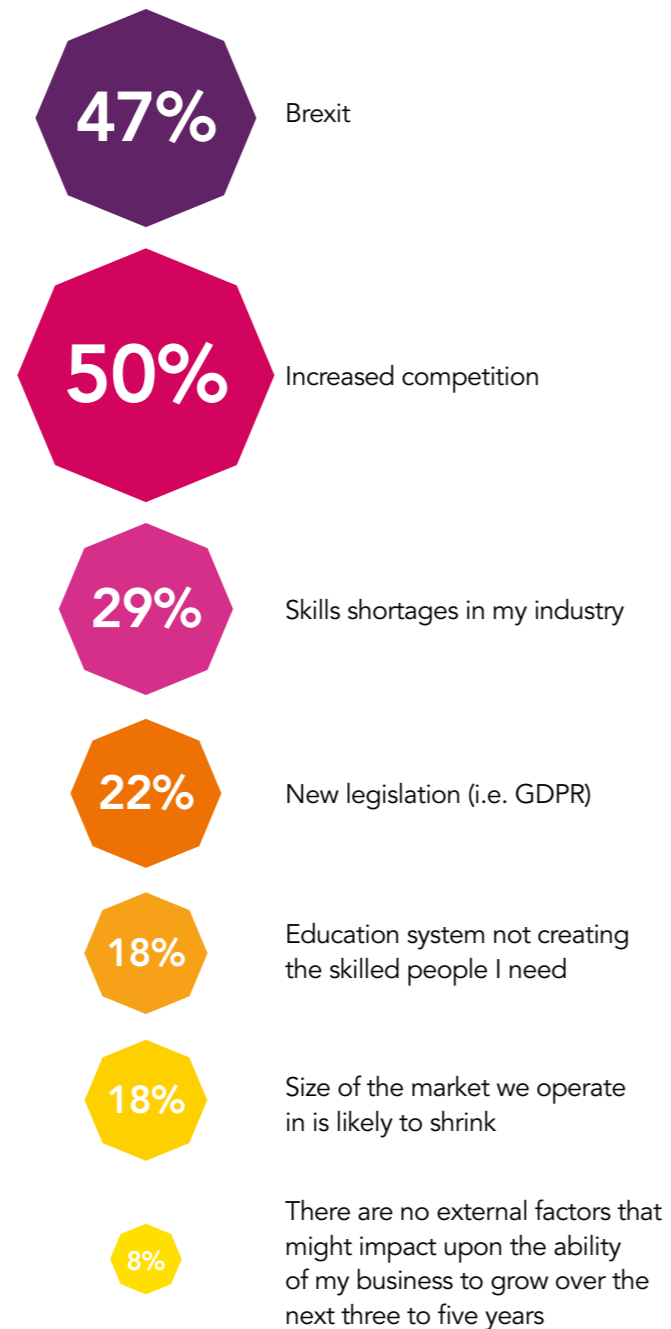
2. What internal factors might impact upon the productivity of your business over the next three to five years?

Over the medium term, almost half (48%) of employers are concerned that they will struggle to recruit people with the right skills to support productivity in their businesses, a particular worry as 26% specifically highlight that they have a lack of effective leaders and managers within their business, and 25% claim that existing staff don't have the right skillset for the future.



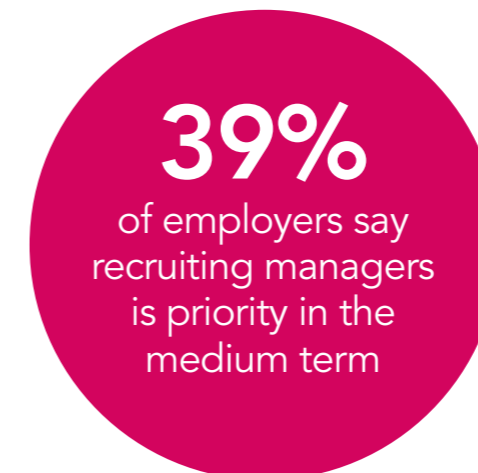
3. What external factors might impact on the ability of your business to grow over the next three to five years?

Interestingly, increased competition in the market, rather than Brexit, emerges as the biggest factor that employers believe will have a negative impact on the growth of their business, with 50% citing it, compared to 47% identifying Brexit. A significant proportion (29%) are concerned about skills shortages, while more than a fifth expect that new legislation will limit, rather than support, growth.



4. What type of roles are you planning to recruit for in the next three to five years?

An urgent need for managers in this sector is emerging, 39% of employers say that this will be a priority in the medium term. Around a third of employers will also be recruiting apprentices (31%), non-managerial specialists (33%), experienced core staff (30%), team leaders (32%) and entry level roles (33%), so it seems that the potential for growth relies on the right people being recruited into businesses in the sector.



31%
Apprentices (on a training scheme)

33%
Specialists (non-managerial) ie: digital analysts, engineers, marketing, IT

30%
Experienced core staff ie: secretaries, security,

39%
Managers

18%
Graduates (on a graduate training scheme)

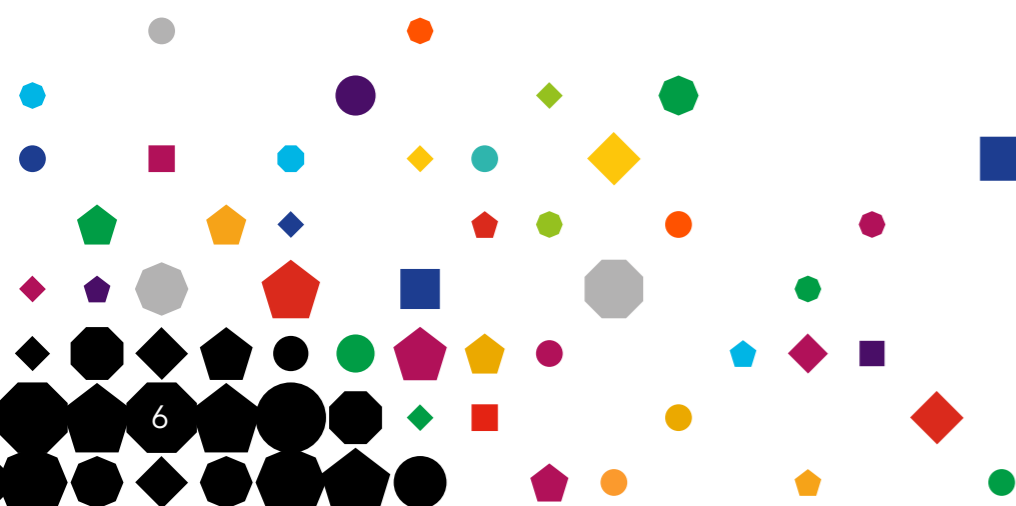
32%
Team leaders

33%
Entry level roles ie: school/college leavers

19%
Traineeship (on a training scheme)

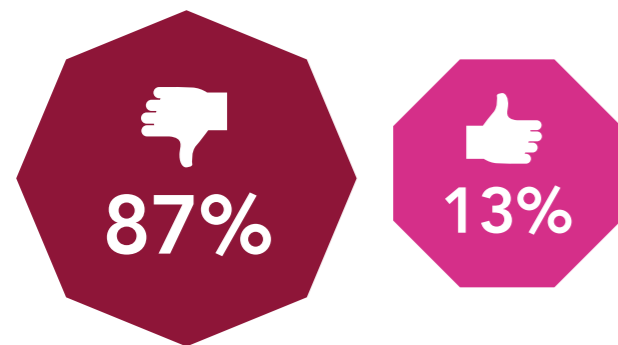
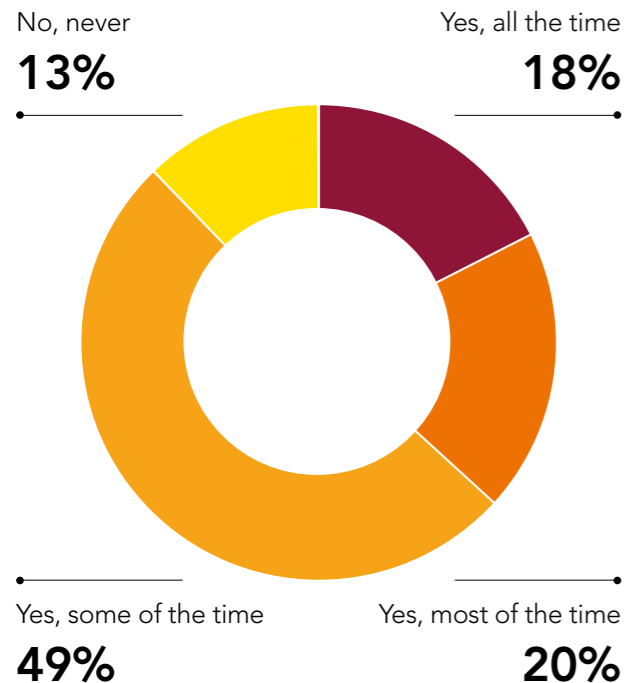
26%
Senior leaders

6%
There are no roles I am planning to recruit for in the next three to five years



5. Do you currently struggle to recruit the skilled staff you need?

An overwhelming proportion (87%) of employers operating in accommodation and food services report that they are struggling to recruit skilled staff at least some of the time.



6. If yes, which job levels do you struggle to recruit most?

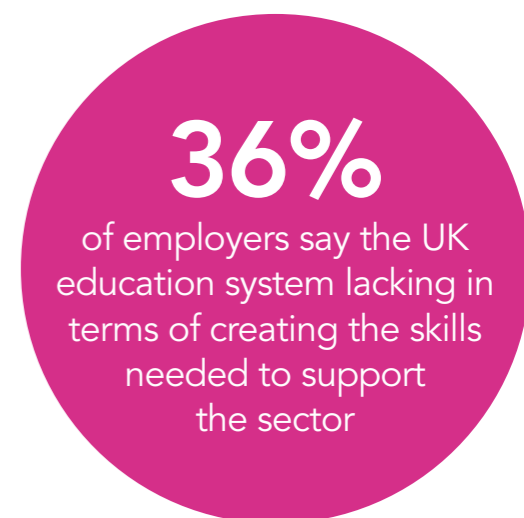
Employers in this sector are consistent in reporting a real challenge to fill senior and specialist positions. A third are struggling to find non-managerial specialists, such as digital analysts, engineers, marketers and IT experts, while around a quarter struggle with recruiting managers (27%) and team leaders (24%). Even core staff with enough experience can be tricky to find – more than a fifth (23%) struggle to recruit them.

Specialists (non-managerial) ie: digital analysts, engineers, marketing, IT	33%
Experienced core staff ie: secretaries, security,	23%
Managers	27%
Senior leaders	20%
Team leaders	24%
Apprentices (on a training scheme)	15%
Entry level roles ie: school/college leavers	19%
Graduates (on a graduate training scheme)	9%
Traineeship (on a training scheme)	13%
There is no job level I struggle to recruit for the most	—
Other, please specify	—

7. If yes, why do you have problems recruiting skilled staff?

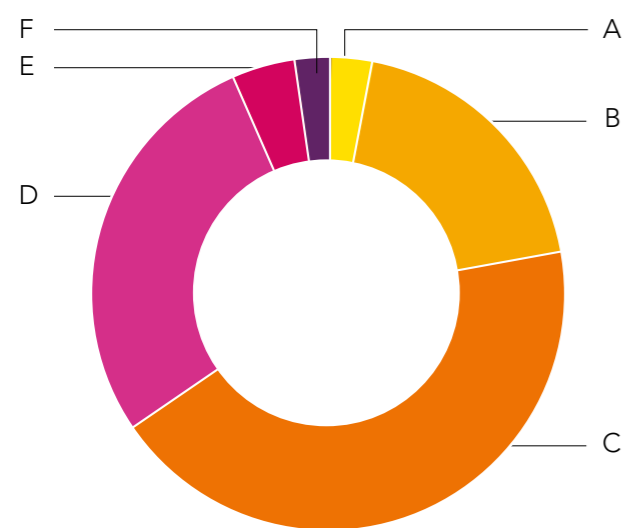
Competition in the market in this sector includes competition for the recruitment of staff, particularly skilled people, according to 47% of employers. And more than a third (37%) find the UK education system lacking in terms of creating the skills needed to support the sector.

High level of competition for skilled people in the area	47%
UK education system doesn't create the skills we need	36%
We can't compete on salaries/benefits	17%
The location of our business	17%
We aren't able to offer progression opportunities within the business	16%
We don't have the budget to train staff appropriately	19%
Our industry is not desirable	15%
I don't know	1%
Other, please specify	1%



8. In the next three to five years do you believe skills gaps in your business are likely to change?

Despite these concerns, some employers remain positive about the state of skills gaps in the sector, with 38% expecting them to get better in the medium term. Around a third (34%) think things will stay the same, however a significant proportion, 24%, expect skills gaps will get worse.



- A. Get much worse 5%
- B. Get somewhat worse 19%
- C. Stay the same 34%
- D. Get somewhat better 30%
- E. Get much better 8%
- F. There are no skills gaps in my business 4%



9. What kind of impact do skills gaps have on your business?

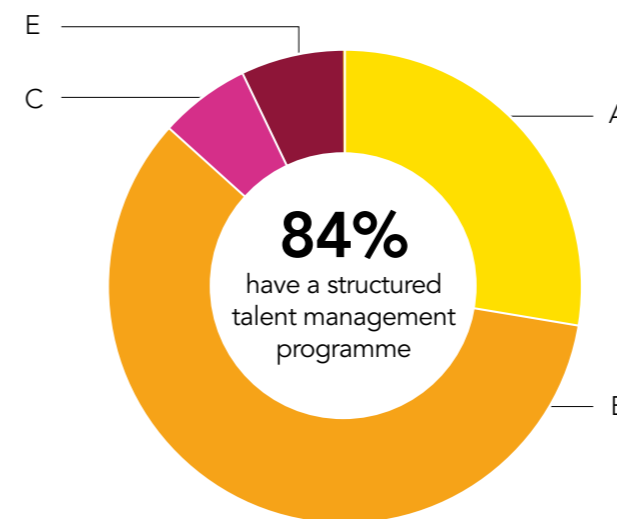
In a competitive sector, a lack of the right skills has an immediate impact on business operations. Many employers (37%) anticipate losing business to their rivals, while others believe that they will have difficulty meeting customer demand, or will have to increase their operating costs in areas like salaries (34%) in order to keep up.



10. How effective are the measures you have in place to address skills gaps in your business?

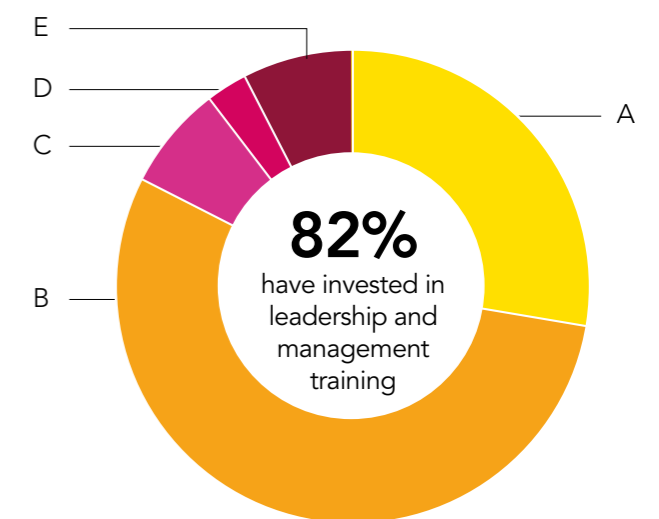
On the whole, employers in the accommodation and food services sector regard their measures to address skills gaps as effective. A structured talent management programme emerged as the most effective measure among 84% of employers, while 82% reported that investment in leadership and management training was effective in addressing skills gaps. Fewer employers – around two thirds – regarded the recruitment of staff from overseas as an effective tactic to solve the skills gap issue.

We have a structured talent management programme

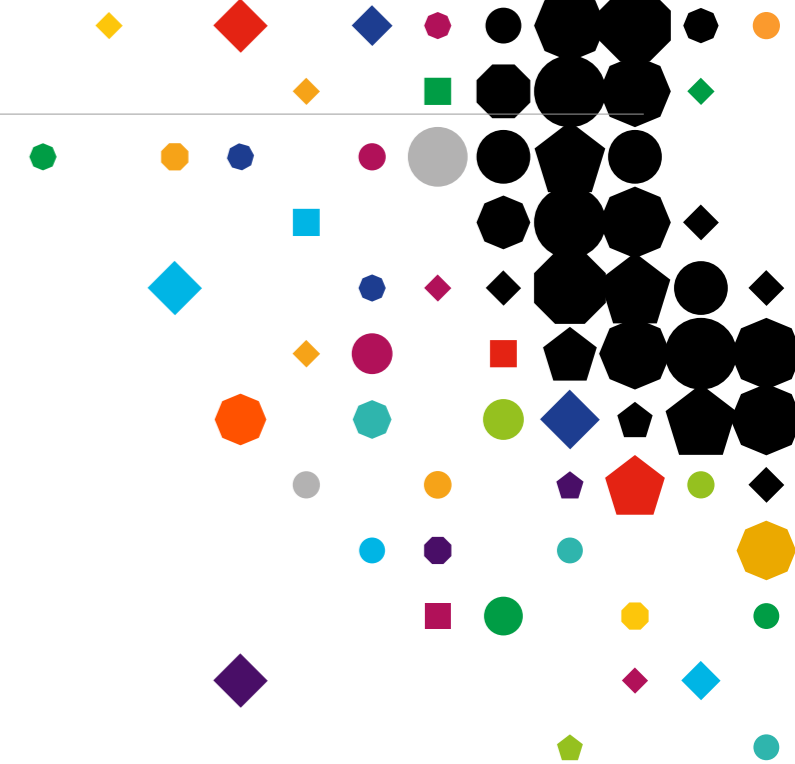


- A. Very effective 28%
- B. Somewhat effective 56%
- C. Not very effective 7%
- D. Not effective at all -
- E. We don't have this measure in place 9%

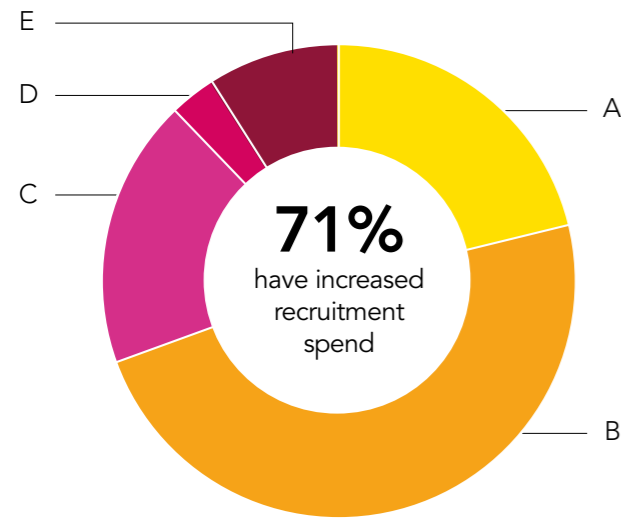
We invest in leadership and management training



- A. Very effective 27%
- B. Somewhat effective 55%
- C. Not very effective 7%
- D. Not effective at all 3%
- E. We don't have this measure in place 8%

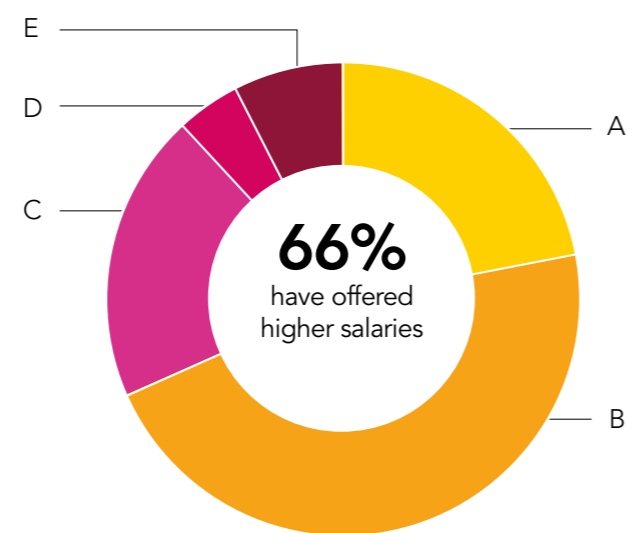


We are increasing recruitment spend



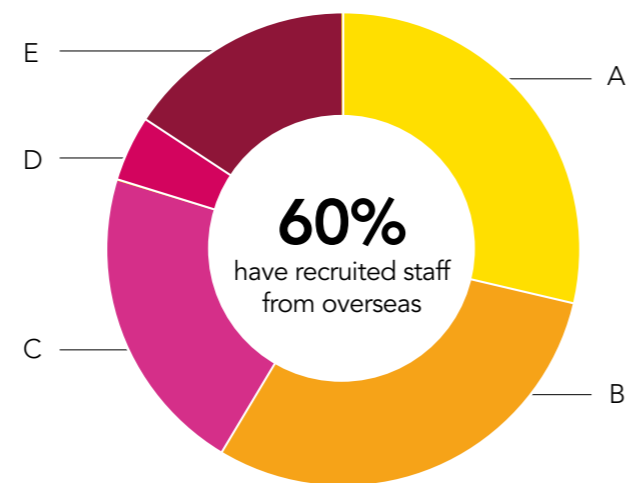
A. Very effective	22%
B. Somewhat effective	49%
C. Not very effective	16%
D. Not effective at all	4%
E. We don't have this measure in place	9%

We are offering higher salaries



A. Very effective	21%
B. Somewhat effective	45%
C. Not very effective	21%
D. Not effective at all	6%
E. We don't have this measure in place	7%

We recruit staff from overseas



A. Very effective	30%
B. Somewhat effective	30%
C. Not very effective	15%
D. Not effective at all	6%
E. We don't have this measure in place	19%

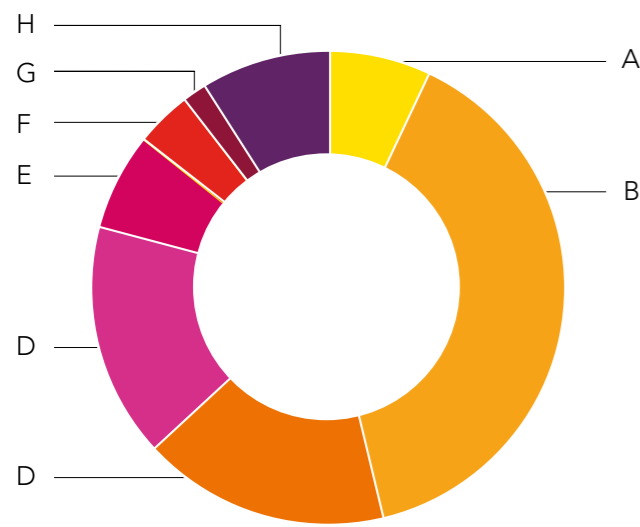


of employers reported that investment in leadership and management training was effective in addressing skills gaps



11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?

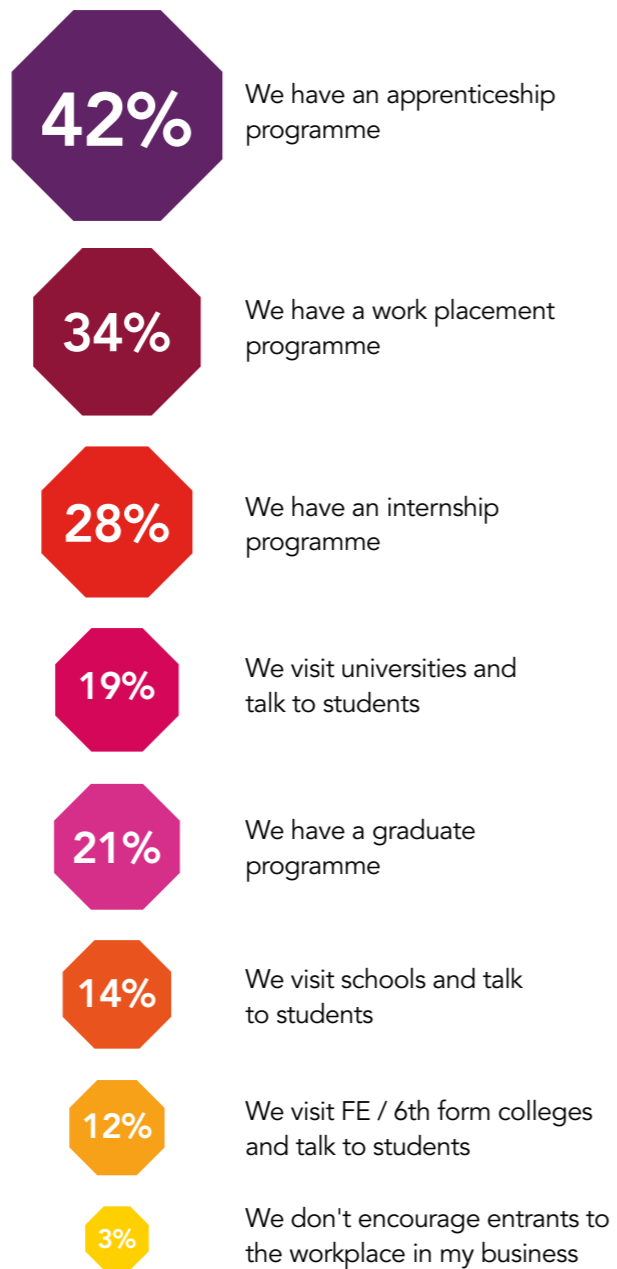
The highest number of employers (41%) anticipate increasing salaries by 6-10% in the next one to three years, in order to attract skilled staff to their business.



- A. 1% – 5% 8%
- B. 6% – 10% 41%
- C. 11% – 20% 15%
- D. 21% – 30% 14%
- E. 31% – 50% 6%
- F. 51% – 75% 4%
- G. 76% – 100% 2%
- H. I do not anticipate having to increase salaries to get the skilled staff I need in the next one to three years 9%

12. How do you encourage entrants to the workplace in your business?

Apprenticeships (42%), work placements (34%) and internships (28%) emerge as the most popular routes to entry for the accommodation and food services sector.



13. What kind of training do you offer your staff?

Accredited in-house training programmes, such as those offered by City & Guilds, are popular, offered by 42% of employers and almost the same amount (38%) offer apprenticeships to their staff, while leadership and management training is provided by a third, perhaps unsurprising as many employers struggle to recruit at this level.

Apprenticeships	38%
In-house training programmes accredited by an awarding organisation (i.e City & Guilds)	42%
Traineeships	29%
Leadership and management	34%
Unaccredited in-house training programmes i.e. anti-bribery,	26%
Degree	13%
Masters / MBA	13%
License to practice i.e. construction, dentist	11%
We don't offer any training for our staff	5%
Other, please specify	—





46% of employers said offering training has a valuable impact on staff loyalty and retention, while a similar amount said that training improved productivity

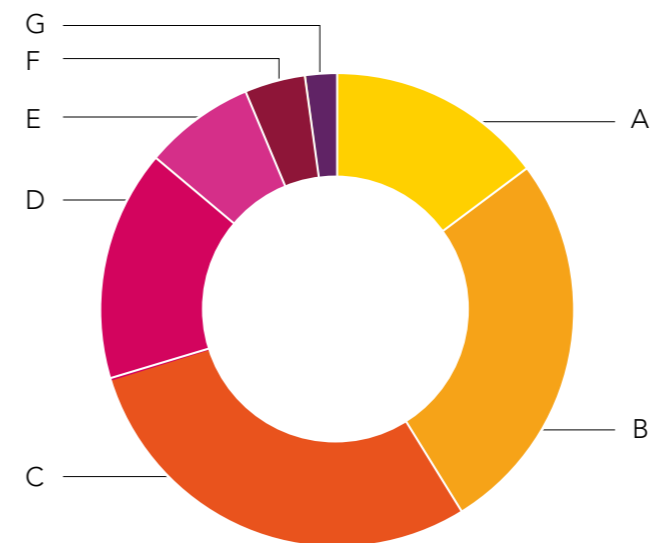
14. What value do your training programmes bring to the business?

Employers report a direct link between their training programmes and business outcomes such as better customer service (50%) and improved (53%) or higher (44%) productivity. Staff benefit too, as according to 46% of employers, training improves employee engagement, and encourages loyalty and retention.

Staff loyalty and retention	46%
Improved productivity	53%
Higher productivity	44%
Staff engagement	46%
Better customer service	50%
Increased staff well-being	34%
Reduced staff turnover	39%
Attraction of new talent	40%
Our training programme(s) bring no value to the business	1%
Other, please specify	—

15. Currently what percentage of your staff come from the European Union?

85% of employers in the accommodation and food services sector have staff that originate from the European Union.

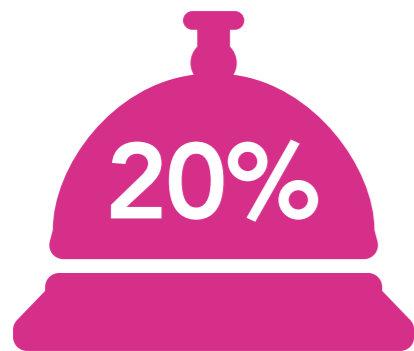


A. None	13%
B. 1% - 10%	26%
C. 11% - 24%	28%
D. 25% - 49%	17%
E. 50% - 74%	9%
F. 75% - 100%	5%
G. I don't know	2%



16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?

One in 5 employers in this sector admit that they have not put any measures in place to combat any difficulties in recruitment. Of those that have, upskilling the existing workforce is a popular option, with 30% of employers choosing this tactic, while some (24%) businesses are making efforts to become more attractive to UK workers (by improving pay and benefits, for example, or offering training and progression). Some (19%) employers are engaging with schools to increase home-grown recruitment, while others (21%) are considering turning to the international community to recruit from outside the EU.

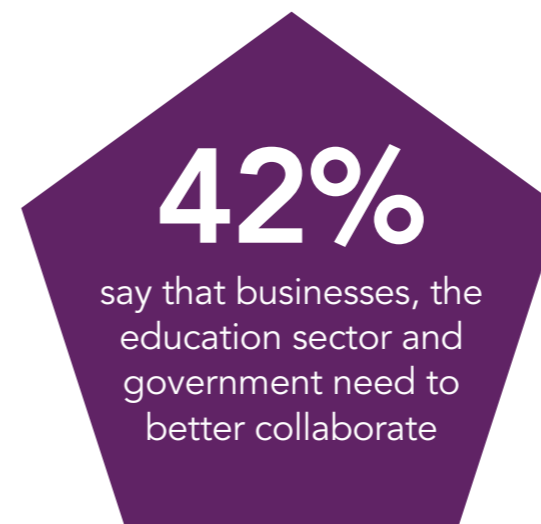


20% of employers in this sector admit that they have not put any measures in place to combat any difficulties in recruitment.

We are going to upskill our current workforce	30%
We are taking steps to make our business more attractive to UK workers (e.g. improving pay and benefits, improving training and progression opportunities)	24%
We are increasing our apprenticeship numbers	15%
We are considering employing more international staff (from outside of the EU)	21%
We are taking steps to make our business more attractive to international workers (e.g. improving pay and benefits, improving training and progression opportunities)	16%
We are engaging more with schools to increase local recruitment	19%
We have not put any measures in place to mitigate the negative impact of Brexit on my business' ability to recruit skilled people	20%
We will have to outsource work	9%
I will redeploy staff from other parts of the business	15%
Greater automation	11%
We are considering relocating our business	12%
Other, please specify	—

17. How do you believe that the skills gaps should be tackled in the UK?

Employers agree that the answer lies in learning and co-operation. 42% say that businesses, the education sector and government need to better collaborate while the same proportion argue that more investment in training staff is needed. 41% point out that educational institutions must become better aligned with the needs of the sector.

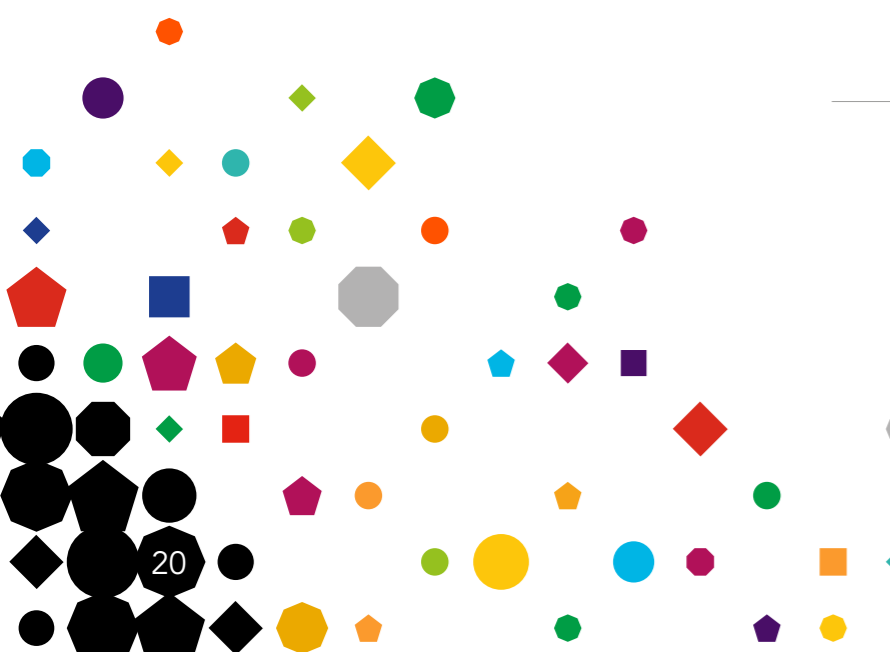


18. Which piece of Government policy do you think will be most effective at tackling skills gaps?

Around a fifth believe that the solution can be found in the Apprenticeship Levy (20%) the National Retraining Scheme (19%) or a new careers strategy (18%).

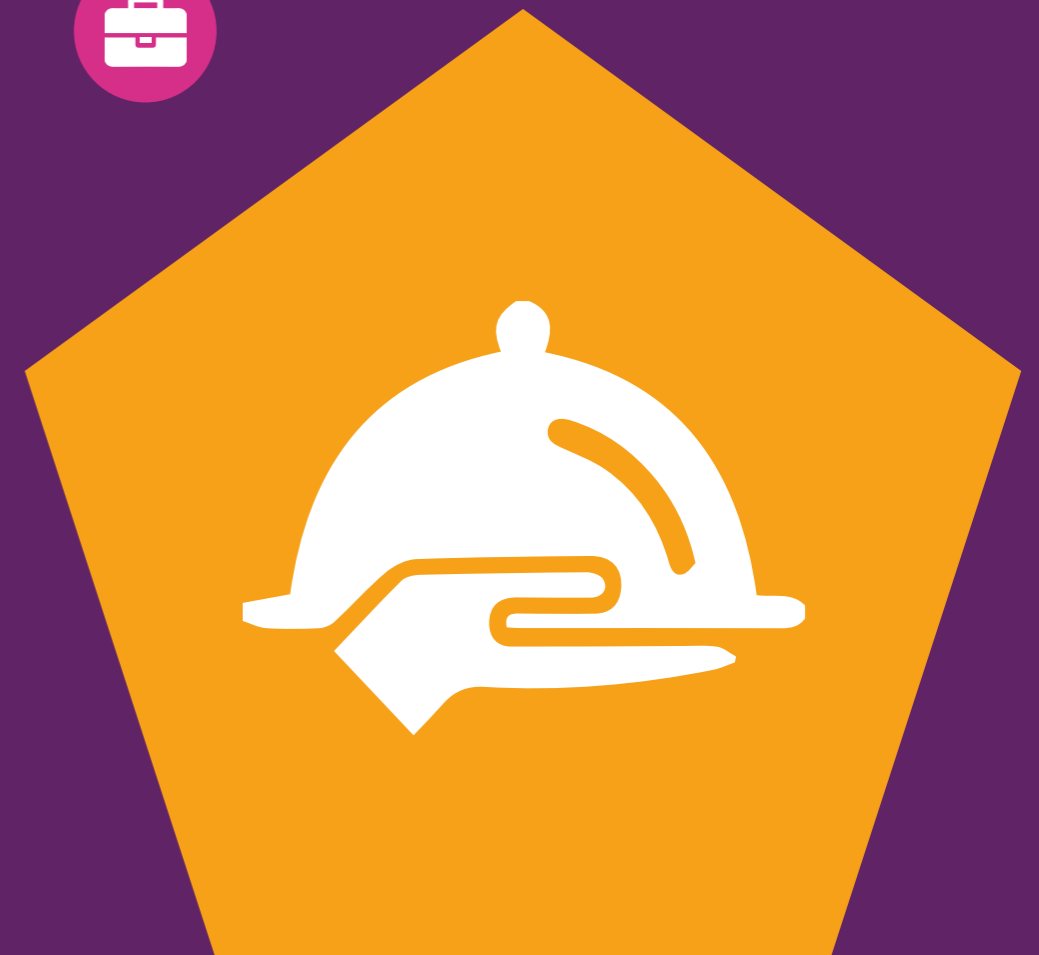


18% of employers believe the new careers strategy will be effective in tackling skills gaps



20%

of employers identify the apprenticeship levy as the best Government policy to tackle the skills gap

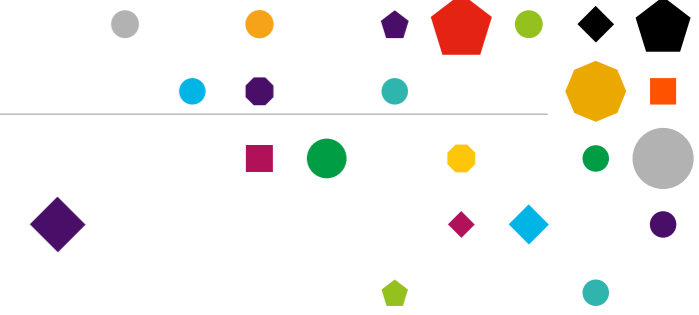
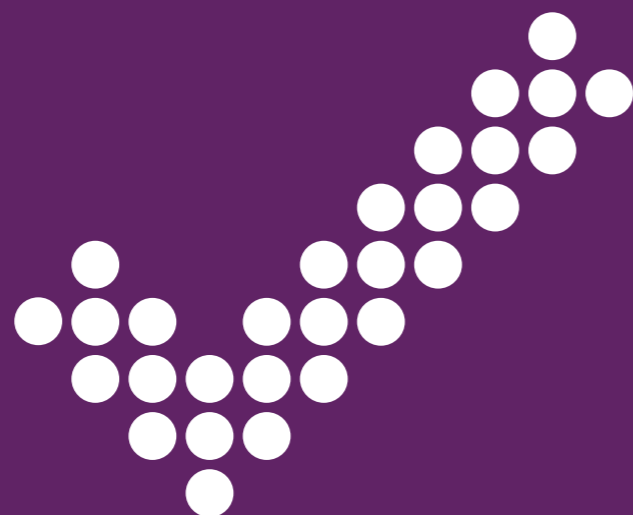


Recommendations

Our research has shown that UK employers are facing significant challenges as a result of skills gaps and skills shortages. Brexit is on the horizon and remains a largely unknown quantity, productivity is lagging behind other developed nations and there is a very real threat that skills gaps could significantly impact the UK's ability to perform on a global scale. Added to this, increased digitalisation, AI and automation are also playing their roles in contributing to the current state of flux.

We have set out nine recommendations for Government, employers and the education sector which address the concerns raised in this report. We believe these will help to create a skills system that is fit-for-purpose and can support a thriving UK economy, both now and in the future.

The statistics given in our recommendations are from employers across all industries.



1. Careers education, information, advice and guidance (CEIAG) needs to be redesigned for the modern world

Despite just 19% of our respondents telling us that they believed the careers strategy was the most effective way to tackle skills gaps, there is clear evidence to show that a lack of co-ordinated careers advice and guidance is hampering young people's chances of securing a successful career. This in turn contributes to the skills shortages faced by 9/10 employers who responded to this research.

We need to rethink the way that CEIAG is delivered to young people today. Generation Z are digital natives who are adept at consuming data on smart phones and devices. Making greater use of digital channels will democratise access to information about careers, with young people from all areas of the country and all walks of life able to access the same information from the same sources whilst also making sharing of information more efficient for employers and Government alike

2. T Levels could help to reduce skills gaps and provide a good route into work for young people if they are better promoted and embedded

T Levels are, in theory, a positive policy intervention that, if implemented correctly, could support young people into meaningful careers with real progression whilst at the same time helping to reduce the skills shortages many industries are facing. However, Government must recognise that it's a real risk for young people to choose to study an untested qualification that is not widely understood by employers. We know from recent research with AELP that just 17% of employers have a good understanding of T Levels. Our research echoed these findings with just 8% of employers stating T Levels were an effective skills policy intervention.

The Government will need to invest heavily to promote T Levels to young people and their parents so that they achieve the desired take up. There is also more work to be done to distinguish them from apprenticeships and make it clear to employers why both routes into work are valid and needed. Finally, what distinguishes

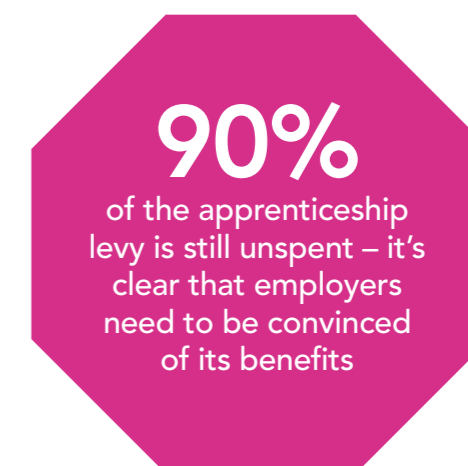
T Levels from other qualifications is the industry placement so it is essential Government provides enough financial support and guidance to ensure employers and providers can successfully deliver this essential element of the programme

3. Make the most of the apprenticeship levy to build a talented home-grown workforce and upskill employees at all levels

Brexit could create huge skills challenges particularly in sectors such as accommodation and food services, construction and retail.

The apprenticeship levy is an effective tool for developing home-grown talent and enabling people to progress through the workforce. However, with 90% of the levy still unspent it's clear that employers need to be convinced of its benefits. Employers should look at their talent development plans and see where the levy can be used to support reskilling and upskilling, as well as entry level recruitment.

Employers need greater support and advice from Government to help them recognise the benefits of apprenticeships and better understand how to access the system. Some thought should also be given to simplifying the current system, as employers have told us they find its complexity off-putting.



4. Government should consider widening the apprenticeship levy to meet employer needs

Whilst the apprenticeship levy was the most popular of the current Government initiatives to tackle skills shortages, still only a fifth (21%) of our respondents stated that it was the most effective piece of policy.

There has been a significant amount of media coverage since the launch of the apprenticeship levy focusing on the fact that the new system does not fully meet the needs of employers.

Government must be willing to listen to employers to make sure that the new-system genuinely works for them. There is appetite from across industry to broaden the scope of the levy and Government must work with employers to understand how they want to use their levy to support skills development in their organisations. This may require employers to provide evidence of investment in apprenticeships to unlock some use of levy for other reskilling/upskilling programmes.

5. Investing in training and development activity can have a significant impact on business performance

Our findings show that high-quality training programmes could help to tackle skills shortages by not only upskilling employees to do roles but also by encouraging current staff to stay with the business. Almost half (46%) of our respondents told us that their training programmes helped increase staff loyalty and retention.

Our findings also demonstrate that training helps to improve productivity within businesses (45% of employers agreed).

However, despite this proven business benefit, Britain has some of the lowest levels of employer investment in skills development in Europe with only Greece, Poland and Romania providing less employer-funded training. It is encouraging that almost half of respondents to the survey (45%) recognised that employers themselves need to invest more in training to help address skills gaps and Government and the education sector can play their part by demonstrating the value of skills investment through evidence-based case studies.



6. Employers should consider investing in quality on-boarding and engagement programmes

As noted in the research 9/10 employers experienced problems with skills gaps, hanging onto the people that you have already managed to recruit will help to mitigate some of these issues.

It is estimated that on average one third of new employees leave within the first six months of taking up a new role¹. Recruitment is expensive and laborious so having a comprehensive programme to pre-board, welcome and support new recruits into a business will mean that employers retain much more of the talent that they have invested so much time and effort in attracting.

Employers should consider allocating a buddy for new hires whilst they settle in, potentially elongating their on-boarding process to as long as a year and ensuring that staff have adequate access to any necessary training and advice needed to do their jobs effectively.

7. Effective leaders and managers will be essential to help businesses navigate Brexit and in the post-Brexit world

Employers cited Brexit as the single most concerning external factor facing their business, with almost half (46%) of respondents stating it would impact their productivity in the coming years. This is coupled with other skilled labour immigration constraints, all of which require UK Plc to look inwards for recruitment and staff development.

Having effective leaders and managers in place during this tumultuous time will be critical in helping businesses navigate change and transition from a pre-Brexit to post-Brexit world. Yet employers told us that leader and manager posts were most difficult to fill with almost half (47%) stating that they struggled to recruit these roles.

Only a quarter of respondents (27%) told us that they were planning to upskill their current workforce to mitigate the impact of Brexit and just a third (34%) told us that they offered leadership and management training.

Employers who aren't already doing so, should consider putting in place a talent management programme to identify future managers and leaders within their own organisations. Through the use of diagnostics tools they can identify talent within organisations and begin to develop it. This in turn will help with staff retention and engagement.

8. Training and development activity needs to be linked to business performance and its effectiveness constantly measured and evaluated

There was a clear mismatch between how effective employers believed their activity to develop skills was, with 77% stating that their talent management planning and management and leadership training activity was effective or very effective, with the incredibly high level of skills gaps and shortages that they were experiencing.

HR budgets and activity need to be seen as vital to business performance and HR departments must constantly measure their outcomes in terms of productivity and business performance



9. An independent body is needed to have oversight of UK skills policy and make sure it meets current and future skills needs

Employers were less than enthusiastic about any existing policy interventions; our research showed that 10% of employers think no Government policy is effective at tackling skills gaps.

Even less (8%) felt T Levels would be effective and just 14% of respondents felt the National Retraining Schemes would be the most effective way of tackling skills gaps

Part of the issue is that skills policy is currently developed in different places and in silos, resulting in disjointed policy that is not as effective as it could be at meeting UK skills needs now and in the future. Government often also lacks the required level of buy-in from employers when implementing policy (as has been seen with the apprenticeship levy.)

We believe a Skills Policy Institute should be created with representatives from across policy makers, education/training and industry to take a holistic view of existing skills policy and look at how it can be most effectively implemented now and in the next 5 to 10 years.



Methodology

We worked with economic modellers Emsi to map the UK jobs market and identify occupation changes over the next six years. All jobs and industries throughout this analysis use either 1-digit or 4-digit Standard Occupation Classification (SOC) and Standard Industry Classification (SIC) codes.

We also worked with researchers Censuswide and polled 1,000 employers to understand their first-hand experience of the labour market, get their thoughts about what they believe the future holds for their business over the next three to five years and how well equipped they feel they are to meet the challenges of today and tomorrow. Research was undertaken in March/ April 2018.

Methodology for employer research carried out by Censuswide

The research was conducted via online survey by Censuswide, with 1,006 UK C-Suite level personnel in UK between 05/04/2018 – 30/04/2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Methodology for economic modelling carried out by Emsi

Emsi labour market data is created from a collection of nine Government sources, which they combine to provide multi-layered cross-checking. This includes:

Business Register Employment Survey (BRES); Workforce Jobs Series (WJS); Working Futures (WF); Annual Survey of Hours and Earnings (ASHE); Labour Force Survey (LFS); Annual Population Survey (APS); Mid-Year Population Estimates; Subnational Population Projections; Annual Business Inquiry (ABI).

