



# THE LABOUR MARKET AND SKILLS NEEDS OF THE TOURISM AND RELATED SECTORS IN WALES

## Executive Summary

of research undertaken between November 2003 and March 2004 by

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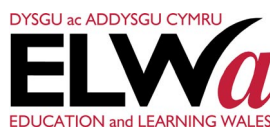
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commissioned by the

**Tourism Training Forum for Wales**

and funded by



EUROPEAN UNION  
European Social Fund  
YR UNDEB EWROPEAIDD  
Cronfa Gymdeithasol Ewrop

# EXECUTIVE SUMMARY

## KEY MESSAGES

- As the remit of the Tourism Training Forum for Wales is extended to cover 'non-tourism' industries, full population surveys of employers in these industries need to be undertaken to establish more detail about the nature of their business and their specific skills needs. This approach is also important to develop networks with these industries, as some individuals in particular sectors were found to be circumspect of anything with 'tourism' in the title.
- The development of a methodology for the maintenance of labour market and skills needs data gathered at local levels is an urgent priority as a management tool on which to base workforce developments to inform public sector interventions in Wales and continue to enhance the quality of the Welsh tourism product.
- Complications surrounding the quality and availability of official statistics mean that it is difficult to construct a complete picture, as official classifications do not map well onto the new sector footprint for the Sector Skills Council for Hospitality, Leisure, Travel and Tourism (People 1<sup>st</sup>) and it is often impossible to compare data.
- There are inherent problems in defining the tourism sector and the very factors that make tourism so beneficial to the economy also make it very difficult to measure as tourism indirectly supports a number of other sectors.
- Across the fourteen industries within the sector footprint, some blurring of definitions exists, as some operators do not fall distinctly into one industry.
- The industry is characterised by micro-businesses, many of who are not well equipped with practical business planning and marketing skills to compete successfully. There is a need to support those motivated to develop profitable businesses and emphasise the inherent role of trained staff.
- There is consensus on the need to upgrade skills; improve professionalism amongst employers and employees; and nurture a training culture as an integral part of overall business performance. Upgrading skills and improving professionalism requires operators to take ownership of their problems, rather than reacting to public sector initiatives.

## INTRODUCTION

To facilitate the work of People 1<sup>st</sup> in Wales, detailed information is needed on labour market and skills needs for the sector footprint. The sector footprint is defined by Standard Industrial Classification (SIC)<sup>i</sup> codes and includes: Hotels (55.1); Youth hostels (55.21); Holiday parks (55.23); Self catering accommodation (55.23); Restaurants (55.3); Pubs, bars and nightclubs (55.4; 92.34); Contract Food Service providers (55.5); Travel services (63.3); Tourist services (63.3); Visitor attractions (92.33; 92.53); Membership clubs (92.34); Gambling (92.71); Events and Hospitality services.

DTZ Pieda undertook the last detailed exercise in 1998 and there is limited up-to-date information on a regional and all-Wales basis. Existing data is often disparate and does not follow a common methodology resulting in a wide variety of intelligence obtained at local and regional levels through strategies, reports, assessments and projects, which are extremely difficult to collate into a national picture. Hence, the opportunity existed to supplement a collation of extant information with

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<sup>i</sup> SIC is a system to classify businesses by the type of economic activity they are in. 2-digit SIC codes classify businesses into main sectors, e.g.: SIC 55 Hotels and Restaurants. These sectors can be broken down into: groups using 3-digits, e.g.: SIC 55.2 Campsites and other provision of short-stay accommodation; sub-groups using 4-digits, e.g.: SIC 55.21 Youth Hostels.

quantitative and qualitative data to produce a single cohesive analysis of the Welsh tourism labour market and skills needs.

This assessment of the labour market and skills needs of the tourism and related sectors in Wales has been developed for the Tourism Training Forum for Wales (TTFW). The report was required to:

- Undertake comprehensive desk research in order to identify and use all available data to construct a picture of the labour market and skills needs across the tourism sector in Wales.
- Present an overview of the research needs of the tourism sector.
- Provide an assessment of the labour market and skills needs of the tourism and related sectors which includes a detailed analysis of the results on a regional and all-Wales basis.
- Propose a common model/methodology for the future.

## RESEARCH PARAMETERS

In addition to the problems of defining tourism and the industries within the sector footprint, there are complexities surrounding official statistics on the labour market and learning participation.

### Employment

Most of the data is from the Office for National Statistics (ONS) and there is limited availability of reliable information. Data for the events and hospitality services industries cannot be obtained from official SIC codes. It is impossible to separate travel services from tourism services (SIC 63.3), so information is provided for these in total. At 4-digit SIC code level, it is impossible to distinguish between Holiday Parks and Self-catering Accommodation; whilst at 3-digit SIC code level, it is impossible to distinguish between Youth Hostels, Holiday Parks and Self-catering Accommodation. At 3-digit SIC code level Membership Clubs cannot be separated from some Visitor Attractions and Nightclubs. Therefore, the relevance of SIC codes varies across the footprint. Official figures show direct employment in specific sector of the economy most easily associated with tourism. They exclude self-employed people and indirect and induced jobs in tourism-associated activities. To create a picture of the structure of the economy of the tourism and related sectors in Wales, research is currently limited to employment data by SIC obtained from the Annual Business Inquiry (ABI) and the quarterly Labour Force Survey (LFS) at sub-regional level. The ABI survey is concerned with employees in employment; however, it does not include the self-employed and working proprietors. LFS collects information on the economic activity of those aged 16 or more years of age and includes figures for self-employment. However, the nature of these sample surveys means that data at local levels is often undisclosed.

### Job vacancies

Data on job vacancies is obtained through the National Online Manpower Information Service (NOMIS), which draws information from Jobcentre Plus. This data is only available at 2-digit SIC code level, which gives limited data for broad classifications, or 4-digit Standard Occupational Classification (SOC)<sup>ii</sup>, which highlights specific occupations. SOC is 'person-related' (English Tourism Council, 1999), so it is impossible to allocate people to tourism, as there is no direct relationship between SIC and SOC. For example, vacancies for chefs and cooks identified by SOC may not all relate to SIC 55, as some vacancies may exist within other related SIC codes. Additionally, job vacancy data is only available by Travel to Work Area or Jobcentre Plus offices/districts not unitary authority level. Job vacancy data from NOMIS only relates to officially-

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<sup>ii</sup> SOC classifies paid jobs. Job titles are classified into groups according to how long it takes to become fully competent and the nature of the skills required. Broad occupational categories, e.g.: SOC 1 Managers and Senior Officials, are broken down into: sub-major groups using 2-digits, e.g.: SOC 12 Managers and Proprietors in Agriculture and Services; minor groups using 3-digits, e.g.: SOC 122 Managers and Proprietors in Hospitality and Leisure Services and unit groups using 4-digits, e.g.: SOC 1226 Travel Agency Manager.

notified vacancies. If employers do not advertise their vacancies through Jobcentre Plus, they are not counted within official figures; hence Jobcentre Plus vacancies underestimate the true number of vacancies. Additionally, from April 2001, the introduction of regional call centres for registering vacancies distorted the counting of job vacancies in different areas and since April 2003, the numbers of notified vacancies have been affected by Jobcentre Plus initiatives to increase notifications from employers.

## **Learning participation**

There are disparities in the criteria used to collect data for statistics on learner participation in tourism and related courses at further education (FE), higher education (HE) and work-based learning (WBL) levels. The database maintained by the National Council does not hold more detailed SIC codes than 2-digits. This means that a distorted picture exists for the whole sector, apart from SIC 55 (Hotels and Restaurants). Whilst detailed information is available for FE and WBL learners enrolled on courses classified under SIC 55, such detail is not available for tourism (SIC 63.3) and other related sectors (SIC 92.33/4; 92.53). HE data is derived from the codes given to courses by individual HE institutions. Total figures will depend on how a course is classified by the institution and joint degrees may complicate total student numbers reported. In 2002/03 a new subject classification was introduced, which disaggregated the previous 19 broad subject areas into 159 principal subjects. Whereas 'tourism' had previously been classified under 'catering and institutional management', from 2002/03 'tourism, transport and travel' have a separate code, therefore, data is not comparable to that previously published. For HE courses delivered at FE institutions, the validation arrangements of HE courses will determine which institution reports HE students.

## **RESEARCH METHODOLOGY**

The research was conducted over two stages. Stage 1 was designed to include desk research on existing labour market intelligence and exploratory qualitative research across Wales with key stakeholders and industry representatives from all fourteen industries within the sector footprint. Stage 2 was designed to quantify and add breadth to the qualitative data.

In-depth interviews were conducted with 86 key stakeholders. Through this process, we gathered information on perceptions of the labour market and skills needs, as well as tourism developments likely to impact upon the labour market. Initial consultations highlighted the extended scope of the tourism and related sectors.

Stage 2 involved the development and implementation of an employer survey to provide a current 'snap shot' of the labour market and skills needs, as preliminary findings indicated that much of the specific detail required by the project brief could only be obtained through primary research. In addition, it was essential to try and quantify the qualitative data gathered in Stage 1. Our bilingual employer survey was web-based and developed using SNAP software. We drew on previous related surveys in the design stage, to ensure an element of consistency and electronically distributed the survey to 4,100 businesses.

108 useable responses were received, a response rate of 2.6%, predominantly from three industries: Hotels (33); Self-catering Accommodation (22) and Visitor Attractions (16). Other responses were from: Holiday Parks (10); Events (7); Tourist Services (7); Travel Services (4); Restaurants (3); Membership Clubs (2); Contract Food Service providers (1); Gambling (1); Pubs, Clubs and Nightclubs (1); Youth Hostels (1); No responses were received from Hospitality Services.

## **EXISTING LABOUR MARKET INTELLIGENCE**

Comprehensive desk research of existing data on the labour market and skills needs of the tourism and related sectors in Wales illustrated limited information and evidence by regional and all-Wales levels. Common methodologies identified include: a reliance on secondary data sources and consultations with the public sector and industry. Whilst there is evidence that most of the reports

have been through a consultation process, the extent of this process is not always evident nor the level of consultation with a range of tourism employers. Much anecdotal evidence is present, as many reports comment on the need for skills development at different levels and that current learning provision does not meet the needs of employers, but few contain detailed evidence to support these comments. Many reports refer to the need for training provision in the area to be more demand-led, but it is rarely evident what action has been taken to identify what the industry actually requires. The labour market intelligence presented is variable, whilst some reports contain detailed information; this is not replicated across Wales, which creates difficulties in developing an all-Wales picture.

Reports which incorporate triangulation of data and research methods have far more evidence upon which to base claims in relation to the labour market, learning provision and skills needs of the sector. A number of reports refer to specific industries, such as hotels, self-catering accommodation, tourist information centres and visitor attractions, whilst others tend to refer to the generic 'tourism' industry. There is no breakdown of labour market or skills needs information into SIC codes and little reference is made to travel services, which may be a result of the nature and operation of these industries. There is no information on related sectors, such as contract catering, membership clubs, gambling and hospitality services. Information on sectors that serve local markets as well as tourism markets is rarely commented upon.

Reports such as DTZ Pineda (1998) and Stevens and Associates (1998) identified persistent recruitment difficulties in the areas of catering and housekeeping. The need for the development of management skills as well as general and specialist skills was also noted. However, desk research demonstrates that these issues are still being raised as problem areas. It was impossible to 'combine' existing intelligence to produce an all-Wales picture, as the information contained in individual reports was extremely disparate, which can make it difficult to move forward coherently at a national level and avoid duplication. However, areas upon which all reports achieved consensus are the need to upgrade skills and improve professionalism in the tourism sector, amongst employers and employees, and the need to nurture an integral training culture. The desk research illustrated gaps in existing information on the labour market and skills needs of the tourism and related sectors in Wales, specifically:

- The need to collect evidence from tourism and related sector employers across Wales to substantiate claims that exist in respect to skills needs.
- The need to obtain standardised labour market information for all areas in Wales across all the industries covered by People 1st, in order to create an all-Wales picture.

## **THE CURRENT OFFICIAL PICTURE OF THE TOURISM AND RELATED SECTORS IN WALES**

- 89,751 people are employed in the tourism and related sectors in Wales, representing 7.7% of the total number of employees in Wales.
- Just over one-fifth of the workforce is employed in restaurants; followed by pubs, clubs and nightclubs; and hotels.
- South East Wales accounts for 50.4% of the total number of employees across the sector. South West Wales accounts for 20%; North Wales 19% and Mid Wales 10.5%.
- 44.5% of sector employees work part-time (compared to 54% across the sector in Great Britain).
- Almost 75% of those employed in youth hostels, holiday parks and self-catering accommodation and over 82% of those employed in 'other recreational activities' (including gambling) are full-time.
- Across the sector in Wales, nearly 60% of the workforce is female. This is similar to the figure for Great Britain of 58%.

- Females are particularly dominant in: restaurants; contract food service providers; travel services and tourism services. Whilst nearly 85% of the workforce in 'other recreational activities' (including gambling) is male.
- Nearly 17% of the workforce is aged under 20. However, 39% of the workforce is aged between 25 and 44, with almost 30% aged over 45. The sector has traditionally recruited a younger workforce, but these figures demonstrate that employers are seeking alternative labour sources.
- 11,811 are recorded as self-employed across the sector in Wales. This represents 6.9% of total self-employment in Wales.
- In the twelve months to January 2004, notified vacancies for kitchen and catering assistants; bar staff; chefs/cooks; receptionists; restaurant and catering managers; housekeepers and waiting staff remained constant throughout the period.
- In January 2004, the highest notified vacancies were sales and retail assistants (726); cleaners and domestics (418); kitchen and catering assistants (218) and chefs and cooks (217). Of the total notified vacancies for chefs and cooks, 54% of vacancies were in Cardiff.
- 11.4% of employees in the sector have a degree or equivalent, but 10.2% of the workforce holds no qualifications.
- 11,895 students are currently enrolled on full and part-time tourism or hospitality FE-level courses across Wales.
- Currently, 880 students are enrolled on full and part-time tourism or hospitality HE-level courses across Wales. 760 of these students are enrolled at HE institutions and 120 students are undertaking HE-level courses at FE institutions.
- 4,382 learners are currently enrolled on training programmes across the sector in Wales.

## **LABOUR MARKET, LEARNING PROVISION AND SKILLS NEEDS**

### **Labour market**

A critical shortage of qualified chefs and cooks, kitchen assistants, skilled restaurant staff and housekeeping staff is reported and the influx of call centres in some areas has impacted on the availability of reception staff. The tourism industry still suffers from an image problem, which affects recruitment into the industry, coupled with lower unemployment and greater competition for staff. The UK Benefits System does not help recruitment - many part-time employees risk losing benefits by working more hours, so many employers consider flexibility in their job design. The external environment is such that the labour supply can dictate to the labour demand.

Skills shortages are a feature of the Welsh labour market and the most common reason cited for hard-to-fill vacancies (Future Skills Wales, 2003). Employer reports of hard-to-fill vacancies amongst chefs, cleaning and waiting staff corresponds with the high number of officially notified vacancies.

There is a shift by some employers towards more proactive recruitment and retention strategies and a growing trend towards specifically recruiting overseas staff. The European Employment Services Network (EURES) reports that over the last 3 years more tourism employers are looking to Eastern Europe for employees for seasonal and longer-term work. However, there are extra costs and issues about balancing imported staff with local community attitudes.

Staffing shortages caused by persistent hard-to-fill vacancies impact on business performance, service quality and ultimately visitor experiences. The survey reported: increased stress levels for existing staff; loss of quality in service delivery; inability to expand the business; increased recruitment costs through advertising; difficulties in meeting customer service objectives. Furthermore, staffing shortages also impact on time available for training and development and the ability to operate at full capacity; achieve desired profit margins or reinvestment in the business.

Many micro-businesses are not concerned with labour market issues, as they do not believe that it affects them. It is important to encourage them to see the bigger picture, that the industry in Wales needs quality staff to achieve a good reputation and deliver a quality product, but quality requires investment. Employees and red-tape cause problems for lifestyle businesses so act as barriers to expansion. Some operators report downsizing to run employee-free businesses.

### **Learning provision**

Many respondents felt that learning provision is sufficient in terms of the number of tourism and hospitality courses at FE and HE levels. However, it does not follow that provision reflects what the industry needs. Supply is often dependent upon the location of the business and formal training often leads to qualifications, which are often not drivers for small and micro-businesses. There is a mismatch between learning providers and the requirements of operators in the tourism and related sectors, which reflects the different objectives between learning supply and demand. In order to effectively meet demand, learning providers, may need to fundamentally change the way that they operate. Learning provision is often seen to be 'inflexible', therefore, providers need to consider their delivery mechanisms and encourage the industry to adapt to non-traditional ways of learning. Training projects which have received positive feedback from operators are those which have consulted on training needs and tailored courses to address those needs. However, far more communication is required between providers and industry, as one respondent commented:

*There has been little consultation with the trade regarding training needs; perhaps a better understanding would benefit all concerned. Academics rarely have relevant experience of the industry, which is an ever-changing beast.*

### **Skills needs**

WTB's strategy (2000: 8) notes the need to 'develop a well-trained and motivated workforce'. However, 1 in 5 of Welsh employers report gaps between employee skills and skills needs (Future Skills Wales, 2003) and most respondents reported skills gaps amongst existing employees, particularly in relation to: customer service skills: including communication; generic skills and attributes: including initiative and personal presentation and occupational-specific skills, e.g. chef and silver service skills. Skills gaps are reported to have caused: difficulties in introducing new technological changes; difficulties in introducing new work practices; difficulties in meeting customer service objectives and delays in introducing new products or services.

Employers also reported general attitude problems and a lack of basic literacy and numeracy amongst some potential recruits. Small businesses need multi-skilled and multi-faceted staff and as a result of skills needs many companies are moving away from the traditional benefits of recruiting people with craft skills, as they can train to specific standards if recruits have the right attitude, enthusiasm and commitment. Survey responses identified: attitude (24.3%); personality and enthusiasm (20.7%); communication skills (17%) and interview (9%) as 'extremely important' in the recruitment process. Foreign language skills (29.9%); Welsh language skills (24.7%); formal qualifications (10.4%) and the application process (10.4%) were rated as 'not important at all' in the recruitment process.

There is often in-built resistance to training designed to develop the standards and professionalism required by the tourism market. Small family businesses often feel that they have learned all they need through experience; employers of part-time and seasonal staff often do not feel that investment in training is affordable; and training courses are not flexible enough to be fitted in around business demands. In addition, work needs to be done to change the attitude of some employer's towards training, rather than develop an industry that becomes dependent on funding for training. Employers need to recognise the business value of continuous training.

Small and micro-sized businesses need encouragement to engage in training and development, product enhancement and destination knowledge. Basic business advice would enhance professionalism and service quality and poor staff retention rates are often related to poor human

resource management practices. However, such businesses often face the dilemma of satisfying the conflicting skills development needs of their staff and business with the pressures from customers.

## **FUTURE SECTOR DEVELOPMENTS**

A number of industries in the sector footprint will be affected by future developments that will directly or indirectly impact upon the labour market and skills needs in Wales. These include regulatory relaxations for betting shops and casinos; the trend towards table service in pub catering; the threat of standardisation of pub menus; the costs associated with employment legislation; limited adaptations of tourism catering to specific tourist markets and the growth of activity, cultural, golf, sports, events-led and business tourism, as well as the potential of the luxury short breaks market.

## **FUTURE RESEARCH METHODOLOGY**

The development of a methodology for the ongoing assessment and maintenance of labour market and skills needs data in Wales is an urgent task for whoever manages People 1<sup>st</sup> in Wales. Such data should be a managerial tool to inform public sector interventions in the industry and help maintain the competitiveness of Wales as an international tourism destination.

It is proposed that future research models gather data at a localised level, through existing tourism associations or, where these are not particularly active, through Regional Tourism Companies in North and Mid Wales. This information will then feed into the national picture. The advantages of this approach are that networks are better established, response rates may be improved and a localised approach may enable operators to see the relevance of collecting labour market and skills needs data for their specific business needs. Additionally upgrading skills and improving professionalism requires operators to take ownership of their problems, rather than reacting to public sector-led initiatives. Therefore TTFW needs to facilitate partnerships with businesses in order to achieve outcomes and gain an enhanced picture.