Stakeholder perspectives on hospitality in the UK

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Revised Report

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Content

Introduction ....................................................................................................................1
1 Economic and employment development in the sector .................................1
2 General background on the stakeholders .........................................................4
3 Historical overview .............................................................................................5
4 Current developments and estimates ...............................................................7
5 Collective bargaining and social dialogue .........................................................9
6 Relationships with other actors and institutions ..............................................11
7 Future perspectives .............................................................................................11
8 Conclusions .........................................................................................................12
References ................................................................................................................12
## List of abbreviations and acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFAT</td>
<td>European Federation of Trade Unions in Food, Agriculture and Tourism</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>HOTREC</td>
<td>Hotels, Restaurants and Cafes in Europe</td>
</tr>
<tr>
<td>SIC</td>
<td>Standard Industrial Classification</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>WALQING</td>
<td>Work and Life Quality in New and Growing Jobs</td>
</tr>
</tbody>
</table>
Introduction

The aim of this report is to provide an overview of stakeholders’ perspectives of work quality in the UK hospitality sector. Employing an estimated 2.4 million across a diverse range of occupations within hotels, restaurants, event management and catering, and with a turnover of around £90 billion a year, the hospitality sector makes a substantial contribution towards the UK economy (Oxford Economics, 2010). Catering, the selected subsector for the WALQING project, involves the provision of food to workers in business and industry, and to workers and the general public in educational institutions, healthcare institutions, local authorities, prisons, defence and other not-for-profit outlets (British Hospitality Association, 2010a). Three stakeholders were invited to discuss employment conditions and trends in the broader sector and in catering, including a trade union, a trade association for hospitality organisations, and a sector skills council responsible for skill provision in hospitality and the closely aligned tourism industry.

1 Economic and employment development in the sector

Key organisational and employment characteristics of the UK hospitality sector are summarised below.

Structure and size

The hospitality sector in the UK is comprised of four main types of organisations: hotels, restaurants, caterers and event management services. Catering, a specific focus for this study, falls under two categories: (1) food and service management, i.e., private and external contract caterers, and; (2) hospitality services, i.e., private and public sector inhouse caterers. The vast majority of enterprises in this sector are private; it is only in catering that public sector services can be found, although this is a changing picture with much of this work having been contracted out to the private sector over recent years (Rimmington & Smith, 2006). In 2009 there were estimated to be 63,400 restaurants, 10,200 hotels, 7,500 food and service management organisations (i.e., contract caterers), and 3,000 event management organisations in the UK (People 1st, 2010). Contract catering therefore makes up around 9% of private hospitality enterprises in the UK. The number of inhouse catering service providers is not known but reports suggest that a significant proportion of catering provision within public sector operations is still undertaken inhouse (People 1st, 2008a; 2008b). For example, 26% of secondary schools in England employed inhouse caterers (People 1st, 2008a), whilst prisoners were trained to work as chefs within prisons (People 1st, 2008b). What is known is that caterers tend to be small, micro-organisations employing on average around 6.7 full-time or equivalent workers (British Hospitality Association, 2010c).

The hospitality industry as a whole is estimated to be the UK’s 5th largest, generating £90 billion in turnover, and worth £46 billion to the economy in terms of Gross Value
Added\(^1\) (British Hospitality Association, 2010a; Oxford Economics, 2010). Contract catering alone contributed £13 billion, 28% of the total (British Hospitality Association, 2010a). In addition to this, the public sector has been estimated to spend £2 billion a year on hospitality provision (i.e., food and beverages to service users, employees, etc.) (National Audit Office, 2006)\(^2\).

The number of people employed within hospitality was estimated to be at around 1.6 million in 2009 (People 1\(^{st}\), 2010b). Of these, the vast majority (i.e., 39%) were working in restaurants, approximately 614,000. In terms of catering, around 200,000 were employed in external provision, and around 200,000 in inhouse provision. An accurate figure is difficult to obtain because of: (1) limitations to the use of Standard Industrial Classification [SIC] data within this sector (Oxford Economics, 2010), and; (2) the high usage of informal and temporary contracts (People 1\(^{st}\), 2010b). In terms of the typical profile of employees, those in hospitality are young (i.e., less than 30 years old), working part-time and are still in education (i.e., students), and a slightly more likely to be female. Around 20% are migrants, but in the restaurant subsector in London this rises to 84%. The level of qualifications held is extremely low, with around one-third of employees having no or only basic qualifications (British Hospitality Association, 2010, 2010a). Employee turnover is very high, the highest out of all UK industries, averaging 30% per year (People 1\(^{st}\), 2010b), with the greatest turnover seen within restaurants and particularly in front-of-house roles (e.g., bar staff; waiting staff).

**Employment trends**

Over the past eleven years the size of the UK hospitality workforce has gradually increased despite an overall net loss of 6% of jobs during the economic downturn (Oxford Economics, 2010). The sector also attracted a large number of migrant workers over the same period, with a notable influx arriving from Eastern European countries including Poland, Slovakia, Lithuania and Hungary (People 1\(^{st}\), 2010b).

With such wide sectoral variation in subsectors, types of organisations and occupations, it is difficult to forecast general employment trends. For example, although the size of the workforce is anticipated to grow by 9% by 2017, this growth is not evenly distributed across the subsectors (i.e., growth is expected in hotels and catering whereas the number of public houses are declining) (People 1\(^{st}\), 2010b). The government’s immigration policy, specifically their immigration cap\(^3\), is likely to have a major impact on the recruitment of employees and promote sector skills shortages in, for example, chefs of Asian-Oriental cuisine. In response, it has been suggested that the sector focus on improving sustainability through attracting more indigenous workers and promoting better training.

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\(^1\) Gross Value Added is the calculation of an industry’s total revenue against its costs (excluding wages and salaries).

\(^2\) This figure likely includes both inhouse and contracted catering.

\(^3\) The immigration cap is set to restrict the numbers of migrants entering the UK from outside the EU to around 20,000, and allow only those in who are investors or skilled to degree level. This will be formalised in April 2011.
and development. In contract catering, for example, greater profit can be realised through offering additional facilities management services and utilising a more highly skilled and flexible workforce (British Hospitality Association, 2010c).

**Pay and conditions**

Pay levels are very low within the hospitality sector, with the typical rate for kitchen workers being approximately £6.77 per hour, less than £1 per hour above the national minimum wage (Annual Survey of Hours and Earnings, 2009). Moreover, the average wage for these workers fell by 1.5% between 2007 and 2008, reflecting the economic downturn at the time.

Within catering, jobs are relatively stable: around 50% of employees have full-time permanent contracts, and 50% part-time permanent contracts, with the proportion of part-time contracts having declined somewhat since 2005 (People 1st, 2010b). Temporary employment can be found in other areas of the sector that are subjected to seasonal or fluctuating demands (e.g., in hotels; restaurants; event management).

There are very low entry requirements for jobs in hospitality, and employees are typically trained to the required standard during induction, on-the-job or via apprenticeship schemes. Basic training in food hygiene and safety is a legal requirement for jobs involving food handling (i.e., catering; restaurants). It has been suggested that the hospitality industry invests significantly in training, more than in most other industries (People 1st, 2010b). However, employers in contract catering rate the qualifications system as particularly poor (People 1st, 2010b), and a quarter of organisations in the sector recognise that they have staff that have skills gaps and are otherwise not fully proficient at their jobs (UK Commission for Employment and Skills, 2010).

In terms of the characteristics of catering roles specifically, employees often have heavy workloads (e.g., around peak service times such as at lunchtime) and are exposed to physically demanding conditions (e.g., hot, noisy, tiring) and high-risk tasks (e.g., through the use of dangerous machinery). Working patterns may be irregular and sometimes involve evenings, nights, weekends and public holidays. From a more positive perspective, work is typically team-based with the potential for offering high levels of social support.

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4 The National minimum wage for those over the age of 21 is currently £5.93 per hour.
2 General background on the stakeholders

Three stakeholder organisations were involved in this study; all were key players in the UK hospitality sector.

The trade union

The trade union involved in this study is the UK’s largest, representing around 1.5 million members across all industries, including hospitality. The main function of the trade union is to protect and promote its members’ interests, which it does through its organising and representation activities. One of the trade union’s main objectives is to encourage unionisation within the substantial non-unionised workforce; another is to develop its operations globally. The trade union interviewee has a senior role at national level where he oversees and coordinates activities within the arm of the union that covers the hospitality sector.

The trade association

The trade association involved represents organisations in the hospitality sector including hotels, restaurants and food service providers (e.g., caterers; canteens). Its main functions are to promote the interests of its members and to partner with government on policy issues, with the overall goal being to drive industry growth. It also provides a range of support services, for example, legal advice help lines. The trade association is a wholly private enterprise funded by its membership subscription fees. The trade association interviewee holds an executive position and is involved in the coordination of lobbying activities directly with government.

The sector skills council

The sector skills council involved is a part-government, part-employer funded organisation that aims to develop skills within hospitality, leisure, travel and tourism. Acting as a conduit between government and organisations, the sector skills council seeks to secure funding to develop and reform qualifications and training programs, conduct industry research, influence government and policy, and provide a hub of information for sectoral employers. The sector skills council interviewee is a director who is involved in administering research activities and developing the qualifications framework, as well as overseeing and managing policy and its implications.
3 Historical overview

A number of questions on the history of this section were asked on: (1) representation; (2) changes in sectoral employment; (3) traditionally vulnerable groups.

Representation

At over 100 years old, the trade association had been established the longest. The trade union in this study was three years old and had formed after a merger between much older trade unions. Despite a union presence in the sector, trade union representation was described as ‘low compared to other industries’, an issue that was compounded by poor levels of union recognition amongst employers and high labour turnover. However, unionisation in London was higher than in other regions because of its greater concentration of hospitality organisations. Trade unions and employers were involved in wage councils, which set national wage rates until their abolishment by the conservative government in 1993. The third stakeholder, the sector skills council, who had replaced two national training organisations six years ago, developed as part of a government initiative to roll out sector skills councils across UK industries. Overall, hospitality appeared to be adequately represented in terms of the type and remit of stakeholder organisations, but it was difficult to assess their effects on the privately owned small enterprises who make up the majority of the sector, and who do not belong to any association and are not unionised.

Sectoral changes

Enforcement of regulation through, for example, the National Minimum Wage Act (1998) and Employment Relations Act (1999) had significantly improved employee rights in this sector. In the first case this meant that hospitality employees, who had traditionally been very low paid, were now entitled to the national minimum wage (see Footnote 5). According to the trade association, with rising costs, this was initially difficult for employers in this sector; despite this, employment has continued to grow year-on-year (British Hospitality Association, 2010a; Williams, Adam-Smith & Norris, 2004). In the second case, employees now had the right to legal representation for their disciplinaries and grievances, a role undertaken by trade union representatives. This was a ‘double-edged sword’ (trade union): the right ensured that employees were supported and also promoted positive attitudes and recognition of unions amongst employers, however the increased demand on union resources was untenable, ‘it’s kind of backfiring a bit… the demand is more than we can cope with, quite often’ (trade union). Because of this, the trade union have had to change their membership rules (i.e., requiring employees to have been union members for a set period before they can be legally represented), which has had a negative impact on their relationships with employees and employers.

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5 The National Minimum Wage Act (1998) that became law in 1999 later ensured that all employees would be entitled to a minimum hourly rate of pay, known as the National Minimum Wage.
The sector has responded to the recent economic downturn in a number of ways. Cost savings have been realised through organisations sub-contracting to agencies that have been able to supply cheap labour when required to meet fluctuating demands. Agency employees are, according to the trade union, typically used in lower-paid roles, working as hotel housekeepers, chambermaids, room cleaners, attendants, public area cleaners and kitchen porters and stewards. The trade association also highlighted the heavy use of agency employees in contract catering. Costs are sometimes kept low through utilising loopholes in the National Minimum Wage Act that allow payment for piece-rate work\(^6\), for example, hotel workers may be paid the national minimum wage only after they have cleaned a set number of rooms. Other changes include a growth in the use of part-time contracts\(^7\) and changes to employees’ existing contracts that have cut pay, frozen pay, or reduced the number of hours employees can work: ‘rather than benchmarking against the best, they’re [organisations] benchmarking against the worst and the same’ (trade union).

**Vulnerable groups**

The sector has traditionally attracted three groups of workers that might be classed as vulnerable: (1) casual workers; (2) low-skilled, and (3) migrants. Casual workers are those that supply labour as and when required. Hospitality is known for its transient workforce, with an estimated 6 to 8% falling into this bracket (Lucas & Mansfield, 2008; People 1st, 2010b). Certain areas of the sector actively recruit casual workers to cover peak service times, for example, restaurants and bars during holiday seasons (People 1st, 2010b). Casual workers may be vulnerable due to their exposure to poor employment conditions and ‘because they’ve got no guaranteed earnings’ (trade association).

With low barriers to entry, the sector has a high proportion of low-skilled, poorly educated people, ‘falling off the street into these jobs’ (sector skills council). Indeed, recent figures suggest that about 11% of the hospitality workforce have no qualifications, and this includes those in professional roles such as managers and skilled roles such as chefs (People 1st, 2010a).

There are a high proportion of migrants employed within hospitality, approximately one in five persons (People 1st, 2010b). This is not surprising given, for example, the specialist cuisines offered by the restaurant subsector and the specifically skilled chefs they require. However, low barriers to entry and a willingness to work on very low pay are some further reasons why migrants enter the workforce. According to the trade union, migrants are particularly vulnerable when they first commence employment but this can be overcome, ‘once they’ve familiarised themselves with the opportunities available, get a bit better at English, and understand their rights, they tend to move on very quickly’. Language difficulties are a key problem, with a failure to learn potentially leading to workers becoming ‘trapped in the low-paid jobs’ (trade union). There was some (albeit unsupported) suggestion that migrants had poorer promotion opportunities and were more

\(^6\) Piece-rate pay originates from the textile industry.

\(^7\) This is the trend in general, however certain subsectors such as catering have seen a drop in the proportion of part-time employment in recent years (People 1st, 2010b).
likely to be made redundant than their indigenous counterparts. All stakeholders also discussed the employment of illegal workers within parts of the restaurants and hotels subsectors, creating a hidden, unrepresented workforce likely to be exposed to the poorest working conditions.

4 Current developments and estimates

In this section we describe the current and predicted employment trends, the nature of this sector's jobs and roles, and the influence and projections of key stakeholders.

Sectoral trends

Two broad trends were identified by the stakeholders: (1) sectoral growth, and; (2) changing skill requirements. In terms of employment figures alone, the overall sector has grown by 9% since 1998, and; the catering subsector grew by 4.7% across the same period\(^8\) (Oxford Economics, 2010). From an employment perspective this means that there are more opportunities available, although not necessarily new types of jobs, ‘If you’re a chef you’re a chef, if you’re a waiter you’re a waiter’ (trade union). Although six percent of jobs in this sector have been lost as a result of the down turn, the future pattern of growth is not clear.

The second trend was a drive towards a better skilled workforce. Although it was recognised that the core skills requirements were unchanged, ‘there’s only one way to make a bed’ (trade association), some occupations were demanding a more specialist skill set (e.g., chefs), and employees generally were expected to become more flexible and have better customer service skills. The food production area of the catering subsector was an anomaly, however, ‘effectively the role has been de-skilled and the emphasis is less about the culinary skill and more around volume, health and safety, and really being able to produce it [food] to brand-standard, at a pace’ (sector skills council), thus highlighting the diversity of hospitality.

Work and employment-related characteristics

Stakeholders were asked to focus on what they considered to be typical across jobs in the sector. Jobs were generally characterised by:

— Low entry skill and qualification requirements
— Very low pay

As noted earlier, hospitality had very low barriers to entry and a minority proportion of its workforce had no qualifications at all (see Section 3). The Labour Force Survey 2009 shows that 34% of hospitality and tourism employees have either no qualifications or

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\(^8\) Note that some areas of catering were less successful than others, for example there was a loss of 10,000 jobs in contract catering.
National Vocational Qualification level 1\(^9\) (British Hospitality Association, 2010a). Moreover, the low-level skills of existing workers was seen to contribute to poor quality service and performance, ‘at the moment, a quarter of staff don’t have the right skills, which is a devastating amount, and I think one of the highest of any sector’ (sector skills council). Basic training processes were in place, although these tended to train employees to induction level only. The lack of training, opportunities to obtain qualifications, and opportunities for career progression, were highlighted as contributing towards the sectors’ high levels of employee turnover (averaging 31%; People 1st, 2010b). However, training and qualifications schemes are more common in some roles than in others, continued professional development is rare, and it remains the case that lower-skilled workers are more likely to remain in the lowest paid jobs.

Work was also typically very low-paid, and this was the case even at higher occupational levels such as in manager roles, ‘this category, managers, you have to have a particular skill level, qualification level and earnings level... we score zero out of three’ (trade association). The average pay varied dependent on the level of job and subsector. The highest earners were hotel managers, with a gross average of £29,000 per year; the lowest earners were kitchen and catering assistants, with a gross average of £13,400 per year, working out to be an hourly rate of £6.77, a rate above the current national minimum wage (Annual Survey of Hours and Earnings, 2009). However, some were earning at below the national minimum wage in cases where special deductions (e.g., accommodation) had been made (Williams et al., 2004), or, according to the trade association, where organisations were illegally non-compliant with wage regulations (which was rare).

Other work characteristics mentioned included the security of jobs, types of employment contract, nature of work tasks, and the presence of hazardous social environments (i.e., bullying; harassment) created by poorly trained managers (i.e., an ‘ingrained culture’ (trade union)), although these were non-typical in the sense that they did not apply either specifically to catering or the wider hospitality sector. One notable subsector comparison was made in addition, ‘I would say in comparison, the quality of the jobs in contract-catering tends to be a bit better than they are in hotels’ (trade union).

**Stakeholder influence**

Stakeholders were questioned about the extent of their influence over employment conditions in the sector and the role of other stakeholders active in promoting this.

The role of the trade association was to engage in dialogue with government on issues affecting the hospitality industry. Much of this was focused on the legislation and regulation perceived to be restricting growth in the sector, for example, the recent rise in Value Added Tax\(^{10}\). The trade association’s main influence on employment conditions was through partnering with the sector skills council to promote greater skills and careers in

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\(^9\) This is equivalent to basic compulsory school-level qualifications.

\(^{10}\) This increased from 17.5% to 20% in January 2011.
the sector through apprenticeship schemes and employee development programs (British Hospitality Association, 2010b).

The influence the sector skills council had was in promoting a more unified and relevant qualification system, which they described as their ‘key leverage’. The sector skills council worked with both industry and the government to develop and promote qualifications that would provide employees the skills that they needed to succeed in the hospitality industry. One challenge facing the sector skills council was to acquire adequate funding; another was to coordinate the resources that would enable them to work more effectively with the micro-businesses in the sector.

For the trade union, their main influence was through their effective campaigning against unfair work practices. One campaign brought about a change in the law that meant employers could no longer use the gratuities earned by employees to make up their basic wages. Given the limited level of sectoral unionisation\(^{11}\) and the current government in power\(^{12}\), the trade union was in a weaker position in terms of its direct influence over conditions such as wage levels.

A number of other actors were highlighted as active in promoting employer and industry needs including other trade associations operating in specific subsectors (e.g., pubs), and coordinating alliances. In terms of promoting employment conditions and work quality, other actors mentioned included other trade unions, educational institutions and professional bodies. The trade association seemed to play a pivotal role in prompting discussion and dialogue with other stakeholders and the government.

5 Collective bargaining and social dialogue

Next discussed was the extent of sectoral collective bargaining and agreements, perceptions about other stakeholders and stakeholders’ goals and associated policies for improving employment conditions.

Collective agreements

Collective agreements were negotiated by trade unions but, given the dominance of private sector organisations and concomitant low levels of unionisation, were limited in their scope and power. Collective agreements were described as addressing, ‘anything from pay and conditions, equal opportunities, grievances about somebody being bullied, changes to work patterns, redundancies, health and safety, the whole gambit of anything that effects people in their working life’ (trade union), had no typical duration but could be terminated by either party, and were negotiated and enforced by a system of elected shop

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\(^{11}\) Figures suggest that only 2 to 5\% of employees in this sector are members of trade unions in the UK (Lucas, 2004).

\(^{12}\) Since 2010 there has been Conservative-Liberal coalition government in power in the UK. Prior to this, the Labour party had been in control since 1997. Trade unions have traditionally been affiliated with the Labour party.
stewards and other trade union representatives. In terms of the number of collective agreements, it was ‘quite a small amount’ (trade union), around 10 in total.

**Competing views**

Although promoted by the trade union, the importance of collective agreements came under question by the sector skills council who implied that their intentions were beneficial but not practical in reality, ‘we don’t think that collective bargaining will work… if you’re a sector with fewer employers, with a strong unionised base, then I can see that working quite easily, but fragmentation, small businesses, very little unionisation, actually that’s much more problematic and there’s probably better ways to achieve that objective’. This perspective highlights the difficulties that unions faced in terms of negotiating in this sector, a view shared by the trade union and the trade association.

**Goals and policies**

The stakeholders had a limited range of goals and policies around employment conditions. For the trade association, the responsibility for improving job quality in the UK lay elsewhere, ‘I suppose our job is to represent owners, and therefore not specifically to improve working practices, but if we want a good, healthy industry I suppose that goes with it as well’; they were, however, members of the European body of hospitality trade associations, Hotels, Restaurants and Cafes in Europe [HOTREC], where they worked collaboratively on projects aimed at developing careers in hospitality and engaged in dialogue with European-level trade unions.

The sector skills council had a fixed agenda focused on developing the skills of the workforce and attracting the funds to do this. They were involved in many projects and initiatives to this end, but their work also highlighted additional issues around potentially vulnerable groups (e.g., women) and poor working practices. One campaign they launched enabled employers and employees to rate the quality of their work environments; although the overall aim was to promote best practice and showcase the good organisations, this also provided employees’ voice.

The trade union had two very clear goals around improving pay and conditions. The first was the promotion of the London Living Wage within hospitality. The London Living Wage is akin to the national minimum wage, but with a London weighting to account for the higher cost of living in this area; the current rate is £7.85 per hour. The trade union was approaching contract-caterers and hotels directly in an attempt to engage in dialogue about the London Living Wage and to discuss the benefits of unionisation more generally. The second was to encourage more social dialogue about conditions in the sector in line with the goals of HOTREC and the European Federation of Trade Unions in Food, Agriculture and Tourism [EFFAT], ‘As you’ll know, there’s lots of social dialogue in other European countries… it isn’t happening in the UK’ (trade union). As noted earlier, the trade union were also active in campaigning for change, and had had some success with their campaign around gratuities and pay.
6 Relationships with other actors and institutions

In terms of the stakeholders involved in this study, the sector skills council and trade association identified each other as being particularly active in promoting work quality. The UK trade unions were considered to take a more passive role, ‘the unions aren’t involved, and even if they were involved I’m not sure that would have much of an impact’ (sector skills council). Others who were identified as active included other trade unions (at national and European level), trade and employers’ associations, employee and community groups, educational institutions, professional bodies, and government departments, although their influence over employment conditions was difficult to establish. Stakeholders collaborated with others in a number of ways and for a number of reasons, through: periodic meetings; research activities; tackling specific campaigns and issues. The impression was that although each actor had defined roles, there was a shared purpose, ‘we use our research and they [the trade association] do the policy bit’ (sector skills council). Working relationships were generally formal but positive, ‘they’re very supportive of some of the things we’re trying to do and to be in dialogue, so that relationship is critical’ (sector skills council). No specific examples of shared campaigns or initiatives were given, but it was clear that the trade association utilised research data collated by the sector skills council to support their policy positions.

7 Future perspectives

Stakeholders were invited to share their perspectives on what they saw as the important forthcoming issues, debates and challenges within the sector. The following issues were raised:

— Legislative changes

— Recruitment and retention

The trade association described their battle with government regulation affecting the sector, ‘there’s always too much and there’s always more coming through the pipeline… the politicians can’t leave well alone’. All stakeholders were expecting particularly serious problems to arise as a result of the forthcoming immigration cap the government were implementing, with skills shortages (especially in restaurants), increased recruitment costs and limitations to sectoral growth, all anticipated.

All stakeholders referred to the long-term problem of recruitment and retention within the sector. The trade union proposed that higher wage levels and the better development of employees could make working in hospitality more attractive. This proposal was not just restricted to employees either; there was consensus between the trade union and sector skills council that poorly trained managers were a part of the problem, ‘our research shows that managers are a key reason why people leave” (sector skills council). However, the economic downturn was seen as an unexpected chance to grow the workforce, ‘we have a lot of people looking for work, and we have the opportunity, I suppose, to bring better people through’ (trade association).
8 Conclusions

We have examined stakeholder perspectives on the quality of work and employment conditions in the hospitality sector, and specifically in relation to catering. The UK hospitality sector is growing but has been impacted by the recent economic downturn, which has resulted in job losses, especially in the catering subsector. Here, working conditions were marked by low pay and inadequate training and skills development. No one specific stakeholder could be considered particularly active or successful at improving the quality of catering work. Indeed, the complexity and fragmentation of the sector, employer resistance, the current political and economic climate, and uncoordinated nature of stakeholders made it difficult for any of the actors to directly influence employment conditions.

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