

# FOUR BOROUGH HOSPITALITY SKILLS STUDY SUMMARY

January 2020

Commissioned by:



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# EXECUTIVE SUMMARY

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In London, median hourly pay for all industries was £17.16, but was £9.99 for accommodation and £9.01 for food services.

**66**  
%

The average proportion of staff from EU countries, not including the UK, in hospitality sector businesses is 66%.

**6-12**  
**MONTHS**

The average length of stay in a job role in the hospitality sector is 6 -12 months (according to employers surveyed).



**89**  
%

89% of learning providers believe the local skills infrastructure is not fit-for-purpose.

**54,000**

The four-borough area hosts 54,000 hospitality sector jobs.



**100**  
%

100% of area learning providers, whether hospitality specialists or not, believe they are delivering effective services.



Half of learners do not know how to get a job in hospitality.

**2.9**  
**/5**

When asked how interested they were in a job in hospitality, learners rated the sector 2.9/5.

This is a summary of the full report. Please see the full report for further information on the specification, study delivery agencies, research methodology, sector information and background, research findings, recommendations, and fuller conclusions.

## 01 EXECUTIVE SUMMARY

The four-borough area of Wandsworth, Lambeth, Southwark and Lewisham is experiencing an unprecedented boom in hospitality employment and business growth. While this is true for the UK as a whole and particularly London, the four-borough area has seen greater growth than either, significantly outstripping the capital's already-elevated level.

According to the Business Register and Employment Survey (BRES)<sup>1</sup>, the four boroughs hosted 54,000 hospitality sector employees in 2018, forming around 9% of total jobs, a greater proportion than either London or the UK. The area plays host to a range of world-class food and beverage and accommodation facilities, but they are facing some potentially-devastating headwinds: the hospitality sector currently experiences the highest vacancy level of any in the UK<sup>2</sup>, a situation that has historically been overcome through inward migration from the EU. Without the support of this migration the vacancy rate would be worse still, and ahead of Brexit, this support is dwindling, with EU net migration currently at its lowest level since 2013.

Some sub-sectors could be devastated by Brexit. The Centre for London's Kitchen Skills Report shows that, while 50% of chefs across the UK were born outside the UK, the figure for London is 85%.<sup>3</sup> Without chefs there are no restaurants or cafes, and only basic accommodation provision.

The fact that the sector's issues pre-date Brexit points to a range of longer-term problems, backed up by this study's research findings. It is not well-regarded by those who might join its workforce; there is a mismatch between the skills needed and those provided (although the voracious need for more workers means even those trained in unnecessary skills or with few skills are welcomed); it has a pay problem, with few potential workers believing they can earn a living wage through it; and the hours it offers, while showing some flexibility, are not perceived to fit the majority of potential workers' needs or interests. Further, there is a lack of co-ordination between stakeholders which prevents providers developing the right skills support, a lack of the right skills delivery infrastructure (the current arrangements are not perceived to be working well be employers), and existing agencies could be doing more to support better outcomes. More than anything, the sector needs a reliable talent pipeline to replace those from the wider EU, particularly those with soft skills and kitchen skills.

<sup>1</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/broadindustrygroupsicbusinessregisterandemploymentsurveybrestable1>

<sup>2</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/september2019>

<sup>3</sup> <https://www.centreforlondon.org/project/hospitality-culinary-skills/>

A set of recommendations has been developed to support an improvement in the issues identified, and these go beyond the specification to attempt to provide a fuller solution to the issues identified. The recommendations focus on:

- Improving the supply of skills and labour from within the four-borough resident group: all recommendations support this, particularly the implementation of a static skills centre, activities to match employer need with provider outputs and outcomes, and lobbying of stakeholders to make improvements to the current system;
- Improving the fit of skills support with employer need by focusing provision on the shortages they identified, particularly soft skills and kitchen skills;
- Improving co-ordination and development capacity through a range of new co-operative bodies, including a new cross-sector Four-Borough Hospitality Assembly to lead this work, and new supply and demand employer groups;
- Improving stakeholder understanding of and engagement with the sector through developing communications and branding;
- Improving the organisation of the sector by setting a skills framework that helps plan delivery requirements and a vision for the sector that activities can be shaped to deliver towards.

A fuller set of recommendations, including timings, costs and strength of recommendation, is included in the full report.

## **STATIC TRAINING CENTRE V HUB-AND-SPOKE MODEL**

The study's recommendations are presented within the full report together with further information including strength of recommendation, timing and implementation suggestions and cost guidance. It is suggested that this is used to guide boroughs' decision-making processes on implementation.

The central judgement to be made is whether the static training centre or hub-and spoke model better meets the needs of the sector and those who wish to enter it and which should be implemented.

The report's authors believe the static training centre would be a more effective model. There are many reasons for this, but key are the fact that the current skills model is reported to be working poorly by employers, and the hub-and-spoke system uses much of this existing infrastructure to deliver skills; the extra scale of the static training centre means it can deliver the 'big bang' step change in the delivery of skills the sector requires; employers and other stakeholders are able to shape a wider range of provision and control more aspects of the development process; the static skills centre can deliver all the services of the hub-and-spoke, while the hub-and-spoke cannot deliver all of the services of the static skills centre; the range and level of funding available for hard skills delivery outweighs that available for soft skills; and the skills centre levers in far greater social value.

The financial projections show that the static skills centre will have higher running costs than the hub. However, the higher level of public funding that is likely to be attracted means the skills centre is projected to make an annual surplus or profit, while the hub would make a loss, making it unlikely that an agent could be procured to run it. A surplus/profit is required to ensure ongoing viability.

The static training centre brings financial, scale, management, social, community, development and marketing advantages, and is recommended.

# RESEARCH SUMMARY

02

## 02 RESEARCH SUMMARY

The study focused on five research areas to provide an evidence base for interventions in the sector that meet the skills gaps and offer high quality careers for residents:

- A desktop research process to underpin supply and demand figures, detail the local, regional and national sector and its features, and set out jobs, pay and hours information;
- An employer survey to understand their perspective, including the issues they face with recruitment, training and retention;
- A learning provider survey to set out how well skills provision is meeting the needs of the sector and where the barriers to entry lie;
- A learner survey to understand why some choose to enter the sector and why some do not, and to further underpin the barriers information;
- An employee survey, to set out why some choose work in the sector and to understand the reality of work in it against expectations.

The key findings were:

### **STATE OF THE HOSPITALITY SECTOR**

The sector is growing quickly in the four boroughs and employment within it is at its highest-ever level with 54,000 employees currently. It experiences a challenge in finding employees, partly related to issues of pay and working hours, and it has traditionally compensated for this with an EU labour supply that is rapidly dwindling. Key issues include:

- The hospitality sector has a consistently higher rate of vacancies than the total for all industrial sectors, indicating a significant skills gap;
- Employers within the hotels and restaurants sector are most likely to experience retention difficulties, with chefs and elementary occupations the hardest to retain;
- The sector has come to be heavily reliant on the employment of EU nationals, and a possible reduction in EU immigration as a result of Brexit is widely regarded as the biggest threat facing the sector.

### **SKILLS AND LABOUR SHORTAGES**

The desktop research has yielded information on a recruitment gap for 13 key occupations demanded by the sector over the coming three-year period. These can be considered the key skills and labour needs categories within the four-borough hospitality sector. From a total estimated four-borough need of 10,177 new employees, the largest gaps are for kitchen and catering assistants (1,578 needed), waiting staff (1,163), chefs (1,102), and bar staff (931). Significant numbers of managerial staff across sub-sectors are also needed, demonstrating the availability of progression opportunities in the sector.

Given the lack of skills information available through either employer surveys (which identified only chef skills and soft skills as shortages) or desktop research, occupations can stand in for skills shortages in this case. The chef skills and soft skills needs identified by employers have been carried through into the planning of delivery included within the recommendations.

Desktop research has demonstrated that around 100,000 four-borough residents will be available for and seeking work over the next three years. With this pool of 100,000 potentially seeking around 10,000 hospitality sector opportunities over that period and with a current training supply of fewer than 200 residents receiving hard skills support, supply will potentially



outstrip demand, not accounting for the labour needs of other sectors. However, the sector's lack of success in attracting local labour means in reality a far smaller number are likely to make themselves available for this work, and activities are required to boost hospitality's desirability. Skills supply information from FE colleges particularly, which provide the majority of hard skills support and saw 165 learners qualifying in hospitality subjects last year, demonstrates that existing providers will cover only a fraction of demand.

The predicted downturn in the sector in 2020 should be monitored given the high degree of uncertainty caused by Brexit and the general election and skills interventions should account for demand and supply issues that result.

## **EMPLOYER RESEARCH**

Over 100 employers were interviewed or surveyed, and they identified the challenge they face of a high level of skills and labour need, a dwindling pool of available EU labour and their disengagement from local skills provision. Most employers did not have relationships with FE or other local skills and employment providers, despite the fact that they struggle to attract and retain employees, but most also recognised that 'business as usual' would not overcome their post-Brexit challenges in recruitment. Key findings include:

- A wide range of sources are used to find work candidates, including on-line and word of mouth. None of those identified are public sector;
- No hospitality sector employer seeks formal qualifications for entry level roles – attitude and personality are paramount;
- The average length of stay in a job role in the hospitality sector is 6 months to a year;
- The average proportion of staff from EU countries, not including the UK, in hospitality sector businesses is 66%;
- The key factors influencing employers' ability to be able to recruit are the reputation of the industry as a low-wage employer (74%) and Brexit (69%);
- In London, median hourly pay for all industries was £17.16, but was £9.99 for accommodation and £9.01 for food services.

## **LEARNING PROVIDER RESEARCH**

Over 20 learning providers were interviewed. In contrast to the findings above, they believed they were providing a good service and had good relationships with employers which led to strong outcomes for their learners. This may be linked to the recruitment challenge outlined above; almost all who make themselves available for work in the sector can gain employment, so job outcomes from hospitality courses are likely to be strong regardless of the fit of those courses with employer needs. Retention is another matter, however, and the lack of adequate preparation is likely to be one of the reasons for the short average duration of a work opportunity. The need for more organisation in provision was seen as important, including the question of how stakeholders could be united in delivering common aims. Key findings include:

- Some sub-sectors within hospitality do not have the visibility or level of awareness of others;
- All providers, whether hospitality specialists or not, believe they are delivering effective services;
- While providers report good links with employers, this view is not backed up by employers themselves, who typically either do not engage or engage once and then withdraw;

- The current local skills infrastructure is not believed to be fit-for-purpose, with some providers questioning whether there is a skills infrastructure at all rather than a disparate group of disconnected agencies.

## **LEARNER RESEARCH**

Through interviewing and surveying more than 50 current and future learners it is clear that the hospitality sector has an image problem. Even those who have chosen to seek work in it do not have a strongly positive view of it, suggesting it is seen as a 'fall back' or 'last choice' despite employers promoting aspirational careers. There are major barriers to sector recruitment, with pay and hours most-cited followed by lack of progression opportunities and skills, reinforcing the views of learning providers but not employers, who believe that pay can rise quickly with readily-available promotion, that hours are flexible, and that low skills are no barrier to entry. Key findings include:

- Prospective entrants prioritise quick help into work or progression within work when choosing a hospitality training agency, followed by the ability to shape provision and good facilities;
- There are issues with the sector's skills offer; half of learners do not believe they are learning the right skills to support them into hospitality work;
- Half of learners do not know how to get a job in hospitality, including some who have identified hospitality work as their chosen sector;
- Nearly two-thirds of learners are confident they will be able to get a hospitality job.

## **EMPLOYEE RESEARCH**

Employees were added to the research methodology in recognition of the need to reflect the experiences of those who had found work in the sector. Broadly, this group reflected the issues found elsewhere, including a lack of understanding and awareness of the diversity of opportunities offered by the sector, a lack of commitment to remaining in it long-term and developing a career, and concern over pay. Key findings include:

- EU citizens had a better understanding of career progression routes and were more committed to developing long-term careers in the sector than UK-born workers, an issue when fewer are arriving in the UK;
- Unlike other stakeholder groups, hours were not seen as an issue, with flexibility valued. This flexibility was offered in all of the companies they worked in;
- All of those interviewed had joined the sector at the entry level, reinforcing employers' statements that the way to progression was to start at the bottom and work their way up;
- Most were concerned about how the sector could meet their needs as they aged and their lives developed, particularly how it could support and accommodate them after they had children.

# RECOMMEN- DATIONS

03

## 03 RECOMMENDATIONS

A fuller set of recommendations including more background and supporting information is provided in the full version of the report.

### RECOMMENDATION 1

#### Set an ambitious vision to develop world class hospitality skills in South London

A vision for the development and delivery of hospitality skills provision is required to guide all activity supported through this work and for that activity to measure itself against. This vision will be based around the principles of employer leadership, stakeholder collaboration, soft skills development, community engagement and embedding provision in the community, and improving sector image.

### RECOMMENDATION 2

#### Develop and implement a localised Hospitality Skills Framework

In order to enable information exchange and the effective planning of provision, the development of a Hospitality Skills Framework is recommended. This would formalise the sector's local skills needs, and provide a mechanism through which employers and providers set specific deliverables and develop provision to match them. It would schedule skills requirements for providers in specific periods, including for any potential skills centre or hub developed through this study, and support new entrants to local skills provision to plan delivery. It would help support providers make referrals, and include an action plan to ensure activities are timed and owned.

### RECOMMENDATION 3

#### Establish a governance structure that ensures stakeholder voices are represented in development and delivery

The implementation of a multi-level governance structure would provide the co-ordination and development capacity that the sector currently lacks. This would have three parts: an overarching Four-Borough Hospitality Assembly uniting all key stakeholders, and supply (Hospitality Stakeholder IAG Group) and demand (Four Borough Employer Steering Group) groups for employers to formalise their supply and demand information and feed it into the Framework and planning and delivery processes. The Four-Borough Hospitality Assembly is vital in bringing together all key stakeholders, including employers, providers, local authorities, schools, employer representation agencies (including BIDs), and learner representatives. Communications and branding activities form part of this recommendation to ensure wider stakeholders are empowered with appropriate information.

### RECOMMENDATION 3A

#### Make improvements to current model

There is great scope for driving improvements in current delivery in order to maximise skills and support capacity and outputs/outcomes. Options include ensuring employers feed needs

information into training development and Trailblazers before the governance structure above is formalised, improving the use of the Apprenticeship Levy, and supporting the Mayor's Good Work Standard and the payment of London Living Wage by employers. Providers can contribute more through opening up valuable training spaces (including simulated environments) to other providers, improving flexibility in delivery including more short courses and delivery at employers' premises, and improving the tracking of outcomes to ensure a better understanding of what is working.

## **RECOMMENDATION 4**

### **Shaping the delivery model**

A key aim of this study is to support the creation of a delivery vehicle for world class hospitality and kitchen skills in the four boroughs to enable a stronger talent pipeline into the sector. This includes embedding principles around funding generation, cost efficiency, co-operation and partnership, technology, best practice implementation, and equality and diversity in the delivery vehicle.

Two potential delivery models are proposed: a static training centre and a hub-and-spoke model, and these are explored further below. Common elements to the two include a Soft Skills Academy (delivering across both models but also across sectors, focusing on soft skills development as requested by employers), a casual dining training facility open to the public to enable residents to gain real-world experience in a supported environment, a north Southwark or north Lambeth location to match the local hospitality business hub and transport hubs, the delivery of revenue and capital funding bids to appropriate agencies to support either delivery model, seeking sponsorship across both cash and in-kind categories, including potentially a title sponsor for the training facility, and delivering a specialist business development course to support the growth of the area's food and beverage micro-businesses.

## **RECOMMENDATION 4A**

### **Develop a static hospitality training centre focused on soft skills and kitchen skills**

In order to facilitate a talent pipeline for the sector, the favoured skills delivery model is a static training centre, employing some of the proven methodology of the Southwark Construction Skills Centre. This should focus on soft skills and kitchen skills as the key offer to mirror the requirements of employers, evidenced through their survey responses within this study.

The physical structure would comprise an open community kitchen, a hospitality multi-purpose classroom, a learning multi-purpose classroom, a casual dining training restaurant open to the public and a dual-purpose front-of-house and office facility. Build costs are estimated at £486,575 excluding land.

The facility would deliver training across five areas: Employer-Led Entry Training, a five-week course to prepare residents for entry into hospitality sector work; Modular Kitchen Skills, a set of one-week courses supporting the development of chef/kitchen skills; commercial upskilling, a range of training courses offered on a commercial basis to sector employers to enable increased revenue generation; Soft Skills Customer Excellence, a soft skills development course for residents; and community training, a range of community-focused training programmes.

All training would be finalised and developed under the aegis of the Four-Borough Hospitality Assembly.

A total of 1,840 learners annually would be supported across these programmes plus schools' programmes delivering hospitality tasters and centre visits without charge to support an improved pipeline into the sector through enthusing young people. Initial projections demonstrate annual revenues of £1,490,250 across all activities and costs of £1,131,800, projecting an annual surplus/profit of £358,450. Social value (using the HACT calculator) of around £11.5m annually is forecast.

## **RECOMMENDATION 4B**

### **Maximise local hospitality delivery resources by creating a hub-and-spoke model**

The second model to be considered was a hub-and-spoke model using existing providers within the four boroughs to continue to deliver their existing hospitality training offers, and establishing a new support hub to act as a finishing school for learners to access after leaving other providers.

The facility would require two classrooms and an office space, with a build cost of £132,946 excluding land.

The core hospitality work preparation course would be undertaken over 2-3 weeks and focus on a simpler offer that builds on existing training supply, including Introduction to the Hospitality Sector, soft skills and customer excellence, and mandatory hospitality training including food hygiene and allergens.

A total of 540 learners annually would be supported. Initial projections demonstrate annual revenues of £648,000 across all activities and costs of £657,100, projecting an annual deficit/loss of £9,100. Social value (using the HACT calculator) of around £6.3m annually is forecast.

This model is not favoured by the report's authors for the reasons further explored in the Executive Summary above.

## RECOMMENDATION 5

### Conclusion

The strength of individual recommendations is presented alongside each to help guide the decision-making process that will take place after the adoption of the report. The process will be guided by borough representatives and the Four-Borough Hospitality Assembly.

However, the central judgement to be made of whether the static training centre or hub-and-spoke model better meets the needs of the sector and those who wish to enter it requires further guidance. The report's authors believe the static training centre would be a more effective model for the following reasons:

The current skills model is reported to be working poorly by employers, and the hub-and-spoke system uses much of this infrastructure to deliver skills;

- The extra scale of the static training centre means it can deliver the 'big bang' step change in the delivery of skills the sector requires. This is particularly vital to overcome the challenge of reduced EU migration resulting from Brexit;
- Employers are able to shape a wider range of provision and stakeholders can have a greater influence in planning and delivery;
- The control exerted by boroughs and stakeholders over all aspects of the process provides more development options and the chance to innovate in delivery;
- The scale and ambition of the static centre provides more marketing opportunities, bringing greater attention and feeding into greater participation by beneficiaries and employers;
- The static skills centre can deliver all the services of the hub-and-spoke, while the hub-and-spoke cannot deliver all of the services of the static skills centre;
- The range and level of funding available for hard skills delivery outweighs that available for soft skills. This will help to mitigate much of the additional cost of the skills centre approach arising from its greater scale;
- The skills centre levers in greater social value;
- The range of sponsorship opportunities is greater, including in-kind provision of support to develop simulated environments.

Further supporting information is provided in the SWOT analyses and finances for each option given above.

The financial projections show that the static skills centre will have higher running costs than the hub. However, the higher level of public funding that is likely to be attracted means the skills centre is projected to make an annual surplus or profit, while the hub would make a loss, making it unlikely that an agent could be procured to run it. A surplus/profit is required to ensure ongoing viability.

The static training centre brings financial, scale, management, social, community, development and marketing advantages, and is recommended.

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