

A report by Beyond 2030 on future skills needs in the York, North Yorkshire and East Riding Local Enterprise Partnership Area

More Developed Area: York and North Yorkshire

Visitor Economy: Accommodation Subsector Report

Completed on behalf of Calderdale College as part of the College's 2017-18 ESF funded Skills Support for the Workforce programme across the York, North Yorkshire and East Riding Local Enterprise Partnership Area.

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1 Introduction

The EU's Cohesion policy aims to reduce economic and social disparities at regional level across the EU. Consequently, the European Commission has three categories of regional funding:

- **Less Developed regions**, whose GDP per capita is below 75% of the EU average
- **Transition regions**, whose GDP per capita is between 75% and 90% of the EU average
- **More Developed regions**, whose GDP per capita is above 90% of the EU average

Within the YNYER LEP, York and North Yorkshire at nearly 98% GDP per capita is considered a More Developed Area (MDA), while East Riding at 83% is considered a Transition Area (TA) (Eurostat, 2016).

This report considers the Visitor Economy: Accommodation subsector within the More Developed Area (MDA) of York and North Yorkshire.

1.1 York and North Yorkshire MDA

North Yorkshire covers an area of 8,654 square kilometres (3,341 sq mi), making it the largest county in England. The majority of the Yorkshire Dales and the North York Moors lie within North Yorkshire's boundaries, and around 40% of the county is covered by National Parks.

York and North Yorkshire is divided into a number of local government districts: Craven, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough, Selby and the City of York.

It has a resident population of 809,200, which equates to 71% of the LEPs resident population (ONS, 2017). Nearly 380,000 individuals are employed in the area. Employment rates stand at 81.9% for North Yorkshire and 78% in York compared to LEP average of 79.9% (Table 1).

Using YNYER LEP as the standard, we can see various differences in the productivity, skills and employment across North Yorkshire and York. Table 1 highlights where the area performs better (green) or worse (red). For example, self-employment in North Yorkshire stands at 14.1% - greater than within York, the LEP as a whole and the English average. However, the number of individuals qualified to level 4 or above is lower and the proportion with no qualifications is greater in North Yorkshire.

Table 1 Productivity, skills and jobs:

Measure	North Yorkshire	York	YNYER LEP	England
Gross Weekly pay full time (£)	£489.10	£509.60	£481.30	£544.20
Job density (the ratio of total jobs to population aged 16-64.	0.96	0.85	0.86	0.84
Employment Rate	81.9%	78.0%	79.9%	75.0%
Self-Employment	14.1%	9.6%	12.2%	10.6%
Full-time workers	63.1%	62.7%	63.8%	69.1%
Unemployment Rate	2.3%	3.2%	3.0%	4.7%
Economically Inactive	16.1%	18.8%	17.6%	21.2%
Level 4+	35.9%	42.7%	37.5%	37.9%
No Qualifications	6.5%	6.2%	6.3%	7.8%

Source: Office for National Statistics: LEP and National Labour Market Profiles; GVA for Local Enterprise Partnerships

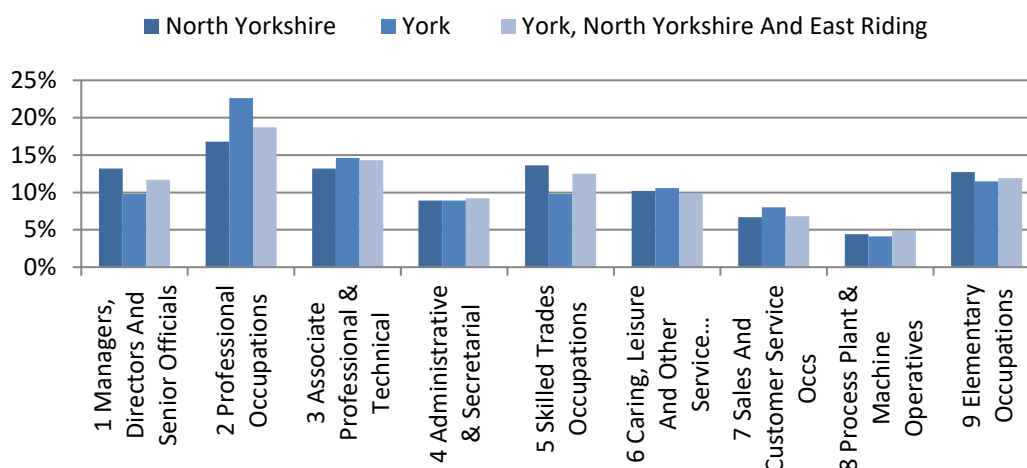
Nearly 380,000 individuals work across the York and North Yorkshire area. The largest employment sectors are (ONS, 2015):

- Health and Social work, employing 13% of all workers
- Accommodation and food services, employing 11% of all workers
- Retail, employing 10% of the workforce

The occupational profile across York and North Yorkshire has some variations compared to the LEP and national data (Figure 1). For example:

- There are more managers in North Yorkshire - 13% compared to 10% in York and 12% at a YNYER LEP level
- Nearly a quarter (23%) of the workforce are professional occupations in York, compared to 17% in North Yorkshire
- North Yorkshire has more skilled trade personal than York (14% compared to 10%)

Figure 1 Employment by broad occupation (Jan 2016 - Dec 2016)



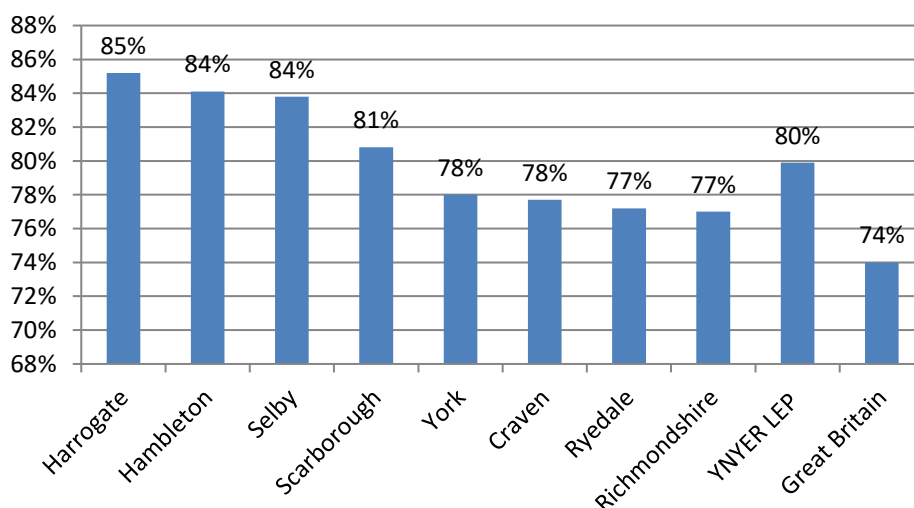
Source (ONS, 2017)

1.2 Local Authorities

The York and North Yorkshire MDA is made up by a number of local government districts: Craven, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough, Selby and the City of York.

Looking in more detail at Local Authority level, we can see that there are variations in the employment rate: Harrogate has the highest at 85% while Richmondshire has the lowest at 77%. However the employment rate in all local authorities is greater than the national average (Figure 2).

Figure 2 Employment rate across the LEP and North Yorkshire Local authorities



Source (ONS, 2017)

Using YNYER LEP as the standard, additional variations in the job, skills and productivity levels of each of the local authorities are highlighted in the table below. Where the area performs better, we have highlighted this in green with relatively poor performance being highlighted in red in Table 2. In summary:

- Three authorities have a lower weekly wage than the LEP average (Craven, Ryedale and Scarborough).
- In three authorities the job density is above one - meaning that there is more than one job for every resident aged 16-64. These are Craven, Harrogate, and Ryedale. However Craven and Ryedale employment rate is lower than the LEP average.
- Self-employment is particularly high in Harrogate and Scarborough and also in Scarborough the proportion of full-time workers is low.
- The proportion of workers with a level for qualification ranges from 23.5% in Hambleton to 50.4% in Craven.

Where the local authority area performs better than the YNYER standard we have highlighted this in green or worse in red in the table below.

Table 2 Productivity, skills and jobs by local authorities in York and North Yorkshire MDA

	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	YNYER LEP	England
Gross Weekly pay full time (£)	£413.10	£496.80	£535.50	£507.20	£443.10	£460.30	£549.40	£509.60	£481.30	£544.70
Job density (the ratio of total jobs to population aged 16-64.	1.16	0.98	1.06	0.8	1.02	0.93	0.73	0.85	0.86	0.84
Employment Rate	77.7%	84.1%	85.2%	77.0%	77.2%	80.8%	83.8%	78.0%	79.9%	75.0%
Self-Employment	*	14.7%	19.2%	*	12.7%	18.0%	*	9.6%	12.2%	10.6%
Full-time workers	60%	65%	61.5%	62.5%	69.9%	58.5%	68.6%	62.7%	63.8%	69.1%
Unemployment Rate	3.2%	2.8%	2.7%	2.8%	3.3%	3.7%	3.8%	3.2%	3.0%	4.7%
Level 4+	50.4%	23.5%	42.9%	25.3%	36.8%	37.5%	31.0%	42.7%	37.5%	37.9%
No Qualifications	*	9.1%	*	*	*	7.4	8.9%	6.2%	6.3%	7.8%

(ONS, 2017) * data not available, sample to small

1.3 Emerging developments in York and North Yorkshire MDA

The York and North Yorkshire area is not standing still. Improvements in transport, infrastructure, and housing continue to attract employers and business opportunities. Speaking with stakeholders we understand that each local authority has or is in the process of updating Local Plans and Investment Strategies. For example, Hambleton Inward Investment Strategy and Action Plan has just been published, with the aims to attract quality jobs to the district by looking at its unique selling qualities and how they can be recognised nationally. The initial focus will be on potential employment sites around Leeming Bar. The plan will look at the land, skills, support and opportunity the area has to offer investors, ensure a sufficient supply of good quality sites over the next five years, and encourage links between existing and potential new businesses in the area. It will also promote the creations of centres of excellence in some sectors.

Examples of growth, investment and development in the area includes:

Al Khaleej International is looking at a site next to the Allerton Park waste incinerator, near the A1/A59 junction for a new sugar beet processing plant. The company has asked Harrogate Council planners for environmental opinions before it puts in a full planning application. If the new plant goes ahead, the company claims it would create employment for 200 to 300 jobs, and would buy sugar beet from 3500 farmers mainly across the North East of England (Prest, 2017).

Sirius Minerals PLC is seeking to become a leading producer of multi-nutrient fertilizer and current focus is the development of North Yorkshire Polyhalite project. Located 3.5km South of Whitby, the project will involve the extraction and granulation of the mineral. The project involves the construction of an underground mine, along with the necessary infrastructure above and below grounds that will be necessary for transporting processing and distributing the minerals. The project is expected to deliver 2,500 direct and indirect jobs (Sirius Minerals PLC, 2017)

Covance, a global drug development business, currently based in Harrogate where more than 1,000 people are employed, are expanding on the National Agri-Food Innovation Campus, at Sand Hutton near York. Opening in late 2017, the laboratory extension in York will employ up to 30 scientists (Knowlson, 2017).

ACM Global Laboratories, a medical diagnostic testing company, has added a second specialised building to its laboratory block in Hospital Fields Road, York. The jobs generated will be high tech and include laboratory scientists, life sciences project managers, quality assurance professionals and data managers (York Press, 2017).

Furthermore in York, York Central - a 72 hectare site formed mainly of former railway land behind the station - could see the development of thousands of new homes and enough office space for 7,000 new jobs (City of York Council, 2017)

Near Whitby, a new 60-lodge holiday could be built on a hotel estate. The Classic Lodges hotel group has submitted an application to build a holiday park on its estate at Grinkle Park, following two years of extensive planning and consultation with the relevant authorities (Copeland, 2017). The development would see the restoration of the hotel's Grade II listed stable block, the re-introduction of a derelict caravan site, and the formation of two new lakes to complement the existing water feature. The lodges would be created in an environmentally considerate way and are aimed at the 'staycation' market of families who prefer to holiday in England than abroad. In addition to the construction jobs, once fully operational, the lodge park would create 25 jobs.

Discussions with Selby District Council highlighted a number of planning applications, including housing applications, the construction and operation of a combined cycle gas turbine (CCGT) power station, While Harworth Group Plc has recently secured the resolution to grant planning consent from Selby District Council to redevelop Kellingley Colliery, 151 acre site into a major new manufacturing and distribution centre, which could create 2,900 new jobs and bring investment into the region of £200m. (Bean, 2017).

Newby Wiske Hall, formerly the North Yorkshire Police's Headquarters has been sold to PGL, a company that runs educational activities for schools and young people in March 2017. PGL plan to open the site in Spring 2018 and reported that they will create more than 100 jobs, not only in instructing activities, but in catering, housekeeping, site maintenance and management roles.

The above demonstrates some of the opportunities in the area where new firms are entering and currently resident employers are expanding. These developments will have multiplier effects across the supply chains and wherever consumption occurs.

2 Visitor Economy: Accommodation subsector in the York and North Yorkshire MDA

2.1 Introduction

The area is home to a number of attractions, important to both day and overnight visitors. There are numerous historical locations including Bolton Castle and Abbey, York Minster, Duncombe Park and attractions like Flamingo Land Theme Park and Zoo as well as the moors.

The area is not only important to overseas visitor but also domestic visitors.

The table below indicates the importance of York in terms of overseas visitors coming to the city. In 2015, York was the 17th most visited city by overseas visitors, with 240,000 staying visits (Visit Britain, 2015). Other towns across North Yorkshire attracted a further 190,000 visits.

Table 3 'visits' by overseas residents to UK towns and cities from 2010-2015 (000s)

	2010	2011	2012	2013	2014	2015
Harrogate	38	56	68	50	45	57
Richmond	15	15	9	16	10	14
Scarborough	18	23	26	26	40	25
Skipton	8	5	8	8	7	10
Whitby	17	17	17	17	47	23
York	224	222	199	269	311	240
Other / DK towns	52	46	48	34	67	61

Source: International Passenger Survey, Office for National Statistics (Visit Britain, 2015)

But domestic tourism is also very important to North Yorkshire. On average, between 2013-15, 4.7 million trips were taken each year to North Yorkshire. 1.6 million trips were made to Scarborough and a further 1.2 million to York. These visits to the area equated 14 billion nights per year. The annual value of these trips was over £1 billion (Table 4).

Table 4 Domestic tourism

	Total Trips 2013-15 thousands	Total Nights 2013-15 thousands	Total Spend 2013-15 millions
Craven	363	1,156	69
Hambleton	183	621	25
Harrogate	709	1,904	141
Richmondshire	284	995	58
Ryedale	321	1,205	67
Scarborough	1,671	5,658	361
Selby	74	180	11
York	1,244	2,931	288
North Yorkshire	4,793	14,661	1,021

Source (VisitBritain, 2015)

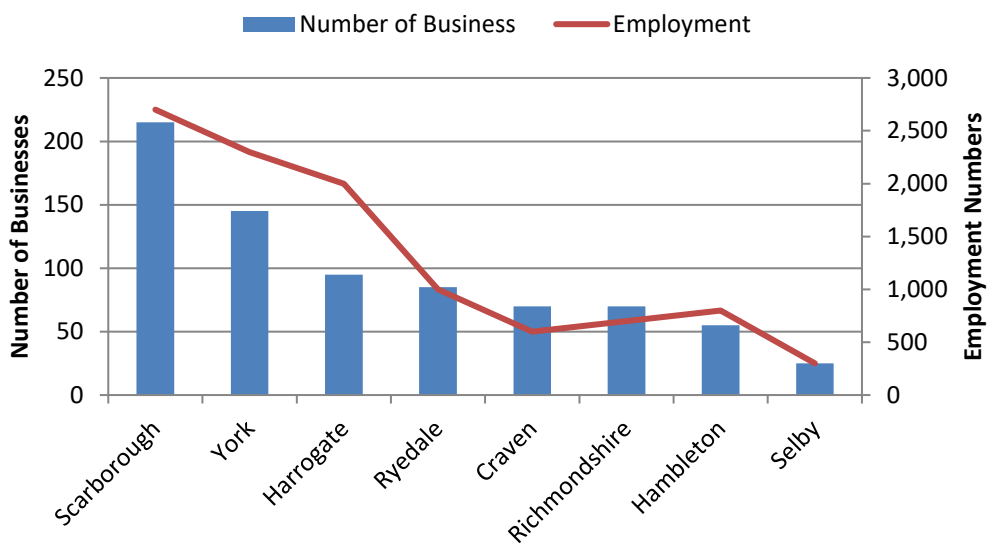
2.2 Accommodation sector economy and employment

Consequently, the North Yorkshire area has numerous businesses within the accommodation subsector. Across the LEP there are 910 businesses. 84% or 760, are located in the North Yorkshire area. In total these business employ over 10,000 individuals (ONS, 2015).

Scarborough has the greatest number of businesses and also employs the most people: 26% of the subsector workforce. This is perhaps unsurprising given that it is the largest holiday resort on the Yorkshire coast.

York accounts for a further 19% of the businesses and 22% of employment. Again, York has an important visitor economy with the city offering a wealth of historic attractions, of which York Minster is the most prominent, and there are a variety of other cultural activities.

Figure 3 Distribution of accommodation businesses and employment



Source (ONS, 2015) & (ONS, 2016)

The occupations which employ the most individuals in subsector across Yorkshire and Humber are:

- 9273 'Waiters and waitresses'
- 9233 'Cleaners and domestics'
- 1221 'Hotel and accommodation managers and proprietors'
- 6240 'Cleaning and housekeeping managers and supervisors'
- 9272 'Kitchen and catering assistants'

2.3 Skills needs – Primary Research testing the data

2.3.1 Business and training plans

Data tells us that across the LEP economy 58% of firms have a Business Plan which specifies objectives for the coming year, which is slightly lower than national findings of 62% (UKCES, 2016). 39% of firms had a training plan, again less than national average of 42%.

Our primary research highlights that employers in the subsector in the MDA frequently do not have either of the above. Smaller establishments are clearly focussing on operational matters, and whilst there is some understanding of the need to plan, this is clearly a gap.

2.3.2 What are your current skills needs and skills gaps?

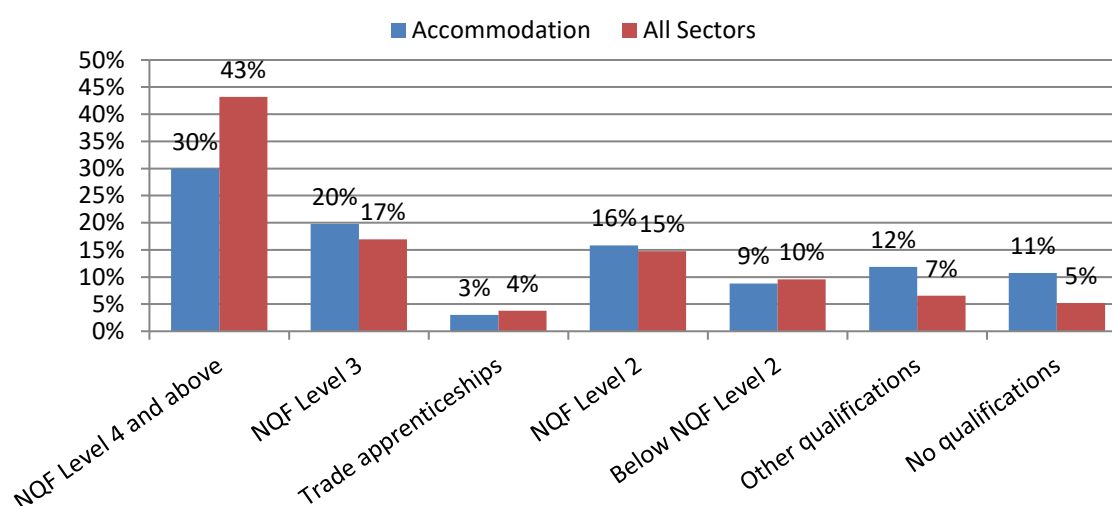
Skills levels

The accommodation subsector has a much lower qualification profile than the all sector average (Figure 4). Only three in ten workers hold a level 4 qualification or above compared to 43%. 31% do not have a level 2 qualification, with one in ten (11%) having no qualifications at all.

The largest occupational group in the subsector is elementary occupations – accounting for 31% of the workforce - and these roles traditionally require low levels of qualifications. This subsector is also popular with young people - with 20% employed under the age of 25. Many of these are likely to have joined at entry level before gaining more experience and qualifications.

However over a fifth (22%) of the workforce are in senior managerial position which you would expect to have higher skill levels.

Figure 4 Qualifications levels of accommodation subsector



(Office for National Statistics, et al., 2016)

Skills gaps

Across all sectors in the LEP, 15% of firms report having a skills gap - i.e. where an employee is deemed by their employer to be not fully proficient, i.e. is not able to do their job to the required level (UKCES, 2016). Overall it has been calculated that over 21,200 individuals in the LEP are not fully proficient in their job.

One of the direct results of labour turnover which is estimated to be 30% in the subsector (People1st, 2015) is that hospitality and tourism businesses are much more likely to report that their staff lack essential skills to meet their business needs compared to other sectors.

Staff being new to the role is the most common reason for skills gaps across the hotels and restaurant sector, with 72% of employers reporting this as a reason, followed by training is only partially complete (64% (UKCES, 2016): both of which could be attributed to the high rates of labour turnover.

This is perhaps the key issue that we really took from the primary work we conducted. Staff churn is a significant issue in this subsector. There are clearly lots of applicants for positions in this subsector, but employers have a really high churn (length of time staying in a role is low). Consequently employers are wary of employing someone with little or no experience in the job. They see this as a risk because new recruits who find out what the job involves may have those initial days of training and then leave before actually working in the role.

There is also a desire to recruit people who have previous experience because this can reduce the training period at the start of the job. Employers tend to train in their own specific skills in the sense of how things are done at their particular establishment, i.e. making rooms, handling orders etc. But having experience of previously doing the role is a really useful signpost and is something recruiters are looking for. In particular we have heard about a high number of applications for entry level roles who are perceived to be simply looking for any job, which can result in a very mobile workforce. This is a significant risk for smaller employers who want stability and reliability in their team.

The skills gaps identified across the subsector included:

- Operational IT/digital skills – handling orders, bookings
- Management skills at a shift level
- Customer service skills
- Room attendant skills
- Cleaning skills
- Health and safety

Nationally chefs make up a fifth of all skill shortage vacancies for skilled trades and nearly half of all vacancies for chefs prove difficult to fill because of a shortage of skilled applicants. This gap was mentioned extensively in our primary research.

There was also a significant issue around language skills, in both directions. There was particular demand for staff to have high quality English language skills given that they are working in frontline occupations where engaging with people, understanding their requests and acting on them is a significant part of the job. However, there was also demand for staff to be able to speak languages of visitors. As well as European languages there was also some interest in having basic skills in languages spoken by Asian visitors such as Chinese and Mandarin. Considering the huge scale and rapid growth of foreign markets, such as China, this is a clear need.

2.3.3 Training

The hospitality sector invests a significant amount of money in training and development. In 2015, 3.3bn was spent across the Hotels and restaurants sector, equating to an average spend of £2,670 for worker trained (Vivian, et al., 2016).

Across all sectors in the LEP, 65% of firms had funded or arranged training for staff in the previous 12 months, while across the Hotels and restaurant sector 63% of firms had done so (UKCES, 2016). The vast majority of training and development is targeted at initial training and development and perceived statutory areas such as food safety and health and safety (People1st, 2015).

Our primary research discovered similar findings in this area. Employers are clearly more likely to train in house than they are to use off site external providers although they do bring in experts when necessary. This is important, we understand that when compliance with legislation is the driver, external trainers and accreditors are used, when legislation is not the driver, employers will do it in house using an experienced team member (who may or may not have training in training)

Cost and time were the main drag factors on engaging non mandatory training, but we also heard criticisms of course provision and that there was a lack of high quality providers.

2.3.4 Apprenticeships

Nationally there has been a large uptake of apprenticeships across the hospitality sector, however only 10% of businesses are offering them and the vast majority are large businesses (APPG, 2016).

Across York and North Yorkshire there has been a steady increase in the number of individuals participating in any apprenticeship framework or standard. In 2009/10, just over 9,200 individuals were on one, while by 2013/14 this had risen to nearly 19,000 (DfE, et al., 2017). Nearly two in five (38%) of all starts have been within Richmondshire, 14% in Harrogate, 13% in York, 11% in Scarborough and the remainder in the other local authority areas.

In terms of all framework starts, 27% were by individuals under the age of 19, 45% by 19 to 24 year olds and the remainder 28% were over 25 across North Yorkshire (DfE, et al., 2017).

However, the table below highlights that relatively few (140) of the framework starts have been on Leisure, Travel and Tourism frameworks. This is just over 1% of all apprenticeship starts in the area. Considering visitor economy employment is in the region of 10%, this can be considered low.

The majority (65%) of starts on frameworks relating to the visitor economy sector at a national level are at intermediate level and 35% at an advanced level.

Table 5 Apprenticeship Programme Starts by Parliamentary Constituency and Sector Subject Area (2013/14)

Sector Area	Harrogate and Knaresborough	Richmond (Yorks)	Scarborough and Whitby	Selby and Ainsty	Skipton and Ripon	Thirsk and Malton	York Central	York Outer
Agriculture, Horticulture and Animal Care	10	40	20	20	30	40	10	10
Arts, Media and Publishing	0	0	0	0	0	0	0	0
Business, Administration and Law	190	270	250	210	170	180	170	150
Construction, Planning and the Built Environment	20	50	40	50	40	60	60	40
Education and Training	0	0	0	10	0	10	0	0
Engineering and Manufacturing Technologies	70	150	120	170	100	120	80	90
Health, Public Services and Care	200	3,670	230	180	170	180	160	120
Information and Communication Technology	20	20	10	20	10	10	10	10
Languages, Literature and Culture	0	0	0	0	0	0	0	0
Leisure, Travel and Tourism	20	20	20	10	20	20	20	10
Preparation for Life and Work	0	0	0	0	0	0	0	0
Retail and Commercial Enterprise	200	280	190	150	190	170	200	140
Science and Mathematics	0	0	0	0	0	0	0	10
Unknown	0	0	0	0	0	0	0	0
Total	740	4,500	880	800	750	800	710	600

Source (DfE, et al., 2017) Apprenticeships by parliamentary constituency 2011/12 to 2014/15

In our primary work we explored this and the reasons will be familiar to people working in the skills sector. Whilst there is a general support for the principle of Apprenticeship, it was felt that they were often too 'large' an intervention for this sector. The lack of career route, high staff churn, and the relatively low skilled occupations were all mentioned. It is clear that larger employers are more likely to use apprenticeships than the smaller employers.

From our primary work we can see that the challenge, particularly for SMEs, in hiring apprenticeships continue to be significant. There are issues around awareness, relevance and perceived bureaucracy, but we do wonder if the currently available frameworks fit with the need. They are very broad and possibly favour parts of the sector other than working in accommodation. We have also had conversations with employers who wonder if the skills needed to work in this sub sector actually warrant an Apprenticeship.

2.4 Future requirements

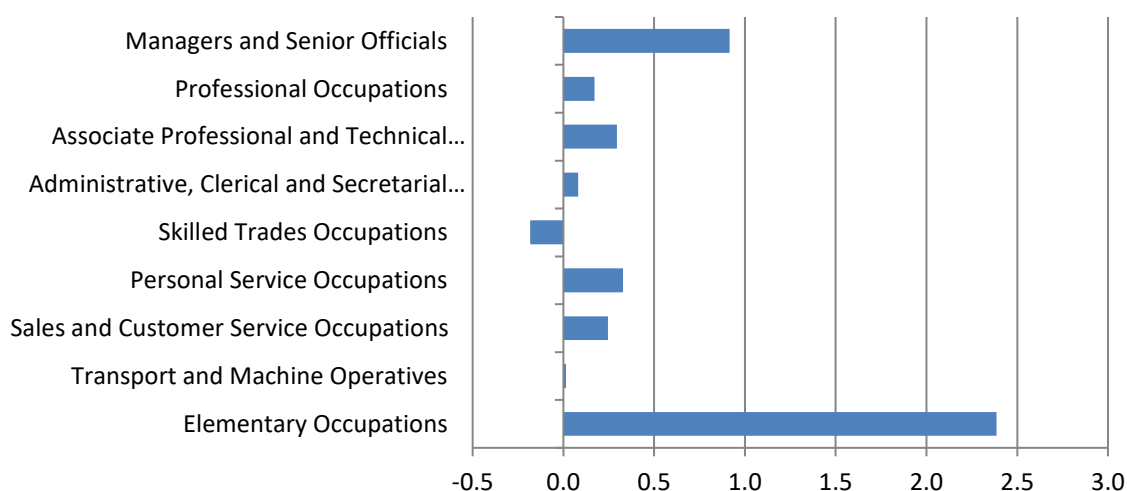
2.4.1 Sector growth

Future workforce projection for the accommodation subsector are available at the wider region of Yorkshire and Humber rather than the North Yorkshire area but this still provides a useful indication of changes in the workforce moving forward.

Employment in the Yorkshire and Humber accommodation subsector is expected to grow 12% between 2014 and 2024 – or by over 4,000. This is greater than whole economy where growth of 5.5% is anticipated in the region and much greater than UK subsector figure of 2% (UKCES, 2016).

We expect to see employment growth for higher level occupations, including managers, professional occupations and associate professionals and technical roles. Elementary occupations are projected to see the greatest growth (Figure 5). But net job losses are projected for skilled trade roles.

Figure 5 Accommodation subsector occupation change, 2014 -2024 (000s), Yorkshire and Humber



Source: UKCES Working Futures VI

Example of growth

Travelodge, one of the UK's leading hotel chains, is actively seeking to increase the number of hotels they have.

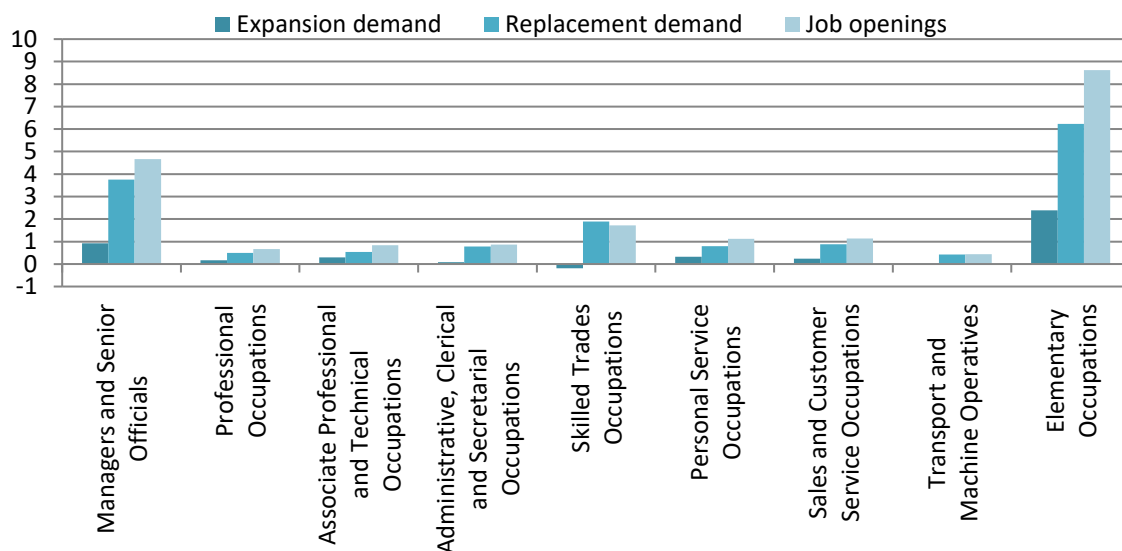
Already established across North Yorkshire, with sites in York, Harrogate, Scarborough, they are planning expansion. A fourth hotel in York is expected to open by the end of this year and they are actively seeking sites in Knaresborough, Northallerton / Thirsk, Whitby and a further one on York.

2.4.2 Replacement need and total demand

Over the next decade, replacement demands are expected to generate three times as many job openings in the subsector compared to net job growth.

Overall the accommodation subsector in Yorkshire and Humber is expected to have over 20,000 job openings between 2014 and 2024: 4,000 sector growth and 16,000 replacement demand. Two fifths (43%) of all job openings will be within elementary occupations and a further 23% in managerial positions (Figure 6).

Figure 6 Job openings in the accommodation subsector by occupation 2014 - 2024 (000s), Yorkshire & Humber



Source: UKCES Working Futures VI

The startling fact that 80% (16,000) of the new staff requirements are needed to replace existing employees indicates that the sector has a retention problem. So whilst the growth of the subsector means we need to recruit more people, the high rates of labour turnover are driving our recruitment needs. Latest figures conservatively indicate that labour turnover at 30% is costing the national hospitality sector £274m annually (People1st, 2015).

2.4.3 Qualifications

The change in qualification levels of the workforce shows that there will be a shift towards more people holding higher qualifications Change in qualification profile.

By 2024, 37% of people employed in the accommodation subsector are expected to be qualified at level 4 and above (lower than YNYER sector proportion 47%), whilst the proportion of people with no formal qualifications or level 1 is expected to fall to 17%.

Table 6 Change in qualification profile accommodation subsector, Yorkshire and Humber

	No qualifications and level 1	Level 2	Level 3	Level 4 – 6	Level 7 – 8
Qualification example	GSCE (grades D – G) BTEC level 1	GCSE (grades A* - C) NVQ Level 2	AS & A level BTEC National	Certificate of higher education (L4) Foundation degree (L5) Bachelor's degree (L6)	Master's degree (L7) Doctorate (L8)
2014 level	10,700	10,200	7,200	6,200	800
2024 level	6,500	11,200	7,100	13,100	1,500
2014 – 2024 % change	-39%	10%	-1%	110%	84%
2014 % share	31%	29%	20%	18%	2%
2024 % share	17%	28%	18%	33%	4%

Source: UKCES Working Futures VI

2.4.4 Future Roles

The above Working Future projections demonstrate that there will be growth across most occupational groups and a significant replacement need for positions.

In our primary research, employers have not necessarily identified any new roles developing in the next 6 years; rather the future challenges relate to recruiting for existing positions - i.e. front house, chefs, cleaners, kitchen porters, managers. Whilst those roles will change and evolve, we expect it to be about changes at the margins, rather than the creation of brand new roles, i.e. we expect to see currently existing job roles asking for additional skills including better digital skills, languages etc.

Specifically mentioned were:

- More house workers in the building, managers.
- We're going to need more chefs, kitchen porters, bartenders and cleaners
- General administrative and cleaning staff
- Managerial

In this way our primary was completely in keeping with the wider data analysed.

2.5 Drivers of change

2.5.1 Political

Leaving the European Union

Uncertainty post Brexit is a concern reported by employers in the accommodation subsector.

In the run up to the 2017 General Election when a large Conservative victory seemed likely, it was assumed that the UK was about to begin some form of 'hard' Brexit. Despite being rarely defined, it was expected that this would be a Brexit based on leaving all EU institutions and associated agreements with the UK then negotiating our own agreements at a national level.

However, following the surprise result in June 2017, it now seems likely that whilst Brexit will happen, it may be at the 'softer' end, opening up the possibilities of effectively paying for access to various parts of the EU institutions/agreements – including access to the Single Market.

This uncertainty is a significant challenge. We simply do not know what will be the outcome of the Brexit negotiations, so employers have only best guesses on key issues such as free movement of labour, tariff free trade, legislative requirements etc. This lack of information is clearly unhelpful for making decisions over long term investments.

The effect on inward migration particularly from EU countries could affect the sector's ability to recruit and retain skilled staff and is by far the biggest issue employers have raised with us.

2.5.2 Economic

A slowdown in economic growth

With the drop in sterling against other major currencies there may be some short term benefits to the visitor economy. More international visitors could be attracted but also a weaker pound may encourage staycations in the UK. However we are not able to report on prior bookings from EU member states or beyond. Imports are likely to be more expensive, potentially pushing up the prices of raw materials including energy which will impact on the competitiveness of UK-based holidays. Business travel may also be affected.

Wage levels

The National Minimum Wage (NMW) was first introduced in the UK in April 1999 at a rate of £3.60 per hour for over 21-year-olds. Prior to that there was no statutory minimum. In April 2016 the government introduced the National Living Wage (NLW) at a level of £7.20 per hour for those over 25 years old, increasing to £7.50 in April 2017. It is expected to rise to at least £9 per hour by 2020. The impact of this is likely to be significant on this subsector. Hoteliers undoubtedly face higher payroll costs and this is challenge they face. In a subsector such as this, maintaining the pay differentials is also likely to have a significant cost.

2.5.3 Social

Boutique / lifestyle hotels

There is a strong market for the new breed of modern boutique and lifestyle hotels (Melvin Gold Consulting Ltd, 2016), particularly around seaside resorts. Scarborough for example, has 175 independent hotels accounting for nearly 3,000 rooms (Melvin Gold Consulting Ltd, 2016). While the boutique and lifestyle hotels may not serve the traditional bucket and spade tourist, they are not as seasonal either. Their guests are aspirational and seek authenticity: quality food and drink; spas, gyms and leisure; and quality cultural and leisure attractions. Consequently there is a demand for a higher level of customer service and it seems clear that these hotels may be particularly attractive to people looking for employment.

Consumer mindset

Businesses in the sector are very much driven by customer demand. But customer's values, preferences and expectations are not fixed. Consumers have begun to expect a personalized experience tailored to meet their needs. Personalisation can go a long way but getting this right can be difficult since customers' needs and preferences change frequently.

Free WiFi is generally expected as a norm nowadays by the customer, yet not all places offer this. One large nationwide firm located in North Yorkshire reported that not providing free WiFi was a weakness.

Perception

There's a perception from the public that there is limited opportunity for career development and the entry level skills in particular are low paid.

Many people fail to appreciate that hospitality offers a career pathway where success is largely dependent upon aptitude and ability, rather than particular qualifications. Therefore, there is the possibility of promotion from the 'kitchen floor' to the most senior levels company management.

2.5.4 Technology

Enabling / New technologies

One of the biggest changes in the accommodation sector is the way in which rooms can be purchased and even more so the way that guests are influenced to buy them. Technology and its use and implementation have been a game changer.

Driving traffic to a website and getting the customer to book is central to success. Many hotels use online travel agencies to sell rooms but this incurs commission fees.

Social media, in its various forms, present hoteliers with a direct way of reaching customers as well as communicating key information about the accommodation and any promotional offers they are running. But this presents a challenge, especially for the smaller businesses: expertise and time is required. Social media skills in a business context are required and they need to have the time to use it effectively while also running the business.

Peer-to-peer (P2P) accommodation, such as Airbnb, sees new opportunities entering the market. Our research shows over 300 listings in the North Yorkshire area. We can assume that platforms, such as Airbnb, will move further from pure shared accommodation to apartment rental and will increasingly impact a wider range of hotels. While Airbnb does open the market to new customer segments it will increasingly encroach on hotel accommodation particularly at the mid-tier as it also becomes a major general booking platform.

Online Travel Agencies

Online Travel Agencies have strong customer recognition, massive marketing budgets and are a favoured booking channel for customers. However they have a large inventory and effectively provide customers with a price comparison and listings of hotels in a particular area. This is double edged for hoteliers – it keeps prices competitive but it also has high commission rates on business achieved which can affect the independent hotels more than chain hotels.

Online Security

The accommodation sector by its nature can collate a vast amount of information regarding their customers - not just names, address but also payment details. Credit card fraud is a massive threat. Criminals from all over the world try to hack into hotel networks in an attempt to steal guest identities, including credit card details. They are not just targeting one individual, but thousands of cardholders at the same time.

Hotels need to be aware and have clear and up to date online security systems in place. We found in our research that online security has become a more pressing threat/risk to the subsector.

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2.6 Key Findings

What follows is a presentation of the key findings from the above.

- In 2015, York was the 17th most visited city by overseas visitors, with 240,000 staying visits (Visit Britain, 2015). Other towns across North Yorkshire attracted a further 190,000 visits.
- Domestic visits to the area equated 14 billion nights per year. The annual value of these trips was over £1 billion.
- Across the LEP there are 910 businesses in the accommodation subsector. 84% or 760, are located in the North Yorkshire area. In total these business employ over 10,000 individuals.
- Scarborough has the greatest number of businesses and also employs the most people: 26% of the subsector workforce. This is perhaps unsurprising given that it is the largest holiday resort on the Yorkshire coast.
- York accounts for a further 19% of the businesses and 22% of employment. Again, York has an important visitor economy with the city offering a wealth of historic attractions, of which York Minster is the most prominent, and there are a variety of other cultural activities.
- Staff churn is a significant reason why employees lack high quality skills.
- High quality language skills are a prized asset.
- The vast majority of training relates to mandated areas covered by legislation.
- The take up of apprenticeships in the subsector is extremely low.
- Replacement demand is a major driver in demand for skills.
- It seems unlikely that there will be new job roles in the next few years, but employers will be looking for new staff to have additional skills including digital and customer service.
- Digital Skills are important to the sub sector.
- Brexit is casting a shadow, with it being both an opportunity and a threat.

3 Annex

Table 7 Employment by Industry in the LEP and Local Authorities

Industry	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	North Yorkshire	East Riding of Yorkshire	YNYER LEP
2 : Mining, quarrying & utilities	125	500	350	225	200	200	2,000	400	4,000	1,250	5,000
3 : Manufacturing	3,000	6,000	5,000	1,000	5,000	5,000	7,000	4,500	36,000	17,000	53,000
4 : Construction	1,500	2,250	3,000	1,000	1,500	1,500	1,750	4,000	17,000	6,000	23,000
5 : Motor trades	450	900	1,750	350	700	600	500	1,500	7,000	3,000	10,000
6 : Wholesale	1,500	2,250	4,500	700	1,000	1,000	2,000	2,500	15,000	5,000	20,000
7 : Retail	3,000	3,500	8,000	2,000	1,750	5,000	2,250	14,000	39,000	12,000	51,000
8 : Transport & storage (inc postal)	1,000	1,750	3,000	600	600	1,250	3,500	4,500	17,000	6,000	23,000
9 : Accommodation & food services	3,000	3,500	8,000	3,000	3,000	7,000	2,000	11,000	42,000	9,000	51,000
10 : Information & communication	350	600	2,000	150	150	300	800	2,500	7,000	2,250	9,000
11 : Financial & insurance	2,500	450	2,500	150	350	600	300	4,500	12,000	1,250	13,000
12 : Property	450	800	1,500	400	800	1,000	300	2,000	7,000	1,750	9,000
13 : Professional, scientific & technical	1,750	2,250	8,000	1,000	1,500	1,250	3,000	8,000	27,000	7,000	34,000
14 : Business administration & support services	6,000	3,000	6,000	1,000	1,250	2,000	3,500	8,000	30,000	7,000	37,000
15 : Public administration & defence	450	3,500	2,000	800	700	1,250	700	5,000	15,000	10,000	24,000
16 : Education	3,000	3,000	7,000	1,500	2,250	3,500	3,500	12,000	36,000	12,000	48,000
17 : Health	2,250	5,000	12,000	1,500	1,750	8,000	3,000	16,000	50,000	17,000	67,000
18 : Arts, entertainment, recreation & other services	1,000	1,750	3,500	1,250	2,000	2,500	700	5,000	19,000	4,500	23,000
Column Total	31,000	41,000	80,000	17,000	25,000	43,000	36,000	105,000	379,000	122,000	500,000

(ONS, 2015)

