

## Manchester City Council Report for Resolution

**Report to:** Economy Scrutiny Committee – 8 November 2017

**Subject:** Manchester's Visitor Economy

**Report of:** Sheona Southern - Managing Director Marketing Manchester

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### Summary

Marketing Manchester (part of The Growth Company) has been asked to present a report to Members setting out its role in developing the City's visitor economy, with focus on employment growth and skills needed for the visitor economy.

This paper is in two parts:

- **Part 1** presents an overview of the current performance of the tourism sector and highlights of Marketing Manchester's recent activity and future priorities.
- **Part 2** gives an analysis of issues and opportunities in tourism sector skills and apprenticeships, prepared by GMCA, along with a Tourism Sector Skills Action Plan (**Annex A**), developed by The Growth Company.

### Recommendations

That the report be noted.

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### Wards Affected:

All

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### Contact Officers:

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### Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

There are none

## Part 1 - Tourism Sector Performance Overview & Marketing Manchester Activity

### 1. CURRENT TOURISM PERFORMANCE

#### Performance Methodologies

- 1.1 Two different measures are used to track the performance of the visitor economy across Greater Manchester: STEAM (Tourism Economic Activity Monitor) and GVA (Gross Value Added). Whilst not directly comparable, they each allow trends to be benchmarked against other sectors or destinations.
- 1.2 STEAM is the recognised measure of the value of tourism by the majority of destinations across the UK. GVA allows comparisons with other sectors.
- 1.3 The GVA methodology cannot be used to measure the true value of the visitor economy sector as it includes multiple sectors and does not differentiate between visitors and locals. STEAM methodology also differs from the GVA model as STEAM includes spending on shopping and transport as well as indirect spend, whereas GVA does not.
- 1.4 According to STEAM, Greater Manchester's tourism sector is worth £7.9 billion and supports 94,000 jobs. The region attracts 119 million visitors per year; 11 million staying visitors and 108 million day visitors.<sup>1</sup>
- 1.5 The GVA methodology that GMCA uses shows that Hospitality, Tourism and Sport (encompassing hotels, restaurants, bars, conference and exhibition centres, libraries, museums, entertainment activities, travel agencies, sports, amusement and recreation ) generates a core Gross Value Added (GVA) of £2.7bn, and employs around 111,000 people<sup>2</sup>

#### Accommodation Occupancy Performance

- 1.6 Greater Manchester's hotel occupancy rate from January to August 2017 was 78%, which is broadly in-line with the same period in 2015 when a record level occupancy of 80% was achieved. Performance in Manchester city centre was slightly ahead at 79%, and higher than the same record period in 2015. An overall annual 80% occupancy rate reflects a strong level of demand, relative to supply, when compared to other UK destinations, falling in the top 10 UK markets of the 40 markets monitored by BDO LLP (BDO UK Trends December 2016). However, higher annual occupancy rates were reported in

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1 STEAM is a bespoke model built to gain the value of visits to a designated area. This economic impact figure includes direct and indirect expenditure. Direct expenditure is the expenditure by visitors during their visit on food, drink, entertainment, shopping, transport, and accommodation (as applicable). Indirect expenditure is the expenditure arising locally from businesses supplying goods and services to hosting businesses, for example wholesalers and laundry services. The STEAM methodology takes into account that not all goods and services will be purchased using local suppliers and presents only the proportion of expenditure going to local businesses. Please also note that STEAM does not include any economic impact from induced expenditure. The economic impact for GM in 2015 was calculated to be £7.9bn.

2 New Economy have confirmed the definition they use for Gross Value Added which is "Profit plus Wages (less costs of intermediate goods)" – so in other words the value created to a product / service within a GM workplace. This is of course a completely different measure from STEAM

London, Edinburgh, Cardiff and Glasgow in 2016. Manchester has seen an increase of 5.6% in demand in 2017 compared to 2016.

- 1.7 STEAM reported a low level of growth in total staying visits from 2015 to 2016, with the total number of staying visits to Greater Manchester remaining around the 10.3m mark. This was despite increases in demand for hotel rooms, across a wider supply base. STEAM identified a decrease in bed occupancy (under-occupied rooms), driven by business tourism markets (with more single occupancy rooms than leisure markets). Therefore, the increase in filled rooms didn't deliver the same level of increase of individual visitors.

### **Business Visits and Events**

- 1.8 The value and volume of Business Visits and Events (BVE) in 2015 showed that the number of staying delegates attending conference and business events in Greater Manchester had decreased by 90,000 to 1.90m (from 1.99m in 2013). The study also identified a decrease in delegate days by 50,000 to 7.4m (from 7.9m in 2013) and highlights the growing competitiveness of the BVE marketplace. This resulted in a decrease of 1.6% in economic impact (from £823m to £810m), compared to a 2% decrease over the same period for the UK (from £19.6bn to £19.2bn as reported in the UKCAMS – UK Conference and Meeting Survey). Therefore Greater Manchester continues to perform strongly in this market compared to national trends.

### **International Visitors**

- 1.9 The International Passenger Survey showed that the number of international visits to Greater Manchester in 2016 remained fairly steady at 1.38m visits, despite the significant boost to figures the year before (in 2015, compared to 2014). International visits to **Greater Manchester** in 2015 totalled 1,378,505, compared to 1,383,394 visits in 2016 (0.35% increase). This compares to a 4.14% increase for the UK from 36,115,150 visits in 2015 to 37,609,274 visits in 2016. Therefore Greater Manchester is performing below the UK average.
- 1.10 However, international visits to **Manchester** grew by 3% from 2015 to 2016 (from 1,151,870 in 2015 to 1,190,550 in 2016) which is in-line with the 3% growth for London (from 18,581,140 visits to 19,059,550). For comparison the average growth across the UK's top ten cities, in 2015-2016 was 6%, with Edinburgh showing a 9% increase and Birmingham a 1% increase.
- 1.11 The 2020 target for the total number of international and national staying visits hosted by Greater Manchester is 13.7m visits, representing a target of an additional 30% on 2015 visitation levels of 10.5m and a year-on-year increase of 5.5%.

## Accommodation Supply

- 1.12 In addition to these demand challenges, Greater Manchester and particularly Manchester city centre, will become increasingly competitive via a significant increase in accommodation supply:
- Of the 4,600 already confirmed rooms in the pipeline (with planning consent) in Greater Manchester, 3,705 rooms are due to enter the market by the end of 2020, taking stock levels to 27,265 rooms. This compares to 23,560 rooms in September 2017 and represents a growth of 16%.
  - 2,903 of these additional rooms in the pipeline will be located within Manchester city centre and are confirmed to enter the market by the end of 2020, taking stock levels to around 12,279. This compares to 9,376 in September 2017 and represents an increase of 31%.
- 1.13 Current estimations, based on the YTD to September 2017, suggest that demand has increased by around 5.4% in 2017, on 2016, across Greater Manchester, and is particularly driven by the city centre. A 16% increase in supply by 2020 is therefore looking to be significantly higher than current levels of demand by 2020 (5.4% over a 12 month period).
- 1.14 Only by significantly increasing the demand will the destination and individual hotel properties be able to maintain or increase current occupancy levels. Also, only by significantly increasing demand will Greater Manchester achieve its strategic target to host 13.7m visits by 2020.
- We will need to generate 8.15%-11.53% (based on 3 pipeline scenarios of hotel opening dates) increase in visitor numbers year-on-year between 2016 and 2020 to maintain current occupancy levels (around 80%) within Manchester city centre. Therefore significantly above the recent 5.6% growth in demand experienced in 2017 compared to 2016.
  - Based on the current levels of demand growth in Manchester city centre of 5.6%, an occupancy rate of 78% would be achieved in 2018, 79% in 2019 and between 69%-75% in 2020.

## **2. STRATEGY & POLICY UPDATE**

- 2.1 During the last year the following strategies and funds have been initiated.  
*Greater Manchester Internationalisation Strategy*
- 2.2 The launch of the Greater Manchester Internationalisation Strategy took place on Tuesday 4 July during the Manchester International Festival. The aim of the launch was to share Greater Manchester's ambition to be a top 20 global city region by 2035, and provide a framework for action. The keynote speech was delivered by Sir Richard Leese and a panel debate followed, sharing insights about Manchester's place on the world stage and the importance of connecting to international markets.
- 2.3 The event attracted over 100 delegates from GM and covered a wide number of sectors. The strategy was distributed directly following the launch to pre-registered delegates (234) and delegates attending on the night (100).

### **Discover England Fund**

- 2.4 A three-year £40million Discover England Fund, announced by Government in 2015, aims to ensure that England stays competitive in the rapidly growing global tourism industry, by offering world-class English tourism products and encouraging more international visitors to travel beyond London. Marketing Manchester has been successful in securing funding for a programme which will support Manchester Airport and develop Manchester as a tourism hub and gateway to the North.

### **GREAT Challenge Fund**

- 2.5 Building on last year's successful collaboration in China, a second bid was submitted to the GREAT Challenge Fund for a US cross sector marketing campaign. Coordinated by Marketing Manchester on behalf of MIDAS, the campaign supported the two new Virgin Atlantic nonstop routes to San Francisco and Boston as well as promoted key sector strengths of 'tech' and 'Life Sciences' via business symposium events on-territory in San Francisco and Boston.

## **3. DESTINATION MANAGEMENT PLAN**

- 3.1 The DMP (Destination Management Plan) is the action plan for the visitor economy for Greater Manchester that aligns to the tourism strategy, 'The Greater Manchester Strategy for the Visitor Economy 2014 - 2020'. The plan was approved by the Marketing Manchester Board in 2013 and covers a three year period: it captures what has been achieved in the last three year period, presents current performance and identifies what needs to be done to achieve our growth targets by 2020. The activity includes not only the plans of the Tourist Board, Marketing Manchester, but also those of other stakeholders and partners including the ten local authorities of Greater Manchester, Manchester Airport, other agencies and the tourism businesses themselves.

3.2 The DMP is a partnership document which is co-ordinated and written by Marketing Manchester but which is developed through consultation with all the appropriate stakeholders through the Manchester Visitor Economy Forum. The Forum comprises senior representatives from various visitor economy stakeholders' organisations. The Forum is responsible for developing and agreeing the DMP and monitoring delivery of the actions by all relevant stakeholders.

3.3 The DMP has 4 Strategic Aims:

- To position Manchester as a successful international destination
- To further develop Manchester as a leading events destination
- To improve the quality and appeal of the product offer
- To maximise the capacity for growth

3.4 Recent progress against each of these Strategic Aims is outlined below.

- **To position Manchester as a successful international destination**

3.4.1 *Highlights*

- Successful delivery of the government funded Regional Growth Fund activity from 2014-2016 to increase domestic and international visits
- Delivery of seasonal marketing campaigns with partners including the BID and Manchester City Council to improve footfall and overnight stays
- International marketing activity focused on China, US and GCC supporting new routes and key international growth markets
- Re-launch of visitmanchester.com in November 2016
- Launch of Manchester Global Ambassadors project
- A coordinated Media Visit programme has taken place over the past three years. 552 journalists have been brought to the city on media visits generating coverage with an AVE of over £15m.
- Significant cultural events including Manchester International Festival and the opening of cultural venues such as The Whitworth, HOME and Elizabeth Gaskell's house have provided the opportunity to invite media to showcase the cultural offer.

3.4.2 *Destination Marketing*

In consultation with Manchester Airport and VisitBritain, Marketing Manchester has identified 3 global markets in which to focus our proactive marketing activities: USA, China and Middle East. These form the most lucrative markets for visitor spend and potential growth, with direct air connectivity into Manchester. Marketing Manchester has developed a 3 year Service Level Agreement with Manchester Airport and VisitBritain which commits combined resources to deliver marketing activities which aims to increase the number of high spending international visitors from these markets. All of this campaign activity is delivered in partnership with airline carriers who also commit budget resource.

3.4.3 Over the past 12 months. Marketing Manchester has delivered significant marketing campaigns in all 3 priority markets, working in partnership with Manchester Airport and a number of carriers:

- Virgin Atlantic
- Singapore Airlines
- Thomas Cook
- Hainan
- EasyJet
- RyanAir

#### 3.4.4 *International Media Coverage*

Over the last 12 months, Marketing Manchester has hosted over 200 international travel writers and journalists, resulting in global coverage for Greater Manchester of £8.5 million and a readership of 300 million. In addition 500 international science journalists were brought to the city to cover ESOF 2016.

Following events at the Manchester Arena on 22 May 2017, Marketing Manchester delivered a high impact social media campaign - the Worker Bee Weekender. This saw over 75 social influencers, photographers and journalists visit the city and created over 250,000 likes and over 10million potential impressions across a range of social media

Marketing Manchester supported Manchester Pride with a press visit, bringing six top LGBT writers from the USA to Manchester using Thomas Cook's US connectivity.

*BBC World*

Marketing Manchester has been working in partnership with VisitBritain and BBC World to create and distribute Manchester content on BBC Britain, which is a bespoke platform run by BBC Worldwide and accessible to international audiences.

The BBC created a 2minute brand film, documentary style for Manchester, fronted by international renowned local artist Stanley Chow.

This brand film is currently being shown on BBC World News and broadcast across 200 countries with a global audience of 434million.

#### 3.4.5 *Digital Development*

The new visitmanchester.com went live in December 2016. Reports show that there has been a significant uplift in interaction and activity with the new site. Since April 2017 the site has received over 2 million page views and international users are up by 75% compared to the previous year.

### 3.4.6 *M Drive*

Marketing Manchester has created a toolkit of content that can be used as the go-to-source for the city-region's ambassadors and stakeholders when promoting Greater Manchester internationally. The toolkit enables our stakeholders to shape, script and boost their own presentations and marketing material to sell the Manchester message. This toolkit is hosted on the M Drive ([www.themdrive.com](http://www.themdrive.com)), a new digital asset system that includes images, videos, factsheets and presentations.

### 3.4.7 *Priority Actions for 2017-2020*

- The introduction of new campaigns for domestic (UK) visitors will be developed from 2017, which will complement existing seasonal campaigns. There will be two additional domestic campaigns targeting day visitor and UK Staycation, working in partnership with the GMCA.
  - Priority markets from 2017 are; US, China, GCC and Europe (Germany, Nordic and Italy). Campaigns will be delivered in market targeting Frequent Independent Travellers and Groups.
  - Deliver a press visit programme, hosting international journalists to Greater Manchester in support of Manchester Airport route priorities.
  - Progress improvements to modernise the provision of Visitor Information including launch of Visitor Welcome Action Plan to integrate, widen and improve the visitor welcome.
  - Develop Manchester Welcome digital infrastructure.
  - Invest in content and a brand toolkit to help improve perceptions of Manchester.
- **To further develop Manchester as a leading events destination**

### 3.4.8 *Highlights*

- Marketing Manchester's conference destination bids have evolved continuously, ensuring the proposals developed are specific to the needs of the conference, highlighting benefits and focusing on the reasons why Manchester is the right location
- Opportunities maximised from hosting ESOF 2016

### 3.4.9 *Bidding for International Business Events*

It has been a strong start to 2017 for the Manchester Convention Bureau. Since April the team have submitted 41 bids for Manchester to host major business conferences. The total economic impact of the bids submitted is £75million with 31,685 delegates. Manchester has won 17 bids since April 2017 with an economic impact of £20million and 10,800 delegates being welcomed to the city over the next 5 years. Manchester is now consistently bidding against tier 1 cities such as Frankfurt, Prague and Barcelona.



### 3.4.10 *Promoting the City's Conference Offer on the Global Stage*

Marketing Manchester attended a number of the major trade exhibitions over the past 12 months to promote the city's conventions products. These included a Manchester presence at IMEX Frankfurt – the global meetings exhibition; The Meetings Show in London and on territory sales activity in Boston and New York.

### 3.4.11 *Priority Actions for 2017-2020*

- Working with Manchester Central and Manchester Hoteliers Association, prepare a new Strategy to support Business Visits and Events. This will take account of the ending of the MCC Subvention Fund in 2020 and set out an approach to boost delegate welcome, create an enhanced wrap-around stay and increase the city's marketing as a conference destination.
  - Continue to benchmark and improve the collaborative bidding approach for international and national conferences, working closely with Manchester Central.
  - Strengthen the Manchester Conference Ambassador Programme working with the Universities and Manchester Central – work on new collateral and Ambassador benefits.
  - Develop opportunities to grow Manchester's Conference and Events profile on both the East and West Coast of America. Utilising the new direct flight routes to attract new conferences particularly in the digital sector out of San Francisco.
- **To improve the quality and appeal of the product offer**

### 3.4.12 *Highlights*

- The private sector continues to invest in improvements in their offer - The Principal and The Midland hotels are just two examples.
- Three digital tours have now been successfully created and launched including; A Northern Quarter/NOMA Tour; Architectural Highlights; and a Cultural Walking Tour.
- Cultural Destinations - ACE funding enabled further cultural concierge training programmes to be delivered to front line staff. 15 training sessions involving 50 organisations and 261 participants were delivered in 2016.
- Improved connectivity. Metrolink's line to Manchester Airport opened in November 2014 along with the fourth railway platform at the Airport station. Extended hours on the Airport line commenced in March 2016 with new early morning services available before 4am. Work on the new Eastern Link Road began in March 2015 and is now expected to be open to traffic by Spring 2018.

### 3.4.13 *Visitor Satisfaction*

The 2014 Leisure Visitors Survey gave a score of 4.5 out of 5 for visitor satisfaction, the same as in 2010. 21% of first time visitors and 24% overseas

visitors said their expectations were exceeded. The Leisure Visitors Survey will be conducted again in 2018.

#### 3.4.14 *Training for frontline staff*

The annual training programme for tourism businesses was further developed during 2016 to include Mapping out Manchester, China Welcome Training and various marketing, social media and customer service courses delivered by World Class Service and Tourism Growth. 55 businesses and 168 individuals attended training courses in 2016.

#### 3.4.15 *Priority Actions for 2017-2020*

- Quality of the visitor experience - ensure the basics are right and the city provides a clean, safe and welcoming environment.
  - Extend and improve the product offer including opportunities through Discover England and Arts Council England funding to introduce new bookable product.
  - Maximise opportunities from recent extensions to the Metrolink network to connect and disperse visitors.
  - Continue to manage and develop strategic relationships with the travel trade and transport operators to develop product for Manchester and the city's role as a hub for the north of England.
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- **To maximise the capacity for growth**

#### 3.4.16 *Highlights*

- Strategic relationships with MCC/GMCA/LEP continue to work well and Marketing Manchester has a strategic relationship with the GMCA Mayors office.
- Recent DCMS funding announcements for the Discover England Fund (£40m), the Great Exhibition of the North, Cultural Destinations phase 2 (ACE) and the GREAT campaign all recognise and support the visitor economy
- Marketing Manchester continues to enjoy strong strategic and operational relationships with VisitEngland/VisitBritain and is recognised as a key delivery partner

#### 3.4.17 *Greater Manchester Tourism Conference 2017*

The second Greater Manchester Tourism Conference was held in October 2017 and again proved to be one of the highlights of the year for the region's tourism sector. Speakers included Steve Ridgeway, (Chair, VisitBritain), Prof Simon Quin (MMU) and speakers from Google UK and Expedia and the event was rated very highly by delegates.

### 3.4.18 *Priority Actions for 2017-2020*

- Work with the new GMCA Elected Mayor and the GMCA lead for International to champion the importance of the visitor economy.
- Maintain and improve partnership working across GM, the north of England and with the key national bodies.
- Support opportunities to develop the range and volume of new visitor products including hotels, attractions and services.
- Work with MGC colleagues and third parties to ensure the visitor economy has the skills it needs to recruit and grow. The second part of this report sets out the industry position regarding current and future labour needs – fill gaps, workforce development re Brexit & improve appeal

## 4. **CRITICAL SUCCESS FACTORS FOR CONTINUED GROWTH**

4.1 If Greater Manchester is to achieve its growth ambition to become a Global Top 20 City by 2035, then a number of challenges within the tourism sector need to be addressed:

- Manchester must achieve growth in the staying visitor market which is higher than the recent UK average. A growing supply of visitor accommodation will require additional effort to secure growth in both business and leisure markets.
- Early comparisons with peer competitor cities (e.g. Barcelona, Berlin, Munich, Amsterdam) show that the funding of the promotion of these cities is significantly greater than that currently available to Manchester and is largely based on a visitor levy/bed tax/local tax model. Manchester needs to develop a funding model for tourism marketing at a scale which allows it to compete with its global peers.
- Manchester works best in partnership. The coordinated support, investment and shared ambitions of Marketing Manchester's Strategic Partners (GMCA, LEP, MAG, TfGM and Manchester Central) are key to future success.
- Manchester must continue to develop its visitor offer: the continuing growth of Manchester International Festival, and the new developments at RHS Bridgewater and The Factory will provide a sound foundation to grow future leisure visits.
- Manchester Airport's continued growth is key to unlocking the region's international tourism potential. The partnership between Manchester Airport and Marketing Manchester is critical to support route development and deliver in-bound marketing.
- The sector continues to suffer from skills shortages and a difficulty in attracting and retaining talent. In order to address this, and seizing the opportunity presented by the proposed National Tourism Sector Deal, a Greater Manchester approach is being developed. These issues, and a proposed Greater Manchester response, are detailed in the attached *Hospitality and Leisure Sector in Greater Manchester* paper provided by GMCA including the *Greater Manchester Skills Action Plan for Hospitality and Leisure*.

## **Part 2 – Hospitality and Leisure Sector in Greater Manchester**

Report for: **The Growth Company**

Produced by: **GMCA**

Date: - 24 October 2017

## Executive summary

- Hospitality, Tourism and Sport is an important sector within Greater Manchester (GM). The sector is broad, encompassing hotels, restaurants, bars, conference and exhibition centres, libraries, museums, entertainment activities, travel agencies, sports, amusement and recreation. It generates a core Gross Value Added (GVA) of £2.7bn, and employs around 111,000 people, and offers a wide variety of career opportunities ranging from entry level to build experience and acquire transferrable skills through to high-skilled managerial roles. More so than other sectors, hospitality and tourism's contribution goes significantly beyond its direct employment and GVA output. GM's cultural and leisure assets directly contribute to the quality of life within the city region and are a critical factor in attracting talent to work and live in Greater Manchester and beyond.
- Growth is expected in the sector. The baseline forecast for GM suggests a net increase of 18,800 jobs in the Hospitality, Tourism and Sport sector from 2015 to 2035, while the ambitious Accelerated Growth Scenario (AGS-2017) developed for GM, and which sees GM playing a leading role within the Northern Powerhouse suggests the number of net new jobs could be as high as 21,200. That said, with rising global competition for both business and leisure visitors, the sector continues to face a number of key challenges. In terms of employment, the sector accounts for approximately 9% of total employment in GM; however, in terms of GVA, it accounts for less than 5% of total GM output indicating that relative to other sectors it is a lower productivity sector. Additionally, the Hospitality and Tourism workforce in the North West (used as a proxy for GM due to data constraints) is less well qualified compared to the UK average, with a lower proportion of Level 4+ qualified workers and a higher proportion of workers with no qualifications.
- One of the main challenges is attracting people to work and remain in the industry and a result the sector has high levels of staff turnover. In part, this is natural churn and is reflective of the industry's young workforce, many of whom gain important transferrable skills such as customer service and money handling skills working in businesses within the sector before pursuing careers in other industries. It also relates to the perception that there is limited opportunity for progression within the sector which can act as a barrier. The impact has been that employers increasingly have to recruit internationally for experienced staff. This may not be sustainable in the long term, particularly in the light of the UK's decision to leave the EU.
- Our economic forecasts suggests an average of 21,000 workers will be needed within the sector each year from 2015 to 2035, although the figure falls to an average of 17,000 per annum in GM when including workers that leave other sectors to join the Hospitality sector. This figure may rise higher as a result of Brexit. Estimates vary on the contribution of EU nationals to the sector. A recent KPMG report for the British Hospitality Association estimated that between 12.3% and 23.7% of the UK hospitality sector workforce is currently made up of EU nationals. Oxford University Migration Observatory, have produced local level analysis and in GM, this estimates that approximately 10% of the total Distribution, Hotels, and Restaurants industry workforce (a proxy for the sector definition used

in this study) are born in the EU making it the third most reliant industry on EU workers in the conurbation. This figure could be much higher if a broader definition of hospitality and leisure had been used for example, capturing wider retail and other customer facing activities. This sector is also the most common employer of EU8 migrants, with 28% of EU8 workers employed in this industry and they appear to be particularly vulnerable to changes in immigration policy arising as a result of the UK's decision to leave the EU.

- A survey by MMU for Marketing Manchester suggests that these positions may prove hard to fill, with just over half of employers surveyed having experienced hard-to-fill vacancies in the 12 months prior to survey. The most common hard-to-fill roles were Front of house managers, restaurant managers, marketing and business development managers; head chefs – particularly due to difficulties finding high-end skills and salary expectations; and receptionists and bar tenders. A fifth (20.9%) of employees surveyed also corroborated the perceived progression challenges above, stating that there are very few / no opportunities for progression in their job.
- Greater Manchester is keen to be ahead of the curve in supporting the Hospitality and Leisure sector to address the ongoing challenges it faces, and to ensure that we have the right skills in place to support the sector. GM recognizes that the city region needs a transformational skills system that delivers the higher level and technical skills needed to drive productivity in GM's growth employment sectors, and to deliver a step-change improvement in basic and generic skills, including English, maths and Digital skills.
- A national Tourism Sector Deal has been proposed by VisitBritain in response to the Industrial Strategy published by the Department for Business, Energy and Industrial Strategy. It is within this context that the Greater Manchester Skills Action Plan for Hospitality and Leisure, included at the end of this report, has been drafted. It is envisaged that the Action Plan will be developed by The Growth Company and GMCA colleagues in more detail when a response to the Tourism Sector Deal submission is received, which is anticipated in Dec 2017.

## 1 Introduction

### Aims

- 1.1 Recognising the critical role of the hospitality and leisure sector in terms of both place making and economic contribution and the challenges it currently faces, this report aims to look at the hospitality and leisure sector in more detail. It sets this activity within the context of the Industrial Strategy and the introduction of the National Skills Plan and provides a clear response and action plan to ensure that the city region can be at the leading edge of growth within this dynamic industry, supporting businesses to equip their employees with the right skills and opportunities to take on rewarding careers within the sector.

### GM Background and policy landscape

- 1.2 Greater Manchester is set to undergo a radical economic transformation over the next two decades. Independent analysis shows that, because of its scale and economic assets, GM has the potential to play a leading role in contributing more to the UK economy and to delivering the Northern Powerhouse ambition, which perhaps represents a once in a generation opportunity for Greater Manchester to realise its economic potential.
- 1.3 To deliver our vision, young people must leave the education system with the knowledge, skills, and attributes needed to succeed in the labour market. Working age adults who are out of work and /or who have low levels of skills must have access to the skills and wider support needed to enter and sustain employment, and there must be an offer for all adults to up-skill and progress their careers. There is a step-change needed to ensure that GM's skills demand and supply systems are more engaged, with the leadership and capacity to co-produce and co-fund the higher level and technical skills, needed to increase productivity, improve skills utilisation and grow the economy.
- 1.4 Recognising that globalisation, technological change and an ageing population/workforce will continue to impact on the sectors and occupations that are likely to grow, the GM skills system will need to be flexible, adaptable and resilient in the long-term. It must deliver skills provision and support services of the highest quality, and our work & skills infrastructure and transport links must ensure that all GM residents can access the provision they need across every part of the city-region.
- 1.5 Greater Manchester needs a transformational skills system that delivers the higher level and technical skills needed to drive productivity in GM's growth employment sectors, and to deliver a step-change improvement in basic and generic skills, including English, maths and Digital skills.

### Hospitality and leisure sector

- 1.6 Greater Manchester's (GM) economic strength lies in its economic diversity and its dense urban geography; it is not overly reliant on a single sector or employer for jobs and, as a whole and has the assets and capabilities to support accelerated economic growth. Hospitality and Leisure is an important sector

within the Greater Manchester economy and it has opportunities for growth as a result of a growing population, increasing employment, rising household incomes, shifting consumer behaviours, and improved transport connectivity.

- 1.7 A number of key challenges do however persist within the sector. One of the main challenges is attracting people to work and remain in the industry. The sector has high levels of staff turnover and increasingly, employers are recruiting internationally for experienced staff. This may not be sustainable in the long term, particularly in the light of the UK's decision to leave the EU.
- 1.8 A recent KPMG report for the British Hospitality Association estimated that between 12.3% and 23.7% of the UK hospitality sector workforce is currently made up of EU nationals, and that hospitality sector potentially faces a recruitment shortfall of upwards of 60,000 per annum workers from 2019. Based on this scenario, by 2029, the hospitality sector could face a total recruitment gap of over 1 million workers (over a quarter of its expected total ~3.5m employment) due to lack of access to EU workers unless it is able to replace EU workers with other types of employees – from other sectors, the unemployed and those not in the workforce.<sup>3</sup> However, the report also highlights that it will be hard to fill the potential recruitment gap with the current unemployed and inactive population – existing vacancies in the hospitality sector are already proving hard to fill despite existing initiatives in place to attract these workers. Potential labour shortages could also be exacerbated by rising demand for ICT skills across the industry, putting pressure on HR budgets that are already stretched through the large amount of money already spent by the sector on the induction and training of new staff.
- 1.9 Research by New Economy has identified that Hospitality has high incidence of low pay (76% of jobs are low paying), this is alongside Accommodation (60%), Retail (53%), Cleaning (53%), and Residential Care (53%).<sup>4</sup> An additional risk to the sector is the recent strong growth in pay at low-paid levels, which has largely been driven by policy initiatives such as the introduction of the National Living Wage (NLW) and automatic pension enrolment. How firms in this sector in particular react to these ongoing changes is likely to play an important role in future labour market developments. Resolution Foundation research has found that, focusing solely on the cost increases associated with the initial introduction of the NLW, around a third of firms raised prices, with around one in seven firms investing more in training and around one in eight investing more in technology.<sup>5</sup>

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<sup>3</sup> <http://www.bha.org.uk/labour-migration-hospitality-sector/>

<sup>4</sup> Pay and Productivity in GM, New Economy, 2016

<sup>5</sup> <http://www.resolutionfoundation.org/app/uploads/2017/07/RF-Brexit-ebook.pdf>, p16



## Structure of the report

1.10 The remainder of the report is structured as follows:

- **Section 1:** Leisure and hospitality sector intelligence setting out the key assets and scale of the industry in terms of Gross Value Added and employment, qualifications, productivity and pay, and workforce profile – including the proportion of EU workers.
- **Section 2:** Future trends, including headline opportunities for growth, and high level challenges facing the sector
- **Section 3:** Skills, summarising the main skills challenges facing firms in Greater Manchester – taking into account the views of employers, employees, and economic models which outline the total replacement demand for labour in the local economy.

**Annex A:** Greater Manchester Action Plan for Tourism & Hospitality Sector

**Annex B:** Case study of Employer Ownership of Skills Project: The hospitality sector in Greater Manchester

## 2 The Hospitality and Leisure sector

2.1 The sector is broad, encompassing hotels, restaurants, bars, conference and exhibition centres, libraries, museums, entertainment activities, travel agencies, sports, amusement and recreation. This section sets out the size and recent performance of the sector, including economic output (GMVA), employment, qualifications of the workforce (a proxy for skills), productivity and pay, and the proportion of the workforce from EU countries.

### Key Assets

2.2 GM boasts one of the largest museum sectors and the highest concentration of producing theatres outside London. GM also has an international reputation for music, with a range of independent music venues and the Manchester Arena, which hosts a range of music and sporting events. Manchester also has two globally-recognised football clubs in Manchester United and Manchester City, and numerous other football league clubs.

2.3 Events such as the Manchester International Festival and facilities such as Manchester Central (Convention Centre), as well as assets such as Trafford Quays Leisure Village, have boosted GM's appeal for both business and leisure tourism, while completed developments and refurbishments such as HOME, the Whitworth Art Gallery and Central Library, and the planned cultural hub of The Factory will further enhance the area's public profile.

2.4 Alongside key visitor attractions in the centre of Manchester, including The Museum of Science and Industry, Manchester Art Gallery and the National Football Museum, other significant visitor attractions across GM include: The Lowry (Salford), Sea Life Centre and Legoland (Trafford), the Bolton Museum Aquarium and Archive, East Lancs Railway and Bury Transport Museum.

### GVA

2.5 The Hospitality and Leisure sector generates a core Gross Value Added (GVA) of £2.7bn. This is modest given the size of the employment base, due to low wages in parts of the industry. GVA per person employed is low relative to other sectors at £22,800, and it is marginally lower than the UK average for the sector (£23,100). This economic output is generated by just over 8,000 businesses in the sector, mostly (72%) micro size firms with less than 10 employees.<sup>6</sup>

### Employment

2.6 Employment in the Hospitality, Tourism and Sport sector in GM grew from nearly 99,000 in 2010 to just over 101,000 in 2012, however it fell to just under 96,000 in 2013 due to a slower economy. Employment has been growing again since 2013, standing at nearly 111,000 in 2015. Employment in the sector as a proportion of the total economy in GM has grown from 8.4% in 2010 to 8.9% in 2015. However, this is below the North West (9.8%) and GB (9.6%) averages.

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<sup>6</sup> Greater Manchester Forecasting Model (2017): Oxford Economics GVA data for 2015 (latest)

Food and beverage service activities is the largest sub-sector, which accounts for over 60% of employment in the sector (67,700 jobs). This is followed by employment within Sports activities, amusement and recreation activities (16.6% share of the sector, with 18,400 jobs) and the Accommodation sub-sector (11.8% share of the sector, with 13,000 jobs).

- 2.7 Only a small minority of those working in the sector are self-employed (2.1% of the workforce, equal to just under 2,400 jobs), although anecdotally there are many examples of entrepreneurial activity within the sector. The majority of employees in the sector work part-time (58.0%) and this share has increased from 53.6% in 2010, showing a trend towards increased part-time work in the sector following the recession. The current share of part-time workers in the sector in GM is slightly below that in the North West (58.4%), but notably above the Great Britain average (54.5%). In Great Britain, the proportion of part-time workers has remained relatively stable since 2010.
- 2.8 Whilst there are no ONS data on zero hours contracts within the sector in the UK's towns and cities, a recent survey (unpublished) by Manchester Metropolitan University suggest that 33% of employers within the Tourism/visitor economy sub-sector frequently employ zero hours contracts.<sup>7</sup>

### Qualifications (skills)

- 2.9 Data on the qualification levels of people employed by detailed sector is not reliable enough on a GM level, however we can look at the data for the North West as a proxy. The majority of the Hospitality and Tourism workforce in the North West is qualified up to Level 2 (26.7%), while another significant proportion is qualified to Level 3 (22.1%) and nearly a fifth have Level 4 qualifications or higher (19.3%). Compared to the UK average, the Hospitality and Tourism workforce in the North West is less well qualified, with a lower proportion of Level 4+ qualified workers (26.0% in UK) and a higher proportion of workers with no qualifications (9.6% in the NW compared to 8.3% in the UK). This suggests that there is significant potential for upskilling the Hospitality and Tourism workforce in GM, to support rising productivity, and to improve progress in careers both within the sector, and into other parts of the economy. Further, the industry provides significant entry level opportunities for people without or working towards qualifications (i.e. students), which provides opportunities for employees to build experience and acquire transferrable skills such as customer management.

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<sup>7</sup> MMU (forthcoming): The Effects of Tourism on Employment in Greater Manchester, for Visit Manchester

**Figure 1: Highest level of qualification held by people working in Hospitality and Tourism, 2015**

	NW	UK
Level 4+	19.3%	26.0%
Level 3	22.1%	20.6%
Trade Apprenticeships	3.3%	2.2%
Level 2	26.7%	21.7%
Below Level 2	12.2%	12.2%
Other Qualifications	6.8%	9.1%
No Qualifications	9.6%	8.3%

Source: Quarterly Labour Force Survey, January - March 2015. (Data may not sum due to rounding)

### Productivity and pay

**2.10** The number of people in Greater Manchester who earned less than the low pay threshold (defined as two thirds of national median income, or £7.74 an hour in 2014) has increased during the decade leading up to 2014 (from 210,780 in 2004 to 233,500 in 2014). ‘Low paying sectors’ (defined as sectors in which at least 30% of jobs pay below the low pay threshold) account for 35.7% of all jobs out of Greater Manchester’s total employment of 1.2 million. Some 400,000 people work in these sectors in Greater Manchester. The sectors with the highest incidence of low-paid work are Hospitality (76% of jobs are low paying), Accommodation (60%), Retail (53%), Cleaning (53%), and Residential Care (53%).<sup>8</sup>

**2.11** There are five sectors with productivity of less than £30,000 per job in Greater Manchester and they correspond with the lowest paying sectors with minor exceptions. The five low productivity sectors are: Administrative and support services; Human Health / Social Work; Leisure (arts, entertainment and recreation); and Accommodation and Food Services; and Retail. Of these, the Low Pay and Productivity in GM report estimates that 76% of jobs in the Food Services sector are low paid, as well as 60% of jobs Accommodation, and 44% in Sport and Leisure. The forthcoming Visitor economy study and survey suggests that the estimated mean salary is £25,000 – ranging from £10,000 p.a. (entry) to £50,000 p.a. (director) depending on occupation.

**2.12** Pay is likely to play a role in explaining some of employers’ recruitment difficulties in this sector and this will be explored later in the paper in alongside skills and qualifications amongst other factors.

### EU Workers

**2.13** A recent KPMG report for the British Hospitality Association estimated that between 12.3% and 23.7% of the UK hospitality sector workforce is currently made up of EU nationals, and that hospitality sector potentially faces a recruitment shortfall of upwards of 60,000 per annum workers from 2019. Based

<sup>8</sup> Pay and Productivity in GM, New Economy, 2016

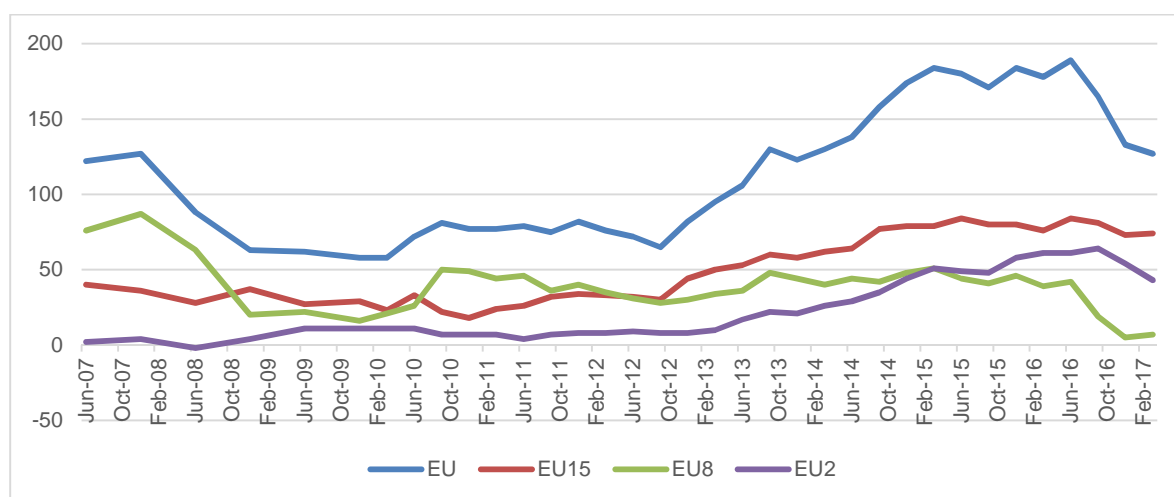
on this scenario, by 2029, the hospitality sector could face a total recruitment gap of over 1 million workers (over a quarter of its expected total ~3.5m employment) due to lack of access to EU workers unless it is able to replace EU workers with other types of employees – from other sectors, the unemployed and those not in the workforce.<sup>9</sup>

**2.14** Data from the Oxford University Migration Observatory reveals that 10% of the total GM workforce within the Distribution, Hotels, and Restaurants industry (a proxy for the sector definition used in this study) are born in the EU, making it the third most reliant industry on EU workers in the conurbation, behind Agriculture, Forestry, and Fishing (14%) and Manufacturing (11%). Assuming that these trends have held, this equates to approximately 25,000 jobs held by EU-born workers in GM’s Distribution, Hotels, and Restaurants industry in GM.<sup>10</sup>

**2.15** The UK has witnessed a rapid increase in net migration in recent years, largely driven by net migration from the EU; net migration from the EU rose by 191% between September 2012 and June 2016. However, since the EU Referendum on 23 June 2016, net migration to the UK has fallen, led by a reversal in net migration from the EU, which witnessed a fall of 33% between June 2016 and March 2017.

**2.16** Within the EU, the decline in net migration has been most prominent among the ‘EU8’ countries, which comprise 8 of the 10 countries that acceded to the EU in 2004, namely: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Net migration from these has fallen by 83% since June 2016, from 42,000 to just 7,000 in March 2016.

**Figure 2: Net EU Migration to the UK, 2007 to 2017**



Source: ONS

**2.17** According to ONS, Distribution, Hotels, and Restaurants is the most common employer of EU8 migrants, with 28% of EU8 workers employed in this industry.

<sup>9</sup> <http://www.bha.org.uk/labour-migration-hospitality-sector/>

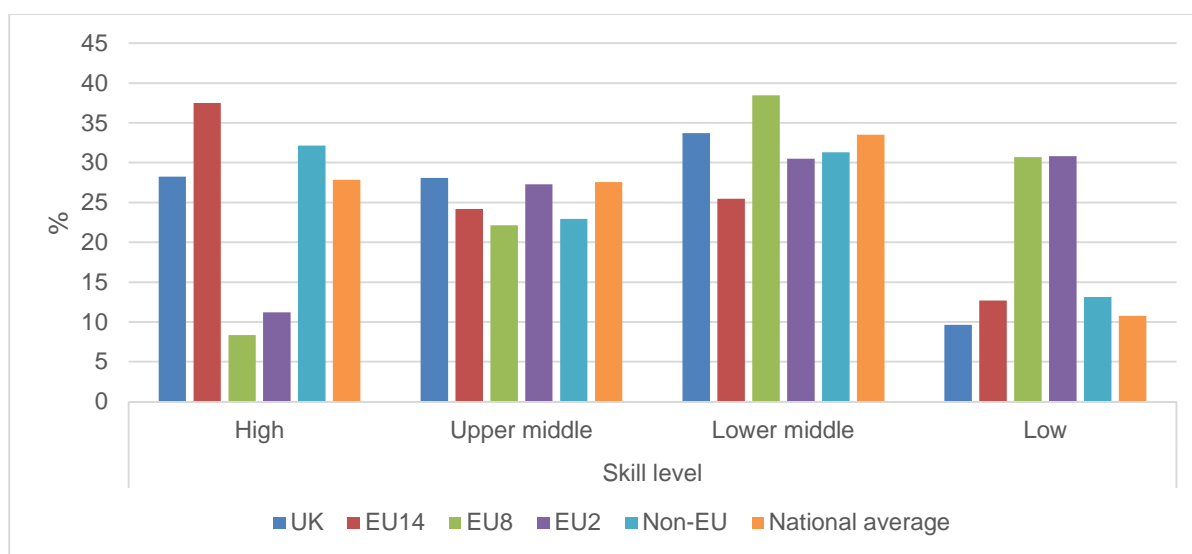
<sup>10</sup> Labour Force Survey (2015). Sample based on individuals living in the area aged 16-65 who are employed.

As such, the Distribution, Hotels, and Restaurants industry appears to be particularly vulnerable to changes in immigration policy arising as a result of the UK's decision to leave the EU.<sup>11</sup>

**2.18** ONS data for 2016 suggest that a much higher proportion of workers born in EU8<sup>12</sup> – which comprise the Eastern European countries that acceded to the EU in 2004 – and EU2 countries (Bulgaria and Romania, who joined in 2007) worked in low-skilled jobs (31%) compared to those born in either the UK (10%), EU14<sup>13</sup> countries (13%) – countries which were members of the EU before 2004, excluding the UK – or outside the EU (13%).

**2.19** People born in EU14 countries or born outside the EU are more likely to be employed in high-skilled jobs compared to people born in the UK. 39% of workers born in EU14 countries and 33% of workers born outside the EU were employed in high-skilled occupations in Q1 2016, compared to 27% of UK born workers and just 8% of workers born in EU A8 countries. This suggests that low-skilled jobs are likely to be most vulnerable to changes in migration as a result of the UK leaving the EU, as it is migration from EU8 countries which appears to be most affected by the Referendum result.

**Figure 3: Distribution of workers in each nationality group by skill level of occupation, 2016**



Source: ONS

<sup>11</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/livingabroad/migrationbetweenbritainandtheeu8#what-are-eu8-citizens-living-in-the-uk-doing>

<sup>12</sup> The EU8 countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia

<sup>13</sup> The EU14 countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden

### 3 Future drivers of change

#### Background

- 3.1** A growing population, increasing employment and rising household incomes are expected to result in increased expenditure in the conurbation's leisure economy during the next decade. Correspondingly, employment in the study sector is expected to see steady growth. This section sets out the headline drivers of change, opportunities for growth and risks facing the industry.
- 3.2** A number of economic scenarios have been developed to assess the growth potential of the sector in GM over the next twenty years. The baseline forecast for GM sets out the likely growth pattern based on a continuation of past trends and is derived from the Greater Manchester Forecasting Model (GMFM). It is a 'policy neutral' forecast as it assumes that policy will be as effective in the future as it has been in the past. An Accelerated Growth Scenario (AGS-2017) has been developed, based upon improved sector growth performance, alongside higher population growth, which will see GM playing a leading role in the development of the Northern Powerhouse.<sup>14,15</sup>
- 3.3** The baseline forecast for GM suggests a net increase of 18,800 jobs in the Hospitality, Tourism and Sport sector from 2015 to 2035. The Accelerated Growth Scenario (AGS-2017) developed for GM suggests the number of net new jobs could be as high as 21,200, and forecasts GVA growth of 2.1% per annum, which could contribute to additional GVA of £1.4bn in GM's economy by 2035. Furthermore, the forecasts also suggest strengths in other parts of the economy where related industries are expected to see growth, for example in Digital Industries - increasing use of online booking systems, new artificial intelligence in reception services, and new business models.

#### Opportunities

- 3.4** GM's growing hotel and serviced accommodation base is particularly dependent on the visitor economy, and typically benefits from business visitors from Monday to Thursday, and leisure visitors during both the week and weekend, including significant demand from visitors to football matches. Rising numbers of international visitors, in particular from US, China and Asia, will continue to present further opportunities for growth and rising demand for new accommodation.
- 3.5** Shifting consumer behaviours, such as older people spending more time travelling, and individuals looking for new experiences, will open up further opportunities for many cities, including those away from more traditional tourist hot-spots. New media platforms, travel comparator sites and promotional opportunities through social media will also allow companies in the conurbation to more effectively market their services and attractions nationally and internationally to a range of new visitors at much lower cost.

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<sup>14</sup> Produced for the GMCA by Oxford Economics

<sup>15</sup> UK Government (2015): Long Term Economic Plan for the North West

- 3.6** The business and conference market, which is already an important component of the tourism sector in the conurbation, is forecast to grow considerably. However, this market will become more competitive in the UK as new purpose built conference centres come on to the market, many of these supported by the public sector. Improved connectivity by road, rail and air will continue to make it easier for visitors to undertake day trips and short stay breaks, while new long haul connections to Africa, Asia and China will increase business and leisure visitors from many countries. The developments at Manchester Airport are a key opportunity for the sector in terms of the Airport being a northern gateway to the conurbation for international visitors.

### Challenges

- 3.7** With rising global competition for both business and leisure visitors, the key challenges for GM are: to continue to strengthen the overall visitor offer including continuing to develop the depth and variety of the cultural offer; to develop and promote more bookable, commissionable product from Manchester across the North; to persuade people to visit locations across the conurbation; to spend more; and to stay longer by changing a typical one-to-two day stay to a three-to-four day stay, or longer.
- 3.8** The conurbation has already benefited from significant investment in its leading cultural assets over a number of years and Factory Manchester adds another major venue of national and international significance. However, there is a major challenge over the next 20 years to continue to secure new investment in the light of increasing competition from other cities, and a tendency for major cultural investment to be focused on London.
- 3.9** Major events, promotional and subvention budgets have been used to attract visitors, business and leisure to the conurbation. Many cities, often capital cities, receive substantial Government support to attract international conferences. It will be a challenge for GM to compete effectively and provide the level of promotion and subvention support to match the budgets available to many capital cities.
- 3.10** While GM is well known for sport and live music, there is a further challenge in broadening visitors' perceptions in areas such as heritage and outdoor activities – where attractions are less well known. New developments, such as the RHS Fifth Garden, will help open up new opportunities to raise GM's profile.
- 3.11** A final challenge is attracting people to work and remain in the industry. The sector suffers from high levels of staff turnover. Increasingly, employers are recruiting internationally for experienced staff and this may not be sustainable in the long term. Potential labour shortages could also be exacerbated by rising demand for ICT skills across the industry, putting pressure on HR budgets that are already stretched through the large amount of money already spent by the sector on the induction and training of new staff.



## 4 Skills

- 4.1 It is vital local residents have the necessary qualifications and skills to take advantage of opportunities in the sector. There are a range of education and training options available which are relevant to the sector, including apprenticeships, further education and training, and University provision. This section summarises the headline skills challenges facing the sector, and provides data on the number of new starts on relevant courses in GM.
- 4.2 Matching supply and demand is difficult. Without a clear line of sight to the opportunities within any sector, GM will never truly get an understanding from residents that there are jobs out there across GM and also ‘good jobs’.
- 4.3 The previous sections have set out the opportunities and challenges within this specific sector; the following information shows the differing skills routes into the sector but they may not be seen as a career choice at this moment in time and this needs to change.

### Headline skills challenges

**Figure 4: Skills Challenges in the Hospitality, Tourism and Sport Sector**

Issue	Explanation
Vacancies, recruitment difficulties, and training costs	<ul style="list-style-type: none"> <li>• High turnover of staff results in large number of vacancies and high recruitment costs.</li> <li>• Sector spends a large amount of money on training new staff but less than whole economy average when all occupations are considered.</li> </ul>
Workforce skills gaps	<ul style="list-style-type: none"> <li>• A high number of workers have skills gaps. Reflecting the high turnover of staff, this is mainly due to workers being new to a role.</li> <li>• Skills gaps are most common in elementary occupations.</li> </ul>
Casual work and zero hours contracts	<ul style="list-style-type: none"> <li>• Risk that casual workers are not given long-term training opportunities, beyond induction and health and safety training.</li> </ul>
University Provision	<ul style="list-style-type: none"> <li>• Industry-led courses will help to upskill residents enabling them to take advantage of opportunities in the sector.</li> </ul>

Source: GMCA – Hospitality and Tourism Sector Deep Dive Report

### Employers’ views on hard-to-fill job roles

- 4.4 A survey by MMU for Marketing Manchester suggests that just over half (52.5%, n=40) of the employers surveyed had experienced hard-to-fill vacancies in the 12 months prior to survey. The most common hard-to-fill roles were:

- Front of house managers, restaurant managers, marketing and business development managers;
- Head chefs – particularly due to difficulties finding high-end skills and salary expectations; and
- Receptionists and bar tenders.

4.5 Similar issues to Chefs were identified as difficulties when trying to fill in management roles. The nature and level of qualifications, relevant experience, language skills, as well as the limited number of applicants were among the main challenges reported by survey respondents.

4.6 A quarter of survey respondents identified that some roles will be hard-to-fill after Britain exits the European Union. These roles include chefs and kitchen porters, and F&B staff - waiters and bartenders. EU nationals were also raised for their wine and bar tending knowledge and skills.

#### Employees' views on opportunities for job progression

4.7 220 employees participated in the MMU-Marketing Manchester study. A fifth (20.9%) of employees stated that there are very few / no opportunities for progression in their job. These respondents were then asked to provide some comments as to the reasons why no opportunities for employment progression exist. The most common replies were:

- *"Lack of progression due to lack of new openings (at higher levels of skill and experience)"; and*
- *"Unattractive salaries, limited jobs with higher salaries."*

#### Replacement demand for labour

4.8 GMFM holds data on the total replacement demand for labour, due to expansion of the economy and due to retirements from the labour market, including 'occupational changers' i.e. workers that left the sector for jobs in other parts of the economy leaving a vacancy. The model suggests an average of 21,000 workers will be needed each year from 2015 to 2035. The figure falls to an average of 17,000 per annum in GM when including workers that leave other sectors to join the Hospitality sector. Given the uncertainty around the Brexit negotiation and potential deal, this figure could rise further.

4.9 Estimate of supply and demand can only ever be indicative, however assessing this demand against the volumes of starters in relevant education and training in GM suggests that skills provision, is at present, broadly in-line with future demand. As described above though this demand could rise further as a result of an increased number of migrant workers potentially leaving the sector in UK. There is also limited detail as to whether this training will meet the skills level required of the sector in the future.

#### Apprenticeships

- 4.10** There were 2,435 starts on apprenticeships relevant to the Hospitality, tourism and sport sector in GM in the academic year 2015/2016. The majority of these starts (65%) were on Hospitality and Catering related apprenticeships (1,552 starts), while just over a third were on apprenticeships relating to Sport, Leisure and Recreation (857). A small number of apprenticeships were Travel and Tourism related (26).
- 4.11** Two-thirds of the apprenticeship provision in the sector were Intermediate (Level 2) apprenticeships, while one third were Advanced (Level 3) apprenticeships. There was also a very small number of Higher level apprenticeships (12 starts).

### Further Education and Training

- 4.12** In addition to apprenticeships, there were just under 12,300 starts on sector-related Further Education and Training courses in GM in 2015/16. Of these, 57% were Sport, Leisure and Recreation courses, 36% were Hospitality and Catering courses, and 8% were Travel and Tourism courses.
- 4.13** The majority of provision is split between Level 3 courses (40%) and Level 2 courses (38%), while Level 1 courses account for 17% of the total.
- 4.14** The number of starts on education and training courses in GM relevant to the sector fell from 16,300 in 2014/15 to 12,300 in 2015/16. The fall has been mainly concentrated in the number of starts on Level 2 courses, which decreased by 37%, and Level 1 courses, which decreased by 32%.

### University provision

- 4.15** Several of GM's universities offer courses that are directly relevant to the sector and that have been designed in conjunction with industry bodies to ensure they reflect the needs of the sector.
- 4.16** Examples include but are not limited to: Manchester Metropolitan University Department of Food and Tourism Management, which offers a range of courses from foundation year through undergraduate and post graduate courses in Hospitality, Tourism and Events as well as doctoral study opportunities and The Business School at the University of Salford which also offers an undergraduate course in Business and Tourism Management (BSc Hons).

## **Annex A**

### **Greater Manchester Skills Action Plan for Hospitality and Leisure**

#### **National Tourism Sector Deal Development**

- 4.17** The tourism and hospitality sector is one of the largest employers in the UK and many city regions. However, the sector is facing both a skills and a labour shortage with recent forecasts suggesting that 25% of sector businesses are reporting vacancies (38% of these considered hard to fill) and over 64% of these being skills-related.
- 4.18** Whilst some vacancies are driven by sector growth, a significant number of vacancies are driven by high levels of labour turnover, estimated to be in the region of 75% and whilst productivity levels have increased significantly in recent years, recruitment difficulties and high labour turnover are undermining productivity in the sector. Nearly full employment also means that the sector has to compete more aggressively for talent and the falling demographic of 16 – 24 year olds will be exacerbated by the forthcoming Brexit impact – creating a perfect storm where labour and talent are hard to come by for this sector.
- 4.19** In January 2017, the Department for Business, Energy and Industrial Strategy published the Industrial Strategy green paper. At the February Tourism Industry Council, a group set up to collaborate between government and the tourism industry, an agreement was reached that the tourism sector would push for a Tourism Sector Deal. The bid is being led by Steve Ridgway CBE, former CEO of Virgin Atlantic and current hotel owner, an industry leader and expert, in line with other sector deals. The bid is being facilitated by VisitBritain/VisitEngland who are helping the industry pull together its proposals.
- 4.20** As part of this industry-led process, the government stipulated that those sectors with the broadest reach, and ability to speak with “one voice” are the likeliest to achieve a sector deal.
- 4.21** More than 450 businesses and organisations fed into a consultation process to help shape the final outcomes of the submission: Marketing Manchester coordinated and facilitated a workshop of regional industry leaders to contribute to the submission.
- 4.22** At the end of September, the Tourism Industry Council agreed that the following priorities were key to the future successful growth of the tourism sector and should therefore be the focus of the Tourism Sector Deal:
- A 10-year tourism and hospitality skills campaign to boost recruitment, skills and long-term careers providing the industry with the workforce it needs;
  - Boosting productivity by extending the tourism season year-round and increasing global market share in the business visits and events sector;
  - Improve connections to increase inbound visits from more markets by 2030 by making it easier for overseas and domestic visitors to not only travel to the UK but explore more of it;

- Creating 'tourism zones' to build quality tourism products that meet visitors needs and expectations, extending the tourism season and fixing localised transport issues to improve the visitor experience.

### **The Growth Company Response to the Tourism Sector Deal**

- 4.23** It is imperative that in Greater Manchester tourism and hospitality becomes regarded as a career of choice able to attract, recruit, develop and retain talent in line with industry's skills and growth needs; reducing the industry's reliance on overseas workers and increasing productivity while delivering a world-class service.
- 4.24** To achieve this we with partner organisations will develop a Greater Manchester approach to these four action areas. This includes the Greater Manchester Skills Action Plan for Hospitality and Leisure, included below that has been drafted in line with the National Tourism Sector Deal submission and the National Skills Plan.
- 4.25** It is envisaged that the Action Plan will be developed further with GMCA colleagues and in more detail when a response to the Tourism Sector Deal submission is received, which is anticipated in Dec 2017.
- 4.26** Annex B outlines a case study on the Employer Ownership of Skills (EOS) Project: The hospitality sector in Greater Manchester which was led by Robinsons Breweries and initially launched five apprenticeships for bar and kitchen staff, supervisors & managers and see this as the start of a programme which would allow people who want a career in hospitality to progress onto higher level Apprenticeships, ultimately leading to degree equivalent qualifications.

<b>Draft for discussion Greater Manchester Skills Action Plan for Hospitality and Leisure</b>				
<b>Strategic Objective</b>	<b>Outline Actions</b>	<b>Indicative Milestone / Target pa</b>	<b>Delivery</b>	<b>GMS Alignment / Target Contribution to</b>
<b>Agree an employer led skills strategy for GM Hospitality and Leisure Sector</b>	<ul style="list-style-type: none"> <li>Establish Visit Economy Skills Partnership and develop strategy</li> <li>Ensure that this sector is targeted to sign up to the GM Mayor Employer Charter.</li> <li>Utilise exemplar employers to trailblaze the strategy eg: University of Manchester, Hotels and Hospitality</li> </ul>	Work with GMCA to ensure connectivity and drive with Mayoral Charter	MM/ GMCA	
<b>Strategic alignment of the GM skills &amp; education system with the skills and employment needs of the tourism and hospitality industry</b>	<ul style="list-style-type: none"> <li>Use the GMCA Gatsby work to accelerate the development of Technical Level Sector routeways in this sector space and pilot within GM working closely with industry.</li> <li>Work with the industry and the FE provider base to ensure that FE courses and Apprenticeships form a key part of the strategy for talent entry, career progression and career sustainability.</li> <li>Ensure that GM HEIs develop their offer and connect directly into industry to ensure a good fit and 'oven ready' employment of their graduates.</li> </ul>	<p>Tourism &amp; Hospitality Routeway developed &amp; 3 FE Institutions piloting the Routeway</p> <p>Increase number of starts on FE programmes by 4000 back to 15/16 levels of 16,300</p> <p>Develop Tourism &amp; Hospitality specific pages on GMAC This is Me site</p>	<p>GMCA</p> <p>GC GM Futures</p> <p>GC MM/ HEI</p>	<p>Priority 3 -25% of GM working-age residents will have sub-level 2 qualification, down from 27.7% in 2016 -More than 40k GM residents pa will start an apprenticeship -38.8% of GM working-age residents will have Level 4+ qualifications</p>

	<ul style="list-style-type: none"> <li>• Identify hard to fill vacancies and work with key providers to create training programmes that meet this. This could include;             <ul style="list-style-type: none"> <li>• Chefs</li> <li>• Beauty &amp; Spa Specialists</li> <li>• Managers (e.g Front of House, Marketing)</li> <li>• Receptionists</li> <li>• World Class Customer Service (built on World Host principles)</li> </ul> </li> </ul>	<p>80% of GM HE Institutions meeting industry need</p> <p>Set up Hospitality &amp; Tourism skills &amp; employment partnership group to co-develop and launch training programmes</p>	<p>GC MM GMCA</p>	
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<p><b>Improving Productivity &amp; Retention</b></p>	<ul style="list-style-type: none"> <li>• Develop an industry specific ladder of Leadership &amp; Management programmes.</li> <li>• Use Degree Apprenticeships to drive activity in this area.</li> <li>• Understand the emergence of technology in this space and link with potential initiatives like the GM Digital Programme and the Institute of Technology (IoT) to develop skills programmes that will meet the need in the sector.</li> </ul>	<p>Use the Hospitality &amp; Tourism Skills &amp; Employment Partnership to drive L &amp; M programmes</p> <p>Link into 'Be the Business' / NWBLT programmes</p> <p>Work with the IoT Development Board to ensure sector is part of planning &amp; Eol</p>	<p>GC</p> <p>GC</p> <p>GMCA</p>	<p>Priority 7 -The GM visitor economy will be valued at £8.8bnm up from £7.9bn in 2015</p>
<p><b>Delivery of a high profile, careers campaign championed by industry to inform potential recruits and careers influencers to attract and retain higher number of GM workers</b></p>	<ul style="list-style-type: none"> <li>• Interaction with key target audiences including young people, unemployed adults, returners to work, 'under-employed' people working in industry, existing workforce, and influencers of career choices (parents, teachers, JCP staff, careers advisors, youth workers....)</li> <li>• Utilise careers information, advice and guidance tools like National Careers Service, Careers &amp; Enterprise Co and the Greater Manchester Apprenticeship Company to reach core parts of the key target audience and link directly to vacancies in the sector.</li> <li>• Ensure GM is part of existing initiatives eg Big Hospitality Conversation, #tourismcareers. Identify high profile role models from industry (eg Gary Neville) to encourage interest and use as 'faces' of the campaign, providing an Ambassador role in careers events, roadshows and</li> </ul>	<p>Audience engaged - % age of national skills target</p> <p>(total 184,700 people 16+ unemployed or economically inactive who want a job in 12 months to June 2017, 4,350 of GM's 16-17 year olds were NEET or their activity was not known)</p>	<p>GC/ MM</p> <p>GC/ GMCA</p> <p>MM</p>	<p>Priority 2 - number of 16-17 year olds who are NEET will be below the national average - Number of unemployed 16-19 year olds will have fallen to 11k or below</p> <p>Priority 4 -Additional 21.5k GM residents will be employed compared to 2015</p> <p>Priority 10 -Number of 50-65</p>



	potentially masterclasses			year olds in employment will increase by at least 30k
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<p><b>Activity to attract more talent and steer them onto the next step to becoming employees</b></p>	<ul style="list-style-type: none"> <li>Secure Work Experience opportunities for year 10s &amp; 11s, Study Programme participants in FE, undergraduates and unemployed adults seeking work</li> </ul>	<p>2,500 work experience placements created</p>	<p>GC</p>	<p>Priority 2 &amp; 3 – as above</p>
	<ul style="list-style-type: none"> <li>Continuing to grow MMUs industry leaders mentor programme to reduce the attrition of students from hospitality and tourism related degree programmes.</li> </ul>	<p>50 mentors engaging with students</p>	<p>MMU</p>	
	<ul style="list-style-type: none"> <li>Utilise the Apprenticeship levy / reform opportunities to create meaningful employment opportunities in the sector and work with provider base to fill them from key target audiences.</li> </ul>	<p>Additional 250 Apprenticeship vacancies created &amp; filled pa, at least 30 at higher level</p>	<p>GC</p>	
	<ul style="list-style-type: none"> <li>Utilise employability programmes to deliver sector specific / pre-employment training to upskill harder to reach individuals enabling them to gain sustainable employment within the sector building on a Sector Work Based Academy approach. These include;                             <ul style="list-style-type: none"> <li>Work &amp; Health Programme</li> <li>Adult Education Budget</li> <li>Skills for Employment</li> </ul> </li> </ul>	<p>% of hard to reach GM residents placed into training and XX placed in employment (out of GM total hard to reach group of 184,700 people 16+ unemployed or economically inactive who want a job in 12 months to June 2017)</p>	<p>G M</p>	
	<ul style="list-style-type: none"> <li>Working with The Works (joint venture between University of Manchester and Growth Company) to reach individuals in local communities, undergo training and place into employment.</li> </ul>		<p>GC / UoM</p>	

## **ANNEX B:**

### **Case study on the Employer Ownership of Skills (EOS) Project: The hospitality sector in Greater Manchester (Lead: Robinsons Breweries)**

#### **Context**

EOS was an innovative project pilot, initiated by Government, and ran between September 2012 (Round 1), and Round 2 projects first announced in September 2013, and final Round 2 projects announced throughout 2014. In Greater Manchester, a bid led by the Greater Manchester Chamber of Commerce successfully secured £8.5 million of EOS public funding over a five year period, and leveraging employer investment of £27m. Sectors covered in GM included: Construction; Low Carbon; Health & Social Care; Hospitality; IT, Creative, Digital; Legal; Financial Services; and Logistics.

EOS aimed to create an employer led skills system which leads to an increase in competitiveness and the provision of good jobs and training opportunities, and to support employers to take the opportunity to lead new activities to improve skills and employment in their sectors, supply chains and localities. The initiative included joint working with appropriate public/private/social sector partners to maximise employer take-up of Apprenticeship across the range of employment sectors, and supported the recruitment of young people and adults of all abilities into Apprenticeships.

#### **Project and outcomes**

In Greater Manchester the EOS Hospitality pilot was led by Robinsons Brewery and developed with other Greater Manchester regional brewers, restaurant and pub operators, in particular to address concerns with the current skills and training offering for the industry by adding additional qualifications in customer service and wine knowledge as well as giving every apprentice an Award for Personal License Holders. Robinsons initially launched five apprenticeships for bar and kitchen staff, supervisors & managers and see this as the start of a programme which would allow people who want a career in hospitality to progress onto higher level Apprenticeships, ultimately leading to degree equivalent qualifications.

The EOS funded someone to work closely with Robinsons to develop industry led solutions: someone who “understood the red tape, jargon and political pathways to securing funding”. The approach also secured the right training partners which were also critical for the project’s success. Evaluation workshops highlighted that employers felt they were part of a longer-term solution to addressing skills shortages. Robinsons were able to use extensive industry knowledge and contacts in the industry to sell in the message, sign-up apprentices, and work on course accreditation in order to fully develop career pathways with training. Licensees also supported Robinsons workforce development programme and encouraged their staff to get involved to gain accredited and relevant industry qualifications.