



## Executive Summary

Licensed Hospitality 2009:  
A Labour Market Review of the  
Pubs, Bars and Nightclubs Industry

Produced by People 1st in association with:



# Executive Summary

## Introduction

Along with many other industries, these are challenging times for the licensed hospitality<sup>1</sup> sector. The recession, reminiscent to the one in the early 1990s, is proving to be a major catalyst of change, increasingly prompting organisations to diversify their business to accommodate changing times and customer needs.

Indeed, change and enterprise are highlighted as reoccurring themes throughout ‘Licensed Hospitality 2009 - A Labour Market Review of the Pubs, Bars and Nightclubs Industry’ report and have major implications on the structure of the industry, as well as for skills development and recruitment. The industry, which has experienced ongoing change over the past ten years, can expect more as it faces further major consultations and government reports.

Against this backdrop of change, People 1st, in partnership with the British Institute of Innkeeping (BII), conducted extensive research to obtain a definitive snapshot of the licensed hospitality industry. Further support was provided by the Federation of the Retail Licensed Trade Northern Ireland, the Association of Multiple Licensed Retailers and the British Beer and Pub Association.

This research brings together a wealth of information to describe what is currently driving industry performance, with particular focus on the implications for its workforce. It describes:

- The size and structure of the sector
- Key drivers for change within the sector
- The size and characteristics of the workforce
- Recruitment and retention practices
- Training and development practices
- Future opportunities and threats

**The research predominantly focuses on the pubs, bars and nightclubs element of the licensed hospitality industry.**

## Industry size and structure

The licensed hospitality industry is a substantial generator of wealth and employment for the UK, accounting for around 3% of the UK’s economic output.<sup>2</sup>

There are around 130,000 on-licensed premises in the UK of which approximately 50% are pubs, bars and nightclubs. Most pubs and bars (83%) operate as small businesses. Just over half of all pubs and bars (52%) are run by lessees or tenants who rent the premises from a pub company or brewery. 31% of pubs and bars are freehouses and are independently owned and operated. The nightclub industry is fragmented with few large operators.

The structure of the pub and bar industry is constantly changing, with a shift from managed outlets towards more freetrade and tenanted operations over the past ten years. According to the British Beer and Pub Association, 52 pubs a week are now closing in Britain. The figures for the first six months of 2009 show the rate of pub closure has increased by a third, up from 39 pubs a week in the last six months of 2008.

## Operating conditions

Pubs and bars in particular have experienced a difficult few years as the recession and the smoking ban have taken their toll on reducing footfall and spending. Operating costs have also soared because of alcohol duty, entertainment costs, food inflation, increases in the minimum wage, utility costs, and costs associated with complying with new regulation.

Interviews conducted for this research suggest that trading has been particularly tough for premises outside large cities, regions outside the South East, those operating in the middle market, community pubs, and those in areas where there have been major redundancies and a higher number of lessees/tenants.

However, not all businesses are suffering. Those who have a competitive edge over local rivals appear to be least affected by the recession as they have retained (and in some cases gained) custom. Premises in tourist and student areas appear to be faring well.

## Workforce characteristics

Around 1,245,800 people work in the licensed hospitality industry, 47% of whom work in pubs, bars and nightclubs, 26% in hotels and 22% in restaurants.

The pubs, bars and nightclubs industry has the youngest workforce of all UK industries - over half are under the age of 25. Many of those working in bar and catering roles are also full-time students. The proportion of

male and female ‘publicans and managers of licensed premises’ is similarly balanced with men generally dominating back of house and women front of house roles.

## Recruitment

Employers report that recruiting bar and waiting staff is relatively easy, particularly in university towns and cities. The recession has led to an increase in the number of people looking for work in the sector making recruitment even easier for many businesses. Employers also appear to have little difficulty in recruiting bar supervisors, mainly as they tend to be recruited from within the business.

Nevertheless, employers are struggling to recruit chefs with the required experience and skills (one in five of those surveyed) while a third reported difficulties in recruiting bar managers. Whilst there tends to be no shortage of applicants for these positions, many do not have all the required skills, attributes and experience.

## Current employment trends

The overall size of the pubs, bars and nightclubs workforce is contracting. Whilst this is partly due to pub closures, it is also as a result of premises operating with fewer staff. Survey results suggest that premises are operating with 7% fewer staff now than they were one year ago. The survey results suggest that the biggest decline in staff over the last 12 months is in freehold premises.

Food has been an important part of many pubs’ offering for the past ten years, and it continues to grow as a result of the smoking ban and other factors. This has implications on the structure of the workforce, recruitment, skills and training. 6,200 more chefs were working in the pubs, bars and nightclubs industry in the UK in 2007/08 compared to 2004/05, an increase of 33%.

Staff turnover has always been high in the pubs, bars and nightclubs industry and most operators believe this to be inevitable. However, staff turnover does vary considerably by premises and survey results suggest that it is higher in leased/tenanted pubs than in managed houses and freehouses.

## Skills required of the workforce

According to the 2007 National Employer Skills Survey, the main skills lacking in the pubs, bars and nightclubs

industry are ‘customer handling skills’, ‘technical, practical or job-specific skills’ and ‘team working skills’ In addition, nearly a quarter of employers with skills gaps in their workforce cited poor management skills.

Arguably, the most important skills lacking in the industry are management skills. This includes people management, marketing, finance, promotion and sales skills. Good people management practices can often reduce labour turnover and increase productivity and ultimately sales.

Over the last ten years the shift from managed outlets towards more freetrade and tenanted operations has implications for skills. Managers of managed houses tend to be subject to a more rigorous recruitment process and are usually provided with structured training whilst operators of freetrade, leased or tenanted pubs are less likely to take up training opportunities.

Interviews with employers suggest there is scope to improve the customer service, sales skills and marketing skills of the licensed hospitality workforce.

## Training and qualifications

According to the 2007 National Employer Skills Survey, nearly three-quarters of pubs, bars and nightclubs (71%) provide or arrange training for their staff, predominantly on serving drinks, customer service, health and safety, new products and services and underage drinking.

Views on qualifications are mixed. Although employers do not view qualifications as essential to all those working in the industry, it is acknowledged that qualifications can help improve the professionalism of the industry.

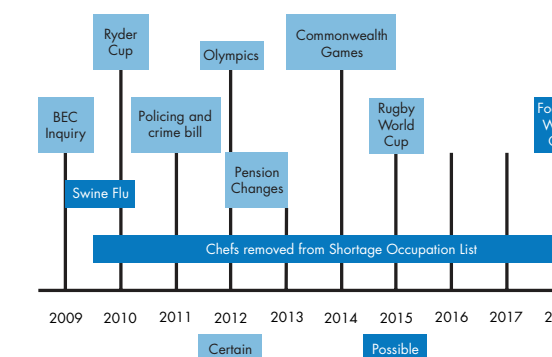
The introduction of the Licensing Act in England and Wales in 2005 led to designated premises supervisors being required to have a licensing qualification in order to be granted a personal licence. In many premises additional staff also gain the qualification.

The development of the Private Security Industry Act led to bouncers having to become licensed door supervisors. Part of the licence requirement is the achievement of a qualification. Initially this led to increased costs for the industry and also resulted in the number of qualified individuals being in short supply. However, again, many employers acknowledge that the legislation has helped professionalise that element of the industry.

## What does the future hold?

Figure 1 shows some of the potential future drivers of change for the licensed hospitality industry over the next ten years which could have implications for employment and skills needs.

Figure 1: Future trends



The ‘Golden Decade of Sporting Events’ will be one driver of labour and skill needs for businesses located in certain areas. The ‘welcome’ and service received by visitors for these events will have wider implications in terms of the perceptions of the UK as a world class tourist destination.

Another key factor will be any changes to the pub company model that occur as a result of the outcome of the BEC inquiry. The 2009 Business and Enterprise Committee (BEC) inquiry into pub company operating practices was conducted to follow up on the 2004 Trade and Industry Committee inquiry into the relationship between pub companies and their lessees, specifically those operating a tied estate. The BEC inquiry found that the problems identified five years ago remained and the imbalance of bargaining power persists and recommended a full Competition Commission inquiry into the market. However, the Office of Fair Trading has since responded to a super-complaint by CAMRA, and found pub company operating practices compliant with competition law and require no further action and investigation.

Other on-going trends which are likely to continue into the future, therefore potentially impacting on employment and skills, include:

- Further promotion of ‘Pub is the Hub’ initiative
- Closure of local amenities
- Under utilisation of premises
- Diversification

## Conclusion

The research concludes that whilst many licensed hospitality businesses have undoubtedly suffered over the last decade, and the recession is compounding difficulties for some, those who innovate, diversify and match their offer to customer demand can do well. Examples of diversification within the pubs, bars and nightclubs elements of the industry include:

- Expanding food offers (breakfast, coffee, afternoon tea, curry nights)
- Adding accommodation
- Incorporating a shop, deli or post office
- Hosting classes, community groups and events

Investing in recruiting, developing and retaining talented people can also give a business a competitive edge. The research suggests that the key ‘people’ issues for the sector are:

- The need to improve business management skills, particularly amongst lessees, tenants and owner/managers of freehold premises
- The potential to improve customer service skills
- Difficulties in recruiting chefs
- The need to improve marketing skills (including using IT to its maximum potential) to attract and retain customers
- The need to continue to professionalise and improve the image of the industry to attract talented personnel for the future.

<sup>1</sup>Pubs, bars and nightclubs plus licensed hotels and restaurants

<sup>2</sup>Annual Business Inquiry, Office for National Statistics, 2007