

# Hospitality

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*what hospitality wants*



Institute  
of Hospitality



#GE2015

# *Dear Prime Minister...*

For our sector to continue to flourish, what do we need from the new UK Government? And what issues must we address ourselves? **Ben Walker** reports



**H**he business community has broadly welcomed the stability and continuity of a Conservative majority government. The unexpected result was met with an immediate surge in share prices and the value of Sterling. Now that the new cabinet has been named, a new term in office means a fresh opportunity for our sector to make its voice heard.

The Institute of Hospitality recently invited a group of hotel and foodservice leaders, consultants and academics to put forward the policies and conditions that they think would most benefit our industry.

The discussion focused on student visas, immigration, zero hours contracts, apprenticeships and our representation in government under the auspices of The Tourism Council.

During the debate the importance of generating positive PR for hospitality and promoting our industry to parents, children, teachers and careers advisors was underlined. Despite some excellent initiatives, participants agreed that this was something that we as an industry must get better at doing.

### Strong case

The UK hospitality industry has a strong case to put to politicians. Unlike many other industries, our jobs and tax revenue cannot be moved offshore. We are the fourth largest employer in the country, with 3.1m people generating £127b (9% of GDP) in tourism and leisure revenue each year. Based on growth since 2010, these numbers are forecast to increase to 3.7m jobs (11% of total UK employment) and a tourism and leisure economy worth £257b by 2025.<sup>1</sup>

We are not confined to any one area or region, but create wealth and employment within each UK local authority and our economic impact is much wider than might first be considered. If we take a cappuccino (milk, coffee, sugar, cup, saucer, spoon), for example, each cup sold is

benefitting farmers, transporters, manufacturers and retailers. Research by the University of Surrey found that the multiplier effect of money spent in hospitality is greater than in any other industry.

### VAT chance

The policy which many hospitality businesses (34%) hope to see put in place by our new Government is a VAT reduction on accommodation and tourist attractions from 20% to 5%.<sup>2</sup>

The leaders present at the Institute's debate, however, did not view this campaign as having any realistic chance of success. Giving a tax break to a successful sector would set an uncomfortable precedent for the government which would lead to demands for equal treatment from other sectors. In 2014, GOP PAR for London hotels was up by 2.2% and 11.8% in the provinces.<sup>3</sup> This is clearly not a sector on its knees. Although a VAT reduction would ostensibly enable hospitality businesses to lower their prices and increase investment, it could equally allow them to pocket additional profit. As Bob Cotton FIH writes in a recent blog, that's no bad thing in itself but it is not the reason for a tax cut.<sup>4</sup> The risk of losing VAT revenue is too high for the government to currently contemplate. A campaign to cut tax on feeding people in the workplace could have been a better use of

resources with a greater chance of success, it was suggested.

### Our collective voice

Is our broad industry accurately represented within government? Established in June 2014, The Tourism Council was a welcome development. The hope must be that Tracey Couch, the new minister for sport and tourism, and John Whittingdale, secretary of state for culture, media and sport, build upon its valuable work.

Its 22 member organisations, however, are currently travel, visitor attraction, hotel and online distribution companies, with no foodservice companies represented.

"It's a definitional issue. Outside the UK and the US, tourism does tend to have a much wider meaning ('Of course tourism includes prison catering!') but in the UK we have been hoisted on our own petard by separating hospitality and tourism in various ways," commented Andrew Lockwood FIH, Forte professor of Management and Associate Dean, University of Surrey.

Global catering firms such as Compass and Sodexo carry out their own lobbying directly, and this contributes to our fragmentation. Ufi Ibrahim FIH, CEO of the British Hospitality Association, has stated an intention to "diversify and strengthen" the Tourism Council. If the Council embraced a wider definition of tourism and hospitality by including foodservice companies and organisations that represent SMEs, this would strengthen our collective voice.

Jonathan Gray, partner at law firm Pitmans, commented: "Definitions are very important. By giving a wider definition and brief, there is the possibility to engage across the whole sector, which would empower the Council to make a significant difference."

### Welcome

Before 2011, non-EU hospitality students were allowed to work in the UK for up to two years after graduating. Post-study work visas were scrapped as an easy way to cut migration.

Stephen Minall, co-owner, Moving Food, added: "The reason was a panic after stating a goal to reduce net migration by the hundreds of thousands, so they've found some irreputable colleges that are falsifying visas... but that's the problem with much of the media. There's always an emphasis on the negative, without considering the significant benefits provided by overseas students."

Lockwood confirmed there had been a drop in overseas student



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# An open letter to our new Government

coverfeature



## A sensible immigration policy

We are sympathetic to politicians' desires to ensure that British workers are not displaced by foreign labour and that benefits are not abused. But we are concerned that the drive to cut net migration has resulted in policies that may cause long-term damage. We wish for a reinstatement of post-study work visas that allow non-EU students to work in the UK for up to two years.



## Keep our workforces flexible

As an industry that experiences fluctuations in demand, we need to flex our workforces accordingly. Amongst a range of employment agreements used in our industry, zero hours contracts have their place and suit certain employees. We agree that exclusivity clauses should be outlawed and are pleased to see that this is due to become law.



## A Tourism Council that also represents foodservice and SMEs

The Tourism Council, established in June 2014, has given us a direct voice within Government and its valuable work must continue. Its representative commercial organisations, however, do not currently include foodservice companies who share many of the same lobbying goals, particularly on the skills, training and recruitment agenda. The fact that a global giant such as Compass conducts its lobbying separately perpetuates the view that our industry does not have a common voice. Together, a wider definition of tourism will make our lobbying power stronger.



## Investment

The Conservatives have stated that they have "no plans at the moment" to cut VAT on accommodation and visitor attractions, but the chancellor George Osborne did create a tax break to encourage businesses to modernise, refurbish and expand. The Annual Investment Allowance has been increased to £500,000 until the end of 2015. This deadline now needs to be extended to allow hotel and restaurant owners the necessary time to plan refurbishment programmes and improvements.



## Tackling skills and youth unemployment

The Institute of Hospitality is proud to be among the organisations and employers (known as 'trailblazers') that are ensuring that our next generation of hospitality and catering apprenticeships are of the highest quality. We must work with our new Government to continue to promote apprenticeships and make employers, especially SMEs, aware of the funding and assistance available.

The above recommendations were made by a group of industry leaders in foodservice, hotels and academia during a meeting organised by the Institute of Hospitality

numbers. Many who would have studied in the UK now go to Australia or the US instead, where they still have the right to work after completing their degrees.

"It's changed the PR value. It's saying 'you're less welcome than you were,'" he said.

"The net result is fewer students and if the long-term result is a shift to Australia or the US rather than the UK, then that will have a much wider financial impact on our universities and UK students too. For our industry, we already have massive skills shortages so the knock-on effect of this policy is negative," concluded Peter Ducker FIH, chief executive, Institute of Hospitality.

The current system means that for certain occupations, the same graduates often end up working in the UK anyway. A nursing student from India, for example, may complete her UK studies and then have to return to India; she may then be recruited back to the UK by the NHS on a separate employment visa.

On the subject of immigration in general, Minall advised against putting in place any excessive curbs promised during the election campaign.

Hotel consultant Melvin Gold FIH added: "Our sector needs immigrants and it always has, but we'd also like more Britons to join. We do not prefer immigrants, but they are the only applicants for some jobs."

## Zero hours...

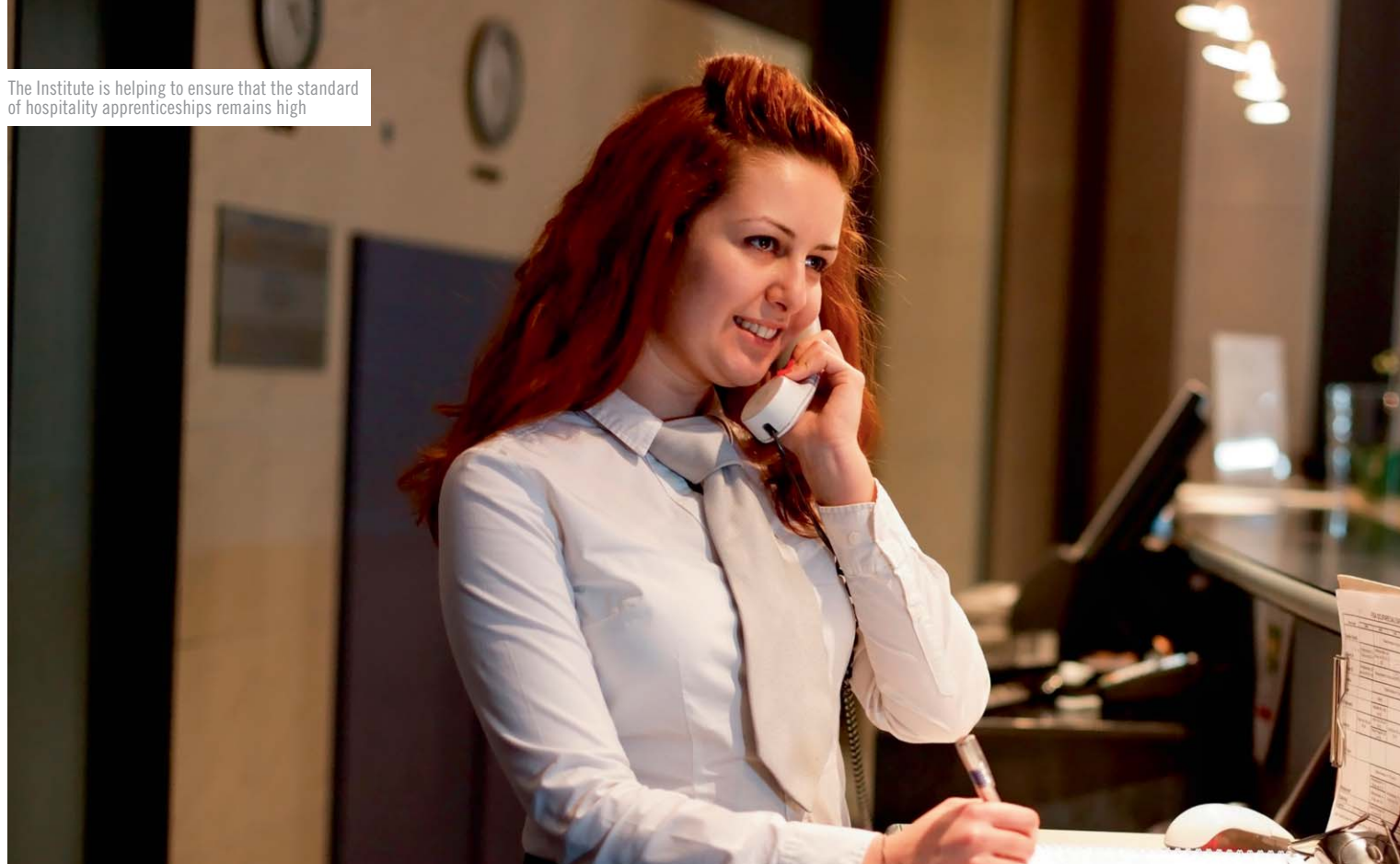
During the election campaign, zero hours contracts were a highly emotive subject. Former Labour leader Ed Miliband called them an "epidemic" that is "undermining family life."

Zero hours contracts are not new. McDonald's has been using them since it first opened in the UK in 1974. Its website says: "Many of our employees are parents or students who are looking to fit flexible, paid work around childcare, study and other commitments. Employee hours are scheduled in advance. We do not use exclusivity clauses and we never ask people to be 'on call'. Importantly, all of our hourly-paid employees receive benefits such as holiday pay, sick pay and training."

A zero hours contract is still a contract of employment, confirmed Gray, so it does not remove employment rights such as the right not to be unfairly dismissed or the right to statutory redundancy payment.

Alternatives commonly used in hospitality are annual hours contracts (where the hours may fluctuate but are guaranteed, and the pay is averaged out, such as in the education sector), part-time work (with voluntary overtime if necessary when times are busy) or casual agreements >>>





>>> (to meet ad hoc requirements where there really is no regularity or pattern of work).

### ...or lifestyle contracts?

Although media coverage of zero hours contracts has been almost exclusively negative, they are not necessarily a bad thing.

"The implication is that they are exploiting workers, but that's not necessarily the case," said Lockwood.

A public consultation by the last government found that zero hours contracts have generally been used responsibly in a range of sectors for many years, although some abuse does take place. The outcome of the consultation was a decision to ban exclusivity clauses in contracts that do not guarantee any hours and the bill (The Small Business, Enterprise and Employment Bill) is currently before Parliament.

Participants at the Institute's debate agreed that exclusivity clauses should be removed. Gray said: "Exclusivity should be outlawed because it flies against the two-way street of flexibility. There is a PR job to do. Perhaps we should be calling them 'lifestyle contracts' instead."

### Stay flexible

Flexible working solutions are increasingly popular with people at all stages in their lives and give our sector the opportunity to eradicate split shifts and improve our reputation for unsociable and long hours.

"The enlightened employers are already there, but there are still an awful lot of not so enlightened ones," said Ducker.

"Many millennials don't necessarily want to work the same fixed hours in the same place everyday and the same is true for other age groups," said Gray.

Because they cannot attract enough young people, US fast food and coffee chains have changed their advertising and recruitment policies to target older people who want to work reduced hours, added Minall.

"I have a pal who is 63 and he could

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*Staff get great satisfaction from nurturing and helping apprentices*

retire. He was a consultant but no longer wants to engage at that level. So now he is a kitchen porter in a Michelin-starred restaurant and he loves it! He only does two eight-hour shifts a week, mind you," said Tim West FHH, chairman, Lexington Catering.

### Promote

The poor image of hospitality amongst most parents, teachers and careers advisors has been a persistent bugbear for us. But we are not alone. Almost every other vocational type of industry, including engineering and construction, suffers in the same way because it is indoctrinated into children from a very young age that academic careers are better than vocational

careers. The prevalence of overseas workers, the negative media coverage of zero hours contracts and minimum wage jobs may also be factors that deter Brits from entering our industry.

But there are signs of change. The increase in university tuition fees may mean more young people look for alternatives to higher education. There has been a new strong focus on apprenticeships that give young people an early step on the career ladder, the chance to earn as they learn and avoid the perils of running up excessive student debts.

The Institute of Hospitality is proud to be among the organisations and employers (known as 'trailblazers') that are ensuring that our next generation of hospitality and catering apprenticeships are of the highest quality. We must work with our new Government to continue to promote apprenticeships and make employers, especially SMEs, aware of the funding and assistance available.

"Apprenticeships represent good corporate citizenship and they create role models and good PR," said Ducker. "They are also good for existing staff who get great satisfaction from nurturing and helping new team members."

### Attract

We need to do a better job at attracting British young people into our industry. "The real issue is what we can do to make them understand that you might start on a low wage for the first six months or so, but if you're any good, you're going to move up fairly quickly, in fact probably very quickly.

# NIGERIA'S PEACEFUL TRANSITION OF POWER



Nigeria also has a new Government. Members of the Institute's Lagos Branch share their hopes for change

In an historical election, former military ruler Muhammadu Buhari has become the first Nigerian to defeat a sitting president through the ballot box, putting him in charge of Africa's most populous nation and its biggest economy.

"We were very pleased with how the election was carried out," said Trevor Ward FIH, managing director of W Hospitality Group. "It was a landslide, although it had been considered too close to call. The incumbent President Goodluck Jonathan graciously conceded defeat. As a whole, the result is incredibly positive, not just for Nigeria but for Africa as a whole."

Belinda Nwosu FIH, head of hospitality department, Wavcrest College, agreed: "With the peaceful transition of power, that so many of us did not expect, we all breathed a collective sigh of relief. This situation has created an atmosphere of confidence that will go a long way in boosting investment in our sector."

Ward said it was still early days, but expectations for the new administration are high: "They're

already making the right noises regarding anti-corruption."

Another priority must be to tackle Nigeria's inadequate electricity supply. "Everything is run using generators which are so expensive," said Ward. "I have two for the office and one at home where I haven't had any mains power for weeks. It just holds everything back and the cost of generators is like feeding banknotes into a fire."

Local hotel general managers believe that change will happen and it will impact on the international community and Nigeria as an investment destination, leading to more travel and more hotel demand. Nigeria has the largest chain hotel pipeline on the continent, with more than 8,500 rooms in 51 planned new hotels.

Nwosu added: "One major concern is the absence of strategic government policies to address our industry's human capital needs. This task is generally left to individual businesses to address in a fragmented and inefficient manner. A robust regulatory framework is a priority."

The cream rises to the top," said Gold. "We are big and varied enough for people to find their niche and we equip people with skills for life which is no bad thing when the service sector is over 70% of the economy."

Television and social media are good ways to influence young people's career choices. Applications for forensic anthropology courses increased when the Crime Scene Investigation series was at its popularity peak, noted Dr Peter Lugosi MIH, reader, Oxford School of Hospitality Management.

Catering and hospitality account for hours of prime-time TV, with plenty of high-profile series such as Michel Roux's *Service*, *The Hotel Inspector* and *MasterChef*. The priority of such programmes, however, is to create strong narratives and not necessarily show our industry in its best possible light. Do they attract people into our industry? Perhaps some, but we still have serious skills shortages, particularly for chefs.

A direct promotional campaign via social media that conveyed a simple message such as: "I am a hospitality worker. I am 22 years old and I earn £25,000 a year" could be an effective recruitment tool. ■

> The meeting was generously sponsored by law firm Pitmans and held at the Army & Navy Club, London

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Hospitality students at Wavcrest College, Lagos, are among the best-read in the world

