

## **4 Solving labour market disequilibrium in the Spanish hotel and tourism sector - The demand side**

In the following chapter the Spanish hotel and tourism sector is characterized and labour shortage and mismatch situation that could probably be solved by labour migration are identified.

With this purpose, first of all, the characteristics of the hotel and tourism industry and global trends in this industry that have been related further on to the content of the analysis are displayed. Furthermore, as it is crucial for a better understanding of this paper to localize this specific job segment in an overall context, the most important indicators of the Spanish economy have been compiled in order to provide a brief overview of the environment. The role of labour migration to Spain is mentioned. In subsequence, the Spanish hospitality industry has been described including main indicators and recent trends. Then, labour shortages in the sub segment have been identified and qualified following the investigation approach described in chapter 3 and the importance of labour migration for the sub segment was specified and evaluated.

### **4.1. Characteristics of the hotel and tourism industry in general**

Since the evolution of modern mass tourism beginning with the end of World War II tourism and the support industries have shown an extraordinary growth. Tourism is on the one hand considered to be an outcome of globalization on the other hand it is recognized as an important vehicle for its dispersion. In spite of its relative immaturity, the tourism industry has become one of the most important industries of the world in terms of income and as well in terms of employment (Henderson J., 2007). According to the World Tourism Organization (2008) for 2010 the arrival of 1.6 billion international tourists is estimated. International tourism produces 30% of the world's exports of services and accounted for US\$ 856 billion in 2007. The travel and tourism industry accounts for 5.5% of the world's GNP (Moutinho N., 2005). The World Travel and Tourism Council (2009) assumes that activities related to travel and tourism generate 8.3% of the worldwide jobs with more than 200 million people active in related industries. Real growth of tourism demand reached 5.6% in 2005 and is expected to slow down to 4.6% annually until 2015.

Tourism can basically be divided into two parts: leisure tourism and business tourism. Both segments are characterized by high volatility and seasonal peaks but while business tourism tends to be more stable, leisure tourism is characterized by significant monthly concentration (Henderson J., 2007). This seasonality is critical for most organizations related to the tourism industry such as administration and development of tourism, the transportation of passengers and the hospitality industry and efforts to reduce the fluctuations in the flows of tourists are expected to make further progress (Moutinho L., 2005).

Products related to tourism are to a high degree characterized by the traits of services that have been described for the hospitality industry by Philip Kotler (2006). It is broadly agreed to the consideration of the hospitality industry<sup>8</sup> as the core industry of travel and tourism.

§ *Intangibility*: the products/services can't be experienced physically before purchase

§ *Inseparability*: the products/services are indivisibly linked to the provider and the client becomes part in the service

§ *Variability*: the quality of the offered product/service varies along with the provider, time and place and manner in which it is offered

§ *Perishability*: the products/services can't be stored or reused afterwards

Especially the characteristics inseparability and variability enforce the importance of human resources as a crucial part and core asset of the industry. Despite this logical conclusion, the quality of jobs in tourism is often questioned and has been a major concern for both, policy-makers and the industry. Especially jobs in the hospitality industry are often considered to be low-skill, low-pay jobs. Baum (1995: 151) portrays the diversity of employment within the sector highlighting that good practices exist in some geographical areas or sub sectors but that the general impression of employment tends to be "one of poor conditions, low pay, high staff turnover, problems in recruiting skills in a number of key areas, a high level of labour drawn from socially disadvantaged groups, poor status and the virtual absence of professionalism". According to Choy (1995) four widespread ideas of jobs in tourism are:

- (1) Tourism employment is primarily characterized by low-skilled jobs.
- (2) Jobs in tourism are low-paid.
- (3) Low levels of job satisfaction are offered.
- (4) Perspectives for advancement are limited.

In conclusion, the image of the tourism sector and especially the perception of the hospitality industry as an employer is highly unsustainable. The environment becomes increasingly thorny for employers that in the face of a demographically induced shrinking employment pool above all in developed countries, have to deal with recruitment problems and high staff turnovers. Labour shortage, particularly at higher technical and management level, becomes more and more apparent (Nickson D., 2005).

In order to put the following analysis of the Spanish hospitality industry in an overall context and with the aim of facilitating the understanding of why the investigation of immigration to Spain is particularly interesting in this case, in the subsequent chapters a panorama of Spain and a section on the role of labour migration are included.

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<sup>8</sup> The hospitality industry comprises hotels, restaurants, cafes and similar eating places, bars and clubs as well as directly related services such as travel agencies and airport services.

## 4.2. Panorama Spain

Spain is located on the Iberian Peninsula, except of a land frontier in the north with France and a small boundary in the south with Gibraltar, bordered to the south and east by the Mediterranean Sea and to the west by Portugal and the Atlantic Ocean. Only outstripped by France, it is the second largest country in Western Europe with an area of more than 500'000 square kilometres.



Source: <http://www.casatroniella.com/travel.html>

Spain is characterized by a rich and diverse culture. Spanish is the nation-wide official language with Basque, Catalan and Galician in some of the Spanish communities.

Population has been slightly increasing during the last years from 40'050 inhabitants in 2000 to 43'758 in 2006, leading to an increase of population density from 79 to 86 inhabitants per square kilometer.

Since it joined the European Commission (which is now the European Union) in 1986 it has shown an extraordinary economic growth and an astonishing improvement in infrastructure. Spain has improved in terms of standard of living reducing the differential with the euro area to less than 13% in 2003 compared to a differential of 20% in 1995 (ILO, 2004).

One indicator to measure the economic performance of a country is the Gross domestic product (GDP) defined as the “value of a country's overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad” (The Business Dictionary, 2009) in combination with the inflation rate that describes the “percentage increase of the prices for goods and services” (InvestorWords, 2009). Table 4.1 shows the GDP of Spain from 2005 to 2008.

Table 4.1: Gross domestic in billion US dollars, current prices and PPPs

	Total	Per capita
Year 2000	857.43974839	21 295.33800217
Year 2004	1 108.61550774	25 967.87925878
Year 2005	1 188.10230105	27 376.76449836
Year 2006	1 300.89233737	29 519.97897292
Year 2007	1 417.36588393	31 585.74047839

Source: OECD, 2009

The Economist expects GDP growth to slow from 3.7% in 2007 to 0.9% in 2008, and to decline further by 0.6% in 2009. A modest recovery beginning in 2010 is estimated, but might be delayed. Consumer price inflation rates are estimated to persist on a stable and acceptable level of around 2.0% in line with the Maastricht criteria during the next five years (The Economist: Country Profile Spain – Forecast 2009, n.d.).

Table 4.2: Consumer price inflation rates

	2009	2010	2011	2012	2013
Base 2000	1.6	1.4	2.0	2.2	2.2

Source: The Economist: Country Profile Spain, (n.d.)

Despite this rather positive economic outlook, there are still some labour market issues to solve. Traditionally, the Spanish labour market is characterized by high unemployment rates and low rates of economic participation as well as high levels of temporary employment and job rotation (OECD, 2006).

Table 4.3 shows that unemployment rates persist at a relatively high level.

Table 4.3: Employment population ratio and unemployment rates, 2000-2008

	2005	2006	2007	2008
Employment population ratio (%)	57,35	58,33	58,92	59,80
Unemployment rate (%)	10,4	9,01	8,83	10,19

Source: Own elaboration based on data derived from INE, n.d.

According to the Economist, unemployment is expected to increase significantly in the following years and to persist on a high level thereafter. Subsequently tensions concerning a large influx of foreign labour are likely to become a major issue.

### 4.3. The role/importance of labour migration to Spain

Spain has traditionally been a country of emigration, with emigrants particularly heading to Latin America in the first half of the 20th century and to Western European countries since the sixties when France, Switzerland and Germany started to promote guest-work programs. Emigration to those countries decelerated abruptly as a result of the economic crisis in 1973/74 and was since then mainly limited to migration with the purpose of family unification.

Since the 1980s the number of immigrants in Spain started to increment slowly and augmented significantly during the last 20 years. In the last decade more than 4 million immigrants have moved to Spain. (The Economist: Country Profile Spain - Economic Data, 2009) In 2005 about 8.5% of the Spanish population was immigrants. Table 4.4 displays data on the number of foreigners by continent of origin in Spain.

Table 4.4: Immigrants with valid residency cards or permits by continent

	03/2005	12/2004	12/2003
Total foreigners	2 054 453	1 977 291	1 647 011
Total immigrants <sup>1</sup>	1 531 086	1 478 416	1 232 694
Total non EU-Europe	177 836	168 900	145 833
Africa	511 961	498 507	432 662
Latin America	676 220	649 122	514 485
North America	17 021	16 964	16 163
Asia	146 503	142 762	121 455
Oceania	1 211	1 112	1 018
Not indicated	1 072	1 049	1 028

<sup>1</sup> Foreigners requiring work permits (i.e. non-EU)

Source: OECD, 2004

In the present, immigration from Latin America has clearly become the dominating trait of migration to Spain. Immigrants from Latin America account for almost 40% of the foreigners living in the country and nearly one third of the overall foreigner population and roughly half of the number of foreigner requiring work permits originate from Latin American countries, being Ecuadorians (34.4%), Columbians (18.8%) and Argentineans (10.6%) the most represented nationalities.

Part of the impressive growth can be attributed to external developments:

- § Restriction of immigration in countries that earlier on had promoted immigration (Western Europe and USA).
- § Dictatorships and worsening economic conditions in almost every Latin American country pushed more Americans towards leaving their countries.

Another large part of the evolution of Spain is due to the socioeconomic and political changes of the country itself:

- § The joining of the EG/EU in 1986 and the relatively stable and constant economic growth made Spain a more attractive country for immigrants.

- § The Spanish labour market required foreign labour force to fill occupations (as for example in agriculture) for which it had become difficult to recruit staff as the standard of living rose and people refused to get employed in certain sectors and jobs.
- § A further expansion of the informal economy created more opportunities for migrant workers. As Spain had always been a country of emigration, there were basically no restrictions to immigration, a migration policy didn't exist.

Immigration has played an important role in the economic development of the country, providing additional labour force in industries such as agriculture, construction and services. This concentration of immigrants is still present today with most immigrants being economically active in related sectors even though the presence of foreign workers in agriculture has decremented. Table 4.5 contains recent data on occupational distribution of locals and immigrants by degree of education and economic sector.

Table 4.5: Occupational Distribution (%) of Natives and Immigrants by Educational Level.

	University		Secondary		Primary	
	Natives	Immigrants	Natives	Immigrants	Natives	Immigrants
Managers	7.6	8.4	7.8	3.9	9.0	4.6
Professionals	41.4	19.5	0.7	0.7	0.1	4.8
Technicians and professionals	18.4	10.6	9.6	3.5	2.3	4.4
Clerical support workers	11.2	6.1	10.4	3.5	2.8	3.6
Service and sales workers	7.8	15.6	20.1	22.6	12.2	18.6
Skilled agricultural/ forestry/ fishery workers	0.6	1.1	3.7	1.8	10.9	2.0
Craft and trade related workers	6.8	12.8	19.8	19.4	24.5	18.5
Plant/machine operators and assemblers	3.5	4.8	12.8	6.8	13.7	6.0
Elementary occupations	2.5	21.3	14.8	37.7	24.4	37.5

Source: De la Rica, 2008

It is remarkable that immigrants usually present higher labour participation rates than Spanish nationals (76.9% opposed to 66.7% in 2003) even if the unemployment rate amongst foreigners is much higher (14.8% compared to 11%). Immigrants get usually employed in jobs that don't seem very attractive to the Spanish. Additionally they are at greater risk to be employed in temporary jobs than nationals are (OECD, 2008).

## 4.4. Labour market situation in the Spanish hotel and tourism sector

In the following the situation in the Spanish tourism and hospitality industry is displayed. For this purpose, in a first step the importance of the industry to the country's economy is highlighted. An overview on the characteristics of the industry is elaborated and the main tendencies are shown. In a second step, the situation of the industry-specific labour market is analyzed further. A detailed view of the labour market segment is provided following the methodology decided on (see chapter 3). As the hospitality industry is the most important sub segment of the tourism industry for practical purposes this segment was chosen for the detailed statistical analysis, leaving out other tourism-related branches such as transport, travel agencies and other activities of the sector.

### 4.4.1 The hotel and tourism industry in Spain

The tourism industry is one of the most important sectors of the Spanish economy. It is one of the main tourism destinations with the United Kingdom and Germany being the main countries of origin. Those two countries together accounted for around 58% of total nights spent by international tourists in Spain (Eurostat, 2008).

Table 4.6: Main tourism markets in Spain – nights spend by non-residents (as % of total nights), 2000 and 2006

Markets	2000		2006	
	Country	%	Country	%
1 <sup>st</sup> market	UK	31.3	UK	31.1
2 <sup>nd</sup> market	DE	29.9	DE	26.8
3 <sup>rd</sup> market	NL	6.2	FR	6.2
4 <sup>th</sup> market	FR	5.1	NL	5.6
5 <sup>th</sup> market	BE	3.4	IT	4.4
6 <sup>th</sup> market	IT	3.2	BE	3.1

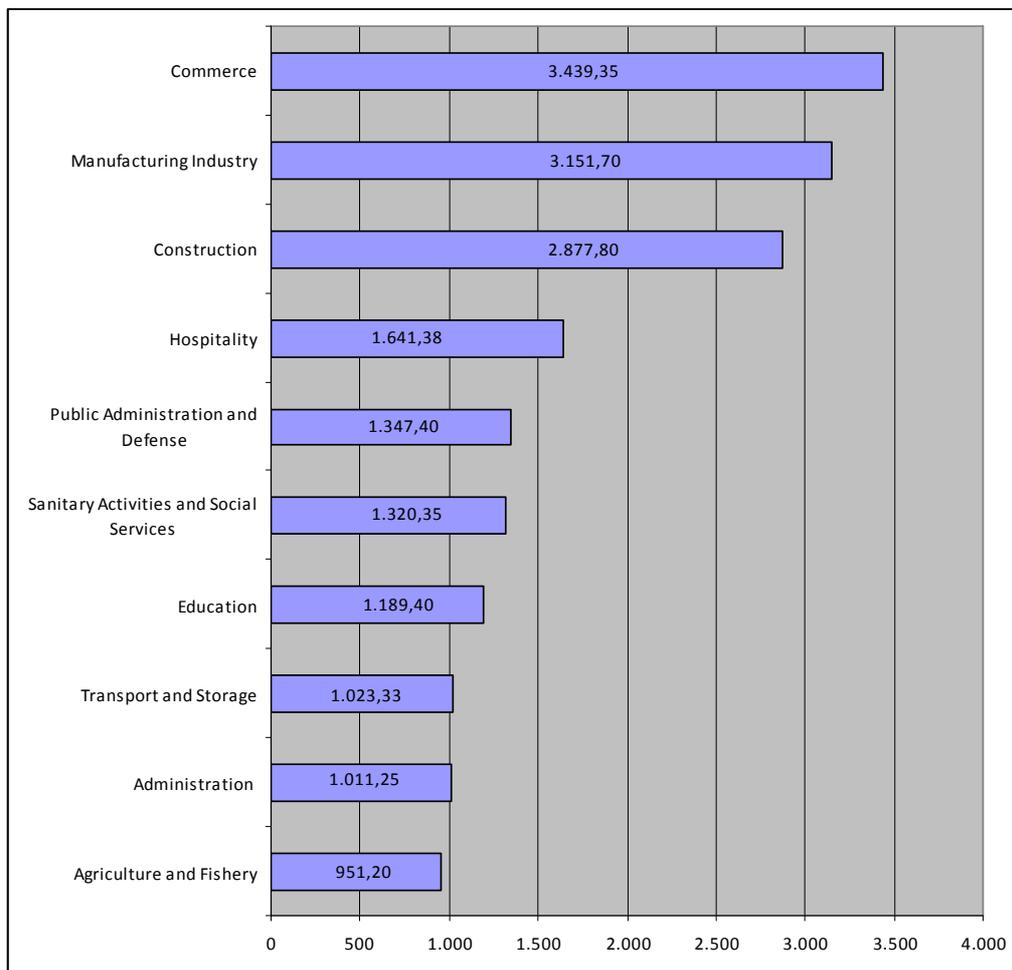
Source: Eurostat, 2008

According to the IET (2008) the tourism industry as a whole created more than 2.5 million jobs in 2007, accounting for 12.7% of the overall national employment. The annual growth rate of the sector was 3.1%. With 195.072 unemployed within the sector, the unemployment rate in 2007 was with 7% still lower than the economy-wide unemployment rate of 8.3% even though it registered a significant rise of 3.5% in comparison to 2006. Slightly more than 20% of the employees in tourism related activities were foreigners. With a number of 530.514 migrant workers form a significant block of employees in the industry. The hospitality industry is the fifth most important

sector of the industry in terms of employment. Hospitality (including hotels and restaurants) accounted for more than 57% of total employment in tourism in 2007 (INE, 2007).

Graphic 4.1 displays the importance of the ten most important sectors according to the number of individuals employed in 2008. We can observe that the hospitality sector lost its rank as third most important country in terms of employment but that Spain is still ranked within the five most significant branches. Only in the sectors “Commerce”, “Manufacturing” and “Construction” more people are employed than in the hospitality industry.

Graphic 4.1: Number of employees according to sector of employment. Year average 2008 in thousands.



Source: INE. Encuesta de Población Activa, 2009

## 4.4.2 Determination of industry-specific labour requirements

Job-related labour requirements can be revealed in different ways. First of all, in this paper the labour market situation in the Spanish hotel and tourism sector shall be analyzed by means of statistical data that provide information about labour disequilibrium.

### 4.4.2.1 Statistical indicators of labour market disequilibrium

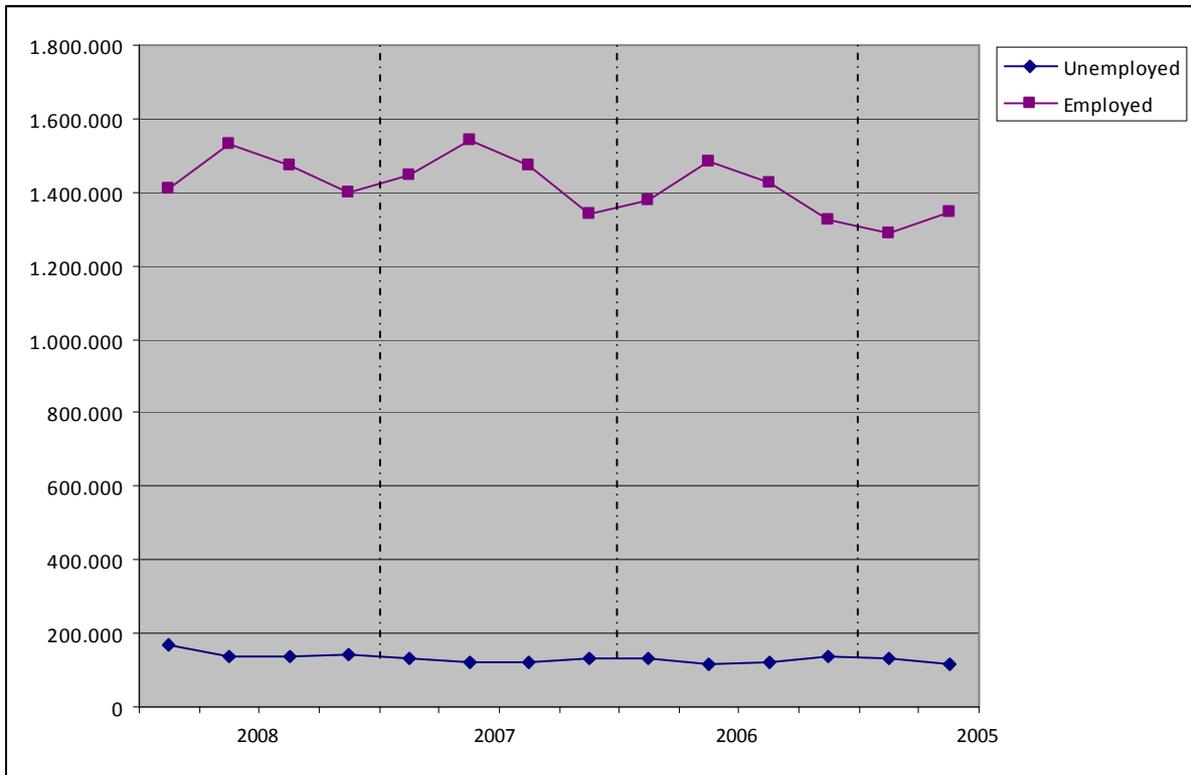
As those indicators usually are rather general and susceptible to problems, they shall be explained in a more detailed way followed by a data collection and interpretation.

§ *Unemployment rate*: as one of the most frequently used indicators for labour market disequilibrium, the unemployment rate reflects in one way the labour offer as well as labour demand side. It is defined as the quotient of the number of unemployed people and the manpower. The main advantage of this indicator is the availability of consistent data throughout a relatively long period of time; problems can result from deficiencies in the labour market statistics. Neither the potential of demand nor the potential of the offer are measured correctly. In addition, the unemployment rate does not reflect the fact that labour is not freely interchangeable due to required skills and qualifications.

We distinguish between *cyclical unemployment* (due to economic trends), *structural unemployment* (due to dysfunctions of the labour market as a result of lacking labour demand and offer interaction, a so called qualification or regional *mismatch* between labour demand and offer) and *frictional unemployment* (due to time lapses required when job changes take place).

As mentioned in chapter 4.1 the hospitality industry is highly affected by seasonal variation. The deviations in demand are reflected in terms of employment. When we take a look at the numbers of employees in the industry we observe quite regular cycles with high employment numbers in the second and the third quarter of the year and with the lowest numbers of employees in the first quarter of the year.

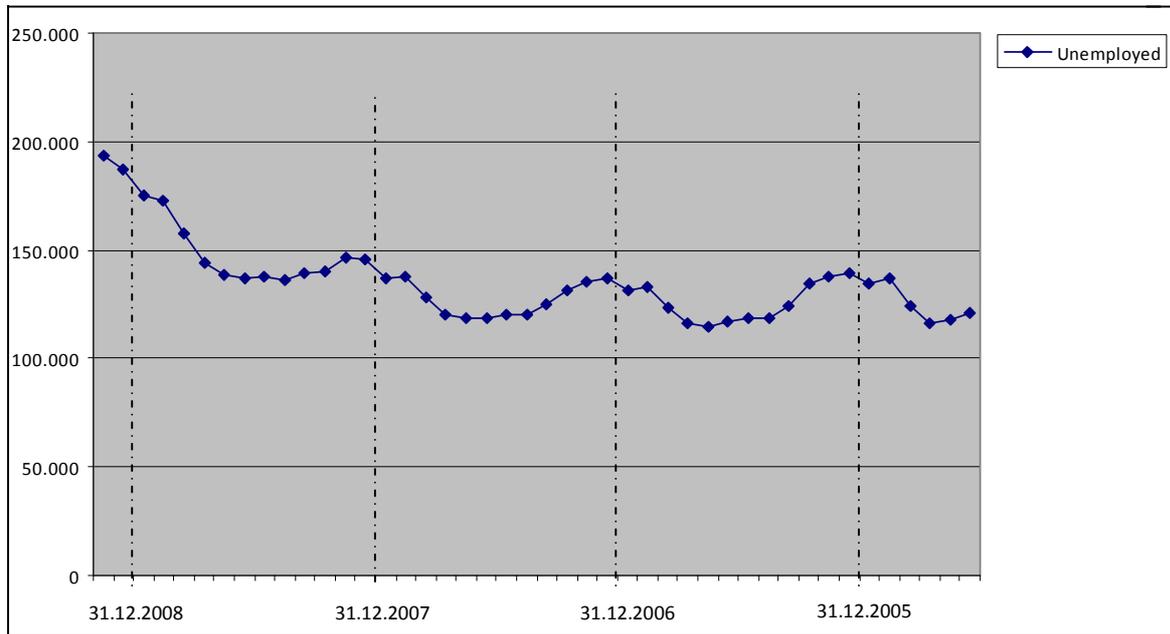
Graphic 4.2: Employed and unemployed in the hospitality industry. Quarterly breakdown. Fourth quarter 2008 to third quarter 2005.



Source: Own elaboration based on data derived from INEM and EPA, 2009.

When we take a closer look at unemployment at a smaller scale, we can observe similar cyclical variations along the years. Unemployment reached slightly higher levels in 2007 than in the previous years and has been exploding since then, probably due to the effects of the financial crisis.

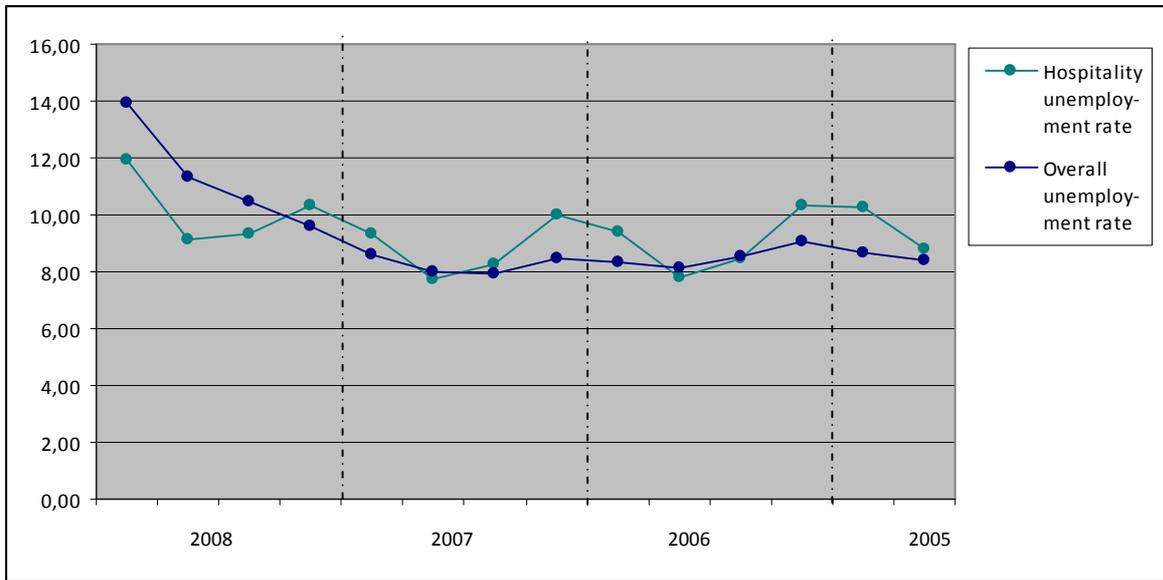
Graphic 4.3: Numbers of unemployed in the hospitality industry. Monthly breakdown. February 2009 to June 2005.



Source: Own elaboration based on data derived from INEM and EPA, 2009.

Unemployment rates have also seen themselves affected by the cyclical employment/unemployment. Within the previous years they fluctuated around 9% reaching the lowest values of about 8% in the third and the second quarter of the year and the highest values with up to 10.5% in the winter months. In comparison, the overall unemployment rate of the Spanish economy was 9.16% in 2005 and 10.19% in 2008. Again, in the second half of 2008 we can observe that the unemployment rate got out of the “traditional” pattern with rising hospitality unemployment rates that reached 12% in the last quarter of 2008. The same tendency can be observed - even with major severity - for the overall economy.

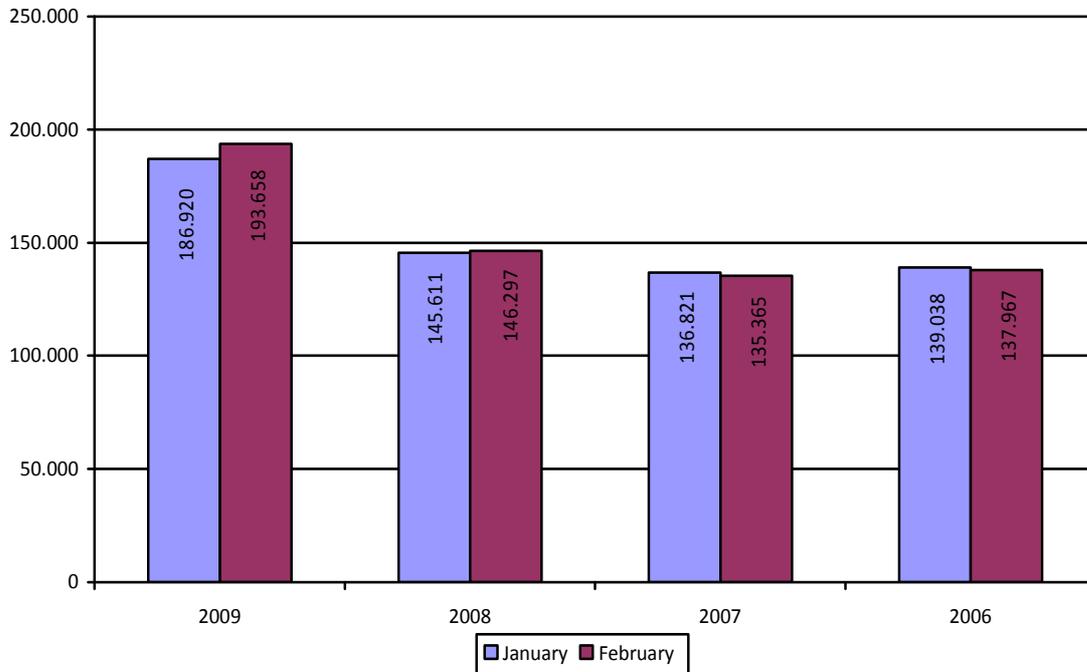
Graphic 4.4: Overall economy and hospitality industry unemployment rates. Quarterly breakdown. 2008 to 2005.



Source: Own elaboration based on data derived from INEM, 2009 and EPA, 2009.

In January and February of 2009 in the industry 186.920 and 193.658 respectively unemployed were counted, record numbers that are drastically higher than in previous years.

Graphic 4.5: Unemployment. Comparison first two months of the year, 2006 – 2009.



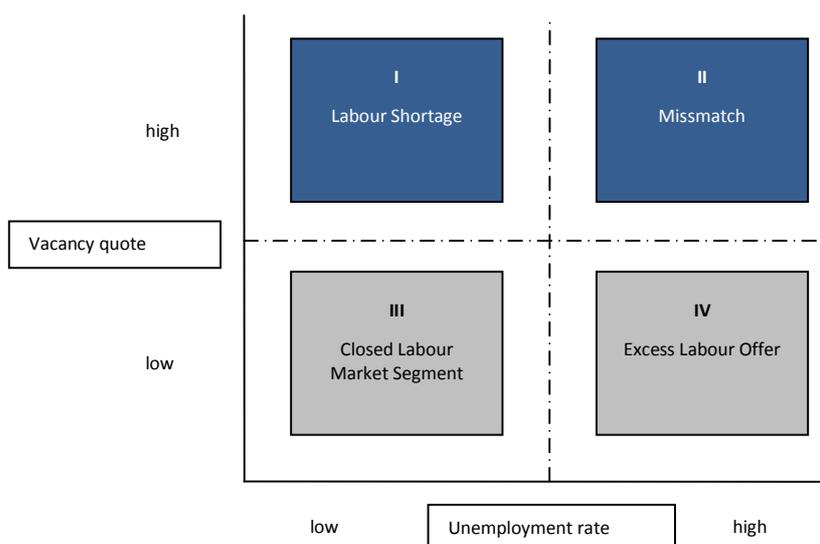
Source: Own elaboration based on data derived from INEM, 2009.

We can conclude with the observation affirmation that cyclical unemployment is a common and calculable factor in the Spanish hospitality industry as it occurred with habitual frequency and severity in the previous years.

Traditionally unemployment rates in the hospitality industry are relatively high – especially in the last and the first quarter of the year and exceed unemployment rates of the overall economy in this phase by approximately 1.5%. Even though the crisis is also affecting the hospitality industry dramatically, the negative effects are fewer than for the overall Spanish economy.

§ *Job vacancy rate*: as unemployment rates only give constrained information about job specific labour shortages due to the explained problems, frequently the relation of vacant positions in one job to the number of unemployed in this segment is considered. The higher the quotient of vacant positions to unemployed, the higher the labour shortage in this segment. Usually, the vacancy rate is underestimated because it only includes those vacant positions that are reported to employment agencies. Particularly vacancies for highly qualified labour force are rarely reported. Graphic 3.1 gives an overview of the possible situations described by the combination of the vacancy quote and the unemployment rate. Most qualified for labour migration is the segment I as it is characterized by both – high number of vacant positions and low general unemployment rates which results in a high quotient of the job vacancy rate. The situation in segment II is not clearly conclusive: high unemployment and at the same time a lot of vacancies signalise a mismatch which can be due to qualifications, regional or motivation reasons. The segments III and IV are not considered to be appropriate for labour migration: the excess labour offer in segment IV would be worsened by the immigration of additional workforce and in the case of a closed labour market segment respectively there isn't any necessity to incorporate additional labour force, neither.

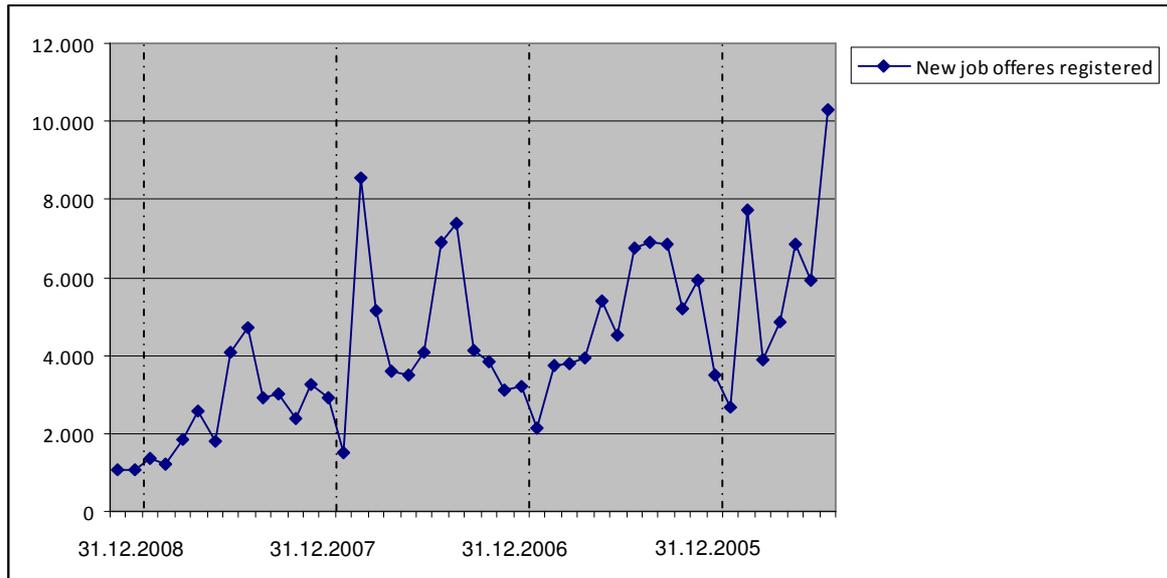
Graphic 4.6: Portfolio-approach for indicator evaluation



Source: Own elaboration based on Schäfer, 2004

Graphic 4.7 displays the number of vacancies that are offered on a monthly basis. We can observe that there are also great variations and that after the second half of 2008 the number of job vacancies offered has fallen drastically. Where during the previous years approximately 20 applicants applied for one vacancy, in 2008 and 2009 about ten times that many applicants compete for one job offered.

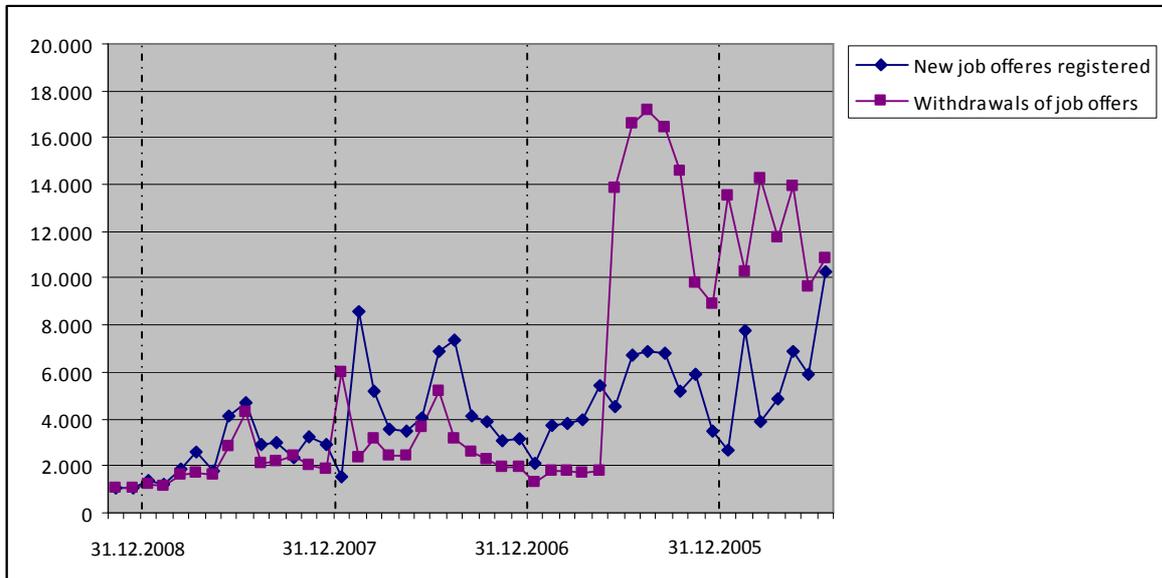
Graphic 4.7: New vacancies offered in the hospitality industry. Monthly breakdown. February 2009 to June 2005.



Source: Own elaboration based on data derived from INEM, 2009.

The following graph displays the relation between new jobs offered and withdrawals of job offers. We can assume part of the job offers withdrawn is due to successful allocation of demand and supply – possibly with a time lapse of between one and three months. The graphic shows that most jobs are staffed within a time lapse of one month. In 2006 and 2007 we can observe that – considering a displacement of one month – there are actually few more vacancies offered than withdrawn. Probably not all of the job offers taken out are withdrawn because of allocation of resources.

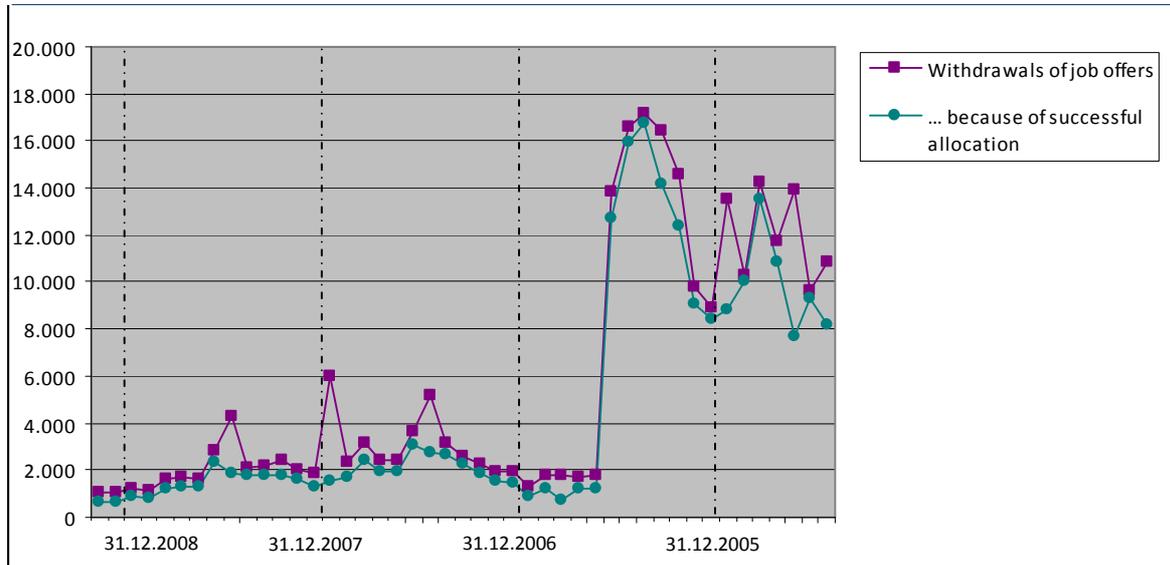
Graphic 4.8: New vacancies offered and withdrawals. Monthly breakdown. February 2009 to June 2005.



Source: Own elaboration based on data derived from INEM, 2009.

This observation is confirmed when we consider the corresponding data. In fact the number of job offers withdrawn because of successful allocation is in fact always lower than the total number of offers withdrawn. In some cases, the total number of removes is considerably higher. This might be due to miscalculations but it could also be an explanation that vacancies could not be filled when the necessity was given and that the offers were withdrawn successively as a result of respective adjustments within the companies. Since the second half of 2008 calculations have become more cautious.

Graphic 4.9: Withdrawals of job offers because of successful allocation. Monthly breakdown. February 2009 to June 2005.



Source: Own elaboration based on data derived from INEM, 2009.

§ *Employment growth*: the growth of employment in a segment can serve as an indicator for labour shortage as there is usually a positive correlation of employment growth and labour demand. Therefore, the probability of an existing labour shortage is higher when employment is growing. Especially when we consider labour migration as a possible solution for labour shortages this indicator must be included in order to avoid premature conclusion due to short term trends.

The following data has been obtained from the Spanish National Employment Institute and illustrates the development of employment in the hospitality industry during the last eight years.

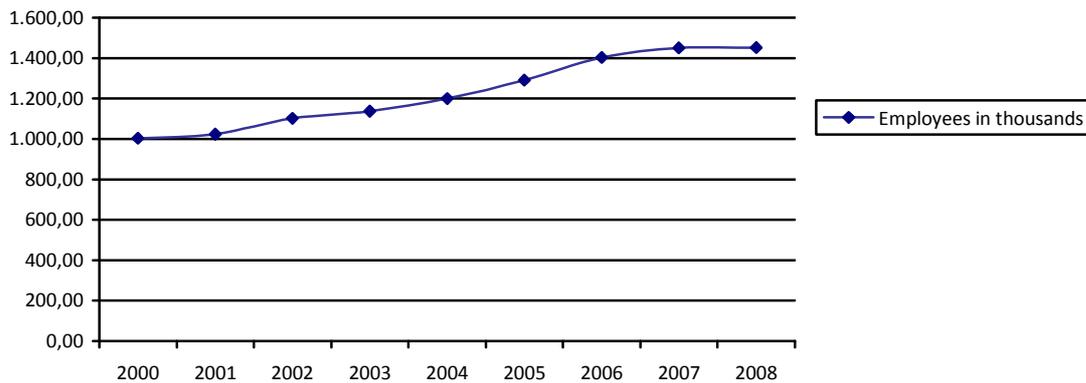
Table 4.7: Employment growth in the hospitality industry. Quarterly and year average. 2000 to 2008.

Employees	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Q1</b>	936,60	968,5	1.036,7	1.063,6	1.098,7	1.199,4	1.324,7	1.342,2	1.396,9
<b>Q2</b>	1.019,4	1.032,1	1.121,4	1.144,8	1.199,3	1.333,9	1.424,3	1.475,3	1.473,3
<b>Q3</b>	1.051,9	1.067,1	1.165,5	1.206,3	1.292,2	1.344,2	1.482,7	1.540,8	1.530,6
<b>Q4</b>	1.006,4	1.026,1	1.084,9	1.132,7	1.211,9	1.287,1	1.379,1	1.443,8	1.409,9
<b>Year average</b>	1.003,58	1.023,45	1.102,13	1.136,85	1.200,53	1.291,15	1.402,70	1.450,53	1.452,68

Source: Own elaboration base on data from the Boletín Mensual de Estadística. INE, 2009

Even though employment growth has been declining - especially in the previous year – employment growth since 200 has presented high growth rates and there is still employment growth in the industry. The same year averages are displayed in the following graph in order to visualize the trend. The hospitality industry is still a growing branch even though growth has slowed down recently as a result of the overall economic recession.

Graphic 4.10: Employment growth in the hospitality industry. Year average, 2000 to 2008.



Source: Own elaboration based on data from INE, 2009

To conclude, we must make a distinction between the “traditional” situation in the hospitality industry and the actual situation beginning with the second half of 2008. Since the beginning of the 20th century and still during the years 2005, 2006 and 2007 the industry presented high employment growth rates, unemployment was compared to the overall unemployment rates average and the vacancy quotes (about 20 applicants per vacancy) were also moderate. This would localize the labour market situation in the portfolio-approach for indicator evaluation (Graphic 4.7) or in the segment on the right-upper or in the right-lower half of the graph. Consequently the indicators could be a sign of – depending on the interpretation – both, a mismatch-situation and a situation in which we count with excess labour offer. For a more specific identification we must include further information, which in this case will be included through the content analysis of investigations under point c) that have been conducted on the hospitality industry.

For 2008 and probably also for 2009 the situation is quite clear. High unemployment rates combined with low vacancy quotes and slowed down employment growth in general signalize a situation characterized by excess labour offer. As we assume that the financial crisis (and its negative effects) is only a temporary phenomenon that disturbs the usual development of the industry, we will centre the investigations on the previous years. The impacts of the economic recession on the presented ideas shall be described briefly in chapter 7 of this thesis.

#### 4.4.2.2 Complementary secondary investigation (content analysis)

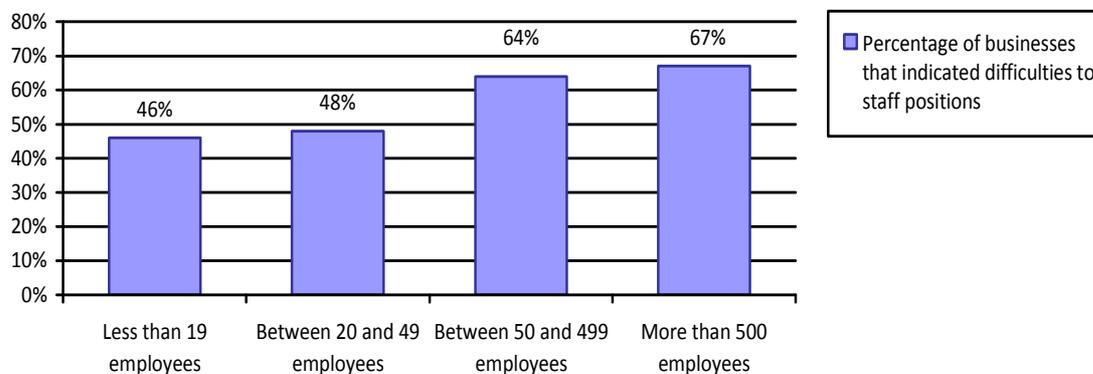
The Spanish Federation of Hospitality (FEHR) published in collaboration with the Spanish Confederation of Hotels and Accommodations (CEHAT) a study on the situation of human resources in the Spanish hospitality industry. After a brief statistic and documental research an investigation consisting of a survey and profound interviews on and with experts and representatives of the industry. Altogether 790 businesses of the sector compounded by a representative base of hotels with more than 10 and restaurants and cafeterias with more than 6 employees in Andalucía, Balearics, Cataluña, Galicia and Madrid have been interviewed. Human resources/personnel responsible, directors, business owners or persons that were directly involved with personnel recruitment, selection and formation were polled by the means of a telephone interview.

Under the most important traits of the Spanish hospitality industry that are highlighted in the survey are:

- § Predominance of small and micro-sized businesses as well as self-employment.
- § Territorial concentration of hospitality activities.
- § High seasonal variations.
- § High fluctuation rates and low job satisfaction in comparison with other sectors.

The study states evidence from both the statistical data analyzed and the results obtained from the conducted survey of an existing labour market mal adjustment in the sector. Between 46 and 67% of the interviewed hospitality businesses indicated that they had problems to staff positions. The percentage rises with the number of employees but even 49% of the businesses with less than 19 employees have difficulties to fill vacancies. According to the type of business the difficulty to staff positions was highest in accommodation businesses followed by cafeterias and restaurants. Because of these findings, the organization concludes that the maladjustment observed is general. Under the jobs that were found most problematic to staff were the qualified positions of chef and waiter and the basic positions of assistant cook/waiter.

Graphic 4.11: Difficulties to staff positions.



Source: Own elaboration based on FEHR, 2008

The report states two possible explanations for the maladjustment:

- (1) Labour conditions as working hours and schedule, wages etc.
- (2) Human resources strategies in terms of ability to recruit and retain staff,

The bad image of the industry in relation to working conditions and the disapproval of certain jobs such as specifically those of waiter and chef make the access to and the retention of personnel even more difficult.

An alarming fact revealed in the study is the absence of a human resources strategy in the majority (72%) of the polled establishments. 27% of the small and medium-sized businesses in the sector invested in the retention of their employees.

In spite of the precarious situation 50% of the interviewed businesses didn't opt to change working conditions or job offers. The businesses that made this statement were mostly small hotels and restaurants with less than 19 workers. 21% of the companies decided on maintaining the same labour conditions while they diversified their recruiting channels, recruited extra communitarian workers or reduced access requirements in terms of qualifications. 18% of the polled businesses aim to solving their difficulties to staff positions by improvements of working conditions, especially in terms of wages and working hours. Only 7% of the companies opted for an enforcement of human resources politics related to motivating employees.

Another study published in the *Journal of Hospitality and Tourism Research* in 2007 analyzes educational mismatch and labour mobility in the hospitality sector. The authors state that the lack of skilled workforce in the Spanish hospitality industry is one of the major issues for the sector that has been existent since the 1980s. In their judgment the labour mismatch is mainly due to inexperienced young workers with skills that have little relevance for the sector. They consider a lack of coordination between labour offer and demand within the sector as the principal reason for the existence of a mismatch situation. For the investigations of Marchante et al. (2007) data obtained from a survey conducted in 2000 for the research project "Skills Shortages, Productivity and Wages in the Andalusia Tourism Sector" was used. The data is based on results obtained from interviews conducted via a structured survey in which as a whole 181 hotels and 121 restaurants in Andalusia participated in establishments of the hospitality industry (hotels and restaurants) with more than eight employees. Even though the authors state that some circumstances related to the labour market in the sector have changed since 2000 they suppose that the relevant conditions concerning educational mismatch and labour mobility have remained the same since then.

In order to determine the quantity of job mismatch situations a subjective method has been applied. Workers have been asked what they thought would be the minimum educational qualification to perform his/her job needed. This self-assessment was combined with the employers assessment based on the question which educational qualification an employee should have to perform certain occupations. Furthermore, workers were asked to indicate the maximum qualification they had reached.

Based on the comparison of the answers obtained from these questions three categories have been established:

- (1) *Adequately educated*: attained educational qualification coincides with the level needed.
- (2) *Undereducated*: attained educational qualification is lower than needed.
- (3) *Overeducated*: attained educational level exceeds the schooling degree needed.

As it was to expect, the self-assessment of the employees (due to the subjective nature of the evaluation) showed higher percentages for the categories of “overeducated” (17.51%) and “adequately educated” (53.59%) than obtained from the comparison with the employers’ evaluation. While employers’ responses lead to 50.9% cases of undereducation only 28,9% of the employees considered themselves as undereducated.

Table 4.8: Educational mismatch in the hospitality industry.

Assessment of	Undereducated		Adequately educated		Overeducated	
	Employees	Employers	Employees	Employers	Employees	Employers
% of workers in each category of mismatch over the total of each sample	28,90	50,09	53,09	29,04	17,51	20,87

Source: Own elaboration based on Marchante et al. , 2007

As a conclusion the authors declare that almost 50% of the workers in hotels and restaurants in Andalusia present educational mismatch and conform with the empirical literature they assume that labour market experience is a factor that balances over- or undereducation in the hospitality industry: additional labour market experience can replace lacking educational qualifications whereas a lack of experience in the sector could justify the allocation in a position with a lower educational level required.

#### 4.4.3 Preliminary conclusions - Importance of labour migration for the hospitality industry

Due to the incredibly high employment growth at the beginning of the 20th century in the hospitality industry, labour migration has become increasingly important for the sector and migrant workers played an essential role in the labour market especially because of the bad image of the sector. The hospitality industry is often a transitional point for immigrants in their integration process. From statistics on work permits we can derive information on the first jobs immigrants take on when they come to Spain. According to data published in the Yearbook of Labour and Social Affairs Statistics of the Ministry of Labour and Social Affairs in 2002 and 2003 between 12 and 13% of the

total work permits granted belonged to employment in hotels and catering, this percentage even rises up to 14.5% when we consider data related to the number of immigrants registered for social security by sectors (Eurofound, 2009).

The extraordinary employment growth that could not be satisfied with domestic workers, made an integration of immigrants in the hospitality industry necessary – more due to a mismatch situation than because of a clearly definable labour shortage: the still high percentage of unemployed in the industry contradicts the existence of a labour shortage in the sector. Considering the complementary studies that have been conducted and resumed within this chapter, we can conclude that mismatch situation occur due to a lack of coordination between labour demand and supply in a high scale. In 2007 between 46 and 67% of the hospitality establishments in Spain had difficulties to staff positions. About half of the employees in the Andalusia hospitality industry present a situation of educational mismatch. Until the second half of 2008 high employment growth, poor human resources practices, the bad image of the industry and lacking knowledge of applicants made an allocation of skills within the hospitality industry difficult. The recruitment of extra communitarian and foreign workforce has been an option for companies to eventually overcome difficulties in staffing jobs in the industry with a lack of attractiveness.

The slowdown of the Spanish economy in general and of the hospitality industry in specific due to the financial crisis makes another pattern visible: unemployment rates have risen and vacancy quotes have declined. In such a situation it is more probable that also nationals are willing to work in the hospitality industry even if earlier they were not disposed to carry out certain activities in this sector. The declining employment possibilities make it harder for immigrants to find and hold a job in the industry. Still, if no adjustments are made within the industry in order to improve the image of the industry when the economic recession is over, there will be once again necessity and willingness of Spanish hospitality businesses to employ immigrants - especially immigrants coming from Latin American countries as their integration is considered easier as a result of the same language spoken and in consequence of at least parts of a common culture.