

# Human Resource and Skill Requirements in the Travel, Tourism and Hospitality

## Executive Summary



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### Key Growth Drivers - Tourism

- **The Ministry of Tourism and state tourism boards continue to aggressively promote tourism** - The Ministry of Tourism, with its Incredible India campaign, and state tourism boards, governed by the Ministry of India, continue to promote the various travel and tourism activities offered by states, and country as a whole
- **Ministry of Civil Aviation allows 49% foreign direct investment (FDI) in aviation** - With involvement of foreign companies in domestic airline brands, there is expected to be a rise in the domestic brand awareness across the globe, attracting the expatriate, as well as foreign tourist.
- **Online channels to drive travel retail** - The consumer base using online transactions continues to be primarily from urban areas and tier 1 cities. With the government's efforts to increase internet penetration in tier 2 cities and rural areas, the consumer base is expected to swell in the coming years. In 2012, online air travel sales represented the strongest share overall in air bookings, at 26% of sales. However, internet sales of other transportation witnessed growth of 8% during the same year. Railways are also experiencing increasing demand for online bookings and reservations, leading to requirement to upgrade systems to make online bookings faster and convenient.

### Key Growth Drivers - Hotels & Restaurants

- **Domestic travel is on the rise** - With the increasing number of working women, double-income households are on the rise. This has further led to an increase in disposable income. The increased propensity to spend by the middle class and the growing affluence of the India's upper middle and high income classes have led to growth in the tourism sector in India.
- **Consumerism is on the rise in Tier 2/3 cities and towns**
- **Evolution of offering** - Given the increasing growth of business in India and demand for time of hard-pressed professionals, hotels and resorts with an experiential offerings are viable weekend getaways to de-stress.
- **Price sensitivity of consumers driving budget and mid-market hotel segments** - The market has become more price-sensitive and customer loyalty is linked with room rates, leading to increased competition across segments. This presents a unique opportunity for groups to enter into segment-focused offerings such as budget and mid-market
- **Grant of Infrastructure status to the hotels industry** - The infrastructure status will allow large capital-intensive hotel projects to avail loans with longer repayment tenures at lower rates of interest and higher debt-to-equity ratios

### Key Growth Drivers – Food Services

- **Increasing Share of Consumer's Wallet** - Eating out and ordering in have gained momentum and constitute an important component of modern day consumer's expenses.
- **Indulgence in small cities** - Aspiring for parity with their counterparts in metros/mini-metros, these consumers serve as a major opportunity for players despite their low preference for eating out.
- **Emergence of new consumer segments** - New consumer segments, such as health conscious and retirees (people older than 60 years), among others, are emerging as sizable opportunities for players. They are willing to pay a premium for healthier alternatives and offerings.

### Attractiveness of the sector as an employer of choice for the youth

#### Attrition

##### Hotels & Restaurants

The industry is facing a significant attrition challenge of about 40-50 percent. Each hotel group in the organised (or branded) space typically has regular training programmes and learning and development initiatives throughout the year which impart some sophistication as well as presentation and grooming skills. Candidates with such skill sets are in demand for customer-facing and service-oriented roles in sectors such as banking, financial services, retail and airlines, among others

There is a talent war being fought within the industry with almost all companies losing skilled professionals due to the availability of better monetary and career opportunities. At lower levels, an employee usually stays with a company for about six months, which is a short period for employers to garner a return on the training investment per employee. Employers prefer employees to stay with an organization for an average of 36 months to recover training investments and, from employees' perspective, gain enough experience in one group to add value to subsequent roles.

##### Food Services

Given the unorganised (~99.5%) and fragmented nature of the industry, it is difficult to source the attrition rates and pattern in the sector. However, for the QSR and fast food segments, especially the organised share that is considered to be representative of the sector, the annualised attrition rates are as high as 90-100%. This is for employees who have been with an organization for less than 12 months. Typically, these employees are first-time workers. For those who stay with an organization for more than 12 months, the annualised attrition rate decreases to ~60%, which is also very high. Such high rates are usually a result of the mismatch in expectations of both employees and employers. Employees believe that compensation and benefits are not a fair reflection of the effort required.

#### Seasonality

India's diverse weather patterns generally result in sporadic tourism in specific regions. This impacts business employment. For example, labourers relocate from Goa during winters to Leh-Ladakh and to hill stations in Himachal operations and operators prefer a lean workforce during off-season. This has a knock-on effect on the seasonal migration of labour from one location to another in search of short-term Prades during summers.

#### Manpower supply constraints for organizations in the sector

The target audience for employment in the sector is composed of youngsters in the age group of 18–24 years. Typically, this target group has aspirations and is in a hurry to realise them.

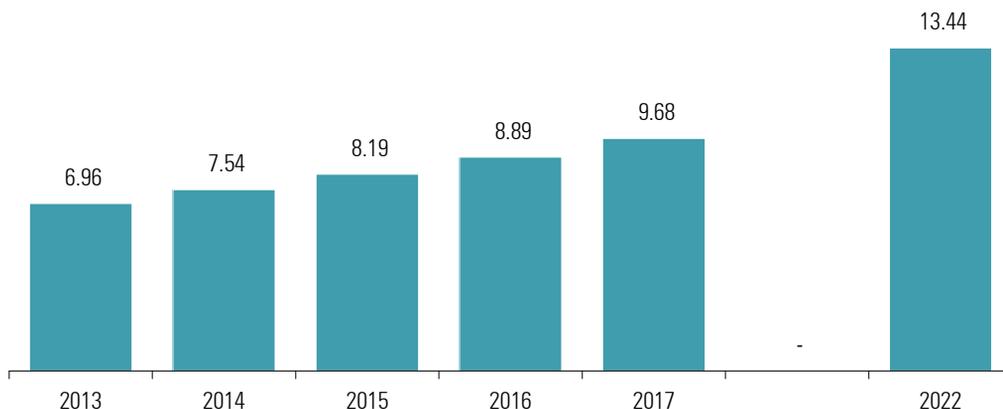
However, in a consumer-centric sector, people skills are critical and can be gained only by experience of working and interacting with multiple stakeholders, such as team members and customers, on a daily basis for long time periods. Employers believe candidates should not change jobs quickly during their initial years, which are critical for building a strong professional foundation — integral to expedite growth in the subsequent years.

## Incremental Human Resource Requirement (2013-22)

Current workforce of 6.9 million (2013) is expected to increase to ~13.4 million by 2022

### Sector workforce in 2013–22

Employment growth trends in the sector (in million)



The sector currently employs over 6.9 million employees and is slated to employ more than 13 million by 2022. This implies an additional creation of ~6 million jobs in the nine-year period.

The period 2013-17 is likely to witness marginally higher growth in employment vis-à-vis 2017–22 due to infrastructure constraints and growing market for home delivery in the food services category

### Subsectoral split of the workforce in 2013-22



Source: Primary Interactions, KPMG Analysis

An analysis of the breakdown of the workforce by subsectors indicates that the restaurants segment would be the key employment growth subsector, driven by QSRs

To meet the demand for trained manpower in the hospitality industry, the Ministry of Tourism created institutional infrastructure in the form of Indian Institute of Tourism & Travel Management, Institutes of Hotel Management and Food Craft Institutes. The private sector has also participated in this, with many private institutions across the country being classified as some of the best in India.

### **Low premium attached to prior training and skill development undertaken by candidates**

Employers believe the quality of manpower coming through from the supply side, whether public or private, is not up to the mark in terms of expectations of the industry. Thus, given the need for re-training of the incoming manpower supply from institutions at the entry level, employers do not attach a premium to skilled workforce. However, skilled workers hired at the entry level have the incentive of better remuneration and faster career progression, with employers willing to incentivise high-performing individuals.

### **Employers engaging in training initiatives**

A number of employers across the three subsectors are also involved in the supply side, trying to cater to the needs of the sector as a whole. Prominent examples of such employers include The Oberoi Group, Yum! Restaurants, and Kuoni India, who all operate training institutions in their respective subsectors viz. hotels, food services and travel agents and tour operations, respectively.

The Oberoi Centre for Learning and Development (OCLD) is a finishing school for the annual incoming manpower of The Oberoi Group. Yum! Restaurants runs the Yum! Academy, which aims to equip students with life and social skills. Graduates of the Yum! Academy have an option of joining the organisation upon completing the course, in addition to joining a different organisation or working for themselves. The Kuoni Academy offers multiple courses, both short term and long term, to students in the travel and tourism space.

### **Non-standardisation of training curriculum and standards**

With three types of institutions — public or private institutions that provide general training (with or without a leading industry player as partner), learning and development institutions working with employers to upgrade workforce skills, and government-run skill-improvement schemes, it is observed that there is a variation in the quality of training imparted to students. This affects their employability for job roles and the pay on offer to trained students. While number of institutes in the space has increased, concerns over the quality of supply, as well as trainers continue to exist in the industry.

### **Employers engaging in learning and development initiatives**

Large, organised employers in all three subsectors have internal training programmes for entry-level workforce. Further, such organisations also have continuous performance evaluations and tailored training programmes as part of learning and development initiatives..

### **Mismatch in employer-employee expectations**

There exists a mismatch in employee-employer expectations and this largely pertains to job roles and remuneration. Students are hesitant in taking up entry-level jobs, which according to the industry, are critical in the formative years and lay a strong foundation for the future. Students prefer to join at the mid-level profiles such as team leader, supervisor or manager.

Recommendation	Implications
<p>Establish training centres at sourcing clusters (e.g. Northeastern and tier 2/3 cities that are primary source of manpower).</p>	<ul style="list-style-type: none"> <li>▪ Establishing training centres at the source of manpower, such as key geographical clusters, are likely to help tap potential employees of the sector at its source</li> <li>▪ This is likely to encourage more youngsters to get trained since they will save on accommodation costs they have to bear when they migrate to a major city for training.</li> <li>▪ As the sector witnesses the next phase of growth in tier 1 and 2 cities, trained manpower may also cater to the rising need in these cities.</li> </ul>
<p>Develop a Recognition of Prior Learning (RPL) framework whereby the current workforce across subsectors can register and get certified by SSC, which would increase their employability quotient.</p>	<ul style="list-style-type: none"> <li>▪ Development of an RPL framework to facilitate the current workforce across subsectors to get registered and certified by SSC would increase employment opportunities for candidates and also make a difference in their salary levels.</li> </ul>
<p>Align captive training initiatives (e.g. Yum! Academy, Kuoni Academy, OCLD) with the SSC assessment and certification mechanism to facilitate mobility for employees.</p>	<ul style="list-style-type: none"> <li>▪ There is a need to align the captive training programmes by established players with SSC, which will help in assessment and certification</li> </ul>
<p>Revisit the 'Hunar Se Rozgar' scheme to ensure alignment with industry skill requirements</p>	<ul style="list-style-type: none"> <li>▪ The 'Hunar Se Rozgar' scheme undertaken by the Ministry of Tourism aims to skill youth between 18–28 with a focus on instilling employable skills in people from the economically weak strata of society.</li> </ul>
<p>Increase focus on language and communication since there is a significant deficit in communication skills among the existing manpower.</p>	<ul style="list-style-type: none"> <li>▪ Training institutes, companies with in-house training and government-run skilling schemes need to increase their focus on developing soft skills, such as communication and interpersonal skills, among employees by developing dedicated and customised modules for specific geographical clusters.</li> </ul>
<p>Relax labour law clauses governing part-time employment keeping in mind the seasonal nature of the sector.</p>	<ul style="list-style-type: none"> <li>▪ There is a need to factor in seasonality and holidays that affect employment prospects in the sector since hiring increases during the peak season and plummets during lean periods.</li> </ul>
<p>There is a need for collaboration among employers and training providers to create robust on-the-job training and apprenticeship models</p>	<ul style="list-style-type: none"> <li>▪ Increased coordination among training providers and employers is needed to facilitate on-the-job training and apprenticeship opportunities to retain employees and upgrade their skills.</li> </ul>



*cutting through complexity*

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**Narayanan Ramaswamy**

Head – Education Advisory

KPMG India

(+91) 44 3914 5208

email: narayananr@kpmg.com

**Madhavan Vilvarayanallur**

Director – Education

Advisory, KPMG India

(+91) 44 39145286

email: vmadhavan@kpmg.com

**Gaurav Kumar**

Associate Director – Education

Advisory, KPMG India

(+91) 124 3345203

email: gauravkumar1@kpmg.com

For more details please contact:



**N · S · D · C**  
**National**  
**Skill Development**  
**Corporation**

**National Skill Development Corporation**  
Block A, Clarion Collection, (Qutab Hotel)  
Shaheed Jeet Singh Marg  
New Delhi 11 0 016  
Tel : +91-11-47451600  
Fax : +91-11-46560417  
Email : [skillgapstudies@nsdcindia.org](mailto:skillgapstudies@nsdcindia.org)

[www.nsdcindia.org](http://www.nsdcindia.org)