



Personnel shortage in the tourism industry: Current situation and challenges

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〈Summary〉

- ◆ Even though tourism demand in Japan remains below pre-COVID levels, the accommodation, eating and drinking service sectors are already experiencing a growing shortage of personnel. This is because workers who left the accommodation and eating/drinking service sectors due to the COVID pandemic have not returned.
- ◆ Even before the pandemic, the accommodation and eating/drinking service sectors tended to have high worker turnover rates because of the lack of holidays and vacation days and the low wage levels, which present employment challenges as they make it difficult to hire and retain personnel, as well as the harsh working environment and the fact that the sectors employ large numbers of non-permanent workers. Furthermore, in the accommodation sector, the workforce is aging, and the COVID pandemic have heightened concerns about the stability and future of the sector. There are fears that the personnel shortage could become even more serious in the future.
- ◆ For the accommodation and eating/drinking service sectors to overcome the personnel shortage, they will need to fundamentally transform their approach to employment and work styles, with the aim of adding more value with fewer workers than before. Specifically, it will be important for them to 1) improve labor productivity through digitalization and DX (digital transformation), 2) stabilize employment, 3) pursue region-based initiatives, and 4) support from the national and local governments.
- ◆ A full recovery in tourism demand in Japan is likely to be some way off. The sectors should view this situation as a golden opportunity to reform work styles and press ahead with action.

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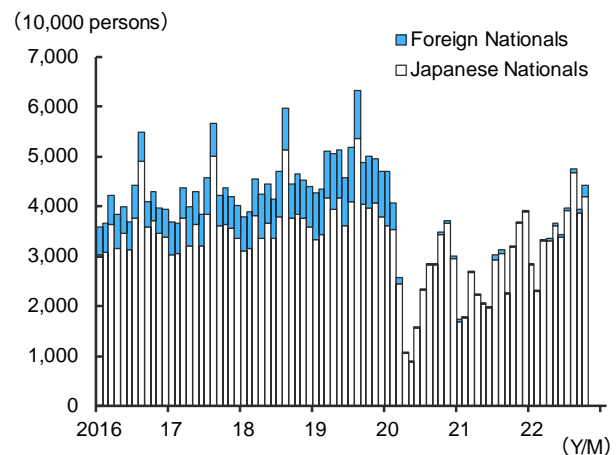
1. Introduction

Although tourism demand in Japan plunged after the start of 2020 as the novel coronavirus (COVID) began to spread, it has been picking up again thanks to the widespread adoption of infection control measures, travel subsidies, and the relaxation of waterfront measures, i.e., controls on incoming visitors (Figure 1). Against this backdrop, the accommodation and eating/drinking sectors, which comprise the bulk of the tourism industry, are already experiencing a growing shortage of personnel, even though tourism demand remains below pre-COVID levels, and more companies in these sectors are

complaining of personnel shortages than in other industries (Table 1). This is probably because workers who left the accommodation and eating/drinking service sectors due to the COVID pandemic have not returned, even as demand for labor in these sectors climbs once again.

This paper utilizes statistics and surveys to examine employment trends in the accommodation and eating/drinking service sectors during the COVID pandemic, and the employment challenges (i.e., difficulty in hiring and retaining personnel) these sectors have faced since before the pandemic. It then discusses the action required of the accommodation and eating/drinking service sectors to overcome the personnel shortage.

Figure 1. Total No. of Guests



Source: Prepared by JRI based on accommodation/travel statistics from the Japan Tourism Agency.

Table 1. Proportion of Companies Experiencing Personnel Shortages (Top 10 Sectors, October 2022)

				(%)
Regular Employees			Non-regular Employees	
1	Information Services	69.1	Eating and Drinking Places	76.3
2	Hotels	65.4	Hotels	75.0
3	Eating and Drinking Places	64.9	Employment and Worker Disputing Services	57.5
4	Construction	64.5	Amusement Services	55.3
5	Transportation and Warehousing	63.8	Misc. Retail Trade	51.2
6	Maintenance, Security, and Inspection	62.4	Agriculture, Forestry, and Fisheries	48.6
7	Finance	62.0	Food and Beverage Retail Trade	47.3
8	Employment and Worker Disputing Services	61.3	Maintenance, Security, and Inspection	46.4
9	Agriculture, Forestry, and Fisheries	59.5	Medicine and Daily Goods Retail Trade	43.8
10	Sale of Motor Vehicles, Motor Vehicles Parts	56.7	Transportation and Warehousing	43.5

Source: Prepared by JRI based on Teikoku Databank, Survey of Corporate Attitudes towards Personnel Shortages (October 2022)

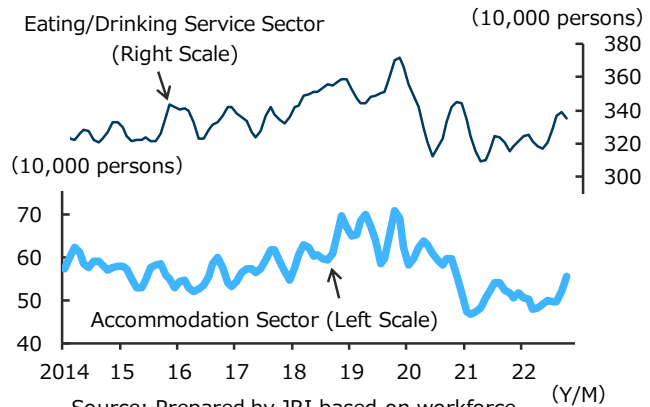
Note: Proportion of companies that described their personnel shortage as an "extreme shortage," "shortage," or "slight shortage."

2. Slow return of workers who left the tourism industry

The number of workers in the accommodation and eating/drinking service sectors, which had been on an upward trend since the mid-2010s due to the boom in inbound demand, saw a sharp drop stemming from the decline in tourism demand during the COVID pandemic. Since the summer of 2022, numbers in both the accommodation and eating/drinking service sectors have shown signs of recovery, but still have not reached the levels of 2018 and 2019 (Figure 2).

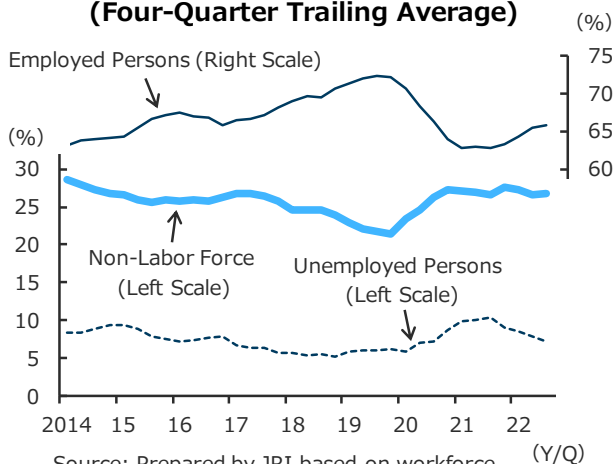
In addition, Figure 3 shows the employment status of persons who had left the accommodation and eating/drinking service sectors during the three years up to the time of the survey. Toward the end of 2019, the proportion of people who had found new jobs and become employed persons again was on the rise due to tight labor supply and demand, but after the beginning of 2020, the proportion of employed persons dropped significantly amid the COVID pandemic, while the proportion of people who had not found new jobs rose. In particular, the percentage figure for the non-labor force population remains high. Furthermore, among people who found work after leaving the accommodation and eating/drinking service sectors, the proportion whose new jobs were in those sectors fell slightly, while the number of ex-accommodation or eating/drinking service workers who took up jobs in other sectors increased during the COVID pandemic (Figure 4).

Figure 2. No. of Workers in the Accommodation and Eating/Drinking Service Sectors (Three-month Trailing Moving Average)



Source: Prepared by JRI based on workforce survey data from the Ministry of Internal Affairs and Communications

Figure 3. Employment Status of Persons Who Left the Accommodation and Eating/Drinking Service Sectors during the Past Three Years (Four-Quarter Trailing Average)



Source: Prepared by JRI based on workforce survey data from the Ministry of Internal Affairs and Communications

Figure 4. Proportion of Workers Whose Previous Job was in the Accommodation or Eating/Drinking Service Sector Who Currently Work in the Same Industry (Four-month Trailing Average)



Source: Prepared by JRI based on workforce survey data from the Ministry of Internal Affairs and Communications

In other words, it can be assumed that an increasing number of workers who left the accommodation and eating/drinking service sectors, whether they wanted to or not, due to the pandemic, have either given up looking for work altogether or are taking jobs in other sectors.

3. Challenges have existed since before the COVID pandemic but uncertainty about the future has increased as a result of the pandemic

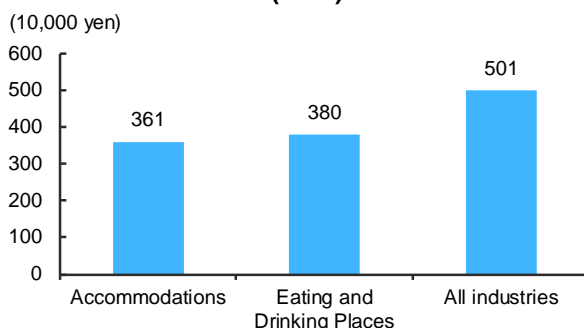
In the accommodation and eating/drinking service sectors, employment challenges had been pointed out even before the COVID pandemic. The current personnel shortage is thought to be largely due to the fact that such issues have been left unresolved.

(1) Harsh working environment and low wages

Specifically, one can point to the harsh working environment and low wages. According to the Ministry of Health, Labour and Welfare's Comprehensive Survey of Working Conditions, in 2019, workers in the accommodation and eating/drinking service sectors, which had not yet been affected by the COVID pandemic, had 105.6 holidays on average, nine days less than the figure for all industries (114.7 days), and the number of paid vacation days taken on non-holiday days (2018 figures) was 6.2, which was three days less than the figure for all industries (9.4). As for pre-COVID wage levels, regular workers, who are mainly full-time, permanent employees, in the accommodation and eating/drinking service sectors earned over one million yen less than the average for all industries (Figure 5). Although the figures for the accommodation and eating/drinking service sectors have been combined on account of statistical limitations, hourly fixed wages for short-hours workers, most of whom are part-time, non-permanent employees, are more than 100 yen lower than that for all industries (Figure 6).

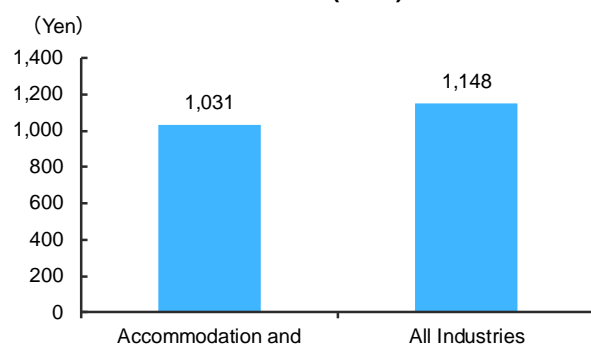
In addition, according to data from the Ministry of Internal Affairs and Communications,'s workforce survey, non-permanent workers account for more than 50% of accommodation sector personnel and nearly 80% of eating/drinking service personnel. These high levels of non-permanent employment, combined with the

Figure 5. Annual Wages of Regular Workers (2019)



Source: Prepared by JRI based on statistics from the Ministry of Health, Labour and Welfare, Basic Survey of Wage Structure
 Note: Annual wages are the total of basic cash payments x 12 plus annual bonuses plus other special remuneration.

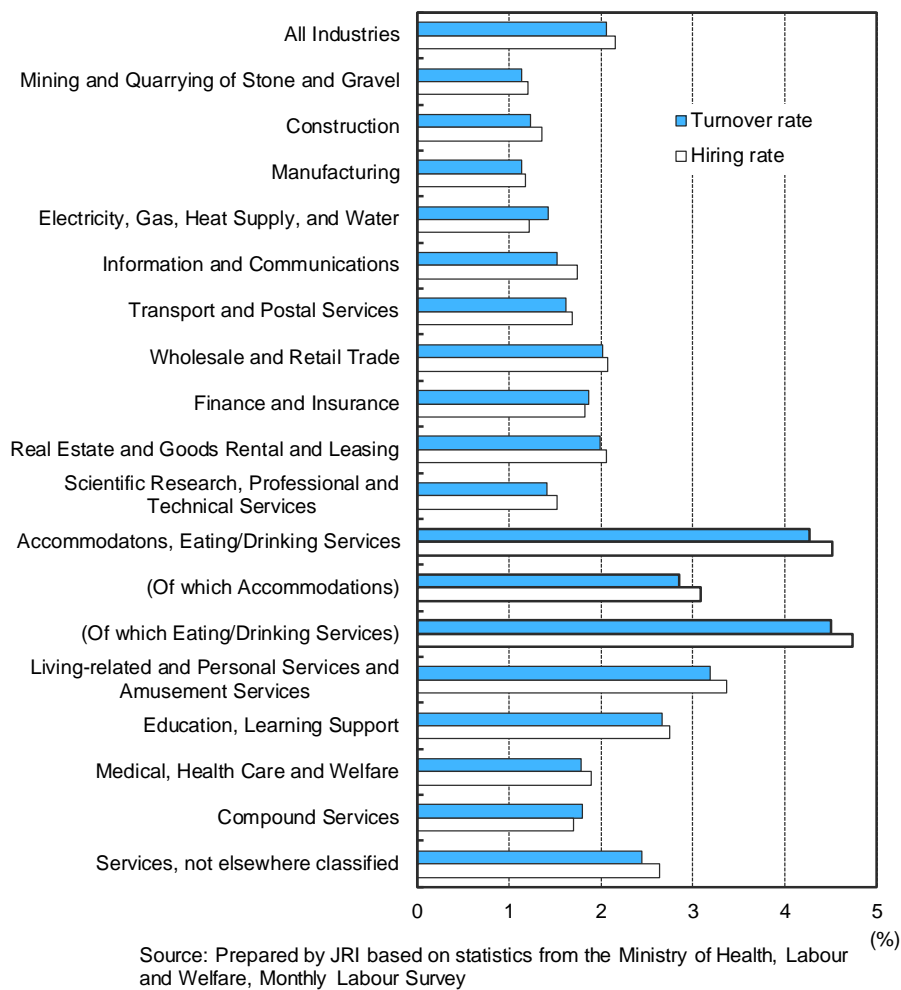
Figure 6: Hourly Fixed Wages for Short-Hours Workers (2019)



Source: Prepared by JRI based on statistics from the Ministry of Health, Labour and Welfare, Basic Survey of Wage Structure

aforementioned harsh working environment and low wage levels, mean that turnover rates in the accommodation and eating/drinking service sectors tend to be high, as do hiring rates (Figure 7). The high numbers of people being hired and people quitting compared to other sectors can also be seen as indicative of the precarious nature of employment in the tourism industry. For tourism to sustainably develop as a growth industry, it needs to move away from such unstable employment.

Figure 7. Turnover Rates and Hiring Rates by Industry (2019, Monthly Average)

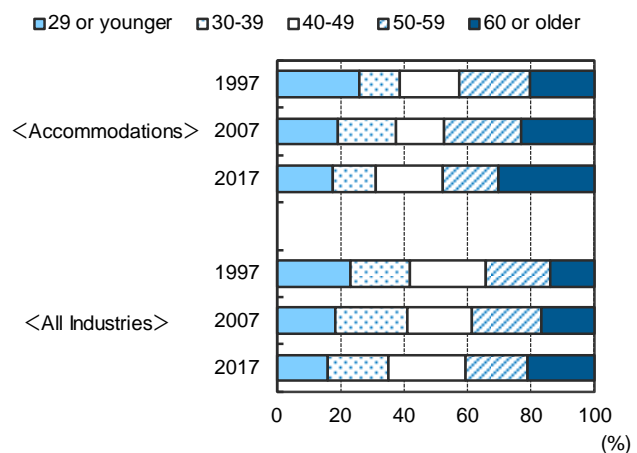


(2) Aging workforce and uncertainty about the future in the lodging sector

The aging of workers in the accommodation sector is another challenge. Looking at the age breakdown of workers in the accommodation sector in comparison with all industries, the proportion of workers in their 30s is noticeably lower, and the percentage of workers aged 60 or older rose significantly through 2017, reaching 30% (Figure 8). If an image of the accommodation sector as workplaces comprising few young people and many elderly people becomes a hurdle to attracting younger workers, this could lead to a vicious cycle of fewer young people entering the sector, more people leaving in search of a better working environment, and an even older workforce. In addition, the personnel shortage may become even more acute in the future as workers over the age of 60 retire.

Furthermore, with the COVID pandemic having brought significant changes to the environment surrounding the tourism industry, growing worries about the longer-term stability and future of the industry are also a cause for concern. According to an industry image survey conducted by Mynavi, an employment information provider, that targets university students who are at the stage of starting to think about where they want to work, the image of the hotel/travel industry has been becoming increasingly negative in terms of “stability” and “future prospects,” compounding the fact that it has always been rated negatively for “holidays, vacation days, and working hours” and “salary and benefits” (Table 2). Growing concerns about the stability and future of the accommodation sector will make it even more difficult to offer job security and attract talented people, and may encourage an exodus of human resources to other industries that offer growth potential.

Figure 8. Age Breakdown of Workers



Source: Prepared by JRI based on statistics from the Ministry of Health, Labour and Welfare, Basic Survey of Wage Structure

Table 2. Negative Image of Hotel/Travel Industry (Top Five Items)

	Apr. 2018	Apr. 2019	Apr. 2020	Apr. 2021	Apr. 2022
1	Holidays, Vacation Days, and Working Hours (34.6)	Holidays, Vacation Days, and Working Hours (34.0)	Holidays, Vacation Days, and Working Hours (33.7)	Holidays, Vacation Days, and Working Hours (27.8)	Holidays, Vacation Days, and Working Hours (26.2)
2	Salary and Benefits (14.5)	Salary and Benefits (14.2)	Salary and Benefits (15.1)	Stability (18.9)	Stability (16.8)
3	Job Attractiveness (11.2)	Job Attractiveness (11.5)	Stability (14.7)	Future Prospects (16.9)	Future Prospects (14.9)
4	Stability (7.3)	Retention Rate (7.8)	Job Attractiveness (11.0)	Salary and Benefits (13.1)	Salary and Benefits (14.5)
5	Workplace Human Relationships (7.2)	Stability (7.5)	Future Prospects (10.0)	Job Attractiveness (9.0)	Job Attractiveness (8.4)

Source: Prepared by JRI based on Mynavi, Industry Image Survey of University Students

Note: Figures in parentheses are percentages of all respondents

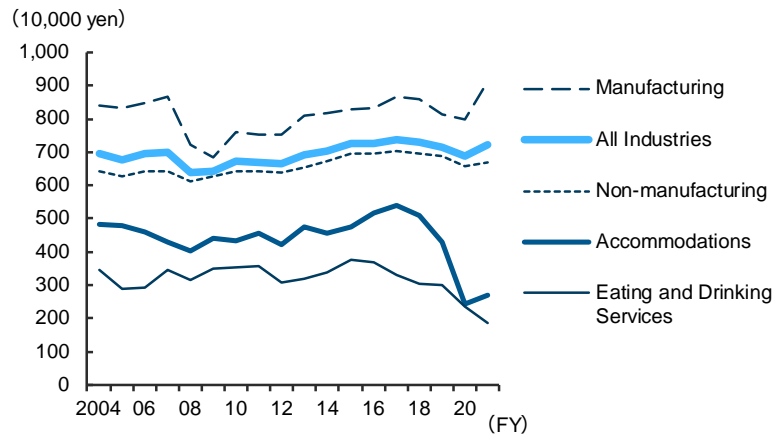
4. Action required

In the accommodation and eating/drinking service sectors, a shortage of personnel is becoming increasingly apparent, but it is not easy for the sectors to secure employment. To overcome the personnel shortage amid these circumstances, they should aim to serve more customers and add more value with fewer workers than before. In other words, the accommodation and eating/drinking service sectors will need to fundamentally transform their approach to employment and work styles.

(1) Labor productivity improvement and employment stability

First, it is essential to increase labor productivity through digitalization and DX (digital transformation). Labor productivity is lower in the accommodation and eating/drinking service sectors than in other industries (Figure 9)¹. Automation and informatization using digital technology should improve work efficiency and labor productivity, thereby improving the working environment and allowing wages to be increased.

Figure 9. Labor Productivity by Industry



Source: Ministry of Finance, Financial Statements Statistics of Corporations

Note 1: Labor productivity is the amount of value added per employee.

Note 2: The sharp drop seen in the Accommodation and eating/drinking service sector was due to the significant deterioration of net income due to the COVID pandemic.

The digitalization of operations should not be based on the idea that the people who had been handling such work will no longer be needed. It is important to view the working hours freed up by the digitalization of operations as now being available for work that can only be performed by human beings. Allowing employees to focus on work that only humans can carry out will increase job satisfaction, which will ultimately reduce employee turnover.

The next task is to provide employment stability. Offering stable employment would enable the sectors to secure a talented workforce and develop their human resources over the medium to long term, thereby increasing the value added by employees. In the tourism industry, including the accommodation and eating/drinking service sectors, personnel requirements fluctuate substantially due to the huge differences between busy and slow seasons, days, and times. To secure and retain high-caliber talent, the instability of the working environment must be addressed by, for example, allowing employees to multitask so as to even out workloads.

On the other hand, to deal with the intrinsic instability of the working environment that results from the difference between busy and slow periods, it will also be necessary to take steps to even out tourism demand itself. With that in mind, the first step will be to actively attract foreign people who are visiting Japan and elderly people, whose travel schedules are less restricted in terms of seasons and days of the week. It will also be important to successfully take advantage of new attitudes toward travel that the COVID pandemic has triggered, such as a desire to travel in the off-season, when crowds are thinner. New styles of traveling and working have attracted increasing attention during the COVID pandemic. They include “micro-tourism,” i.e., enjoying trips to nearby places, “workcation,” i.e., spending free time at a location different from one’s home or usual workplace while continuing to work, and “bleisure travel,” i.e., enjoying some leisure time by extending one’s period of stay during business trips². The popularization of these styles is being eyed as another way of evening out tourism demand.

¹ The low labor productivity (value added per employee) in the accommodation and eating/drinking service sectors is presumably due in part to the high percentage of non-permanent employees compared to other industries.

² “Workcation” is a portmanteau word combining “work” and “vacation.” Similarly, “bleisure” is a combination of “business” and “leisure.”

Furthermore, to achieve employment stability, it will be necessary to increase the number of permanent employees. Reducing the number of non-permanent employees and converting them to permanent employees will enable businesses to secure and retain talented workforces, develop their human resources over the medium to long term, and lead to the securing of personnel who add more value.

(2) Region-based initiatives and support from the national and local governments

It will be difficult for many businesses to take the above measures to overcome the personnel shortage on their own, so integrated region-based, region-wide initiatives and support from the national and local governments will be vital.

Regarding digitalization and DX, for instance, many businesses do not understand why such initiatives are necessary or how to pursue them. For starters, it would be a good idea to encourage individual businesses to take action by organizing study sessions in their regions, and to have this lead to joint procurement and joint operation of information systems and data linkage among businesses. With personnel shortages being increasingly felt in various industries in Japan, it will also be important for local businesses to cooperate in the area of recruitment to secure talented personnel. In the tourism industry, especially, places of employment are often in rural areas, making it critical for each region as a whole to highlight the attractiveness of their region to differentiate it from urban areas.

In terms of support from the national and local governments, the following four steps should be taken:

The first is to expand support for efforts aimed at evening out tourism demand. In particular, the new travel styles mentioned above, which emerged out of the COVID pandemic, are likely to be effective in smoothing out demand, so efforts should be made over the medium to long term to ensure that they do not become mere passing trends.

The second is to strengthen support for the recruitment and retention of capable personnel. A look at national-government policies for FY2022 and beyond reveals a relative focus on human resource development. While the importance of human resource development is beyond dispute, the need for support to secure and retain human resources has become even more pronounced as the personnel shortage in the tourism industry grows ever more serious.

The third is to provide ongoing support. Because of the fiscal-year independence and the single-year budget principles, support from the national and local governments is often limited to a single fiscal year. But to secure and train human personnel in a regionally integrated manner and produce results, it is essential for activities to be ongoing, to accumulate know-how, and to verify and follow up on the effectiveness of initiatives.

The fourth is to strengthen support through local governments. Tourism can be regarded as an industry in which each individual region plays a central role. From a regional revitalization standpoint, local governments that are fully aware of the characteristics of and the issues facing their region need to be active in providing support. In addition, as many industries, including tourism, are facing personnel shortages, support focused on tourism could come under fire as favoring a specific industry. Therefore, local governments must convince everyone in their region by making it clear that they are positioning tourism as a pillar of their overall growth strategy for the region.

5. Conclusion

Tourism can be considered to be a trump card for regional revitalization and a pillar of growth strategies. This is because it has the potential to become a growth industry in a wide variety of regions in Japan, and offers far-reaching benefits to regional economies. To realize regional revitalization and economic growth through tourism, it will be necessary to address the employment challenges that the tourism industry has been saddled with since before the COVID pandemic and that have been further highlighted by the pandemic.

Despite the easing of entry restrictions on foreign visitors to Japan in October 2022, a full recovery in inbound tourism is likely to be some way off, especially in the case of visitors from China. In addition, the recent rapid upturn in Japanese domestic tourist travel may see a lull when the nationwide travel subsidy scheme is scaled down or scrapped. Overall, the expectation is that it will take some time for tourism demand in Japan to recover to its pre-COVID pandemic level. However, this period should be viewed as an opportunity to take the time to examine ways to improve labor productivity and employment stability in the tourism industry, and then press ahead with taking action.