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Editorial note

This is our third edition of the 'Journal of Academic Reviews'. In this edition we have included two articles which are co-authored by the student and the teacher.

The first article is a combined effort of a student and a teacher. It is about the challenges faced by the European Banking sector in the current century. It explains the political and economic uncertainty in the EU, which is posing pressure for the European Banks. The second article is about higher education in Hospitality and the Hospitality Industry. In this article the author discussed the employer's perception and expectation of the graduate and the graduate perception of the industry.

The third article is about food allergies and intolerance. The EU Food Information for Consumer Regulation No. 1169/2011 and FIC regulation and its impact is also discussed in this article. The fourth article is about new challenges for business in the 21st century.

The fifth article is also co-author by a student and a teacher. It is about the current state of the hospitality industry in the UK. In this article some examples of success and new trends in the industry are also discussed.

On the behalf of the editorial board, I would like to thank all the writers for their valuable contribution in this edition.

Hopefully you would find the articles of this issue interesting and informative.

Sincerely

Mrs. Sayeda Zain

Editor in Chief

Table of Contents

Challenges in front of the European Banking Sector in the Current Century

by Mariya Machkovska-Rusinova and Gowher Malik

Abstract:

The role of the banking industry in the modern world is constantly increasing in the current century as banks are the main intermediary between borrowers and savers, allocating funds in the efficient manner. More than that, they offer variety of specialised financial services and answer to interest rate signals, facilitating both borrowers and savers – individuals, businesses, financial institutions, governments and thus boost the whole economy. This article provides useful insights on the challenges banks in Europe currently face and will continue to confront in the following years due to the dynamic environment. It is not difficult to guess why the focus is placed on the challenges in front of the European banking sector, whereas the uncertainty that economic data provide, comes mainly from the heart of Europe, namely the EU. In this regard banking industry and European banks in particular, more than any other industry need to adequately respond to all the changes taking place. These changes come hand in hand with a variety of challenges for the banks to cope with in the future to sustain their profits, which is discussed below.

Key words: *banking industry, challenges, Europe, EU, economic changes, bank services*

Discussion:

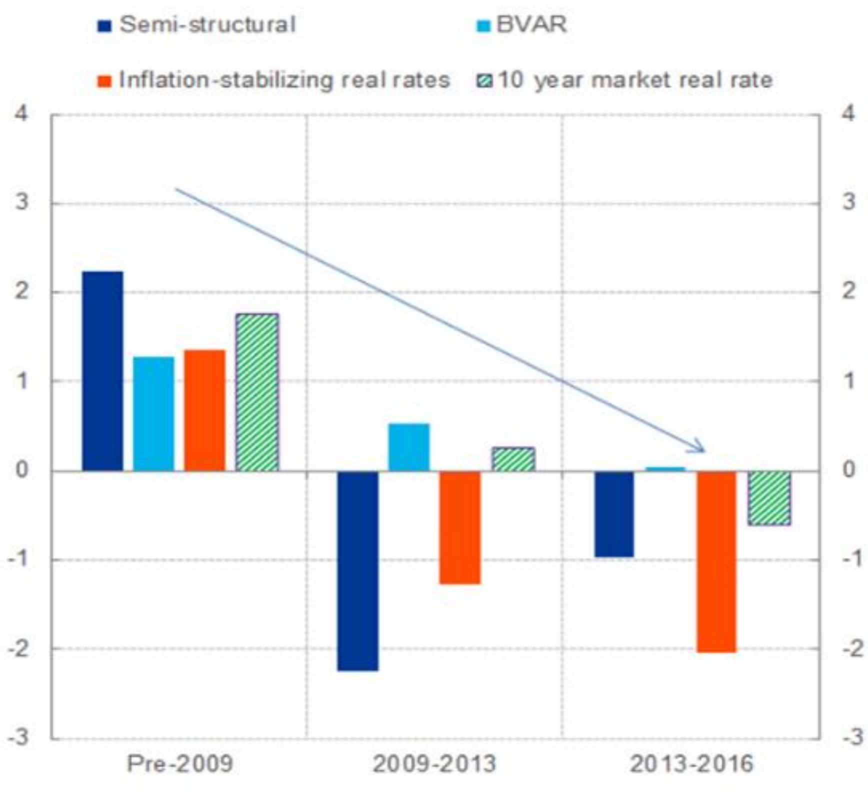
The environment in which European banking sector operates can be characterised as uncertain and complicated, filled with scars left from the global economic crisis. In this regard European banks need to tackle the challenges with *mixed nature*: *politico-economic, regulatory, market and technology.* In this context, it is well said by Angius & Bonomo, (2014, p. 1) that it is a time of stress as European banks institutions need to maximise their profits and keep their customers pleased at the same time being under "*regular scrutiny and testing in future*".

Challenges exhibiting such mixed nature, combined with the Great Recession echoes are a serious issue to be efficient and proactive managed which is also time and effort consuming. Tackling such issues will require more tangible and intangible resources to be allocated by the banks and most of all a competent, robust strategies devised, based on heavy environmental research. (Constancio, 2016)

Facts & Trends outlined: The future of the EU banking sector is an important topic considering the global financial crisis in 2007-8, which clearly shows how devastating and expensive for the economy a crisis can be in terms of very high direct fiscal costs and cost related to the real economy. The global banking industry and European banks in particular are still recovering from the recent economic downturn. According to National Institute of Economic and Social Research (NIESR), the global economy is down from 3.5 to 3.3 percent for next year as the Eurozone is in the middle of that hit. Consequently, the Eurozone is revised down from 1.7 to 1.3 per cent in 2017 which possible will make EU banks to struggle with the economy with lower interest rates and lower growth, respectively in the following years. (Clements, 2016)

The continuous environment of lower interest rate, illustrated on **Chart 1** is linked to the concept of an *equilibrium real interest rate*, which gives insights on price stability. If the equilibrium price is decreasing, as it is the case in the EU area, then the economy is would be left with very high borrowing costs related to the return on investment, with the inability of the monetary policy to follow this downturn trend (Constancio, 2016)

Chart 1/Equilibrium Real Rate estimation 2009-16



(Constancio, 2016, citing ECB calculations and San Francisco FED)

It is clear from **Chart 1** above that comparing to the years before the crisis, the equilibrium real rate after the crisis accounts strong downturn reaching negative points in 2016.

An accumulated gross financial industry assistance by the governments in the euro area amounted to 8% of euro area GDP, but only 3% are recouped so far. Calculating in aggregate level, the output of the euro area is 20% lower if it would have been achieved it had the trend growth in the past 15 years after 2007. Considering the same trend for the future, until 2030 the accumulated loss of output would be equal to more than 3 times of all the output of 2008. (Constancio, 2016)

Political & Economic Uncertainty: The world economy is marked by a variety of political & economic events, putting pressure on the European banking sector for years ahead:

- **Eurozone broken integrity after debt crisis in Greece**

Distress of Greece's banking system and economy caused by the debt crisis has spread its negative effect on all EU countries, initiating the Eurozone crisis and instability of the common currency. Although the debt crisis in Greece is dating the late 2009 and is likely to be in the past with a measure taken by the EU to overmaster it with "*new financial assistance package*" in 2015, its negative effect is still to expire. According to Archick (2016, p. 8) "*debt relief for Greece remains a contentious issue among Eurozone members*" and currently is putting in front serious disagreements among EU members in terms of calling into doubt EU fiscal integration to be adhered, which for the EU banking sector would be a serious concussion. The *undermined Eurozone integrity* is calling a new concerns in 2016 in terms of serious prospects of another crisis in Greece with a question mark on Eurozone integrity even more serious.

- **Refugee crisis**

In 2015, 1 million refugees have entered the EU, according to United Nations data and a range of EU initiatives in 2015 has not been effective to manage the crisis. As measures such as "*EU redistribution and resettlement programs*" are controversial, the criticism against the EU has raised the issue about the ability of EU countries to integrate the refugees in the future to the culture as a minorities in the EU society. (Archick, 2016)

The related effect on EU banking sector in a long term could be either positive or negative. This effect in a middle term is considered by many as economically beneficial, with a moderate economic growth in EU countries where the refugees are settled with more money to spend. (European Commission, 2016, p. 3) The moderate favourable effect could be in terms of reducing the negative effect of aging of the EU population with younger asylum seekers, and a new workforce flow into the EU labour market. On the other hand the increased criminal acts and sexual convictions concerning refugees could lead to an outflow of investments from EU banks. Direct fiscal implications and overspending also are consequences, as allocated spending is mainly for rescue operations, health care and food, border protection and welfare benefit as is an additional expense for EU banks, as well

- **Ukraine Crisis**

In 2014, EU imposed common policies consisting of sanctions of Russia that are still effective and are further to be reassessed by the EU. These sanctions include travel restrictions, asset freeze and cancellation of EU-Russia summit and negotiations on deals of EU with Russia. One more time the common EU policies has been crafted difficultly with disagreement among EU member states as it is so with the Greece's debt crisis. As a result of these sanctions, the EU banking sector is severely affected by the imposed economic restrictions, namely "*economic sanctions targeting exchanges with Russia in specific economic sectors*" in terms of the following measures (European Council, 2016):

- Limited access to EU capital markets, either primary or secondary for top 5 Russian financial institutions
- Suspension of new financial operations with Russia
- Suspension of new operations within European Bank and Russian Federation

Beyond the conflict in Ukraine, European banking sector future moves and estimations can be processed only after it becomes clear whether the business partnership EU-Russian Federations will be kept. At this stage this is difficult to be predicted as possible loss of such profitable investor as Russia would have heavy consequences over the EU financial market (Laurence & Gabriele, 2016)

- **Constant terrorist threats**

Terrorist threats in Europe deepened after the terrorist attacks in 2015 in Paris and in 2016 in Brussels. Concerns have indirect effect on EU banking sector – mainly psychological damage which is widespread, but on the other hand is not to be underestimated. According to the EU bankers, consumers limit their financial operations and financial activity from days to a few weeks after the attack, as "*such attacks will certainly not impede economic growth*".

(Kirkegaard, 2016) Seems that the effect is short-term. The point is that the terrorist attacks have become "*larger, random, and individually more murderous*" than earlier decades, placing uncertainty for the European banking sector and for the economic growth in the long run. Government expenses and efforts to overcome these threats through balancing the lower private investments and job creation, is actually an overspending. Currently European financial markets did not move after the last terrorist attacks in Paris and Brussels. The risk for European banking industry from terrorist attacks is not possible to be quantified and "*priced in to asset values*". (Kirkegaard, 2016)

- **Government intervention**

Another concern for European banks derives from the economic & political uncertainty, as the governments may decide to intervene in banking operations to manage these issues. The government could intervene in bank affairs for a number of reasons (Zafin, 2016) below:

- ✓ To increase revenues if there is a period of budget stress;
- ✓ To boost investor protection;
- ✓ To develop a new national tax base;
- ✓ To alter lending policies;
- ✓ To change taxation policies;
- ✓ To restructure banking management.

In all cases of government intervention, European banks need to comply as is with other imposed regulations outlined further.

- **"Brexit" Effect**

UK voting to leave the EU in 2016, is an event that deserves special attention because it caused great confusion on the world scene and brought about lots of challenges for the world economy and for the banks in the Euro area. There are at least seven ways in which European banks will be affected in the upcoming decade (Noonan, 2016):

- **Uncertainty in the business model in short term:** European banks based in London are facing the issue of new EU banking licences, plus put on hold to see where the euro clearing will move – from London to Frankfurt or from London to Paris. In this regard more contingency expenses are outlined for the banks.

- **Accelerated plans to move operations to cheaper locations**: The reduction of bank staff located in UK and relocating it to other destinations which are cheaper, could cut costs in the future so that the banks to account savings in the long run
- **Higher trade volumes for European banks in the short term/ but reduced one in a long term**: An increase of the trade revenue, especially after the UK Vote to exit EU is with 10 time's normal commissions for European banks. This short term positive effect on trading revenue could be marked, on the other hand, by inventory losses. At the moment trading revenue fall is a fact, with investment banks hit by large markets businesses as a long term aspect
- **Lower rates for longer:** RBS specialist describes lower rates as to remain static by the end of 2016 and in the most of 2017 due to "*heightened level of uncertainty and fragility*". Thanks to the gap between what banks pay for funding and what they charge for loans narrows, as financial institutions make less revenues. (Please Refer to Figure 1)
- **Less favourable UK earnings due to weak pound sterling:** European banks currently have and will have less profit compared to this they do in the UK as a result of sterling fluctuations now and in the future
- **More complexity and costs related to UK regulation:** Uncertainty related to concerns that UK regulation will become different than EU regulations moving away from Single Supervisory Mechanism led by the ECB in the banking sector (Jackson, 2016)
- **UK not having access to European Single Market**: Possible EU decision to impose restrictions on UK in terms of the 4 freedoms of free movement within EU. Thus the European banking industry is marked by more years of uncertainty while waiting the decision whether the UK will be granted access to the European single market (Jackson, 2016). Until UK really exits the EU, European banks can still enjoy these freedoms.

Let's review challenges Brexit brings for European banks, referring to the most recent examples in drop of the value of some of the main European banking institutions (Gilbert, 2016):

Deutsche Bank: Considered as Europe's contender on the world investment banking stage at the moment worth only 17 million euros, which is a great drop compared to the generated revenue for 2015 of 59 million euros.

Piraeus Bank: Greece banks have been recapitalized 3 times without effect. The bank is now worth about 1.5 billion euros - a 4 billion euros less in December 2015, as this is after the last cash injections. To compare, two years ago Piraeus Bank was worth 11 billion euros.

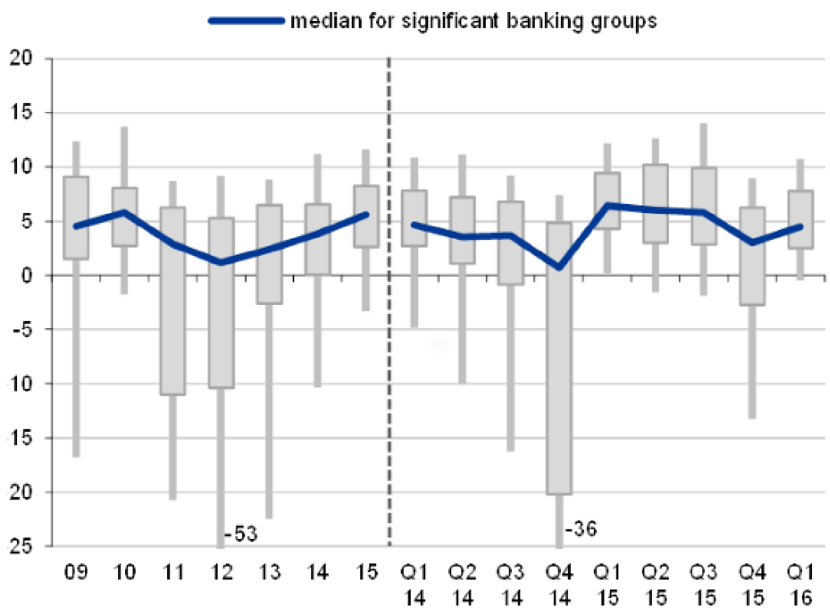
UniCredit Bank: As Italy's biggest bank it has been hit in 2016 badly with a market capitalization of 12 billion euros only, due to non-performing loans of 51 billion euros. In general, Italian banks suffer from non-performing debts worth 198 billion euros with a tendency to rise those debts with Europe's inability to overcome its banking problems.

To conclude with, for European banking industry, Brexit is identified as a "*force majeure event, echoing the legal clauses in many contracts that allow transactions to be suspended or standards ignored in the event of a game-changing catastrophe*". (Gilbert, 2016)

Non-Perfuming Debts and Profitability Challenge

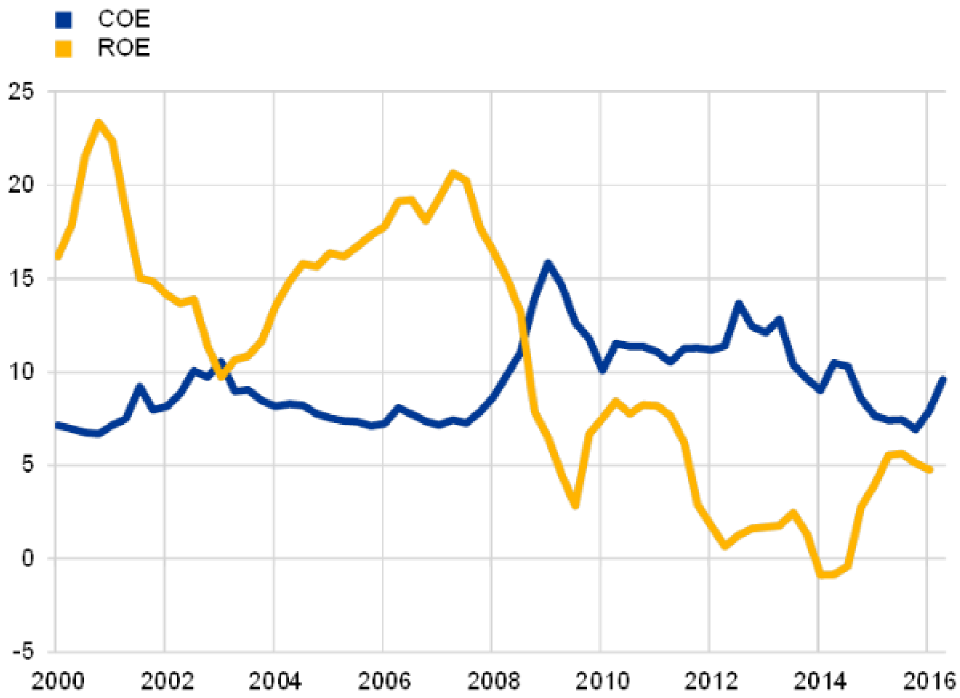
Due to the longer period of low profitability which is currently effective, European bank sector faces another challenge. Analysis shows the Average Return on Equity (ROE) 5.8% in 2015 in the Euro area and is kept under the cost of capital which is calculated to be 8%. Please see **Chart 2** and **3** below. Additionally, the analysis is not promising about bank profitability to improve in the near future, although there is a partial profitability recovery in 2015. (Constancio, 2016)

Chart 2/ ROE Banks of Euro Area



(Constancio, 2016 using SNL Financial)

Chart3/ROE for listed banks Euro Area



(Constancio, 2016 using Bloomberg, Data Stream, Consensus Economics, ECB Calculations)

The EU banking sector will continue to suffer from profitability decrease forming downturn spiral. The *low profitability of EU banks* and *low interest rates* are core areas to focus when develop bank strategies, as these issues go far beyond the bank institutions, borders, affecting negatively the whole economy through the deteriorated ability of the banks to finance.

The following guidelines can be applied to the profitability issues to be tackled: (Aug, 2016)

- ✓ Increase of fees and share and commissions' income, as there is a real room for non-interest income expanding
- ✓ Cost efficiency strategies are fundamental for increase of profitability with the move to digital platforms for banking services
- ✓ Retail branch network rationalization
- ✓ Multichannel distribution capacities improvement
- ✓ IT infrastructures investments which are costly, but cost saving in the long run
- ✓ Targeted Long Term Refinancing Operations giving funding to banks at good conditions can be applied to boost bank lending to the economy and relieve private credit conditions in the sector (Constancio, 2016)

In 2015 European banks possessed 950 billion euros Non-performing Debts (NPD), equal to 9% of European GDP, exceeding the international standards of 7.1% and higher than the US and UK banks NDP ratios. Although the ratio of NPD vary in the European area banks, it is quite high in those affected by the past economic crisis. This is a challenge for banks in Euro area for the future, as NPD existence means negative banking profitability with one part of the asset, not producing revenue, while years will follow until NPB are cleared. Stress tests and Asset Quality Reviews (AQR) are annually implemented, but they serve only as a short term capital exercise to secure solvency and proper estimation without checking bank profitability in the long term. Furthermore, to overcome this challenge, *"comprehensive strategy involving coordination among all relevant stakeholders"* is demanding in parallel with internal and external capabilities, strengthening combined with secured support of the authorities (Constancio, 2016).

Regulatory Uncertainty: The major structural challenge in front of the EU banks for the past 30 years that will continue to affect those many years ahead, is related to the *Single Supervisory Mechanism*, namely the introduction of new *Minimum standards*, introduced by the European Central Bank (ECB) which is now responsible for supervising the major EU banks. (Angius & Bonomo, 2014)

The challenge is leading to the long list of obligatory changes for the Banks in Euro area in order to adjust to centralized regulatory responsibility and increase their resilience. These changes include the introduction of regular stress tests and asset-quality reviews as an additional burden. The core of challenge result in constant efforts and involvement of all areas and mobilization of the entire organization. As a result, a large amount of documentation is involved, logistics and complex data is requested which is depth and breadth. (Angius & Bonomo, 2014)

What banks in Euro area can do?

- Governance of the EU banks can be boosted by centralization in monitoring and compliance through increasing of the resources and authority of central units. Coordination and interaction with the ECB is a must to prevent from duplications in communication channels and contact points.
- IT infrastructure restructuring in order to produce enormous data of "quality, integrity and consistency" is what European Banks can develop, whereas the focus is shifted to effective reporting to the ECB. This includes summarised format of data and tools to

simplify and analyse quickly the whole picture, in order to detect areas that need to be scrutinized.

- Restructuring of control, definition and monitoring of risk policies and credits in order to prove the quality of the process and present evidence of effective centralized structures is another action that is worth trying. This is accompanied by a demonstration of adequate control and related risks at a portfolio level. (Frieda, 2016)
- EU banks can enforce their capability to read and understand the model results from stress tests accurately, so that these results become useful and fit into the bank structure. This is again related to presenting proof in front of the regulators, that bank management takes action towards effective strategy for implementation of the required by ECB changes and compliance with the regulations and minimum standards. (Angius & Bonomo, 2014)

Technology Boom: Every aspect of the modern world is bound by technology as it is transforming the way of people's interaction, ways of doing business, ways of payment and sharing the data. Adoption of latest technology is a judgment criteria for overall bank's ability to effectively run, operate the data and interact with the customers, whereas failure to adopt agile, secure systems enhancing mobile and digital banking will definitely lead to heavy losses. This makes the IT systems and revolutionized technology the most complex challenge for EU bankers in the current century. (Zafin, 2016)

Innovation is equal to competitive advantage for EU banks, i.e. provision of convenience and effective customer experience through quick and effective digital services and products, data accuracy and timely customer support. The heaviness of this challenge is confirmed by the survey made by Fujitsu, showing that 37% of the European respondents are ready to move from their bank provider if it fails to deliver aid interaction and up to date technology. (Finextra Research, 2016)

Smart use of technology is the key that EU banks can use to adjust their balance sheets, minimizing the impact of the new regulations and reduction of cost-to-income ratios. (Ough, 2016)

- **Cyber attacks**

Cyber-attacks evolve with technology and become more sophisticated which increase the risk management requirements in front of European banks. The targeted European bank systems suffer from deleting, modifying and stealing of the data, disruption of access to bank networking system and services, etc. The consequences are serious – damaged image, broken customer trust and tangible and intangible losses. Countering and defending from hackers' malicious activities while keeping in track with all the imposed regulation is a great challenge in front of global banking industry, including European banks. (Horne, 2016)

The seriousness of this challenge can be illustrated with lots of recent examples. In February 2016 a series of cyber-attacks hit different banks around the world with enormous effect. From Bangladesh Central Bank have been stolen $101 million in funds. Hackers performed five transfers from the account in the Central bank at the New York Fed, using the Bangladesh server to supply correct bank codes to certify the transfers, which is a complex and well ahead planned with a heavy consequences. This attack was followed by another $81 million stolen from accounts in Rizal Commercial Banking Corporation in Philippines. Those $81 million were deposited in RCBC, whereas the same day $500,000 were withdrawn from an account and taken out with a car. (Rilely, 2016)

In July 2016 the range of European countries, including Poland, Bulgaria, Estonia, Romania, and Spain suffered from remotely infected cash machines, followed by similar ATM hacks in Taiwan and Thailand. The criminals used malicious software making the ATM to give out cash. Whereas in the past five years the hackers have been required physical access to cash machines unable to steal large amounts, now the criminals use new methods, Cobalt gang, for example, increasing the amount of sums stolen and attacking a larger number of cash machines. (Reuters, 2016)

European Bank institution increased the measures and efforts to tackle this "multi-faceted risk" challenge. The real steps include the exchanging of cyber knowledge and development of new proactive strategies to defend. (Horne, 2016) A real time-alert systems and proper resource allocation for stress testing and security have been imposed by the European Central Bank. According to this strategy all banks in Eurozone need to inform regulators for any cyber-attack using the real time alarm system (Arnold, 2016)

- **Data Warehousing & Data Mining**

The development of effective technology facilitating and consolidating data warehouse in real time, another issue puts in front of European banks due to budget cuts. This technology needs to be enough effective to consolidate and analyse large amount of data accurately and quickly at real time to be of real use. Collection and storage of the data, including data about customers and customer relationships from different systems; and data mining – data analysis and integration - are just a small bit of items covered by that kind of required technology. (Tech Target, 2013)

To take an advantage of data consolidation further more effective in the upcoming years, the European Banking industry requires “data discipline” which is a fact for Nordea Bank based in Sweden. As any other European bank , it had to comply with the EU regulations and meet customer requirements better, whereby it was consisting of four separate financial institutions in 2000 and the data was still processed manually and heavily managed. The bank management took the decision to invest 1000 million euros in a data warehouse project for financial information to become “one global company” and has expanded to more than 1,000 branches worldwide having 11 million customers in 2015. The project has been managed by the finance department in cooperation with other departments – IT, treasury, credit, markets in the common steering group, combined with adequate warehouse architecture comprising of sourcing, landing area, business transformation and data integration. A business semantic layer that is shared with enabled reporting semantic layers now delivers greater business value than ever before. The most important point that other European financial institution can borrow from this project was the creating of one version of the data – “*common definitions and master data to compare like with like across geographies and business functions*” (Chramm, 2015)

- **Increased Competition**

FinTech Companies and Electronic payment media

Development of digital payment since 2007 is a challenge for European banks due to the increased importance of e-money and electronic payment methods, giving opportunity for new competitors such as genetic companies to enter the European banking market. These methods in simple words are information transfers that debit or credit accounts. Currently for the banking sector, electronic bill payment methods involve additional instructions in paper format, such as invoices and/or receipts. Innovation investment in this area can be directed to convenient restructuring of the whole electronic payment process, introducing end to end electronic payment process covering all “business-to-business” and “customer-to-business transactions”, where the scope of exchanged information is wider and fully electronic. (Deane-Johns & McLean, 2016)

Financial Technology companies that use the benefit of data techniques and digitalisation, create new challenge for European Banks that comes with technology involvement.

FinTech's called "bank lunch-eaters" "steal" bank customers, offering quick, easy and lower cost of financial services than banks. Furthermore, the boom in Europe's FinTech sector shows an ongoing stream of new entrants offering products and services involving other than traditional business models and practices. (Finextra, 2016)

To answer to the constant innovations in electronic payment media and FinTech threat a new European directive was imposed on European banks. It is a huge reform requiring bank system change with increased scope concerning payments within and outside the EU. This directive is greatly improved in the section concerning consumers and global money remittance area. Areas scheduled for restructure include: bill payment service, commercial agents, electronic communications networks and service providers, limited network operators, third party payment services, ATM services, passporting, technology service providers, security and use of data. (Deane-Johns & McLean, 2016, pp. 1-8)

"Shadow Banking"

Political & economic instability in EU governance lead to anti-European moods enabling "shadow banking" to flourish, forming a *new market-based credit system,* i.e. credit intermediation implemented by non-banks. Thus European banks are practically competing with non-banking institutions which is another potential threat among others discussed above. Security strengthening is mostly to be considered by the European banks, in this regard as customers would prefer a safer place to keep their cash for the short-term offered by the less regulated institutions, rather than proceed with banks' unsecured deposits. Another remedy on its way in the next few years is the "*comprehensive regulatory framework for non-banks and market-based activities"*. It will operate on two levels: global - through Financial Stability Board and EU level - through the European Banking Authority (Constancio, 2016)

Market Condition: Market conditions are rapidly changing and banks in European area need to catch up. Demographic changes in Europe population, including life cycle savings and population aging are transforming severely the way people live and work. Dramatically changed demographic increase the importance of asset management for revenue increase in European banks. Sudden change in customer behaviour and evermore demanding customers, on the other hand, push European banks to look for more flexible approaches towards their customers. Another challenging area related to market condition, is the increasing competition by non-banking institutions and "shadow banking" which has been discussed above. (Accenture, 2010)

Tackling market challenges

Five key elements can be outlined when facing issues related to changing market conditions by European banks are (Accenture, 2010):

- ✓ Deep understanding of the competitive landscape – opportunity, market or franchise;
- ✓ Understanding of what drives the value & understanding of own competitiveness and a portfolio of assets;
- ✓ Development of effective strategic plans and proper action in the environment which is protected against the following scenarios to be tested – launch of new products; competitor's launch of new product/market; planned merger, acquisition or collaboration; market growth shift or pricing decline, i.e. commercial market changes;
- ✓ Rebuilding business cases and plans grounding on new/improved assumptions;
- ✓ Training of participants to predict competitor behaviour during daily operations.

Summary:

The discussion above indicates of yet uncertain economic and political EU future as the upcoming years are about to bring more pressures for the European banks. Currently, European banking sector is going through tough times facing heterogeneous challenges from all sides that need to be timely and accurately addressed. Furthermore, European banks need to cope with more than one challenge at the same time, which require proactive thinking, high level of banking systems consolidation and flexibility and restructuring of various operational bank levels. One thing for sure is, that European bank management need to tighten the belts, mobilizing all resources to adjust to the changes and transform challenges into opportunities. It is also valid that banks need to invest and allocate smart their resources and choose priorities well, pressured meanwhile by the new EU regulations, budget cuts and constant stress test procedures. In fact, challenges are healthy because create a competitive arena for European banks to develop, opening room for creative thinking and innovative ideas that practically shape the future.

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Higher Education in Hospitality and the Hospitality Industry: Expectations, Perceptions and Realities from both ends.

By Christian Howusu

Abstract

The hospitality sector in the United Kingdom is huge and it is an important contributor to the economy. There seems however to be an acute shortage of manpower, especially the managerial and skilled ones, despite the numerous Colleges and universities offering hospitality training in the Country. This literature research reveals that there is a disjoint in the skills training of these institutions and the practical skills that the industry expects. In addition, graduates' expectation of industry working conditions is also at variance the reality and therefore leading to disappointment and consequently high turnover.

Keywords: Hospitality, Skills, employment, training, mismatch

The Hospitality Industry

Hospitality can simply be said to be the provision of accommodation, meals and drinks outside the home for commercial purposes. The British Hospitality Association (BHA), according to Oxford Economics (2010) agrees with the following categorisation of the industry:

*"Hotels & related services (including camping grounds and other accommodation)

* Restaurants & related services (including pubs, takeaway food shops, licensed clubs and motorway service areas, where hospitality services are the main activity for the latter)

*Catering [including corporate hospitality / catering contract to both private clients (for example, airlines) and public sector clients, and in-house catering across non-hospitality direct sectors such as health and education)

*Event management (including conference and exhibition organisers) ".

The size of this industry is large and its scope very wide. The core hospitality economy is estimated to have £90 billion and is worth £46 billion to the UK economy in wages and profits and directly contributes 2.44 million jobs or 1out 13 jobs not counting the indirect or jobs resulting from the industry's multiplier effect. These 2.44 million jobs represent approximately 8% of the UK's total employment and is the 5th largest employer ahead of other broad sectors such as financial services, transport and communication and construction (Oxford Economics, 2010).

Skills Training: According to Rosemary and Mansfield (2008), hospitality employers are looking for people to fill relational skill jobs with the minimal training as well more technically jobs involving more structured or formal training. These soft skills involve having the 'right' positive attitude including; enthusiasm, commitment and stamina. According to the Open University (2016) the Institute of Hospitality has identified communication skills, interpersonal skills, team working skills, problem solving, numeracy and IT proficiency as key employability skills in the sector. Other major "requirements are enthusiasm, adaptability, an ability to work hard and commercial awareness".

Rosemary and Mansfield (2008), also identified two occupations within the sector as requiring higher levels of trainable, technical skills. These are managers and chefs. Both occupations have been identified as hard-to-fill vacancies and there is an ample evidence that current education and training might not be preparing hospitality students sufficiently enough for the requirements of the industry and its seem that employers are therefore looking elsewhere when it comes to filling those important vacancies.

Nailon(1981) cited in Rosemary and Mansfield(2008), identified two main types of hospitality education that are vying for supremacy in the sector : On one side, the robust, coherent and the industrially relevant education that can justify itself as a vocational education but at the same time demonstrate appropriate level for challenge for the students and on the other side the Liberal "Oxbridge " tradition of developing the powers of the mind providing critique not only of the society but of the hospitality industry.

Size of the Hospitality education sector: Even though it is difficult to gauge the size of Hospitality education sector in the UK, the Complete Universities Guide (2016) ranks at least 62 universities as offering Hospitality education. In addition to this, there are numerous Further and Higher Education Colleges and professional institutions. However, the industry keeps decrying the lack of qualified manpower while students complain of lack of employment and underemployment. The most likely cause is the disconnect between graduate's readiness, skills, training, and perceptions on one hand and the industry's expectation of its graduates on the other hand.

Employment by occupation and qualification level: According to a research by Aoife Ni Luanaigh, and Richard Garrett for UK Commission for Employment and Skills (2012), there are relatively few professional workers in the tourism sector, comprising just five per cent of the total workforce compared with 19 percent of all workers.

On the qualification profile of the sector's workforce, barely one in five workers or 21% have a higher education qualification in comparison with one out of three workers or 34 % across all sectors. The proportions of the sector workforce with school, further and higher education colleges and other qualifications are however above the overall averages, the same as is the proportion with no qualifications.

The same authors suggest that an overtime comparison shows that the sector is not doing any better in terms of attracting more qualified staff than the rest of the UK's workforce. Comparisons between 2002 and 2010 showed that the number of employees with a level 4 qualification in the overall economy rose from 28 % to 37 %, which is a rise of about a third. Throughout same period the numbers in the hospitality sector also rose at almost the same rate, but from a much lower base,

Valachis (n.d) went further with his skills analysis:

Graduate Competences: Citing various authors, he outlined the following:

1. Due to the diverse nature of the hostility industry and its range of requirements, it is not easy to define exactly the skills and the competences that graduates are required to have (Gamble and Messenger, 1990) cited in Valachis (n.d) However, due this complexity of requirements Tas (1988.) believes" that graduates should have a multi-skills base, which allows them to be creative, flexible and adaptable."
2. Competencies required in the hospitality industry, are in practice quite different from those being taught in the educational institutions. Moreover, researchers think these requirements are changing over time. For example, in the late 1970s and early 1980s, the requirements were more technical compared to the late 1980s and after (Tas, LaBrecque and Clayton, 1996) cited in Valachis (n.d).

   That the important competencies in the hospitality industry are:
3. "Managing the guest problems with understanding and sensitivity; • Maintaining professional and ethical standards in the work environment; • Demonstrating poise and a professional appearance; • Communicating effectively both in writing and orally; • Developing positive customer relations; and • Striving to achieve the positive working relationships with employees. • Management of guest problems with understanding and sensitivity; • Effective communication in both written and oral

form; • Achievement of positive working relationships with employees; • Professional appearance and poise; • Development of positive customer relations; • Motivations of employees to achieve desired performance; • Strategic orientation or the capability to see the big picture; • Communications ability; • Management style, principally working as teams; • Leadership skills such as the ability to persuade, motivate and encourage; • Analytical ability and sufficient mastery of technical skills and industry concepts to couple knowledge with excellence in implementation; • Ethical awareness; and • International scope. "

Nature of Hospitality Work: According to the Open University (2016) "Working in hotels usually means longer hours, including early starts and late finishes, but promises a wide variety of jobs and opportunities for early responsibility and according to the People 1st State of the Nation Report (2010), the industry is noted for its high level of labour turnover, and this stands at 31% .

Many hotels are 24-hour operations and staffs are required to work varied shifts and extended hours including nights. A hotel requires the best from its employees at whatever hour and management staff, especially work long and demanding hours. Most positions do run on a standard 9 to 5 p.m. and therefore can prove problematic for those who do not have flexible schedules.

The pressure of guest and management expectations are more than often very stressful than beyond expectations. High standards, quality service and products are the hallmarks of the industry, and its demands its workers to be up to the required standards. Pressure and deadlines are intrinsic elements of the industry and the best hotel workers thrive on conquering the challenges and obstacles placed in the way of personal and company objectives

However, it is not all gloom and doom. There are also endless travel opportunities, stunning workplaces in exotic locations, quick career progression, healthy salaries (in some cases, especially managers in high end hotels) and a wide range of interesting jobs. All in all, it is tasking vocation, but the rewards can also be great

Skills Mismatch: Marchante, et al (2007) examined the link between education and careers in the hospitality industry and found over half of the respondents to be educationally mismatched. Individuals without adequate education for their current positions, but compensated for that lack of education with more experience. Müller et al (2009) also indicated that hospitality graduates lack sufficient problem solving, computer, and oral communication skills while Lee(2007) revealed that hospitality and tourism students who had experienced industry based learning had a better grasp of organisational procedures, a more grounded understanding of career expectations, a much larger network of industry links, a higher initiative taking ability, are much more tolerant of change as well as better leadership and financial skills and competences

Career experiences and perceptions: Hospitality trained graduates' perception of the industry changes negatively when they join the industry. This appears not to be the problem of the United Kingdom alone. For example, Bao et al (2015), revealed many Chinese tourism and hospitality management graduates leave the industry or may not at all enter at all upon graduation. They reported that only 10% to 20% of the tourism and hospitality graduates the industry while, over 20% of them will leave to join other industries a few years' latter (Xu, 2005) in Bao (2015)

Richardson (2009) cited in Brown et al (2014), mentioned that tourism and hospitality students are unclear about careers and working conditions in the hospitality industry. Wong and Ko (2009) cited in Brown et al (2014), revealed the factors are important hotel employees to be:" available free time, workplace support, flexible work schedule, allegiance to work, the ability to voluntarily reduce hours, and working extra hours leading to rewards". These might not be necessarily what the industry offers. Wong et al (2009) also cited in Brown et al (2014) argue that discrepancies in what employees' expectations in the hospitality industry and their overall perception may lead to negative results. According to the same researchers cited in Brown et al (2014), there are clear differences in "expectations of job content, development opportunities, work-family balance, salary, performance-related pay, and career opportunities" as against the realities of the industry. According to Brown et al (2014), Kim, Hallab, and Lee (2009) think a" combination of intrinsic and extrinsic motivators to be the most valued factors in the hospitality and tourism industry". This includes, "interesting work, having benefits, and good working conditions". The factors that are east, valued, included "location, training, and supervisor". These researchers also noted that as graduates progress professionally, "salary, an extrinsic motivator, became the most valued factor."

The expectations of hospitality students of the industry is not homogenous. For example, Richardson (2010) in Brown et al (2014) found out that international students were more positive their career expectation would be met in the industry. They therefore argued that since international students had a more positive image of the industry, then perhaps they should be more targeted in recruitment drive by hospitality organizations. Maxwell, Ogden, and Broadbridge (2010) also discovered that hospitality and tourism undergraduate students in Scotland also valued career factors such as promotion, good pay and job security. Apart from the origins of the students, there has been also been variety of research assessing career expectations in the industry through age diversity. For example, Choi and Kwon (2013) explored the expectations, desires, and perceptions of Gen Y employees in hospitality management students and found out that Gen Y employees are more interested in having fun at work. Hence, hospitality organisation could consider the possibility of restructuring their workplaces to make it much more fun in order to attract this generation of the industry.

Although the considered literature focussed primarily on hospitality management students, these types of findings are not by any means limited to the industry. Indeed, it should be noted that the literature outside the hospitality field also demonstrated that the multiplicities of factors can influence career decisions. For example, Kyriacou and Coulthard (2000) found pay to be less of a motivating factor while enjoyable career was considered to be the most important one. Also, as noted in a research by Xu (2013) majority of college and universities graduates “value pay, job status, and satisfaction with promotion opportunities as dominant career choice factors”. Furthermore, Xu (2013) also found out that individuals who have their career more closely related to their subject major had higher job satisfaction. A fact which is not so much in evidence with the researches among the hospitality students.

Conclusion from the literature review: The hospitality industry, especially in the United Kingdom, suffers from the lack of qualified managerial staff to manage and lead its numerous hotels, restaurants and allied businesses. While it is also true that there are hundreds of Colleges and Universities who graduating thousands of students each year. This seems to be a paradox. What is apparent, however, is that employers think, the graduates lack the necessary skills and that their education does not necessarily prepare them for work in the industry, while the graduates’ perception of the industry is not often the best.

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Food allergies and intolerance: the consequences of the

EU Food Information for Consumers Regulation No. 1169/2011

By Fabrice Teyssedou

Abstract

Because of the rise of the number of cases of people developing a food allergy or intolerance as well as the increasing complexity of the manufacturing of food the legislative governing body of the European Union has decided that it has become necessary to introduce a new piece of legislation which gives the obligation of providing the precise information about the composition of the food being sold, on the food operators.

In this paper, we will study what the legislation means for them and the customers, how to manage the amount of information they required to provide and the consequences if it is not done properly.

Keywords: Food Information for Consumer Regulation, Food Standard Agency, allergens, food allergy, labelling, information, contamination, criminal offence, allergic reaction, control.

Discussion

2014, the year that changed everything.

Even though it was voted through the European parliament in 2011, it took three years to be ratified by all the countries and it is only since the 13th December 2014 that a new piece of legislation has been activated. It is the EU Food Information for Consumers Regulation No. 1169/2011 or FIC regulation. In the UK it has been validated through the Food Information Regulations 2014 (FIR).

It has been implemented since the 1st January 2015 by the Food Standard Agency with a period of grace, lasting until the end of August to let food business acclimate themselves to this major change in legislation.

No other legislation has had that much impact on the food business since the Food Safety Act 1990 (amended in 1999) and the Regulation (EC) No 852/2004 on the hygiene of foodstuffs which was voted in 2004.

Acts of Parliament is statutes passed by the Parliament. Acts are concerned with principles of legislation. While Regulation and Orders are legislations made by a minister who is empowered to do so by an Act of Parliament (Sprenger 2012). In addition, The European parliament has the power to vote legislation which has been proposed by the European Commission, those are called European Regulation and are described as EU Regulations or Regulation (EC) (Europa.eu, 2016).

In the UK, it is estimated that 1-2% of adults and 5-8% of children have a food allergy. This equates to around 2 million people living in the UK with a food allergy, this figure does not include those with food intolerances (Food Standard Agency, 2015).

Around twenty people a year in the UK die from allergic reactions to food and there is no cure for allergens. The only treatment available is an injection of adrenaline directly in the muscle by using an Epipen to counteract the body reaction to the allergens (NHS Choice, 2014).

What this Regulation means?

This regulation represents a major shift in the responsibility for the control of allergens. Before that, it was the responsibility of the consumer to inform the food operator (supermarket food counters, delicatessens, restaurants and takeaways) that they had a dietary requirement because of a food allergy when ordering food and ask if they could order that particular food. Usually the basic reply was to mention that the food being served "may contain" such and such allergen. It was up to the customer to decide if they wanted to proceed with the order.

Now the emphasis is on the food operator to be more pro-active about this information and advertise which allergen is present in the food they are serving.

It has now become illegal <u>not</u> to know what is in the food in terms of allergens as well as mentioning that all food "may contain allergens" as a blanket labelling of food. It is their legal duty to know exactly what the composition of the food is (Food Standard Agency, 2015).

For the food manufacturer it means it has become mandatory that food allergens used as ingredients or processing aids must be highlighted on the label in bold or italic or in colour so they can stand out from the rest of the ingredient list.

Their presence needs to be explained if a different name is used. For example: "contains Tahini paste" (**SESAME**).

If there is a risk of any cross contamination from an allergen because of any reason, such as the fact that some of the allergens are manipulated within the factory premises, then it should be mentioned on the label using the mention "may contains XXX" or "packed in a factory handling peanuts" for example.

If the manufacturer wants to use the mention "Free from XXX" it should be first validated through extensive testing to make sure that this claim is true (Food Standard Agency 2015).

If food is sold from a distance, such as over the phone (takeaway), mail by order or internet the information about the allergen should be disclosed before the transaction is completed or when the food is delivered.

If a food business operator was to be found that it did not follow the correct procedure regarding the advertisement of allergens, it would commit a criminal offence and might incur a criminal prosecution. According to the Section 85 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 the fine that could be imposed on top of a jail sentence which used to be limited at £5000 is now unlimited and would depend on the judge of the case (Gov.uk, 2015).

What are allergens?

Allergens are proteins found in food and there could be more than one present in any food consumed.

When absorbed by the body, they can provoke an allergic reaction which can trigger a range of reaction from feeling unwell to stomach upsets, rashes, itching of the skin or mouth to anaphylactic shock (swelling of the throat and difficulties breathing) and in some cases death.

The very small amount of the allergen that a person might be sensitive to can be enough to have such a reaction, for example a fragment of peanut or just one or two sesame seeds.

The FIC regulation lists fourteen allergens which need to be highlighted within the ingredients list.

These allergens are cereals containing gluten such as wheat, (including spelt and Khorasan), rye, barley and oats and their hybridised strains ; crustaceans (for example prawns, crab and lobster) ; eggs ; fish ; peanuts ; soybeans ; milk ; nuts (namely almonds, hazelnuts, walnuts, pecan nuts, Brazil nuts, pistachio nuts, cashew, macadamia nuts or Queensland nuts) ; celery (including celeriac) ; mustard ; sesame ; sulphur dioxide/sulphites (preservatives used in some foods and drinks) at levels above 10mg per kg or per litre; lupin; molluscs (for example clams, mussels, whelks, oysters, snails and squid).

How to control the presence of allergens in the food and inform the customer about the presence of allergens during the service of food?

According to the Food standard Agency there are a few sure ways to handle this new legislation. One of them is training of the staff. For them to be able to answer an information request they have to know and understand what are the food allergens, what kind of issues they can provoke and what is the composition of the food the customer wants to buy. The staff needs to be empowered with that knowledge in order to avoid any confusion and complications. According to the EC Regulation 852/2004 training on food safety issues is a legal requirement and as such training about allergens is too.

Obviously, one cannot expect all the employees to know all the ingredients, making up all the food items being sold in an organisation, this is why the Food Standard Agency recommends that recipes should be written on a document (usually a chart) accessible to all so that when an information about the presence of allergens is requested, anybody could answer it. As such, one should never assume anything and the best practice would be to thoroughly check the composition of the food item being sold every time this information is requested.

Regarding the production of food itself, The Food Standard Agency asserts that anyone who is preparing food should check the labels of all the products used in the production of that food so that the food allergy document will be completely accurate. Equally recipes should always be adhered to regardless of what happens and only modified after management authorisation which will imply that the food allergen chart will have to be amended and that change communicated with the front of house team as soon as possible.

What are the consequences of ignoring the FIC Regulation?

As seen at the beginning, it is a criminal offence to fail to inform your customers about the presence of allergens in your food. A fine can be given too. One example illustrates this. On the 23rd May 2016, Mohammed Zaman became the first person to be found guilty under the FIC Regulation (BBC news 2016). One of his restaurants had served a curry cooked using a nut powder which contained peanuts to Paul Wilson who was highly allergic to it. When ordering his food, he did state that issue to the waiter who then certified that the food ordered was nuts free. But unknown to the staff, Mr Mohammed Zaman had switched an almond powder to a cheaper ground nut one which contained peanut in order to save money. Mr Paul Wilson died at his home alone to an anaphylactic shock reaction to the peanut.

Another customer had the same issue three weeks previously, but managed to inject herself with an Epipen and survived the poisoning. She then alerted Trading Standard who was investigating the restaurant when this incident happened.

To make matters worse, most of his employees were illegal immigrant and he could not provide any training records or temperature, cleaning, pest control records.

According to BBC news Mohammed Zaman "was found guilty of manslaughter by gross negligence and six food safety offences" and was sentenced to six years for the manslaughter of Mr Wilson. He could be banned for life from running a food business in the UK when released.

In conclusion, it can be said that while the FIC/FIR Regulation is a major change to the way organisations are allowed to sell food, with some insight, actually it only amount to a change a procedure and requires some strong organisational skills in order to plan ahead and implement them. Not doing this would be a serious breach of the law and could cost the business owner or manager their freedom, reputation and their business altogether.

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New Challenges for Business in the 21st Century

By Dr Leslie L. Doyle

Abstract

The first decade of this century was marked by the collapse of the economic order owing to the reckless behaviour of major international banks which had acted irresponsibly. A similar crash had happened nearly a century before. Stability was then restored following the economic advice of Maynard Keynes. This involved the State in taking a major role not only in regulating the economic environment of business activity but also by getting directly involved by funding infrastructure projects to ensure employment. In this way income was provided to enable people to spend and buy products produced by businesses, thus ensuring that the economic process worked. However, after 50 years of this system, business attitudes changed because a new economic dogma of neo-liberalism claimed that the economic system would work better without state intervention. Deregulation was the starting point for a business philosophy of the maximisation of profits as the primary purpose of business activity. There was nothing to stop businesses and business people running businesses for the profit of a select few, whilst ignoring the interests of the many. This system was justified in the claim of a 'trickle-down effect' whereby if some got richer everyone would benefit a little because the wheels of industry would be turning faster with the recycling of profits into more spending. This period ended with the crash of 2008.

Unfortunately, despite the experience of this collapse, there has not been much done to reform the system that so clearly did not do what it promised and led to collapse and furthermore which has led to a period of austerity in economic policy which essentially taxes the poor to reward the rich for their folly. To explore why this is happening is the purpose of this article which explores the ideas and issues that have been proposed by analysts, academics and pundits. There are three divisions in the examination: how we got to the current situation; what are the issues raised; and what can be done about them.

Keywords: Inequality, Capitalism, profit maximisation,"no such thing as 'Society'", financial crisis/collapse, economic growth, tax avoidance, the City, bonus culture, tax havens, privatisation, PFI, austerity, zero hours contracts, fossil fuels, climate change, effective tax collection,

1. **How we got to the current situation**

The seminal work of the age is Thomas Piketty's *Capital in the 21st Century* (2014) which reveals that capitalism only benefits capitalists; that is: it makes the rich richer. This inequality is explored by Joseph Stiglitz, once chief economist at the World Bank, in *The Great Divide* (2015). His conclusion is that allowing full rein to a profit focused economic system, only promoting advantage for the owners of capital and thereby reducing the share of the vast majority of people in the benefits of the economic process, is not a good thing for the world at large. The decline of this economic ideology is charted by Stiglitz, in *The Roaring Nineties* (2003). The significant contributory factor was the decline of accounting standards permitted by policymakers which resulted in the Enron scandal, the largest corporate collapse in US history. The collusion of the accounting profession in providing false respectability has been investigated over many years by Prem Sikka, Professor of Accounting at the University of Essex and summed up in *Accounting for Corruption in the 'Big 4' Accountancy Firms* (2015A) and *Sweeping it under the carpet: The role of accountancy firms in money laundering* (1998).

Ha-Joon Chang, from Cambridge University, has exposed *23 Things they Don't Tell You About Capitalism* (2011) to outline basic contradictions in the theory of the market propounded by the neo-liberal consensus since 1979. They are:

1. There is no such thing as a free market.
2. Companies should not be run in the interest of their owners.
3. Most people in rich countries are paid more than they should be.
4. The washing machine has changed the world more than the internet has.
5. Assume the worst about people and you get the worst.
6. Greater macroeconomic stability has not made the world economy more stable.
7. Free-market policies rarely make poor countries rich.
8. Capital has a nationality.
9. We do not live in a post-industrial age.
10. The US does not have the highest living standard in the world.
11. Africa is not destined for underdevelopment.
12. Governments can pick winners.
13. Making rich people richer doesn't make the rest of us richer.
14. US managers are over-priced.
15. People in poor countries are more entrepreneurial than people in rich countries.
16. We are not smart enough to leave things to the market.

17. More education in itself is not going to make a country richer.
18. What is good for General Motors is not necessarily good for the United States.
19. Despite the fall of communism, we are still living in planned economies.
20. Equality of opportunity may not be fair.
21. Big government makes people more open to change.
22. Financial markets need to become less, not more, efficient.
23. Good economic policy does not require good economists.

The problems generated by the misconceived devotion to profit first have led to the examination of the role of money in the economy. Felix Martin's *Money: The Unauthorised Biography* (2013) declares "Money is like language, in the last analysis, a social phenomenon". The financial crisis was brought about by the evolution of a "vast, unregulated, 'shadow' banking system", organised for the benefit of financiers, and financiers only; a parasite on the regulated banking sector that threatened to kill its host.

Another feature of the financial crisis was huge amounts of debt that were treated as real money. Adair Turner in *Between Debt and the Devil: Money, Credit and Fixing Global Finance* (2015) challenges the dictum that private debt is needed to finance growth and is justified if it does not lead to inflation. But the recent growth in debt was the basis of a real-estate boom which led to the bust and the subsequent economic depression and the housing crisis in London. An in-depth examination of the role in the growth of debt leading to a subsequent economic collapse is provided by Jorda, Schularick & Taylor in *Financial Crises, Credit Booms, and External Imbalances: 140 Years of Lessons* (2010). The significant finding is that in the five economic collapses studied the correlation between lending booms and current account imbalances (=national economic deficits) is very pronounced. Whilst many economists declared in the early 2000s that the property price boom could not go on forever, but would end badly, governments paid no heed to the warnings. The 2015 Hollywood film *The Big Short* by Adam McKay is an interesting account of a few people who did see what was going on.

A change in the nation's moral perspective has been identified in *Mammon's Kingdom: An Essay on Britain Now* (2014) by David Marquand, as a feature explaining our situation today. The fall of three elites – an intellectual clerisy, public service professionals and working-class leadership have been followed by the triumph of individualism and selfishness in all things, the trust in market logic to run the economy and supine obedience in the Civil Service so that the new ideas were not challenged.

In *What Money Can't Buy: The Moral Limits of Markets* (2012) Michael J. Sandel also poses a shift in public morality as the cause for the financial collapse and specifies two factors – corruption and the erosion of the idea of civic fairness. The commercialisation of everything eventually becomes the norm and public perceptions of what is acceptable are broken down. An example is the practice of selling queue-jumping at theme parks. The delay in admission is seen by the proprietor of the attraction as a commodity to be sold if people will pay extra when they see a saving in the cost of their time wasted in waiting in the queue. But what is ignored is the fact that everyone in the queue has invested their time waiting and everyone could set a value on their time, but most agree that it is a (non-monetary) price worth paying for the expected benefits. So every person queuing invests both time and money in the enterprise. When the proprietor sells the right to queue jump they are adding a further cost in time to those still in the queue and instead of recompensing all the contributors to this asset the proprietor appropriates it to himself for his own profit. And of course, there is now no incentive to speed up the entry process by providing more facilities to meet demand, as the delay is a source of income which can be increased deliberately and/or by inefficiency. In such a way does immorality (and wealth) prospers.

Inequality in the USA is examined by Stiglitz in *The Price of Inequality* (2012) and again in *The Great Divide* (2015). In the former he shows that from 2002 to 2007 the top 1%, by wealth, of the US population acquired 65% of the gain in US national income. In 2010 their share was 93%. This was not the result of successful entrepeneurship but from 'rent-seeking'; for example, benefiting from rising property prices from estates they had invested their money in. So the growth was not real in the sense that it was not the result of more trade in useful commodities, but rather the exploitation of an advantage that sacrificed the public good for private gain. In the later work Stiglitz notes that in the USA the average wage of male school-leavers have declined by 12% in the last 25 years, and the pay of CEOs has swelled from 30 times the average worker' wage to 300 times. Meanwhile, average pay for 90% of the population has gone up 15%, but the top 1% has seen income go up by 150% (Stiglitz, 2015).

This polarisation of wealth came about according to Rana Faroohar in *Makers and Takers: The Rise of Finance and the Fall of American Business* (2016) because banks moved from providing money for businesses to develop (Makers) into investors for their own profit (Takers) and thus deprived business of its life blood. So banks were infused with the same narrow focus as other businesses of making money for themselves rather than as a result of delivering a socially useful service. The point is illustrated by a Goldman Sachs undertaking in 2013 where they saw an opportunity to buy and hold aluminium, thus creating a crisis in the soft drink packaging industry (Coca-Cola). The price of cola went up a few cents per can as a result and Goldman Sachs made several billion dollars (Moore, 2013).

Andrew Simms' *Cancel the Apocalypse. The New Path to Prosperity* (2013) explains how the current way of doing things is justified. The justification is Growth. Growth is defined in terms of Gross Domestic product which is the value of all the goods and services produced within a national economy and if this figure increases then the economy that produced it is deemed to be effective. However, the free market economy has created markets that are of no value whatever such as commodities and futures markets, foreign exchange markets and debt-markets (such as the sub-prime mortgage market). These markets sell goods and earn income and so contribute to GDP. So growth can continue to increase under the false motor of casino capitalism where money is made from gambling. It is therefore no surprise that the High Street is full of Betting Shops and the weekly National Lottery fascinates millions hoping to solve their economic woes by magic.

When the rich have grabbed the lion's share of the wealth of society they hide it away to avoid tax which is seen as a bad thing. For them in Margaret Thatcher's words: "There is no such thing as Society" (Keay, 1987). They don't think they ought to contribute to support the work-shy and lazy and benefit scroungers - the undeserving poor who are there because of their own fault and depend upon handouts from the state. Businesses have redefined tax as a cost, whereas in conventional accounting practice it is rightly an apportionment of profit, so that it becomes 'legitimate' to reduce costs to increase efficiency (= profitability). Therefore, potential surpluses of income over expenditure are offset by costs to eliminate the surplus which can be taxed. These costs are an accounting trick, namely paying an external company fees for the license to use a brand name or trademark. The owner of the trademark or brand name is a subsidiary of the main company, but registered abroad in a tax-haven jurisdiction where profits are not liable to taxation because they were earned abroad. In this way companies like Google and Amazon appear to make no profits on billions of pounds of income and pay no tax (Sikka & Wilmott, 2010). To defend themselves these companies come up with the specious argument that their business operations do deliver an enormous amount of tax to national economies – through the income tax their employees pay (Sikka, 2010)!

The rich protect their own incomes by avoiding income tax through schemes which are legal (because of the political lobbying of the wealthy and powerful) but ignore the rest of society. This is well covered by Luke Harding in *Only Idiots Still Pay Taxes* (2016). Nicholas

Shaxton's *Treasure Islands. Tax Havens and the Men who Stole the World* (2011) exposes the whole mechanism. The wealth of the rich if in circulation would solve most of the world's problems – food, health, housing, environment, etc. The 400 richest people in the USA own 50% of the wealth of the country (185 million people). Tax havens are run by the Swiss (just the one), the USA (80% of US companies are registered in Delaware because tax liability is the lowest of any state) and the UK, which has a range of locations across the world – Jersey, Guernsey, The Isle of Man, the Cayman Islands etc. The Channel Islands, whilst a part of the UK, are not a part of the EU for tax reasons. The City of London is the centre of the world-wide web. Britain controls half of the world's tax havens. The City of London is not part of the United Kingdom and has been independent of the monarchy since William the Conqueror annexed England as his personal property. He listed the extent of his ownership in the Doomsday book 1088 which omits the City and its territories (like Epping Forest, and Queens Park). A 'Remembrancer' sits in the House of Commons behind the Speaker to tell him what is not good for the City of London. Tony Blair removed the Labour Party Manifesto pledge to abolish the Corporation of London and bring it under central government control. With its 4000 people earning salaries of over a million pounds a year, the City is the cancer at the centre of world inequality and the British political system is moulded to protect it.

Whilst the City is lauded for its contribution to the UK economy and thus keeping it afloat after the decline of earnings from manufacturing, it is no longer British owned and controlled. The free market in everything made the City a target for foreign takeovers as chronicled in David Kynaston's *The City of London: Club No More: 1945-2000* (2002) and it is owned by European and US banks – Deutsche, Swiss Bank Corporation, Dresdner Bank, Societe Generale, Chase Manhattan, Citigroup. The decline in British manufacturing industry coincided with the start of the neo-liberal era and the growth of financial services was seen as a counterbalance to compensate for this and herald a new post-industrial economy. However the new investment opportunities merely hastened the manufacturing decline starving businesses of bank loans which could be more profitably invested elsewhere. Deliberate government policy not to intervene itself with long-term investment abetted the collapse. Nicholas Comfort's *Surrender: How British Industry Gave Up The Ghost 1952-2012* (2016) describes how GEC the UK's market leader in power generation, industrial control systems and defence electronics employing 250,000 people in the 1980 collapsed in the early 2000s. Now we are engaging the Chinese to build the next generation of nuclear power plants because we want their investment so we can play around with the money while it is here. In the same period the Britsh Motor industry disappeared and the once massive Imperial Chemical Industries vanished. So too ICL the British computer manufacturer disappeared into the maw of Fujitsu.

Those who run businesses play the game through the bonus culture. Owners of shares want quick returns – from dividends and increase in share prices. Directors and CEOs are incentivised by large salaries, share options and bonuses based on increasing the share price each year. Therefore short-termism is the order of the day. Managers will not be around in ten years time to face the consequences of their lack of foresight so there is no imperative to have a vision. Managers no longer think of growing the company except in the case of acquisitions and mergers where assets will be available to sell-off for quick profits. At its extreme, management becomes an asset stripping and companies are destroyed for personal profit regardless of the wider consequences. This is well illustrated in the recent case involving the end of British Home Stores (Davidson & Dakers, 2016).

The bonus culture creates the idea that people who earn enormous salaries are very good at their very important jobs and deserve their reward. *Why We Can't Afford the Rich* (2015) by Andrew Sawyer bursts this bubble. The rise in the value of stocks and shares left alone over a twenty year period, is no less than the increase in value that has been achieved by hedge fund managers. The difference is that the hedge fund managers have done a lot of trading and sometimes made money, but this income is not reinvested to gain compound interest but taken off in fees. An illustration is given by the case of a pension fund managed by a Dutch company and a similar one managed by a British company. After 20 years of management the Dutch pension pays out twice as much as the British one. This is because each year the British manager has taken an annual service fee and a proportion of the growth in value of the shares and so less is available for compound growth. This perfectly demonstrates the parasitic nature of the financial services industry – getting rich on other people's money.

A distinctive feature of life in Britain today after three decades of the brave new world of neo-liberal economics can be found in *Tescopoly: How One Shop Came Out on Top and Why it Matters* (2007) by Andrew Simms, which describes the retail food industry and how it encapsulates the profit maximisation zeitgeist. Tesco is singled out because after Wal-Mart, it is one of the largest and most successful supermarket chains (though Carrefour and one or two other European chains are larger). The creation of out-of-town shopping centres brings initial new jobs, but within a few years destroys far more local jobs when small competitors and suppliers have to close. So the local economy suffers. Money spent in supermarkets (and one pound in seven spent in the UK is in Tesco's) is taken out of the local economy to shareholders and to larger regional suppliers. These out-of-town centres depend on cars and petrol. World-wide supply chains involve vast costs in fuel for transport by ships and planes and trucks. Social contact between people in a locale is lost. Cheap food is also processed and unhealthy. The poorer you are, the less choice you have about food. Supermarkets are a modern creation which promises much, but are ultimately destructive to the fabric of the economy of the community and to the environment. Jobs created are mindless – stacking shelves and collecting shopping carts from the car park and passing goods in front of electronic scanners at checkout desks. The number of jobs is being constantly reduced by further automation – note the self-checkout counters at every supermarket.

Food in supermarkets is in fact quite cheap (except for fruit and vegetables) because of the buying power of big supermarket chains to dictate to the suppliers what quantity of a product they require and how much they will pay for it. They often require sole customer rights with a supplier and often charge the supplier for the benefit of having Tesco as their buyer. However, contracts are unilateral and sealed only by a handshake. Consequently Tesco can revoke a deal overnight. Cases are recorded where this has been done and the supplier was stuck with a large stock that could not be sold on. Two weeks later the supermarket came back and bought all the stock, but at a much lower price than the first agreement. A system good for business – but it depends which business you are in the relationship. Big does best. To what end? – Only to enrich shareholders, subvert the nation's health, hamper the well-being of small farmers, damage the countryside and destroy third-world economies to supply the whims of the West.

Cheap food has distinct characteristics. It is bulked out with extraneous additives like sugar or salt or corn starch. This is to give it flavour and to increase the volume and fill the stomach. But maize starch is fattening and people eat far too much of it when they eat a supermarket cheap food diet. Hence a characteristic of poor people in affluent countries all over the world (except Scandinavia) is that poor people are overweight. Supermarkets are not the only ones to blame. Fast food companies like McDonalds and Kentucky Fried Chicken sell high sugar, high fat, high carbohydrate food for people who do not cook for themselves for a variety of reasons. This leads to health problems and rising costs in health care and treatment for the rest of society.

Having looked at the economic landscape and recent developments in it, it is time to address the political process which supported and drove this economic catastrophe. Neo-liberalism and its passion to free up markets away from government control was not invented by Margaret Thatcher in the UK and George Bush Snr in the USA in the early 1980s. It was a political and economic philosophy created by academics in the 'Chicago School', the Department of Economics at the University of Chicago, under the leadership of Milton Friedman from the 1950s onwards. It was a reaction against the state-interventionist practice of economics promoted by Maynard Keynes and adopted by Franklin Roosevelt, the Democrat President of the USA in the 1930s to restore order and stability after the Wall Street (Stock Market) Crash of 1929. Keynesianism was also the backbone of the war-effort in the USA and Britain against Nazi Germany in the Second World War. And it influenced the rebuilding of all the major world economies – Japan, Germany, the UK, France and most of Europe in the post-war period and the establishment of the Welfare State concept in Britain and elsewhere in Europe.

The story of the rise of neo-liberalism to its position as the voice of orthodoxy in world affairs is dealt with magnificently in *The Shock Doctrine: The Rise of Disaster Capitalism* (2007) by Naomi Klein. The way it worked was to enlist bright economic students from South America and give them scholarships to study at the School and imbibe the new economic doctrine so that all the countries in South America would have a supply of economists who would embrace the new ideas when the time came and could assist in implementing them without the stigma of being seen as foreigners coming in with their new-fangled ideas and interfering. There was a strategy created from the beginning that when an economic crisis arrived in a country the Chicago School people would present a ready-made solution to the problem. Key to being able to do this was to infiltrate the World Bank and International Monetary Fund administrations with Chicago School thinkers. So as luck, or CIA plotting, would cause an economy to falter the World Bank (Chicago School) stepped in to help out. The remedy suggested was always the same – take a large loan from the World Bank, open access to international trade (i.e. US Multinational companies), reduce government spending, sell off state assets, reduce taxes and suppress trade unions and worker power. One by one nine countries in South America fell into this system, the most famous being Allende's Chile which was taken over by a CIA assisted military coup and handed over to international capitalists (Harvey, 2005). Having worked so well in South America the idea travelled around the world to Poland and then after the collapse of Communism to Russia in 1991. Klein's thesis is that, after being so successful everywhere it was introduced, the Chicago Plan's mentors deemed that they didn't need to wait for a natural economic crisis to develop before they intervened. In the belief that their system was foolproof and that everyone in the world would want an open economy and would embrace western capitalism they engineered the second invasion of Iraq in 2007. After the overthrow of the old order of

Saddam Hussain a completely new economic system could be established on a blank table and it would naturally spring up and be embraced. Unfortunately, they forgot to do any planning for the appropriate mechanisms and public enthusiasm and so only chaos ensued, which continues and has morphed into ISIS and the fragmentation of authority in the Middle East that continues to this day. The Chicago theorists also did not reflect upon the fact that after a decade or so of their policies being introduced most South American countries rejected them. Argentina famously reneged on its debt repayments and refused to be on the losing end of an unreasonably burdensome debt-repayment regime to international money lenders.

Another observation of the state of Britain today is a review of the consequences of selling-off state assets to private enterprise supposedly to be run better. *Private Island. Why Britain Now Belongs to Somebody* Else (2014) by James Meek chronicles the phenomenon. The simple conclusion he reaches is that there has been no benefit at all for the general public and the only significant difference to the old order is that the state guarantees private profits. Water, gas, electricity, telephones, the railways, the Post Office has all been sold off. The sell-off in the 1990s was justified by the contention that the state would not have to invest in infrastructure renewal because a good business leadership would look to the future and set aside a provision for this eventuality. This did not happen and twenty years later the utility franchise has come cap in hand to the government to pay for the infrastructure renewal because the privatised utility companies had failed to prepare for it. Once again short-termism rules.

Even when a private supplier fails to deliver the service there is no penalty. When the contractor for security at the 2012 Olympics in London declared two weeks before the opening that only 80% of the required staff had been recruited the government stepped in by providing members of the Armed Forces to remedy the deficit. The company was not penalised, nor was it barred from being given future government contracts. Similarly, when National Express the franchisee of East Coast railway walked away from the contract because it was not making enough money in 2009, the state stepped in and ran the railway as a public concern as in the old days and turned in a profit of £1 billion to the Treasury. Nevertheless, the doctrinaire Conservative government sold it off again to the private sector (Virgin Trains) in 2015 (Topham, 2015).

The Private Finance Initiative (PFI) was a part of the new economic order set up in the 1980s whereby the government allowed private enterprises to build and run infrastructure projects like bridges and hospitals. The first such venture, the Skye Road Bridge in the west of Scotland was a fiasco and eventually cost the government three times what it would have done if it had undertaken the work itself, because it had to pay for the inefficiency and delay in the building process and eventually buy back the project into public ownership. This has not deterred further PFI projects which end up being guarantees of private profits (Monbiot, 2004).

Austerity is the major consequence of the financial crisis. The political reaction to the great crash has not been to alter the economic process for the better, but to use it to imply that as (Labour) government profligacy was the cause of the crisis (not true), it makes sense to cut government spending. The current deficit for the period ending March 17 is estimated to be £19.1 bn. Although, a deficit of 80% of GDP is high by recent UK standards, other countries have a much bigger problem. Japan, for example, has a National debt of 225%, Italy's is over 120%. The US national debt is close to 80% of GDP. Also the UK has had much higher national debt in the past, e.g. in the late 1940s, UK debt was over 200% of GDP. The policy of Austerity, which furthers the Conservative ideology of the unrestricted economy, has been the most significant development of the Thatcherite process of withering the state away. Two significant explorations of this development are Ken Loach's film *I, Daniel Blake* (Kermode, 2016) which shows the heartlessness of a deliberately bureaucratic welfare payment system designed to reduce benefit payments and punish the poor and Mary O'Hara's *Austerity Bites* (2015) which describes seven features of the regime. 1. Hundreds of thousands of people in our affluent country depend on food banks because they do not have enough money to feed themselves and their families. 2. Declining household budgets have been exacerbated by cuts in benefits. Most Income Support payments are to people who do not earn enough by government measures for the 'living wage'. This indicates that the government is essentially subsidising low wages so employers can save money and make more profit. Low income families are at the mercy of legalized unscrupulous money lenders and in the lowest income bracket, 47% of recurring income is committed to debt repayment at exorbitant rates of interest. 3. The cost of electricity and petrol has more than doubled in 7 years and fuel poverty is rife and the cause of an ever-increasing annual winter death toll because people cannot afford to heat their homes or cook their own food. 4. The jobless have been demonised and blamed for the ills of British industry. They are commonly castigated in the press as lazy scroungers living off the dole. In fact the tiny percentage of dole scroungers does not not increase the benefits bill because it represents 2% of the money that is eligible to be claimed but not claimed each year. What jobs are available have been restructured into Zero Hours Contracts so that, instead of being employed at a weekly wage or monthly salary, workers are only given work by the hour as it occurs and paid only for that. This reduces costs for employers, but means that workers waste a lot of unpaid time and are prevented from getting other work because of the potential clash of work times offered. 5. Quite fearsome is the reduction of benefits for the disabled. There is inevitably a large cost to providing support to the disabled and this is therefore targeted for easy cuts. Irrelevant physical tests are conducted by so-called 'health professionals' which lead to people being declared fit for work, if they can walk twenty paces unaided, or pick up a coin from the floor, or raise both arms above their even though they are blind or have just had a heart-attack. Being fit for work takes people off the unemployment benefit list and brands them as skivers, but this is saving the government money and reducing the deficit. 6. Austerity seems designed to break people's spirit, to discourage them from applying for state benefits to avoid the hassle. But if there is no way out of their dilemma mental breakdown is a consequence. 7. An increase in the need for more care and treatment of mental health coincides with a drastic reduction of adequate provision as revealed by the Care in the Community programme where people are discharged from hospitals, where care is expensive and costs have to be lowered, into the community where Local Councils have the responsibility to look after their needs, but they have had their own budgets reduced and so cannot cope. Increasing homelessness and despair are the results evident on the streets of every town where once such a thing was considered a disgraceful blemish on a rich and so-called caring society.

2. Wider perspectives raised by the current situation

Our advanced industrial world requires the consumption of raw materials to be processed into more useful commodities. From food to buildings, to machines, to clothes, to fuel, we need natural resources to provide the building blocks. Infinite growth, even eliminating 'financial services growth', cannot occur – the earth's capacity is not infinite and we are already close to exhausting fossil fuels. This brings us to the second great work of the 21st century: *This Changes Everything: Capitalism vs the Climate* (2014) by Naomi Klein. Herein is outlined the effect of the unrestrained despoliation of the environment in the pursuit of profit with no consideration of the consequences. The exploitation of the Athabasca tar sands in Alberta, Canada is an economic disaster – bitumen is available in vast quantities but it is mixed with sand. It is excavated by open cast mining methods which devastate the countryside. The oily mix, then has to be boiled in water to separate the sand from the oil, which is then pipelined hundreds of miles to sea terminals for distribution to refineries obstructing the passage of migrating wildlife and warming the ground. As the mining progresses, an ever-widening area is left desolate. At the same time the oil companies already have reserves of oil at 500% of what we could possibly use in the next 30 years. Whilst there has been some international recognition of environmental damage, the treaties to reduce CO_2 emissions into the atmosphere have not been successful and the 2030 targets will not be met. Meanwhile, new technologies like fracking are even more ecologically disastrous than oil extraction because of the direct release of methane into the atmosphere and the pollution of deep water tables even on a continental scale. In the near future we will be in a world of successive natural disasters – floods, droughts, famines, mass migrations – which we have missed the opportunity to prevent and no doubt there will be wars too.

George Monbiot in *How Did We Get Into This Mess?: Politics, Equality, Nature* (2016) also identifies the ecological consequences of the profit-first era. Besides the ecological devastation and the maintenance of agricultural poverty through the promotion of western industrialised agricultural methods, western corporations have also taken over nature as a quantifiable and hence monetarisable commodity. So we have Carbon Trading where countries who have a credit balance in their CO_2 emissions contributing to global warming because they have say large virgin forests can sell on their quota for cash and allow polluters to buy their way out of responsibility for the consequences of their reckless actions.

For a global view of inequality *The Spirit Level: Why Equality is Better for Everyone* (2009) by Wilkinson and Pickett examines eleven quality of life factors worldwide: physical health, mental health, drug abuse, education, imprisonment, obesity, social mobility, trust and community life, violence, teenage pregnancies and child well-being. Outcomes are significantly worse in more unequal countries, whether rich or poor. The plight of poor countries is examined in *The Bottom Billion* by Paul Collier (2007). 60 countries in the world are trapped in inescapable poverty because of the influence of one or more of four factors – being landlocked (e.g. Ethiopia), being resource rich (e.g. Congo), having recently had a civil war (e.g. South Sudan) and having had an army coup (e.g Myanmar). These situations prevent them from benefiting from the benefits of a globalised economy even though they may contribute to it significantly by offering cheap mineral sources and little supervision.

Poverty and Hunger were situations that 50 years ago were perceived to be solvable since the technology was available to improve agriculture for all and provide jobs, there was a general public will and expectation that the tasks could be achieved and there were institutions set up by the United Nations that were involved in promoting the solutions. Jeffery Sachs, advisor to successive General Secretaries of the United Nations and a world expert on developmental issues identified in *The End of Poverty How We Can Make It Happen In Our Lifetime* (2005) four significant factors in the continued existence of poverty: Human pressure on the earth's resources, rising population, worsening economic conditions for the poor and a political climate characterised by ‘cynicism, defeatism and outdated institutions’. The heyday of neoliberalism has resulted not in a benefit to the world at large, but the continuing marginalisation of the majority of the world’s population and the withholding from them of the easily available means to remedy their situation.

3. Suggestions of what we could do

In *Capitalism As If The World Matters* (2007) Jonathon Porritt, one-time front man of the UK Ecology Party (now the Green Party) and long-time head of Friends of the Earth, focuses on the climate change issue in terms of ‘sustainability’. He believes that a successful compromise can be reached within the exploitative economic system we have. The key for him is removing the disparities of wealth worldwide through better regulation of business activity, abandoning the fixation on growth and putting well-being at the centre of business activity by being prioritised before economic and financial growth. He notes that greater inequality has created a stronger questioning of the status quo and this might be the spark that makes reform possible.

Paul Mason in *Postcapitalism: A Guide to Our Future* (2015) thinks that developments in IT will corrode market mechanisms, erode property rights and destroy the relationship between wages, property and work. He sees everyone paid a basic wage of £6000 a year and, if you work, a basic annual minimum wage of £18000. At an annual cost of £360 bn, twice the current welfare costs, it will be financed by abolishing tax exemptions and greater vigour in tax collection. This utopian idea has been around at least since 1999 when Andre Gorz wrote *Reclaiming Work: Beyond the Wage-Based Society*. This system is deemed to be possible if the money made from our business and economic activity was put to good use and to the benefit of everyone rather than hoarded by a tiny minority. After all, technological inventions have throughout time enabled more to be produced for less work and we are easily at the point when 1% of the population could provide the resources for everyone, much as the ancient Egyptian peasants did with 10% of human effort and modern British farmers do for our food with 1% of the population’s work.

Salvation through tweaking the current economic and political systems is also advocated in *Rethinking Capitalism: Economics and Policy for Sustainable and Inclusive Growth* (2016) by Mazzucato& Jacobs. The 11 papers in this work provide a precise address to most of the major issues covered above. 1. *Rethinking Capitalism* presents the case for a more humane and equitable focus for our economic endeavours. 2. *The Failure of Austerity:*

Rethinking Fiscal Policy tackles the issue of more equitable taxation and the revenue collection process. 3. *Understanding Money and Macroeconomic Policy* present the alternative ways of dealing with a deficit, by printing more money in a Keynesian manner and investing it in infrastructure developments, rather than the cost-cutting method. 4. *The Costs of Short-Termism* deal with the need for a long-term focus and not leaving it to future generations to deal with our mess. 5. *Innovation Enterprise and the Theory of the Firm* proposes a refocusing of business finance onto worthwhile projects of benefit to society as a whole as opposed to financial schemes which only benefit their backers. The basis of business activity has always been to bring new products to market to provide a public good and thereby provide also employment and sustenance for fellow beings. 6. *Innovation, the State and Patient Capital* further develop new ways of creating worthwhile economic activities by state finance and new investment partnerships such as crowdfunding. 7. *Investment-led growth: A Solution to the European Crisis* posits a way out of the impasse in the European Economic Union, which has followed from its copying of the Anglo-American neo-liberal mechanism of the rigid Chicago School plan. 8. *Inequality and Economic Growth*, contributed by Joseph Stiglitz, provides some approaches to resolve the major issue blighting the world's economic achievement so far. 9. *The Paradoxes of Privatisation and Public Service Outsourcing* will be resolved by ending the practices and ensuring that safeguards of the public good are embedded in the delivery of all services. 10. *Decarbonisation: Innovation and the Economics of Climate Change* grapples with the most serious of all issues facing the world at present, namely the continued use of fossil fuels, which is inexorably and inevitably leading us to an environmental catastrophe which when it happens will be irreversible. Alternative forms of energy production must be established with the utmost urgency. Models exist, such as in Germany, where the transition has been made to 90% of power generation not dependant on oil, coal or gas. 11. *Capitalism, Technology and a Green Golden Age: The Role of History in Helping to Shape the Future* points to the achievement of the desired goals not by dependence on technology and as yet undiscovered fixes, but by reflection on how human societies have managed their environments before this age of greed and recklessness. We must decide how these processes can be adapted and adopted to solve the problems of the modern world without the irrelevant perspectives of continual growth and profit-making. This is a major proposition for Naomi Klein too (Klein, 2014).

Joseph Stiglitz in *The Great Divide* identifies a crucial change that has to be made to bring about a more equitable view of world development. The system of political party funding and political lobbying that enables special interest groups such as big businesses to influence policy in their favour which is dominant in the USA and also in Britain needs to be stopped. Ideally, political parties should not be privately funded, but provided with necessary campaigning resources by the state (Stiglitz, 2015).

In *Commonwealth: Economics for a Crowded Planet* (2008) Jeffrey Sachs costs out the changes he proposes that will resolve the issues of a new economic system, environmental sustainability, growing world population and the elimination of economic inequality at 2.4% of GNP of the world's richest nations annually. In the USA its share would be equal to half of the money spent each year on defence.

The nine contributors to *A Good Society Without Poverty: Creating the world we want to see* (Slack, 2016) all come from the not-for-profit sector and present initiatives and approaches that have already been developed, deployed and proved effective which could be adopted more widely and become the bedrock of a good society. These all involve an attitude change, for individuals and organisations – whether local government, charitable, or business – and the involvement of the end users in a system of aid and development in setting priorities and managing activities themselves.

An underpinning moral reform in the Society is Marquand's prerequisite for a new, more hopeful future: Good capitalism is impossible without good people leading good lives (Marquand, 2014). He also puts the case for a re-evaluation of the role and financing of higher education both as a mechanism for equality of opportunity and income and also as a necessary motor of the innovation needed in an extension of our technical knowledge to bring about a better world.

In *Inequality: What Can Be Done?* (2015) Anthony Atkinson establishes that the prime element in bringing about change is a political decision. He defines the necessary reforms to taxation required in the UK. Council Tax, which charges big homes proportionately less than small ones and on the basis of the pre-house-price-boom evaluation of 1991, needs to be made fairer and updated to current house values. Death duties need to be reviewed not downward as is the trend, but upward with a harder-to-dodge charge covering large gifts during life as well as posthumous bequests. The recent accession of the new Duke of Westminster, Hugh Grosvenor, escaped all death duties because of a tax exemption to the

Trust fund which technically owns the £9.3 billion assets of the family. Instead of one-off taxation, trusts are subject to charges, every 10 years from the anniversary of their creation. Known as the inheritance tax periodic charge, it can amount to 6% of the funds held. There are, however, plenty of loopholes. The Grosvenor wealth is based on three divisions. Grosvenor Esates owns property in The UK and USA but mostly in Belgravia and Mayfair in London. The Grosvenor Group paid £58m in the tax on profits of £527m in 2015. Wheatsheaf runs Grosvenor Farms, one of the largest farms in the UK with more than 6,000 acres in Cheshire and 110,000 acres in Scotland making the Duke the largest landowner in the UK and beneficiary of £1 million in EU agricultural subsidies each year (Fraser, 2016). The Family Investment Office runs everything else, including their priceless art collection and stately home Eaton Park in Cheshire.

Atkinson continues his list of financial reforms with a progressive income tax of up to 65% to bring in serious revenues. Some of us can remember a time when the top rate of income tax was 95% and there were no million pound salaries. Fiscal reform is only half the answer and the rest will have to be supplied by policies on competition, e.g. the break-up of corporate companies, the promotion of research and development and technological advances and job creation which should not be left to the vagaries of the market which has ignored these factors for a generation.

Will Hutton, whose seminal work *The State We're In* (1997), outlined the high cost of Thatcher's economic revolution with inexcusable levels of executive pay, credit and inequality, persistent long-term unemployment, a creaking National Health Service, and pensioner and child poverty at near record levels, returned in 2015 with *How Good We Can Be, Ending the Mercenary Society and Building a Great Country*, which vindicated his earlier picture. However, there was a boom period between these dates which enabled Tony Blair to continue Thatcherite policies into New Labour thinking and eliminate the possibility of any alternative to neo-liberalism. Hutton's promotion of 'the stakeholder society' most visible and potential in the EU economic system 20 years ago failed to develop and indeed fell back in recent years into the US/UK neo-liberalist line as shown by the treatment of the ailing Greek economy. Hutton is left with weak pleas for companies to declare their business purpose on incorporation and be held to that specific course, and for a British Stewardship Code to challenge the role of the callous investor at the heart of global finance.

In Robert Peston's *How Do We Fix This Mess? The Economic Price of Having it All, and the Route to Lasting Prosperity (2013)*, there are no easy fixes. Regulate and/or break up banks (see also Sikka, 2015B), insist that if multinationals want to do business here, they will have to pay our taxes, get businesses to make things again and promote an effective Higher Education provision to provide the knowledge and understanding needed in an advanced technological society.

Stiglitz in *The Price of Inequality* (2012) advocates a reform programme for finance, banking, taxation, corporate governance, bankruptcy law, government contracts, competition law, access to justice, education, savings, full employment, political lobbying, and social support. His audience is specifically the United States and he has demonstrated that they are no longer the advanced privileged people they think they are. On a wider front he advocates tempering globalisation and considering environmental impact and reducing the arms race. However, he is still committed to the concept of economic growth.

The most perceptive, comprehensive, convincing and practicable set of remedies to resolve the disaster perpetrated by neo-liberalism is contained in Richard Murphy's *The Courageous State: Rethinking Economics, Society and the Role of Government*. *Part 3 Solutions* contain seven chapters which detail specific actions which will enable desired changes to occur. The first thing is to empower The Courageous State, that is, one committed to creating a people-centred model of human business activity. The project is to establish rewarding work, safe banking, a sustainable environment, affordable homes, security in old age, nurturing environments, communities where we belong, healthcare, a work-life balance and the opportunity for meaningful leisure.

To constrain the world of 'feral finance', specific interventions are proposed: financial transaction taxes (like the Tobin Tax suggested in 1972 to curb speculative foreign currency dealings), a Spahn Tax which would tax volatility in relevant markets and increase with the numbers of trades undertaken, bans on short selling and the loans of shares, ensuring that different banking activities are undertaken by different banking structures so that the collapse of one would not lead to the peril of the other branches of activity. This is a justification of breaking up the large banks into smaller discreet specialised units (as they all once were). In addition, there would be state ownership of the clearing houses run by banks; this would be to control the reckless creation of money by the banks which used to be a right of government (called seigniorage) and which has been very profitable for modern banks after de-regulation and therefore the state needs to step in to tax this right. Furthermore, tax relief on the incomes of speculators will be stopped so as not to reward anti-social behaviour, tax havens would be sanctioned by taxing money in advance of its deposit overseas; capital controls would be reintroduced to prevent money being parked outside of regulatory control; investment income and capital gains would also be taxed at a greater level as would excessive savings which currently have tax loopholes to boost them. Buy-to-let speculation would also be taxed to discourage the artificial increase in property prices that the process currently engenders. Finally, the requirement for banks to keep a given volume of deposits in direct proportion to their lending activity would be reintroduced so that the obligations would meet resources as failed to happen when the 2008 Crash occurred.

The government would step in again to focus the development of society in a positive and a more egalitarian way with more effort put into claiming unpaid tax from tax avoiders, who currently do deals with HMRC at half what they owe in the knowledge that the Revenue does not have the resources to pursue legal disputes that could drag on for years and therefore lets them off their obligation. Businesses would be regulated more effectively, natural monopolies would not be privatised. Multinational corporations would have to declare their earnings from operations in each country where they operate instead of being able to shift all their profits to a small tax haven. Governments should only procure from companies with acceptable business policies. The government should establish a Green investment bank to support sound ecological business operations and should print more money to support business development.

A balanced, sustainable economy could be established on a reformed tax system that was progressive according to income and simpler to understand; wealth should be taxed more effectively; so too businesses, by removing the offsetting of interest payments against profits to reduce tax liability. This mechanism has basically subsidised the growth of debt. More equitable taxation will serve to redistribute wealth and reduce inequalities in society. Advertising should be taxed as it slews the market and unfairly gains attention and sales at the expense of less advertising-focused concerns. There should be more rigorous controls on advertising to children. VAT rates could be increased for excessive luxuries like billionaires' yachts and personal jets. Repair and recycling should be promoted to preserve resources and reduce waste of manufacturing resources.

In the world of work minimum wages could be increased, trade unions reinvigorated, workers put on industry wage boards to set wages, proper technical apprenticeships reintroduced, Industry Training Board re-established to ensure a culture of personal development for staff and businesses, paid for by employers. On a broader social level the Courageous State would reform education into being about self-development rather than jumping through arbitrary hurdles. Higher Education could be free and Lifelong Learning promoted again. Maximum working hours and local democracy devolving local decisions to those involved in their consequences would improve the quality of life. Social Housing, healthcare, pensions, care for the elderly and the mentally ill, and more youth services, all the areas that have suffered such a dramatic decline in the last decade, should all be invested in and improved. Conscientious government can achieve all these things without destroying the economic system if it has the support of the people, which it would receive if it shows that what it does is for the benefit of all not just a fortunate elite.

We return to where we started, with Piketty, for the last word on what we should do. He suggests a 15% tax on capital, 80% tax on high incomes, enforced transparency of all bank transactions and the overt use of inflation to redistribute wealth downwards (Piketty, 2014). These prescriptions match the general consensus of the solutions offered by a host of authorities discussed above.

In conclusion, it is the apparent nature of business activity and the working environment where we toil for our daily bread will be undertaking massive changes if there is a will to right the wrongs of yesteryear and make a world truly worth living in for everyone. Ultimately the issue revolves around the personal understanding of each of us of the world in which we live and having a desire to use this knowledge to make this world a better place for all because we can, we want to, and it is the right thing to do.

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The Current State of the Hospitality Industry in the UK

By Pratika Teyssedou and Carmen Susma Lacramioara

Abstract

The hospitality industry in the UK is one of the oldest industry with some bars and restaurants dating back to the tenth century. It has been steadily growing ever since and is now one of the best performing sectors of the UK economy. The case of Marks and Spencer which is switching from selling clothes to selling food because it carries better prospect of revenue is a compelling one.

In this paper, we will study what is the current state of the hospitality industry in the UK including the predicted growth, we will explain the make of this sector while providing some examples of success and discover a few new trends.

Keywords

Hospitality industry, impact on the economy, JUST EAT UK, British Hospitability Association, trends, Michelin star, growth, direct impact, indirect impact.

Discussion:

Hospitality is one of the few industries that work with people for the people. It is separated in two parts. The first one is the Room Division, which includes the Front office (the reception, concierge and valet) and the Housekeeping which is in charge of the cleaning and turning around the rooms. Some examples are hotels, bed and breakfast and motels, self-catering etc.

The other part is the Food and Beverage which include places to dine such as casual dining, fine dining, fast food, bar, pubs and night clubs as well as the event planning field, where a customer can plan anything they wish for such as a wedding, birthday celebration, christening and so on.

There are many other fields that are making up this industry. To name just a few: theme park, cruise line, travelling and some others that intertwine with the travel and tourism industry. Very often the hospitality and the travel and tourism industry are seen as a single industry, but in reality they should be viewed separately because they are offering different services, services that overlaps sometimes.

It can be said that tourism is defined as the “the activities of person travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and purposes other than being employed other than being employed in the place visited” (The World Tourism Organisation, 2011).

Just to give you some examples of overlapping between these two are, sectors, hotel and similar accommodation, camping ground and recreation vehicle parks and trailer parks, restaurants, beverage service and the list go on.

In September 2015 Oxford Economics published a report for the Britsh Hospitality Association (BHA), where it shows that more than an average of 2.9 million persons works in this industry, which is the equivalent to 9% of the total UK workforce.

We are aware that the biggest industry in the UK is a financial one, but hospitality comes in top five and it is also the fastest growing one. Between 2010 and 2014 Hospitality industry was responsible for 17% of total UK net employment growth, which means in five of the UK jobs its a job in the hospitality sector.

“The BHA reveals that there are just fewer than 46,000 hotels in the UK. The estimations are that around 512,000 jobs in accommodations, hotels and other related services, are expected to grow further over the next few years. The UK restaurant industry employs 1.5million people”. (Prospects, 2015)

As the financial or the oil industry, hospitality has a strong impact on the economy and it can be catalogued in direct and indirect impact.

The direct impact includes all the employees that works in this sector, such as staff from hotels, restaurants, bars, but here are also included employees working in sale, finance, IT, HR, customer services.

The indirect impact includes the staff and activities supported as a result of the UK hospitality such as jobs in agriculture, advertising, jogs that manufactures food and drinks served in the hospitality sector.

“Induced impacts – employment and activity supported as employees within the hospitality industry and its direct supply chain spend a proportion of their wages on consumer goods and services. This stimulates economic activity in retail and leisure outlets and their domestic supply chains” (Oxford Economics, 2015).

One of the things predicted by BHA for 2016 onwards is that by 2020 hospitality industry will employ more than 3.31 million people. A lot The People 1st says that “the sector skills council, the accommodation and food and beverage services will require almost 524,000 staff by then. This is due to a current shortage of skilled chefs, while customer service and management skills are also in demand.”

Since, London Olympics in 2012 it has created more job opportunities. It may go more than £10 billion for the UK economy, by 2020, government reports suggests that the total gross value added (GVA) will reach an average of £41 billion; “the UK and especially its capital city has become a key and a diverse hub for the global events industry, therefore, while events management is a growing career area with increasingly more structured opportunities for graduates, it is also rising in popularity, so this brings strong competition for jobs.”

The graduates who are interested in joining this sector they can work in the UK, but also can go overseas, for example big chain hotels such as Marriot or Hilton, offers their staff the opportunity to work anywhere is the world where there is a Hilton or Marriott hotel.

This industry has a reputation for heavy physical work and it is not for everyone. For example, what you will earn depends on the type of organisation you work for, you will work unsociable hours such as weekends, late night, Christmas and New Year’s celebrations, but you will never get bored working on the operation side of this industry, because you are always on the move, and you learn a lot about different culture, religions and cuisines.

The customers using this industry comes from different backgrounds, religions and status, some of them are rich, middle class, some married, some have children, or they are single but all have the power of buying at their fingerprints. The customer consumption is directly decided by the implication of the media consumption, packaging and the advertising sector.

In Britain, the multicultural society places an important role in the power of food consumption. Food current acts as a marker of cultural, communal and politics in the region where it travels. For example, in London we have a diversity of restaurants from Indian cuisine, to Japanese, from Mexican to Mediterranean, this broad diversity is directly linked with the requirement of London residents but also the requirement of tourist that visits our capital.

The trends in hospitality are always changing at a rapid pace. Social media are forcing hospitality industry to join them and keep up with all the customer demand there is out there. Here are some of the new trends on the market:

Ordering food at any hour, from any restaurant or takeaways for example. JUST EAT UK, is a company founded by a group of students from Denmark, who refused to cook for themselves. They invented this scheme in 2001 they took a stand and decided to make ordering food a bit easier and since then it became a champion of online take away ordering. In 2006 it came to the UK and since then they have become the country leading online take away with more than 30,000 restaurants to choose from.

Philippe Cesson, CEO of Cesson 3.0, a social media specialist says that; hotels will have to build differently because Millennials simply see hotels differently, for instance, he says that an average of 36% do not like to be in the room on the laptop, they will like to do all that social media in the lobby of the hotels, therefore instead of thinking what services are in the building, they should start thinking how to build the building to accommodate the new trends of customers.

Starting with the social media blast the way how you reserve a room in a hotel or the way you plan a holiday has changed, for example, now you have different apps that will help you looking for various choices and it also gives you the best prices from where you can chose. So you can type in the kind of the hotel you like, the area, which type of food you like, etc. and one of these apps will give you the options. It's easier and quicker to research on your own time.

Other trends started with London hotels with Michelin-starred restaurants, but adding a twist on it for example: East London hotspot the Town Hall Hotel is planning to host a rotating list of global mixologists at their award-winning cocktail bar Peg + Patriot, alongside their existing ‘bed and beverage’ offering, whereby rooms are stocked with homemade cocktails straight from the bar.”

Other trends that it’s already on the market, but it’s still coming into force and looks that is not going anywhere is health offering trend.

In accommodation, yoga retreats are getting more and more booked, the same with the hotel spa brands. The health conscious travellers are looking for places that fit their requirements, so a lot of well-established hotels are taking more seriously the spa experience, focusing on the mind over the body understanding. For example In London, the subterranean Akasha spa at Café Royal has decided to complement the treatments available by hiring different kind of employees such as an intuitive counsellor, reiki master and a cognitive and emotional coach.

Conclusion

Hospitality industry goes through the changes daily, we do not know what will be required for next year for this industry, but what we know for sure that, the hospitality industry in the UK is rising by 2020. It will employ more than 25%, which qualified from hospitality background students whom are already in the profession in the industry. Hospitability is an industry of passion and soul, run by the people to people and it will be a long time here for us to enjoy.

Hospitality industry in UK very much cultural diversity. It can be managed effectively, there is potential to use diverse workforce benefits the organisation.Multiculturalism is directly linked to the success of the hospitality industry in the UK. Effectively managed the culture of many hospitality industry have cost effective competitive advantage. It helps to promote minority friendly reputation among potential employees. Various cultural societies help customers to achieve that with a variety of people

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