

## **UKH response to BEIS Committee: Post-pandemic economic growth: UK labour markets**

### **About UKHospitality**

UKHospitality is the national trade association for the wide range of hospitality businesses that operate across the UK. This ranges from pubs, bars, restaurants and hotels to contract catering, indoor leisure, visitor attractions and events – and much more. We represent 900 countries that operate close to 100,000 venues. Pre-pandemic the sector employed 3.2 million people – one in every ten workers – and generated £130 bn in economic activity, with £39 billion going in local and national taxes.

Post-pandemic the sector has begun its recovery – particularly in terms of employment, where we have created 300,000 net jobs – one in three of all net new jobs. Despite this we are facing significant labour shortages.

### **The state of play in the UK labour market post-Brexit and the impact of the covid-19 pandemic on recruitment, skills shortages and the growth of the labour market**

As has been widely reported there are now more vacancies than there are unemployed people across the whole economy. This is causing major problems across the economy and hindering economic growth and post-pandemic recovery.

- **Do we have enough workers with the right skills in the right places?**
  - Not enough workers with the right hospitality and catering skills in any area
    - Just under 180,000 vacancies in hospitality, Jan 2020 – March 2022
    - There are just under 2.5m jobs in hospitality, April 2022
  - Not enough workers who want to re-skill and join hospitality as a sector
    - In Autumn 2021 a UKH survey said that 17% of sales were being lost due to unavailability of appropriate levels of staff
  - Certain rural areas are more heavily hit with insufficient workers due to transport links and local housing shortages
- **What impact has the UK's departure from the EU had on the flow of workers into and out of the UK? Are there particular sectors or skill sets that are most impacted?**
  1. Since the UK's departure from the EU the hospitality sector has experienced significant labour shortages and these can be categorised into the following groups:
    - Chefs at all levels and types including Chef Managers and Kitchen Managers
    - Hospitality team members, team leaders and management across all hospitality employers, large and small
    - Events and conferencing including exhibitions and visitor attractions
    - Hotels spanning from concierge to reception and housekeeping
  2. It remains unclear quite what the UK's exit from the EU has had on employment in the sector. The majority of businesses report that it has had a negative impact on their ability to recruit. However, it is worth noting ONS data on employment in the sector that indicates employment of EU nationals in hospitality continued to increase from 2016 to 2019, before falling dramatically at the start of the pandemic<sup>1</sup>

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<sup>1</sup> <https://www.gov.uk/government/statistics/payrolled-employments-in-the-uk-by-region-industry-and-nationality-from-july-2014-to-june-2021/payrolled-employments-in-the-uk-by-region-industry-and-nationality->

- **Which sectors are experiencing the most acute shortages of workers since the pandemic? Have there been structural changes in the labour market post-Covid?**
  3. Hospitality is the sector with the most acute shortage issue since the pandemic. Vacancies in hospitality are 83% higher than the same period pre-pandemic – compared to 56% across the economy – higher than any other major employer sector.
  4. There seem to be a range of different factors impacting the labour market, some of which are addressed below. The main structural difference seems to be a decline of people wanting to be part of the labour market overall – this includes EU nationals that may have returned to their homeland, an increase in long-term sickness and caring responsibilities.
  5. Technical and higher technical occupations in hospitality have been particularly impacted by the pandemic with redundancies and people leaving the sector due to the instability they experienced and the constant fear of repetition with hospitality being one of the hardest hit sectors with significant closures and restrictions on trading when open.
  6. For large employers head office roles have been difficult to recruit for with people who work in HR, finance, marketing, legal, IT and security leaving the industry to take their skills and experience to more seemingly secure sectors who were less impacted by the pandemic.
  7. The occupational codes and job types that reflect the challenges of the most acutely affected shortages are shown in **Annex A**.
- **What more can the Government do to ensure that employers are able to recruit people with the right skills for the job, including the effective use of apprentices?**
  8. Reform of the apprenticeship levy to ringfence funds for non-apprenticeship training and to make the application of the system more flexible would be a huge opportunity. This would help to recruit more people into the sector with a solid qualification, without having to commit for 12 months. We have submitted proposals to HM Treasury and the BEIS Hospitality Team that elaborates on these ideas.
  9. Apprenticeships are critical to fill the skills gaps in hospitality both in operational and head office roles for larger employers (a list of relevant standards are listed in **Annex B**).
  10. We also believe that Government needs to revisit the points-based immigration system and make a number of changes, consistent with the overall policy, to make it more accessible to hospitality businesses.
  11. Sector campaign Hospitality Rising, which is raising funds to launch a national recruitment campaign, could have funds matched by Government and platforms used to promote the campaign as a joint initiative. People needed to fill the gaps may be on universal credit or on the Government's Restart programme so a plan to connect these people to the hospitality industry would be welcome.
  12. It is worth noting that the French Government has earmarked €9 million to promote jobs and careers in hospitality as it recognises the scale of the problem and the importance of the sector to the economy and society.
  13. A national approach to Hospitality Skills Bootcamps rather than localised initiatives would be helpful and quicker and easier to implement than multiple models and approaches by different authorities.

- **To what extent is long covid contributing to economic inactivity due to long-term levels of sickness absence and early retirement?**

14. Research is concluding that long covid is affecting low paid and frontline staff disproportionately and therefore a significant number of front of house roles within hospitality are impacted. This research, spanning 56 countries, shows nearly half (45 percent) of people who had been ill for over 28 days with suspected or confirmed cases of COVID-19 reported a reduced work schedule due to ongoing symptoms, with 22 percent not working more than six months after falling ill. Whilst it's challenging to be certain of the real impact on hospitality, these figures are clearly indicative of the scale of the potential impact.

- **What are the skills and training needs of different sectors over the coming months and years? Are there particular case studies that underpin priority policy objectives from the Government (for example, in the energy industry)?**

15. The apprenticeship standards listed in Annex B give a strong indication of the skills needs we face. The biggest skills gap faced by hospitality businesses is in catering roles whereas many other vacancies are more about a sheer labour shortage – where necessary skills can be trained on-the-job in a relatively short period of time.

#### Priority Policy objectives from the Government

- Department of education – pathways into employment in hospitality level 3 consultation and level 2 and below consultation opportunities to design change and better transition
- DWP – Restart programmes into employment in hospitality
- National Skills Bootcamps – hospitality
- Unit for Future Skills – Accommodation and food
- Hospitality Recovery Plan
- UKHospitality Workforce Strategy – Fixing the crisis

#### **Artificial Intelligence (AI) and technology in the workplace**

16. AI and technology have many applications within the hospitality sector across its supply chains and in-house. From its applications in food production, legal services, entertainment, market analysis, fulfilling physical tasks and more – it touches every aspect of our sector. Some specific examples include:

- Vertical farming in food production
- Autonomous vehicles for luggage delivery
- Algorithms that can assist in predicting future market trends (e.g. the adoption of environmentally conscious behaviors that is driving fewer purchases of meat products)
- Visual and auditory recognition software that can fulfil requests (e.g. taking drinks orders and playing music)
- It has entertainment value (e.g. making recommendations to customers and augmenting reality through technology like facial filters)
- Automated check-ins
- App and online ordering
- Payroll and recruitment processes

17. AI is providing exciting opportunities for creating new and exciting experiences for customers. It is also streamlining tasks that have always been integral to delivering hospitality whether that is checking-in guests, taking their requests and completing

labour intensive tasks amongst others. This ability of AI to offer new experiences and streamline processes in a time of severe labour shortages is boosting productivity in the sector.

18. UKHospitality is not aware of widespread use of AI to monitor staff, target setting or recruitment. We believe such technology will be attractive to some operators who wish to use it to free staff from some of their duties, so they can focus on other tasks. Some will also be attracted by promises of AI being able to be sharper in its analysis than a human.
19. However, we also see a number of barriers that will limit its uptake by many of UKH's members particularly SMEs. For one, whilst there is a lot of buzz in the public consciousness about AI, many remain unaware of how it can support recruitment and staff management. With this in mind, we think some will find it to be unnecessarily complex and doubt its benefit as their team of staff is relatively small and close-knit. Others will be excluded from using it by the cost. However, the biggest reason we think this technology will not see mass roll-out is that hospitality is dependent on welcoming and personable staff. Operators will continue to want to experience these qualities in-person rather than rely on a purely analytical algorithm.
20. UKHospitality recognises the ethical and legal problems that AI can present, but there is a lack of clarity about who is responsible if AI driven processes lead to an incursion on workers' rights. For instance, it can be imagined that an AI recruitment tool could be prejudiced against those with protected characteristics. This is because third parties will be involved in providing and managing the data set that the AI bases its decisions on with operators likely having little understanding of how the technology works or how it can be flawed.
21. Legislation needs to provide clarity on who is responsible for such situations, what duties there are when such an event happens and what penalties businesses face. UKHospitality believes our venues should be shielded from the fallout from AI reaching undesirable conclusions as they lack a true understanding of the technology, and they are not responsible for the dataset it uses.
22. AI is largely being used to fill the 170,000 vacancies within the sector rather than replace staff en-masse. The personal connection is clearly still important – though online processes will remove some roles in some venues – such as receptionist. For instance, workers will be reliant on managers who can show authentic human concern, and AI is unlikely to provide the true creative innovation that a living chef can. However, we do recognise that hospitality is likely to benefit from staff being replaced by AI in other industries it is reliant on such as legal and financial services.
23. Whilst hospitality will continue to be person driven, UKHospitality does believe that workers need to be prepared to utilise and work in partnership with AI technology. This should be done through the inclusion of information on AI from school age, it should be incorporated into qualifications such as T-levels and the Government should promote business awareness through guidance.

### **Workers' rights and protections**

24. There was extensive consultation on this after the publication of the Taylor Review in 2017 and we supported the reforms that were made in April 2020. We do not feel that, after a tumultuous two years of closures and interrupted trading, it would be

right to introduce further change to the balance that exists between flexibility and protection.

25. We support the creation of a Single Enforcement Body believing that the work of the enforcement agencies would be improved by its establishment. In the consultations initiated by the newly appointed Director of Labour Market Enforcement, we have stressed the need for the agencies to target *deliberate* breaches of the National Living Wage Regulations.
26. Regarding the level of the National Living Wage after 2024, we would like to see a primary role for the independent Low Pay Commission in assessing labour market conditions. We would like to see priority given to lifting the personal threshold for both Income Tax and National Insurance: from 2024, about 40% of earnings for a full-time employee on the NLW will be subject to Tax and NI. An effective way of increasing the *net* income of lower-paid workers is through the tax system and this should be carefully evaluated.
27. 'Fire and rehire' tactics were not used in the Hospitality sector during pandemic. In fact, as trading picked up, basic rates of pay were increased by many businesses because of the tight labour market.

#### **Employment status and modern working practices five years on from the Taylor Review**

28. Wherever possible, Hospitality businesses want to offer permanent employment contracts. There is very little self-employment in the sector. However, we are affected by seasonality (tourism periods and the Christmas festivities being the principal causes) and fluctuations in demand. This makes workforce scheduling more challenging than in other sectors and means that Hospitality businesses need access to workers for short periods of time, sometimes at short notice.
29. For this reason, we believe that the present distinction between 'worker' and 'employee' can be justified but acknowledge that it should be kept under regular review. We believe that there is an important role for the Low Pay Commission in this area: the tripartite body is objective and well regarded and could play an important 'oversight' role in complex areas like 'One-Sided Flexibility' and the notification of shift patterns/compensation for cancellation.
30. But these issues need to be looked at having regard to the fact that there are about 1.3 million job vacancies in the UK at the moment with Hospitality accounting for over 170,000 (13%) of them. In this environment, employers continue to make determined efforts to make sure that employees' preferences on hours or shift patterns are honoured. Increasingly, workforce scheduling systems are becoming more and more sophisticated and employees able to swap shifts via Apps. We are wary of over prescriptive legislative reform.

#### **The impact of an ageing population on the labour market**

31. At a macro-level the ageing population is putting pressure on society and leading to higher taxation, which impacts on disposable income and business profitability. There does also seem to be a clear reduction in the number of people actively wanting to be part of the labour market – this is highlighted by the increase in the number of economically inactive, yet a declining number of these wanting to work.
32. Hospitality as a sector has the lowest average of employee of all sectors (35 vs an average of 43). Jobs in hospitality have traditionally been considered as young people's jobs – though this perception is now changing, and employers are adapting

their roles and recruitment. UKH is working with the DWP and other sector bodies on a project to look at increasing employability amongst the over-50s in particular. Work-to-date has identified a number of misconceptions both on the part of employers and prospective employees that are hampering the uptake of hospitality roles by this cohort. Relatively simple changes to employment practices can make a significant difference in terms of the attractiveness of a role.

33. In terms of Government action we believe a review of the benefits system might help to encourage more older workers into the labour market. We have anecdotal evidence that there are disincentives in the system that put people off. Additionally, some older workers do not engage with JobCentrePlus as they are deemed to have too high a level of savings and therefore do not always hear about relevant jobs. Ensuring that more people that want to work are hearing about opportunities is clearly desirable.

## Annex A: Shortage roles by SIC code

- 1221 – Hotel and accommodation managers
- 1223 – Restaurant and catering managers
- 1224 – Publicans and Managers of licensed premises
- 3546 – Conference and exhibition managers
- 5434 – Chefs, chef managers, head chefs and pastry chefs
- 5436- Catering and bar managers, floor managers
- 2133 – IT Specialist Managers in hospitality
- 2135 – IT Business Analysts in hospitality
- 2136 – Programmers and software development professionals in hospitality
- 2137- Web design and development professionals
- 3538 – Financial Accounts manager
- 3541 – Buyers and Procurement Officers
- 3543 – Marketing Assistant Professionals

## Annex B: Hospitality relevant apprenticeship standards

- Commis Chef level 2
- Production Chef level 2
- Chef de Partie level 3
- Senior Production Chef level 3
- Senior Culinary Chef level 4
- Hospitality Team Member level 2
- Hospitality Supervisor level 3
  - Bar
  - Concierge
  - Events
  - Food and Beverage
  - Front Office
  - Hospitality Outlet
  - House Keeping
  - Barista
- Hospitality Manager level 4
  - Conference and Events
  - Food and Beverage
  - Front Office
  - House Keeping
  - Kitchen
- Data Analyst Technician level 3

- Digital Solutions Technician level 3
- Cyber Security Technician level 3
- Information Communications Technician level 3
- Data Analyst level 4
- IS Business Analyst level 4
- Digital Content Manager level 4
- Data Scientist level 6
- Artificial Intelligence data specialist level 7
- Digital and Technical solutions specialist level 7
- Cyber Security Technologist level 4
- Finance Assistant level 2
- Assistant Accountant level 3
- Payroll Administrator level 3
- Tax support Assistant level 3
- Internal Audit Practitioner level 4
- Payroll Assistant Manager level 5
- Professional Accountant Technician level 4
- Accounting Finance Manager level 6
- Professional Accountant level 7
- Advanced Credit Controller level 3
- Insurance Practitioner level 3
- Senior Compliance and Risk specialist level 6
- Advertising and media Exec level 3
- Digital Marketer level 3
- Marketing Assistant level 3
- Ecommerce Manager level 4
- Marketing Exec level 4
- PR and Communications Manager level 4
- Marketing Manager level 6
- Supply Chain Manager level 4
- Supply Chain Leader level 6