

Written evidence from UKHospitality (SFF0021)

UKHospitality is the authoritative voice for over 740 companies operating around 130,000 venues and employing 3.5 million people. We bring together businesses from all aspects of hospitality: pubs, restaurants, hotels, restaurants, leisure parks, nightclubs, contract caterers, visitor attractions and more.

Hospitality is driven by people and the people that work in hospitality venues across the country are vital in delivering the first-class service customers of hospitality enjoy. With existing vacancies in hospitality, attracting people to our sector is imperative. We want people from all walks of life to have access to work in the hospitality sector whether that be through entry-level roles, apprenticeships, college courses, career change later in life, job centres or prison leavers.

We want the routes to working in hospitality to be clear and accessible to create a hospitality workforce fit for the future, and we want the training standard to be appropriate across the industry to ensure they can upskill and reskill as per the requirements of their role and the sector.

Executive Summary

The UK economy has seen seismic change over recent years, and as it reacts to new challenges the nation's workforce needs to adapt to meet new needs and demands. It is emerging that the UK workforce is suffering from a skills gap (alongside an acute labour shortage), which if not addressed will have ramifications for the stability and durability of the UK economy.

As the single voice for the hospitality sector in the UK, we are proud of the significant contribution our sector makes to the UK economy. Hospitality creates places where people want to live, work and invest.

Hospitality plays a vital role driving social mobility by hiring and developing people from across society. More than 60% of workers in the sector come from households where the main earner was not in a technical, professional or managerial position. It provides multiple points of entry including for those without existing work experience, following vocational training, or following more formal higher education. It then offers training and development with clear pathways into technically skilled roles and into leadership positions.

This universal accessibility, coupled with well-trodden pathways into swift career development, makes the sector a uniquely socially important employer. As a sector, we can and want to do more though, however, we need the right skills and training framework in place, and the government needs to take practical steps to reform the Adult Education Budget and the Apprenticeship Levy so that it works for businesses, especially SMEs in our sector and others.

1. What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?

The UK economy is changing, and its workforce must be kept up to date with the skills needed in the evolving economy. New technologies and hybrid working have brought changes to the labour market. A skills gap, if not addressed, will cause long term damage to the UK economy as too many people will be without the right skills to meet employer need and support economic growth.

Post-Covid, hospitality has experienced a skills shortage, with many skilled workers leaving the sector. This has negatively affected the highly skilled part of the hospitality workforce. For instance, hotel culinary teams have been especially hard-hit by the skilled labour gap, meaning that some restaurants are investing in technologies, such as restaurant robotics, that can help them streamline operations. Another example is so-called 'smart hotel rooms' which are reducing the burden on front desk staff by reducing guest interaction via the use of tools such as automated concierge and other in-room smart controls, giving guests more autonomy and streamlining staff tasks.

While these solutions have enabled the sector to keep up despite the labour gap, they are essentially stopgap measures. Technology can replace some amount of human labour, but it has its limits, especially in a people orientated sector, like hospitality.

The Hospitality sector in the UK employs 3.5 million directly and a further 3 million people indirectly, that's 18% of the UK workforce. Our industry is therefore critical to the UK's future prosperity and we must therefore equip a new generation of workers with the appropriate skills, entice them into choosing a career in the hospitality industry, and retain them with preferential working conditions and growth opportunities. As we will set out later in the response, government, schools and the industry itself can take action to support this.

The National Federation for Educational Research has identified six Essential Employment Skills for employment in 2035. These are:

Collaboration; Communication; Creative thinking; Information literacy; Organising, planning and prioritising; Problem solving and decision making. These largely relate to soft skills, many of which aren't necessarily taught in school but are part of good citizenship, and something that the hospitality sector offers its employees in abundance.

To ensure the workforce has the attributes they need to succeed in the workforce in the 2030s, we need technical reform of post 16 apprenticeships and education to ensure we can upskill and reskill employees to the future needs of our sector, and indeed other industries.

2. Is it clear to everyone involved in the skills system what the respective roles of the Government, employers, individuals and institutions are within that system?

Despite the broadly defined roles and responsibilities of each of the stakeholders in the skills system, there are several areas where confusion and overlap occur, which means that a lack of clarity often persists with practical implementation.

The factors behind this include:

- Frequent changes in government policies can lead to uncertainty about long-term roles and responsibilities.
- There can be a disconnect between the skills taught by institutions and those required by employers, leading to skills shortages or mismatches.
- Some areas, such as apprenticeships, involve significant overlap in responsibilities between the Government, employers, and educational institutions, complicating accountability.
- Devolution and regional differences in economic needs can lead to variations in how roles are interpreted and executed across the UK.

Employers are the ones that engage actively with those who are undertaking training and with their training providers. Our members tell us that the skills system is overwhelming for individuals and employers and with a historically poor pathway into employment from the education system, there is much engagement and education to undertake to reach a point of clarity. To support our sector with this challenge, UKHospitality has produced a Skills Map and an Education Landscape Guide and Index for employers. However, we need improved co-ordination on skills policy across government, with clearer communication and more stable policy frameworks.

3. What is the appropriate level of government intervention in the development of skills policies? How can government best add value in this area?

The appropriate level of UK government intervention in skills policies, especially hospitality skills, involves providing a strategic vision which ensures that the necessary funding, infrastructure, collaboration, regulation, incentives, and lifelong learning is in place for each sector to succeed. By focusing on these areas, the government can effectively support the hospitality sector in developing a skilled workforce, enhancing service quality, and ensuring the sector's long-term sustainability and competitiveness.

Importantly, we are calling on Government to set out a framework which incentivises broader training, which includes the flexibility that suits business, employees and societal need.

4. Are current Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?

The UK skills systems is fragmented and complex to navigate. Our member businesses, some of which employ thousands of people, often feel that the system was imposed on them and is too restrictive rather than being there to engage with business, whilst many, especially SMEs, do not have the time or necessary understanding of the range of different apprenticeship levels and how they work. This has not been helped by frequent changes in policy direction, funding levels, and institutional responsibilities, creating uncertainty and instability for training providers and employers. At the same time, there is significant variability in the quality of training programs, with some not adequately meeting the needs of the hospitality industry or standards.

In terms of the institutional set-up in the hospitality sector, responsibilities are often spread across various government departments, such as DCMS, DBT and DCLG, as well as DfE and DWP, leading to a lack of co-ordination. There has also been insufficient employer engagement in the design and implementation of training programmes, meaning there is often a mismatch between training and industry needs. To improve this there needs to be an increase in awareness and understanding of how employers could influence and improve the skills system. Finally, funding mechanisms for apprenticeships and training programs, such as the Apprenticeship Levy, are too inflexible and not fully meeting the needs of all businesses in our sector, particularly SMEs. We will cover this further in our response to question 6. In addition, the Adult Education Budget needs to be reformed so that it has the right level of flexibility to give people the skills they need to access and stay in work.

5. Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional or sectoral, or a mixture of each?

At a national level, institutions such as the Department for Education (DfE) and the Institute for Apprenticeships and Technical Education (IfATE), provide overarching frameworks and standards for skills development across the country. However, other government departments, such as Work and Pensions play a key role. Given the number of actors involved, co-ordination across the national institutions can be challenging. We therefore recommend a central coordinating body is set up that sets national standards, provide funding, and ensures consistency across the skills system. This body should work closely with regional and sectoral institutions to align national policies with local and industry-specific needs.

At a regional level we should strengthen the role of regional bodies like LEPs and Combined Authorities by providing them with more resources and authority to develop and implement region-specific skills initiatives.

At a sectoral level, we need to ensure that we're maximising that expertise and knowledge for what training programmes would work for each sector. It is therefore important that Government support and expand sector councils, such as the Hospitality Sector Council, which has a specific working group looking at Hospitality and Tourism skills and ensures these groups have the capacity to develop and promote sector-specific training and apprenticeship programs.

UKHospitality are well placed to ensure an effective skills system for the future of the hospitality and catering industry. We are currently piloting a new universal entry standard for our sector with DWP and this will also be integrated into the new level 2 qualifications as part of the Post 16 simplification process. It will also be integrated into the revised level 2 apprenticeships to capture entry points into the hospitality sector.

This universal entry standard can be replicated across care leavers, prison service and other disadvantaged groups seeking employment and gaining valuable entry level skills before starting work or as a part of a universal induction. The majority of funding for pilots to-date has come from industry and partners. To deliver these fantastic opportunities to get people into work we need to ensure that the Adult Education Budget, and potentially Apprenticeship Levy money can be devoted to ensure that those out of work are ready and able to join the world of work.

This is a good example of having the right institutions in place and the right mix of national and regional engagement determined by the skills work in progress. The Local Skills Improvement Plans (LSIPs) are a good

example of how a sector national approach should be adopted and then shared within the regions. It's inefficient to work with 21 LSIPs on the same national needs for the hospitality sector. Therefore, we need flexibility built into the system.

6. Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices?

The case for reforming the Apprenticeship Levy is clear and widely accepted.

Hospitality is a crucial provider of early-stage career entry and of training in a workplace setting. It is one of few remaining sectors that provides routes into management and into high skill roles for joiners at all levels and across society. That makes apprenticeships deeply important to the sector, which currently starts training around 15,000 new apprentices each year and trains a total of 2 million people through all training provision.

The Apprenticeship Levy was introduced to increase formal training by larger businesses, specifically through the apprenticeship route. However, there are concerns in hospitality (and other sectors) that the rigidity of the apprenticeship regime is actively holding back wider skills training, putting off certain learners from starting an apprenticeship and leading to a high dropout rate.

We need reform to increase take up, quality, and completion rates of apprenticeships. We therefore strongly recommend that the Government turn the Apprenticeship Levy into an Apprenticeship and Skills Levy. This will provide much needed flexibility and help to lead to greater apprenticeship completions. Our preferred system would see levy payers receive control of up to 50% of their levy pot to use for high quality non-apprenticeship training, within the existing regulated framework, that includes industry-backed schemes. This would mean that funds could be spent on good courses that are relevant to their role.

The funding could be used for entry-level training that is shaped to lead people into apprenticeships but that also gives them qualifications that stands alone. People can then take control of their learning journey and work at their own pace. A great example of this is the work that UKHospitality has carried out with DWP to establish a pre-entry level training standard that has set people on the path to full employment and career development.

There should be a commitment to allowing learners to reach competence at their own speed. Some may be able to complete an apprenticeship in a shorter period than a year and others may want to accumulate courses over an extended period. In a sector where flexibility is key to many peoples' needs from their job, training must be equally adaptable.

Reform could remove barriers to learning, such as those faced by part-time and seasonal workers in terms of course design, transfers between employers, the minimum length of the course, and barriers to apprenticeships for those with either too many or too few skills. In this scenario, learners should have the option of taking modules that can build towards an apprenticeship in a manner like other forms of professional development and the Open University.

7. What should the role of business be in encouraging the development of skills in the UK? Should business be a consumer, funder, trainer or co-designer of skills provision?

Businesses must play a crucial role in the development of skills in the UK. They should not merely be passive consumers of skills but should actively engage as funders, trainers, and co-designers of skills provision. By actively engaging in these areas, businesses can help ensure that the workforce is equipped with the necessary skills to meet current and future industry demands. Enhanced collaboration between businesses, educational institutions, and government bodies is essential to create a dynamic and responsive skills ecosystem.

Businesses can contribute financially to skills development through various means, such as the apprenticeship levy, which as mentioned in previous answers should have greater flexibility built into how businesses can use these funds. In addition, businesses, especially larger ones in the hospitality space invest directly into improving people's skills to ensure a pipeline of skilled workers and improve retention by offering quick progression to effective team members in our sector. Businesses can also join consortia to fund sector-specific initiatives or training programmes that benefit the wider industry, spreading the cost and increasing the impact. For instance, in 2022, with the support of 900,000 from the industry the sector launched Hospitality Rising, an advertising campaign to encourage young people aged between 18 and 30 to consider a career in restaurants, bars, hotels and foodservice with catchy straplines, social media campaigns and easy access to an online jobs board. At the time of its launch the sector had 400,000 vacancies and when it was wrapped up earlier this year it had reached 300,000 job applications.

Businesses can also play a direct role in training. Many businesses in the hospitality sector, especially smaller ones establish robust in-house

training programs that are tailored to their needs. Alongside these, businesses also establish apprenticeship and internship programmes, as well as opportunities for continuous career development. With only 18% of the sector's employees degree-educated we offer pathways into work and development that aren't necessarily there within other sectors of the economy.

It is also vital that businesses collaborate with educational institutions and government bodies to design and develop relevant training programs. As a sector, we are working closely with IfATE on a possible T-Level in hospitality, whilst outlined in previous questions our industry needs a universal entry standard qualification and we are hoping that with the support of government, and DWP, this can be achieved and revolutionise the skills qualification landscape for hospitality.

8. In a more mobile, flexible labour market, what incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?

Employers have strong incentives to invest in training, but various challenges have led to a decline in such investment. Hospitality has traditionally been one of the most mobile labour markets in the UK, and this does pose challenges to some businesses in the sector, as they can naturally be hesitant to invest in training, fearing they will not see a return on their investment if employees leave soon after.

In addition, the last decade has been particularly challenging for the hospitality sector. As a service based sector, our performance is closely tied to the performance of the overall economy, and with low-growth since the 2008-09 recession, further dampened by the Covid-19 pandemic, businesses across the hospitality sector have been fighting for survival and therefore lacked the resources to invest in their staff as they would have liked.

More broadly there has been an image of apprenticeships in the UK, which has not been as positive as it is abroad. A success of the Apprentice Levy has been the increase in the amount of money invested in apprenticeship training, from £1.2 billion to currently £2.8 billion. This contributes to apprenticeships being longer, higher quality and having more technological skills as part of the course. However, for some sectors such as hospitality, the Apprenticeship Levy does not always work in practice, and which is why in earlier responses we've set out the case for reform.

9. Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take?

The most transformative incentive that will reverse the decline in employer investment in training is the reform the Apprentice Levy. The overwhelming opinion from businesses is that the levy is viewed as a tax or is simply too restrictive to be productive for businesses to benefit from. As referenced later in question 11, by mirroring Germany's approach, which allows people to move between different apprentices, we would allow for a more modular based approach and for training to be started, paused and restarted in another area. This overall leads to a huge difference in the number of complete apprentices. For example, in Germany two thirds of dropouts begin another training course which leads to a full qualification.

Allowing up to 25% of levy funds to be used for non-apprenticeship skills training would be a huge incentive for employers to invest in training. Employers would see this incentive as a way Government is listening to the needs of businesses and allowing them to allocate levy funding more appropriately to where it is most needed for their business to be able to invest and grow.

In addition to the much-needed apprenticeship levy reform and the adult education budget, we would advocate for further financial incentives to be offered to business to invest in their staff, which ultimately they and the wider economy will benefit from. These could come in the form of offering tax credits or deductions for expenses related to employee training, which can make investment in training more attractive for businesses. This could include costs for external courses, in-house training programs, and certification fees. Alternatively, perhaps training vouchers could be offered to some businesses, such as SMEs, to be redeemed against approved training programmes which would reduce the financial burden and administrative complexity of investing in training.

10. What incentives do individuals have to involve themselves in apprenticeships and training? Is the system available and attractive enough to encourage individuals to seek training, and if not, what can be done to improve this?

Individuals should be inspired by the culture of lifelong learning in schools and colleges, and the idea that a degree and heading off to university is not the only way to be successful. To support this, we need a shift in how careers advisers speak to students about hospitality and other sectors.

Apprenticeships and wider training offer a great avenue for individuals to learn about new and emerging technologies and the skills that will be needed for the future and throughout the skills system we need to talk positively about the benefits such learning can provide.

One area that the Government should take particular action on is the funding of apprenticeships for young people. UKHospitality believes apprenticeships for 16–18-year-olds should be fully funded by government, as the young people would otherwise be funded by their places in mainstream education. This would incentivise both employers and individuals to take on more apprentices.

11. How does the UK's approach to skills and training compare to those of other countries? Are there examples of good practice that the UK should be learning from?

Germany has a highly successful approach to skills, training, and apprenticeships which the UK could emulate. It operates its Apprenticeships under a dual system instead of an Apprentice Levy. Germany has around 330 state-recognised craft and technical Standards or Occupations which require formal training. Higher/tertiary apprenticeships are available for vocational occupations such as craftsman and data processing. The attractiveness of apprenticeships in Germany means half of school leavers (15-18) move on to vocational training, with a third contracting to do dual system apprenticeships, compared with only 6% of English school leavers (16-18). 98% of German apprenticeships are with SMEs, compared to 41% in England.

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