

Written evidence submitted by UK Hospitality (LS0057)

Executive summary

- Hospitality is a significant part of the food and drink supply chain, and pre-pandemic employed one in ten of the workforce.
- The pandemic had a profound impact on the sector, wiping out £100bn in sales over 15 months and disrupting its labour force.
- UKH estimates that vacancies rates in the sector are at least 10% and could be as high as 16% - between 210,000 and 336,000 vacancies.
- Most acute vacancies in serving staff, chefs, housekeeping and, more recently, security.
- ONS data shows that sector vacancies are 49% higher than pre-pandemic.
- There are a range of factors contributing towards labour shortages – primarily Covid and the knock-on impacts of the new immigration policy.
- Other societal factors may be having an impact.
- Longer-term issues – such as a decline in vocational training over the last decade – has compounded the problem, though recent reforms are viewed as positive.
- Labour market adjustment will take years, not weeks or months.
- UKH supports the Government *Plan for Jobs* but believes it could be operating more effectively to match greater numbers of jobseekers to vacancies.
- Industry is working proactively to deal with its own labour shortages and is making positive progress.
- Yet, we need more support and have outlined solutions that both Government and industry can take together.

1. UKH and hospitality

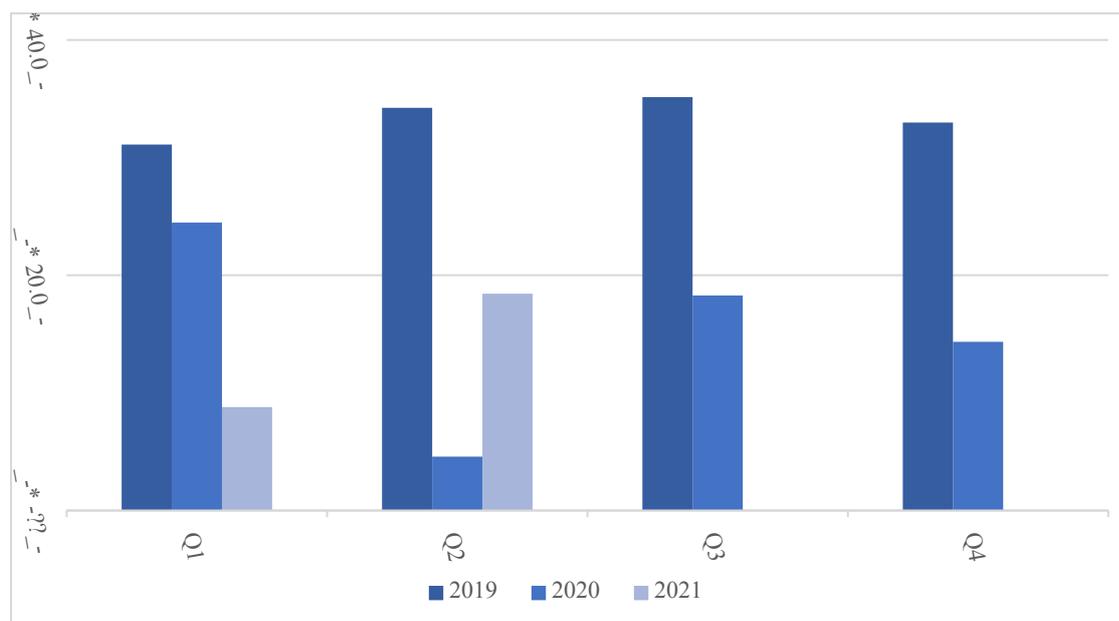
UKHospitality (UKH) welcomes the opportunity to respond to the DEFRA Committee inquiry, as the representative of an integral part of the food supply chain. UKH represents all parts of the hospitality sector – all of which have a substantial food and drink element. This includes pubs, bars, restaurants, hotels, leisure parks, visitor attractions, public- and private-sector contract catering, indoor leisure, weddings, coffee shops and much more.

Prior to the pandemic the sector was the third-largest employer across the UK – with up to 3.2 million employees. It contributed £130bn in economic activity, paying £40bn in local and national taxation to support public services. It is present in every part of the country and has a critical role to play in levelling-up, employment and skills growth and Net Zero.

2. Impact of the pandemic on hospitality

The pandemic has devastated hospitality. ONS data shows that hospitality was the hardest hit sector by the pandemic and industry analysis shows that lost sales exceeded £100 billion in the 15 months from April 2020 to June 2021. Over 600,000 jobs were lost, despite the effectiveness of the furlough safety net – with over 8,000 venues permanently closing. The sector is starting to emerge from the shutdown, but it is estimated that hospitality businesses have been saddled with £8.5 billion in Covid-related debt.

Chart 1: Hospitality sector revenue, £bn



Source: UKH/CGA tracker

3. Extent of labour shortages

Labour shortages have been extremely acute in the hospitality sector since the partial reopening of the sector in April. In a member survey in June (before full re-opening) the sector was reporting a vacancy rate of 10% (c.210,000). The same survey highlighted the proportion of companies reporting shortages in certain roles, which is shown below.

Table 1: Businesses reporting vacancies by job role

What job roles do you have vacancies in?	% of businesses
Front of house (e.g. bar/reception/waiting staff)	84%
Other chefs	67%
Kitchen porters	36%
Assistant managers	33%
Housekeeping	31%
Head chefs	28%
General managers	13%
Door/security staff	8%
Drivers	3%
Not applicable - I do not have any vacancies	0%
Other (please specify)	0%

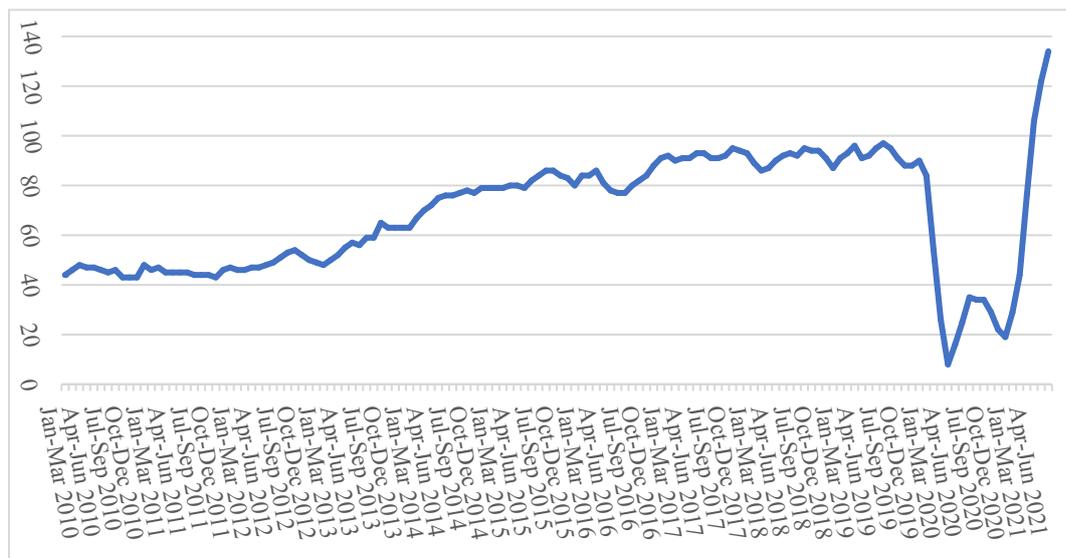
Some estimates of vacancies now run at 16% for the sector – equating to 336,000 roles unfilled.

It is worth noting that some of these figures are suppressed by the fact that many businesses will not employ people in these roles. For example, housekeeping staff are not employed by much of the sector; similarly, with door or security staff. Both of these roles have seen severe shortages from the types of business who do employ them.

ONS data confirms the recent high number of vacancies. This measure typically reports lower numbers than the UKH survey as we look at a wider definition of hospitality than ONS. However, it shows a clear trend of rising vacancy numbers throughout the 2010s as the sector grew rapidly, creating half a million new jobs.

As expected, vacancies fell extremely sharply due to the pandemic but have soared back to record levels. The latest figure was 49% higher than the data point immediately preceding the pandemic. This is clearly not ‘business as usual’, this is a severe disruption to the (hospitality) labour market.

Chart 2: Vacancies in the accommodation and food service sector (000s)



4. Factors influencing hospitality labour market

The shortages across the food and farming sectors have many similar background factors. Other organisations will be best placed to inform about their own sectors so we will focus on hospitality. It is clear that labour shortages within our supply chain will have significant knock-on impacts for hospitality. Our June member survey highlighted the consequences of labour shortages on the industry. Reduced product lines, delays in deliveries and an absence of deliveries, alongside significant price inflation were the main issues experienced by businesses. It is our experience that these problems will have worsened since June, and there have been high-profile cases of businesses reducing trading periods as a result of supply chain and labour market disruption.

Table 2: Consequences of supply chain disruption, June 2021

Consequence of supply chain disruption	% of businesses
Reduced product lines	66%
Delays in deliveries	63%
Products not turning up	60%
Significant price inflation	56%
Inflexible delivery slots	38%
Other, please specify:	7%
None of the above	6%
Collection only	1%

The two most obvious causes are the Covid-19 pandemic, and the impact of measures to deal with it, and the new immigration regime. These two factors overlap significantly.

a. Covid-19

The pandemic is, in the view of UKH, the main driver of the labour shortages the hospitality sector is facing, for several reasons.

- Overseas workers leaving during the pandemic: the panic caused by the pandemic had an understandable effect on those from overseas who wanted to spend time closer to their families. While numbers are hard to come by, there is strong anecdotal evidence that many workers left the UK, supported by furlough payments. There has been a delay in those people returning to the UK – and many are expected not to return.
- Travel restrictions: the labour shortages over the summer were aligned with stringent travel restrictions, so that even those who wanted to return either were not permitted to or were financially unable to – self-isolation made it very difficult to find accommodation or new work.
- Lack of confidence in the stability of the sector: the fact that hospitality was about the first sector to close and the last to re-open has shaken the confidence of some in working in the sector. They fear moving into, or staying in, the sector in case of further lockdowns – and potentially without the safety net of furlough.
- Lack of confidence in public environments: opinion polling shows that there is still a degree of nervousness among some groups about returning to public areas, such as hospitality venues. This is reflected in customer numbers but also, to some degree, among staff.
- Changes in attitudes to work: there has been, again anecdotal, evidence to show that the pandemic caused people to reconsider their work/life balance and this may have had an impact on the appeal of roles in the hospitality sector.
- Disruption to apprenticeships and training: our sector is very proactive in providing apprenticeship places and offering entry-level roles direct from school or other training institutions. With education and training provision so heavily disrupted this affected our pipeline of labour.
- The effects of furlough: while furlough has now ended this certainly delayed a large number of returners to the labour market – though not to the extent that had been predicted. There was limited information about how many still on furlough over the summer would return to the labour market. It appears that the numbers were over-estimated.

Of course, industry is working to address all of these issues, and many are around perception as much as reality. Many will be short-term though there may be some residual psychological effects that affect our ability to recruit talent.

b. Immigration policy

The new immigration regime that came into effect from 1st January 2021 had been in development for many years, but the precise nature of it did not come into being until early 2020 as the sector was feeling the first effects of the pandemic. The Conservative Party issued a policy paper just days ahead of the 2019 General Election that described sectoral routes for lower-skilled workers, albeit with no route to settlement. However, this was then not incorporated into the eventual immigration policy. It is therefore not correct to say that industry was aware of immigration policy from the date of the EU referendum.

The fact that many roles in hospitality are, unfairly in our view, classified at Level 1 and 2, means there is no route for immigration to fill this role. In itself, this is not a problem as the sector is keen to develop its domestic workforce. However, given clear labour shortages across the economy, this has not been feasible. We are aware that unemployment in the UK remains in the millions, yet all sectors in the food supply chain are reporting shortages – there is a clear disruption to the labour market.

We continue to share Government’s ambition to abolish low pay in the UK but feel that the temporary disruption does need intervention. Short-term visas for the hospitality sector could provide a solution that allows a transition in the sector, without affecting existing wage or immigration levels.

There is an area of crossover with pandemic and immigration policy. We understand there to be a degree of confusion around the Settled Status programme for those who have returned to their native country. The Settled Status scheme was a great success for registering people and giving them the right to remain in the UK. However, for many that have returned to their home country, many are not aware that their Settled Status is still valid. Further, having been away from the UK for a sustained period, many will have lost the continuous residency qualification period needed to reach full Settled Status, rather than simply pre-Settled Status.

We believe Government has a role to play in communicating more clearly the rules on Settled Status, and adjusting the rules on residency periods to take account of the pandemic and people’s desire, or need, to be with their family overseas.

c. Long-term talent pipeline

There has been a long-term decline in provision of hospitality courses in colleges and schools. This has involved faculties closing – partly due to the cost of providing education in catering, and student numbers falling as there is a greater focus on STEM subjects. Courses available in schools have likewise declined. The industry is working on plans to ensure that there is teaching throughout secondary education on food and associated hospitality disciplines, but this will take time. We are aiming to reverse declines seen over the course of a decade or more.

We are encouraged by the recent focus on more vocational education and believe this could be the nucleus of a reversal of fortunes for young people learning about the sector and ultimately seeing their careers within our businesses.

d. Government schemes

The hospitality sector has engaged closely with Government schemes under the umbrella of the *Plan for Jobs*. Broadly, these have been positive – and we very much welcome the intent but there have been mixed results.

Kickstart has proved useful for some businesses but has been beset by teething problems that have deterred businesses, such as a lack of suitable candidates, including those that do not meet the eligibility requirement. It has also been difficult for multi-site businesses to engage at scale, with inconsistencies in approach between Job Centres. Opening it up to a wider age-group and helping businesses to overcome the burden of evidence on roles being new would boost take-up.

Apprenticeships continue to be a route for many people into hospitality, despite the challenges of the pandemic. Sector apprenticeship numbers will grow in the next couple of years but Government

could do more to boost uptake, by making them more flexible, providing greater support to SMEs and allowing levy costs to be used to fund ancillary services around apprenticeships.

The sector is extremely supportive of the roll-out of T-levels, with the catering one being delivered in the next 18 months. We believe there is potential for an additional T-level in hospitality to complement apprenticeships.

5. Industry action to address shortages

The sector is acutely aware that it has a central role to play to address the challenges it faces. This is an issue the sector had been looking to address pre-pandemic. Under the auspices of the *Tourism Sector Deal* a Hospitality & Skills Tourism Board was initiated and met for the first time in January 2020. This has now been reconstituted post-pandemic and will be a coordinating body for the sector.

It aims to:

1. Boost the reputation of the sector
2. Increase apprentice numbers and overall skills training
3. Boost retention with a focus on mentoring and employee wellbeing

The sector continues to work closely with Government partners, most notably through DWP. We work on recruitment campaigns, such as the very successful *Hospitality Works* programme.

We are also engaged on key Government priorities, including working to support over-50s back into the sector. Our CEO, Kate Nicholls OBE, has also been appointed as Disability Ambassador for the sector and UKH has produced a strategy for Cabinet Office that will support more people with disabilities into the sector.

The association also works closely with Only A Pavement Away (OAPA), a charity that supports homeless people, veterans and prison leavers into work in the sector, offering them a route back into society.

6. Solutions

- Government should consider a guarantee of the return of furlough in the event of future lockdowns or severe restrictions on hospitality.
- Government should consider short-term visas for the hospitality sector as we transition to a higher-skilled, higher-wage domestic workforce.
- Industry, Government and education providers must work together to ensure a pathway into hospitality careers for young people.
- Government should more clearly articulate the EU Settled Status (EUSS) Scheme rules, including by using embassies, to those who have returned overseas and have a legitimate right to live and work in the UK.
- Government should adjust EUSS rules further to take the impact of the pandemic into account when continuous residency is disrupted.
- Government should support, with funding where necessary, the Hospitality & Tourism Skills Board to promote employment and skills in the sector.

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