

Written evidence submitted by UKHospitality Scotland (LAS0001)

UKHospitality Scotland paper / Scottish Affairs Committee evidence session on labour shortages

Executive summary

- Hospitality is a significant part of Scottish economy, delivering £6 billion each year, a further £3 billion through our suppliers, and was the 3rd largest employer in Scotland pre-pandemic. Close to 300,000 people worked in the sector.
- The pandemic had a profound impact on the sector, wiping out billions of pounds in sales in sales and disrupting its labour force.
- UKH Scotland estimates vacancy rates in the sector are at least 10% and could be as high as 16% - between 30,000 and 48,000 vacancies.
- Most acute vacancies in serving staff, chefs, housekeeping and, more recently, security.
- ONS data shows that sector vacancies for the UK 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.
- Labour market adjustment will take years, not weeks or months.
- UKH Scotland supports and is working with both UK and Scottish Governments to boost uptake of roles in hospitality.
- Industry is working to manage its own labour shortages and is making positive progress.
- Yet, we need more support and have outlined solutions that our governments and industry can take together.

1. UKHospitality Scotland and hospitality

UKHospitality Scotland represents all parts of the hospitality sector. This includes hotels, pubs, bars, restaurants, 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 in Scotland – with almost 300,000 employees. It contributed £6bn in economic activity. It is present in every part of the country and has a critical role to play in the recovery, employment and skills growth and in achieving Net Zero.

2. Impact of the pandemic on hospitality at the UK Level

The pandemic has devastated hospitality. ONS data for the UK 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.

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 in Scotland was reporting a vacancy rate of 10% (30,000). 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.

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 all of the sector and similarly, with door or security staff. Both of these roles have seen severe shortages from the types of business who do employ them.

4. Factors influencing hospitality labour market

The shortages across the food, farming and haulage 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

There are several reasons why the pandemic is continuing to drive labour shortages within hospitality.

- 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 Scotland and the rest of the UK, supported by furlough payments. There has been a delay in those people returning – 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 as is sometimes stated.

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. Whilst the sector is keen to develop its domestic workforce, Scotland's demographics, coupled with the geographic spread of our population creates problems in achieving this. Even in cities and more populous areas of the country, developing a workforce is challenging given the clear labour shortages across the economy.

We continue to share our governments' ambitions to abolish low pay but feel that the 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. However, due to challenges of population size, immigration will always need to be part of the solution for Scotland's hospitality sector – particularly those operating in rural areas.

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 Scotland and the rest of 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 the UK 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 vocational courses in colleges and schools. This includes hospitality. The industry is working with education partners to reverse this decline but it will take time. 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 both UK and Scottish Government schemes to boost employment in the sector. 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 should grow in the next couple of years and it will be good to hear clear support for skills in the forthcoming Scottish Government budget.

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.

The sector continues to work closely with government partners, most notably Skills Development Scotland and DWP. We work collaboratively on recruitment campaigns, such as the £100K Scottish Government initiative launched in June this year and our members are supporting the Scottish Government's Young Persons Guarantee. Members of UKHospitality Scotland also run their own Academies to recruit, train and retain their workforce.

We are also engaged on key UK 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.

UKH 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. Many of our members run their own programmes to recruit and support marginalised groups into employment.

5. Solutions

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

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