

Work, wages and employment in the UK's hospitality sector

ReWAGE Policy Brief

1. Introduction

Hospitality matters to the UK and its devolved nations in economic, regional development and, above all, employment terms. As the report of the *UK Hospitality Workforce Commission 2030* (2018)¹ notes, (pre-COVID) hospitality employed 3.2 million people, produced £130 billion of economic activity and generated £39 billion in taxation for the UK Government. It was also the third largest private sector employer in the UK, representing 10% of UK employment. In addition, hospitality was the largest sub-sector of the tourism industry, employing around three-quarters of its total workforce. As such, it contributes significantly to making the UK an important destination for leisure and business. It is also one of the few industries that delivers jobs in every constituency in the UK.

At the same time, the hospitality industry in the UK (and worldwide) faces significant and endemic structural and institutional challenges, including the demographic and skills profile of its workforce, levels of remuneration, workplace conditions, job security, recruitment and retention and skills development, all of which are reflected in the overall working experience of those employed in the sector in the UK (NIESR/ Fair Work Convention (2023)).²

It is also a sector that is currently facing crisis-level staffing shortages with concerted efforts by the industry to address this challenge (UK Hospitality, 2022).³ Hospitality is widely recognised as a sector that offers precarious employment through a range of non-standard (including zero hours), fractional and non-contract employment relationships, characteristics that have been exacerbated but not directly caused over the past three years by the impact of the COVID-19 pandemic on the industry (Baum et al, 2020).⁴

Finally, it is important to recognise that precariousness does not only affect the livelihoods of the hospitality workforce. Hospitality businesses, especially within the

¹ UK Hospitality (2018) *UK Hospitality Workforce Commission 2030 report: The changing face of hospitality*, <https://www.youthemployment.org.uk/dev/wp-content/uploads/2018/09/UK-Hospitality-Workforce-Commission-2030.pdf>

² National Institute of Economic and Social Research (NIESR)/Fair Work Convention (2023) *A qualitative investigation into the experiences of workers in the hospitality sector in Scotland*, <https://www.fairworkconvention.scot/wp-content/uploads/2023/01/A-qualitative-investigation-into-the-experiences-of-workers-in-the-hospitality-sector-in-Scotland.pdf>

³ UK Hospitality (2022) *The UK's hospitality workforce strategy: Fixing the crisis*, <https://cdn.ymaws.com/www.ukhospitality.org.uk/resource/resmgr/2022/documents/campaigns/workforcestrategy/ukhworkforcestrategy.pdf>

⁴ Baum, T., Mooney, S., Robinson, R. and Solnet, D. (2020) COVID-19's impact on the hospitality workforce – new crisis or amplification of the norm? *International Journal of Contemporary Hospitality Management*, 32 (9): 2813-2829.

predominantly SME sub-sector (restaurants, cafes and similar) have both relatively high rates of start-up and closure, which contribute to levels of labour vulnerability and turnover that are in excess of many other industries in the UK.

A series of investigations at national and regional level over the past 25 years, led by government agencies and industry bodies (most recently, that of UK Hospitality) have sought to address these issues and proposed remedies/ pathways to resolution without discernible evidence of real progress or change. The challenge for this report is to identify new ways to address these problems that can be adopted by all stakeholders and offer a sustainable basis for change.

What policies and practical measures can a coalition of key stakeholders take to effect real change to employment in the hospitality sector in order to ensure a prosperous future for the industry and its workforce?

2. Recommendations

- **Recommendation 1:** Competent agencies at national and local levels alongside private sector interests should develop strategies and work with employers, particularly with small and micro-operations, to improve job quality (including pay, working time, training and career development opportunities, flexible working options and terms and conditions).
- **Recommendation 2:** The Treasury and other competent agencies should make financial incentives (direct grant, taxation-related etc.) available to businesses to support a digital transition in capital and human resource terms.
- **Recommendation 3:** As a short-term fix, UK immigration law should be amended to enable hospitality employers to have greater flexibility in the recruitment of seasonal employees from within and beyond the EU, possibly modelled on Australia's Working Holiday Visa, while recognising that this action will not provide a long-term and sustainable solution to poor-quality jobs in the sector.⁵
- **Recommendation 4:** Competent agencies must re-think migration policy and workforce development in order to support the sustainable development of hospitality as a major sector and employers within the UK economy.
- **Recommendation 5:** Employee voice must be included as standard in all government-, agency- and industry-led forums tasked with addressing hospitality workforce / employment issues. This inclusion is of particular relevance given that hospitality is a sector with low levels of union density.
- **Recommendation 6:** Local and regional enterprise development agencies should support, disseminate and promote best industry practice in hospitality employment.

⁵ This recommendation is caveated by the observation that visa costs for both workers and employers should be lowered: the selective extension of the Shortage Occupation List for other sectors like social care is already showing that even when new routes are opened for employers to employ labour from abroad, high visa-related costs and long-waiting times remain prohibitive with limited uptake. In the current context it may be particularly unlikely that hospitality employers especially SMEs, already struggling to cover the heightened costs of energy and food supplies without current support by the government, and possibly lower demand from customers, will be able to dedicate further resources to cover visa costs.



- **Recommendation 7:** Government agencies at local and national levels should address these key infrastructure issues in a collaborative and cross-departmental way, particularly in the affordable local housing market⁶ and in the support for affordable public transport that facilitates employee travel, especially during unsocial hours.
- **Recommendation 8:** Enforcement of tipping rights on behalf of employees needs to be resourced in a proactive way rather than being left to employees to take reactive measures in support of their rights.
- **Recommendation 9:** Employer duty-of-care/health and safety responsibilities when workers are travelling to and from work should be reinforced by appropriate legislation while, at the same time, employers are encouraged to provide realistic transport options for their workforce. This duty of care should extend to support groups and information for those who may be struggling to cope with the demands of the job.
- **Recommendation 10:** Going beyond the minimum and legal requirements, employers should be required to regularly consult employees on health and safety aspects and concerns.
- **Recommendation 11:** The ONS should work with interested stakeholders to create an inclusive definition to accommodate all areas of work within the hospitality industry. These areas include:
 - Levels of skills underemployment or underutilisation of those working in hospitality and the extent to which this contributes to high labour turnover in the sector.
 - The extent of time under-employment in the industry resulting from part-time and seasonal work as well as the use of zero hours contracts.
 - The role of tipping in the overall remuneration of hospitality and tourism workers and how tips are distributed within and across the hospitality and tourism workforce.
 - Information about how disadvantage for hospitality workers in rural areas is manifested as a consequence of infrastructure issues, notably access to the rental and home ownership markets, affordability and availability of local transport and other facilities.
 - Greater granularity with respect to the experiences of those experiencing inequality and disadvantage in hospitality work, combined with the absence of voice for those working in the industry, despite some growth in trades union membership within the industry.
 - The experience of those working as freelancers, especially in the gig economy⁷ or in various forms of self-employment in hospitality and tourism is also under-documented.

⁶ As an example, see Edinburgh's short-term lets control zone.

⁷ For the gig economy generally, see Forde, C. et al. (2023 forthcoming) Work and wages in the gig economy, ReWAGE.

3. Conclusion

This paper highlights a wide range of issues relating to employment in the contemporary hospitality industry in the UK, at national and regional level. These issues reflect a wide range of economic, political, social and cultural influences which coalesce in a way that creates challenges for both employers and employees in the industry.

Evidence points to a number of structural and institutional factors that have not shown significant change over the past 25 years. At the same time, the impact of COVID-19 and its aftermath has exacerbated a number of these issues (such as recruitment and retention) and created conditions where other factors are emerging in a way that the industry and its stakeholders needs to address (for example, changing attitudes to work and demand for greater workplace flexibility).

Policy undoubtedly has a role to play in effecting change to work and working conditions in hospitality and enabling the private sector to meet its skills requirements. For this reason, a number of recommendations here are addressed to governments and regional bodies with competencies to propose policy and enact measures that support change in the hospitality industry. However, a significant responsibility has to lie with the private sector, as employers and through competent industry bodies, to drive meaningful change in workplace practices and culture. Policy leadership across a wide range of direct and indirect areas combined with appropriate regulation can support and encourage the hospitality industry down a path of meaningful change.

It is recognised that framing policy that is meaningful across such a diverse and fragmented industry with longstanding issues is challenging, but evidence highlights the need to address issues that impact upon hospitality employment across the full scope of its diversity.

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This paper represents the views of the authors based on the available research. It is not intended to represent the views of all ReWAGE members.

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About ReWAGE

ReWAGE is an independent expert advisory group modelled on SAGE that is co-chaired by the Universities of Warwick and Leeds. It analyses the latest work and employment research to advise the government on addressing the challenges facing the UK's productivity and prosperity, such as Covid-19, the cost-of-living crisis and labour shortages.

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