



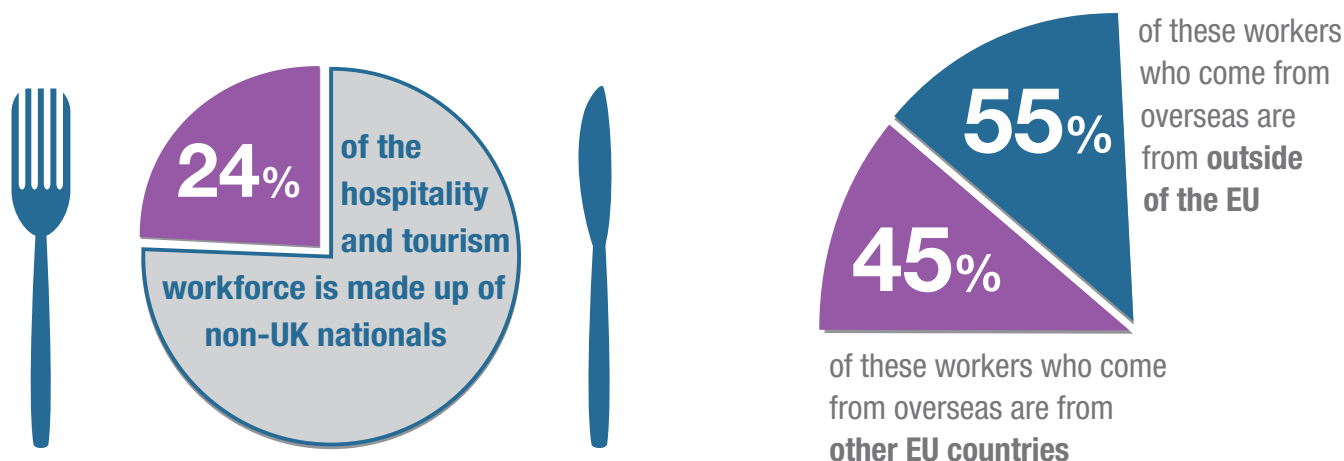
Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions

By 51.9% to 48.9%, the UK has voted to leave the European Union. Migration dominated the referendum campaign and as the UK prepares to negotiate its exit, the restriction of labour is likely to be a significant part of the political debate.

As the hospitality and tourism sector starts thinking about the implications of Brexit and any new labour restrictions for EU workers, this paper sets out the key figures to inform the debate and to help the sector understand where any new restrictions are likely to have the biggest impact.

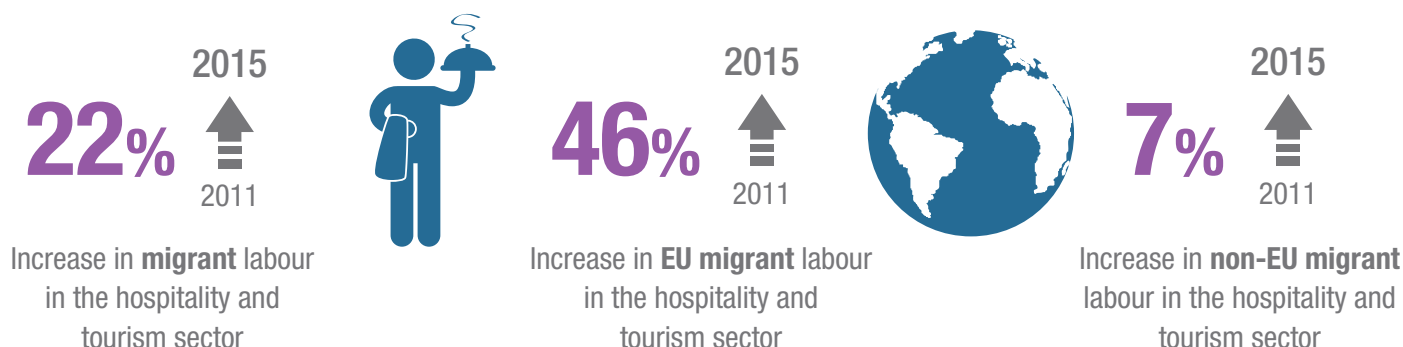
Reliance on migrant labour¹

There are approximately five million non-British nationals working in the UK, accounting for 16% of the workforce. Across hospitality and tourism, 24% of the workforce is made up of non-British nationals, with the majority of these coming from outside of the EU.²



This compares with 14% in retail, 15% in travel, 21% in care, 23% in passenger transport and 26% in cleaning.

Since 2011, the UK labour market has become more competitive with unemployment falling from 8.1% to 5.4% by 2015.³ As a result, the number of non-British workers in the hospitality and tourism sector has also risen during the same timeframe. Between 2011 and 2015, the number of migrant workers in the hospitality and tourism sector has increased by 22%, with the majority of this increase coming from other EU countries.



¹ Throughout this report we are using the United Nations definition of migrant labour which includes any person working outside of their home country

² All the migration data is People 1st's analysis of the Labour Force Survey, ONS

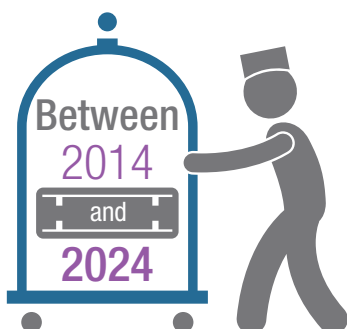
³ Labour Market Statistics time series dataset (LMS), Office for National Statistics, downloaded 27 July 2016

The growing labour market

The increase in the number of migrant workers found in the hospitality and tourism sector between 2011 and 2015 needs to be seen in context to the growing sector. The hospitality and tourism workforce increased by 13% between 2011 and 2015, with the restaurant industry alone increasing by over 120,000 employees. This has had a particular impact on a number of roles, including chefs, which have increased by 49,000.⁴

Skill shortages and possible migrant labour restrictions

1.3million
staff need to be recruited in the
hospitality and tourism sector



Currently, a **quarter** of hospitality and tourism businesses have vacancies of which **38%** consider **hard-to-fill**.

Between 2014 and 2024, the hospitality and tourism sector needs to recruit 1.3m staff. Currently, a quarter of hospitality and tourism businesses have vacancies of which 38% consider hard-to-fill.

The most acute occupations to fill continue to be front of house staff (reported by 54% of employers with hard-to-fill vacancies) and chefs (reported by 42% of employers with hard-to-fill vacancies).

It is becoming harder to recruit.

- Unemployment has fallen to 4.9%⁵, of which 28% of those classed as unemployed have been out of work for more than 12 months and are therefore more of a challenge to get into employment.⁶
- Demographic changes mean that there are fewer younger people entering the job market, which has a proportionally adverse effect on the hospitality and tourism sector as it employs three times the proportion of 16-24 found across the economy as a whole.

Given this backdrop, migrant workers remain a critical labour pool for many sector businesses. Currently, there are no labour restrictions for other EU nationals. However, if restrictions were to be introduced on the back of the UK's exit from the EU, it is likely that these would be similar to the current points based system that was introduced in 2010 for non-EU nationals. This may make it extremely difficult for those businesses recruiting front of house staff, as they will not be considered sufficiently skilled to fall within any 'skilled' occupational list. Similarly, it may be more difficult to recruit chefs as currently the 'tier 2' restrictions for skilled occupations means that any chef needs to be earning £35,000 per annum. Currently, the medium annual chef salary is £17,483.⁷

The number of non-British nationals working in the hospitality and tourism sector from outside of the EU increased far less than those from other EU countries. Between 2011 and 2015, the number of non-EU nationals working in the sector increased by 17,573 compared to 69,945 of other EU workers.

If restrictions were to be introduced it is likely to hit those areas of the sector that currently employ a high percentage of other EU nationals, as restrictions are already in place for non-EU workers.

⁴ People 1st analysis of Labour Force Survey (2015), ONS

⁵ Between March and May 2016, unemployment across the UK was 4.9%

⁶ Statistical Bulletin: UK Labour Market 2016, ONS

⁷ Annual Survey of Hours and Earnings 2015, ONS

Geographical reliance

Geographically, any restrictions will have a larger negative impact for hospitality and tourism businesses in England, Scotland and Northern Ireland, who have a significant percentage of non-British nationals making up their workforce and of which other EU nationals make up a significant proportion.

Scotland, in particular, has seen the percentage of its workforce made up of non-British workers increase by three percent between 2011 and 2015, of which the percentage of other EU nationals has increased by 14%. In contrast, Wales employs the lowest percentage of non-British workers and at the same time employers are more likely to report hard-to-fill vacancies and skill shortages.

Dependency of migrant workers in hospitality occupations across the UK home nations (2011 to 2015)

Area	Size of the workforce	Employment projections	% of reported hard-to-fill vacancies	% of reported skill shortages	% of migrant workers		% of EU migrants	
					2011	2015	2011	2015
England	1,690,054	1,118,590	38%	63%	24%	26%	36%	45%
Scotland	206,903	100,863	39%	64%	15%	18%	44%	58%
Wales	106,124	47,341	42%	78%	10%	11%	51%	52%
Northern Ireland	43,696	27,467	31%	60%	16%	20%	–	–

Source: People 1st analysis of Labour Force Survey 2015, ONS/Employer Skill Survey, UKCES

Looking at the English regions, areas such as London, the South West, South East, East of England and the West Midlands are more dependent on other EU nationals to make up their workforce. London is the most dependent on non-British nationals, with 64% of the hospitality and tourism workforce made up of migrant labour, of which 46% comes from other EU countries.

There does appear to be a relationship between reported hard-to-fill vacancies and the percentage of non-British workers employed, which highlights the importance of other EU nationals to help alleviate hard-to-fill vacancies. However, this is not uniform across all regions. The North East of England has the lowest percentage of non-British nationals in its workforce and one of the highest reported hard-to-fill vacancies. In contrast, London has the highest percentage of non-British nationals in its workforce and it has the lowest reported hard-to-fill vacancies.

There is not a similar pattern for reported skill shortages, which would suggest at this macro level that non-British nationals are not necessarily filling skilled vacancies in significant numbers.

Dependency of migrant workers in hospitality occupations across English regions (2015)

Area	Size of the workforce	Employment projections	% of reported hard-to-fill vacancies	% of reported skill shortages	% of migrant workers	% of EU migrants
North East	197,696	46,748	42%	58%	10%	7%
North West	670,957	133,449	37%	53%	17%	39%
Yorkshire & Humberside	491,006	76,255	40%	67%	14%	33%
East of England	563,342	117,435	37%	64%	18%	51%
East Midlands	369,981	67,722	42%	60%	12%	37%
West Midlands	445,183	113,395	39%	63%	19%	43%
London	897,165	230,729	26%	84%	64%	46%
South East	817,771	178,575	42%	63%	23%	39%
South West	600,662	154,283	46%	49%	16%	66%

Source: People 1st analysis of Labour Force Survey 2015, ONS/Employer Skill Survey, UKCES

Occupational reliance

Since 2011, there has been a fall in the number of non-British nationals working in management roles and an increase of those in operational roles. The percentage of other EU nationals in management roles has also fallen in most instances.

The increase in operational roles is mainly in front line roles, such as bar staff, where the number of migrant workers has increased by nearly 9,000 since 2011 and 2015, of which the percentage made up of other EU nationals has increased by three percent.

In contrast to this trend there has been an increase of 28,045 in the number of non-British nationals working as chefs, of which the majority have come from within other EU countries. Chefs continues to be major skill shortage facing the sector, partly because the demand for chefs has increased and many businesses have been forced to look at recruiting chefs from other EU countries to address the difficulty of filling vacancies.



Migrant workers across hospitality occupations (2011 to 2015)

Occupation	2011			2015			
	No. of migrant workers	% of migrant workers in occupation	% of migrant workers from other EU countries	No of migrant workers	% of migrant workers in occupation	% of migrant workers from other EU countries	Difference in migrant workers between 2011 & 2015
Hotel and accommodation managers and proprietors	7,528	19%	3%	4,138	9%	1%	-3,390
Restaurant and catering establishment managers and proprietors	47,196	43%	15%	41,647	35%	7%	-5,549
Publicans and managers of licensed premises	3,590	8%	2%	3,676	8%	1%	86
Conference and exhibition managers and organisers	3,794	18%	2%	4,400	14%	2%	606
Chefs	53,439	37%	15%	81,484	42%	18%	28,045
Cooks	14,525	38%	3%	14,179	31%	2%	-346
Catering and bar managers	6,685	15%	1%	7,038	15%	3%	353
Leisure and travel service occupations	517	6%	0.5%	843	9%	0%	326
Housekeepers and related occupations	2,385	25%	2%	2,177	35%	1%	-208
Kitchen and catering assistants	68,209	27%	18%	85,481	29%	27%	17,272
Waiting staff	63,776	28%	29%	73,159	29%	24%	9,383
Bar Staff	14,908	8%	8%	23,734	13%	11%	8,826
Leisure and theme park attendants	0	0%	0%	164	1%	0%	164
Other elementary service occupations	1,741	12%	1%	5,613	35%	2%	3,872

Source: People 1st analysis of Labour Force Survey 2015, ONS/Employer Skill Survey, UKGES

Industry reliance

The increased reliance on non-British workers to fill vacancies is highlighted when looking at the breakdown of sector industries. With the exception of the events industry, since 2011 all hospitality industries have seen an increase in the number of non-British workers making up their workforce.

Migrant workers across hospitality industries (2011 to 2015)

Industries	2011			2015			Difference in migrant workers between 2011 & 2015
	No of migrant workers	% of migrant workers in industry	% of migrant workers from other EU countries	No of migrant workers	% of migrant workers in industry	% of migrant workers from other EU countries	
Hotels and similar accommodation	65,794	19%	23%	88,587	33%	25%	22,793
Holiday and other short - stay accommodation	3,823	7%	1%	4,970	7%	2%	1,147
Camp Sites and Other Accommodation	2,091	11%	1%	5,476	18%	2%	3,385
Restaurants	250,659	37%	52%	294,593	37%	50%	43,934
Food and Service Management	30,644	19%	7%	42,780	22%	7%	12,136
Pubs, Bars and Nightclubs	14,525	8%	8%	23,127	8%	7%	645
Organisation of conventions and trade shows	5,704	15%	2%	2,878	11%	0%	-2,826
Tourist Services	1,700	8%	1%	3,946	12%	1%	2,246
Museum and Cultural Attractions	4,520	9%	1%	7,718	13%	2%	3,198
Visitor Attractions	17,823	7%	4%	18,681	7%	5%	858
TOTAL	405,239	22%	38%	492,756	24%	45%	87,517

Source: People 1st analysis of Labour Force Survey 2015, ONS/Employer Skill Survey, UKCES

Pressures on a changing labour market

Any restrictions on recruiting EU nationals as a result of the UK's exit from the EU is liable to have a significant impact on many sector businesses. As we have seen this will affect different occupations, industries and geographic locations in different ways. It will take time for businesses to adjust to any restrictions and in the short-term there is an insufficient supply of labour to meet the growth projections for the sector.

However, possible labour restrictions are just one pressure on a business' people strategy. The National Living Wage, based on current government expectations, is to be at least £9.00 by 2020, which will significantly raise labour costs across the sector. Similarly, the apprenticeship levy is forcing businesses to rethink how they maximise their levy contributions, which for many large businesses is a significant outlay.

As a result, an increased number of businesses are rethinking their people strategies by placing greater emphasis on staff engagement, increased retention, progression and increased performance. This is sensible as it will increase the effectiveness and productivity of the workforce and reduce the need to recruit in such large numbers. Of the 1.3m staff projected to be required by 2024, 75% are to replace existing staff.

However, efforts in this direction will take time and in the short-term any significant restriction on migrant labour is liable to have a negative impact on many businesses.



For more information on how you can maximise your investment in your people and for support on the apprenticeship levy contact People 1st.

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