



UKINBOUND
THE VOICE OF INBOUND TOURISM

A PERFECT STORM?

The end of Free Movement and its impact
on the UK tourism workforce



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FOREWORD



I am pleased to present this report which has been produced in collaboration with Canterbury Christ Church University and also with colleagues from other trade associations across the tourism and hospitality industry.

It is well known throughout the world that the UK is a fantastic place to visit. We have amazing attractions, vibrant cities, towns and picturesque villages, breath-taking landscapes, world class restaurants, bars and accommodation and of course fantastic shopping opportunities throughout the four corners of the country.

Together with the domestic and outbound tourism industries, it is estimated that 3.3 million people currently work in tourism-related businesses in the UK (by comparison, manufacturing employs 2.9 million people and construction 2.4 million) and in 2018, the tourism industry as a whole contributed £145.9 billion to the UK economy (7.2% of UK GDP) - making it one of the UK's most successful industries. And these jobs are spread across the whole of the UK - driving growth in rural communities as well as in the big cities.

It is paramount therefore that employers have access to the specific skills and experience that they need to keep the industry operational, innovative and growing.

For many years, the industry has relied on EU nationals primarily for their language skills and cultural understanding of our international visitors. We know that they make up an estimated 9% of the UK tourism workforce but with Government proposing to end free movement and place a salary limit of £30,000, or the introduction of a skills threshold, on employing EU nationals once we have left the European Union, we commissioned this research in order to have a deeper and fuller understanding about the potential impact of these proposed policies.

The findings make very alarming reading.

Tourism businesses surveyed as part of this research told us that the Government's proposed immigration policies post Brexit would impact negatively on their **ability to remain competitive (75%), expand (71%), develop new markets (66%)** and most worrying **affect their ability to operate (65%)**.

What is clear is that the Government needs to consider its future immigration policy very carefully if our industry is to keep going from strength to strength. Sudden restrictions could destabilise and imperil the industry, so it is imperative that the Government avoids a 'cliff edge' in terms of future recruitment for employers.

We will submit the key findings of this research to the Migration Advisory Committee in early November as part of their call for evidence for their Salary Threshold and Points Based System Commission and we will also be asking the Government to consider post Brexit:

- Flexibility on salary levels and skill needs for the industry based on sector and region;
- Regular reviews of key sectors to ensure they are not being adversely affected; and
- Language skills to be considered a 'shortage skill'.

Tourism is one of the UK's major success stories, growing employment across the whole of the UK, demonstrating the UK's soft power, supporting education, investment and trade and showing the UK as open, tolerant and welcoming. It cannot and must not be taken for granted.

Joss Croft
Chief Executive, UKinbound

BACKGROUND

As the UK prepares to exit the European Union, the question of the likely effects on the country's labour market has loomed ever larger.

Research published by UKinbound in 2018¹, two years after the referendum on EU membership, highlighted industry concerns at the attrition of the tourism and hospitality workforce, with the return home of large numbers of EU workers already starting to exacerbate existing recruitment challenges and skills gaps, particularly around language skills.

Since the launch of that research, the publication of the Migration Advisory Committee's (MAC) final report and recommendations², and the Government's subsequent Immigration White Paper³, with their emphasis on prioritising 'highly skilled' and 'skilled' labour migration, have sharpened the focus on the likely shape of the UK's immigration system after the end of Free Movement, and intensified concerns as to its capacity to meet the country's future labour supply needs. In particular, the proposal to impose a £30,000 per annum minimum salary threshold on foreign workers entering the UK provoked alarm across a range of economic sectors, from tourism and hospitality to agriculture, higher education and the creative industries. Representations to Government have been successful in prompting an official rethink regarding the level of the salary threshold, and supplementary terms of reference have been issued by the Home Office⁴ to guide the MAC's newly commissioned review due by January 2020. This rapidly shifting political landscape has led to considerable uncertainty and the need for robust evidence to ensure that the future immigration system will reflect the varying conditions and needs prevailing in different economic sectors, and in different parts of the country.

This is the background to the current piece of research, which seeks to investigate what the end of Free Movement will mean for organisations and businesses in tourism and hospitality, for whom EU workers have come to constitute a vital labour pool.

UKinbound, along with other industry bodies, has been consulting with its members over the likely implications of a potential £30,000 p.a. salary threshold for UK tourism and hospitality, but, so far, there has been a lack of detailed industry- and country-wide information regarding the number of employees in the sector earning less than £30,000 p.a., the likely impact of the Immigration White Paper's proposals on the ability of the sector to recruit, and, more significantly, the wider implications for productivity, business confidence and competitiveness.

The aim of this report is to fill that evidence gap with robust research data that answers the question: In an important growth sector, already suffering from skills gaps, recruitment/retention issues, and a declining pool of home-grown talent with key language skills, what are the potential implications, from the industry's perspective, of restricting the pipeline of EU workers via a nationwide skills-based immigration policy focusing on 'highly skilled' and 'skilled' workers and through a potential £30,000 p.a. salary threshold limitation?



1. Thomas, K, Scott, J, Stuart-Hoyle M and Thomas L (2018) UKinbound Breaking the Language Barrier Report. UKinbound, May
<https://www.ukinbound.org/resources/breaking-the-language-barrier-full-report/>
2. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eca-migration>
3. <https://www.gov.uk/government/publications/the-uks-future-skills-based-immigration-system>
4. <https://www.gov.uk/government/publications/commissioning-letter-to-the-mac-on-a-points-based-system-for-migration>



Focus of the research

The focus of the research is the creation of an evidence-base:

- To explore the existing research and data on employment and skills in the tourism and hospitality industry.
- To review the emerging tourism and hospitality industry published responses to the Immigration White Paper, with specific reference to the focus on 'high-skilled' and 'skilled' workers, the potential £30,000 threshold limitation, and its perceived impact on the availability of a sufficiently skilled workforce post-Brexit.
- To capture detailed evidence from businesses on salary and skill levels in the UK tourism and hospitality workforce to understand:
 - current reliance on EU nationals;
 - salary and skills distribution;
 - reactions to the Immigration White Paper, focusing on the proposed salary threshold, in terms of how businesses feel this will impact on their ability to meet labour market needs post-Brexit.

Strength of evidence

The evidence presented in this report will be vital to UKinbound and other trade associations as they seek to feed into the consultations about the UK's future post-Brexit immigration system. The strength of the evidence emerges from the combination of sources and methods which work together to inform the analysis – incorporating the review of policy documents, industry reports and commentaries from tourism/hospitality associations, wider skills bodies and expert opinions on UK immigration policy, together with bespoke analysis extrapolated from national ONS data sets on employment, and primary research with UK tourism and hospitality businesses through an online survey and in-depth interviews.

The report seeks to cut through the 'noise' and uncertainty of the Brexit negotiations and provide evidence-based research to help inform UKinbound, and other organisations within the tourism and hospitality sector, responding to the consultations over the future immigration policy for the UK post-Brexit.

To explore the research methods and findings in full please refer to the main report which is available online: ukinbound.org

HEADLINE FINDINGS

Evolving political landscape

1. The policy agenda has been evolving due to the rapidly shifting political landscape, especially over the Summer of 2019. The raft of ministerial announcements calling for reviews linked to the salary threshold, an alternative-style Australian Points System, and for more regional analysis, has culminated in the most recent letter (3rd Sept 2019) from the Home Secretary to the Chair of the Migration Advisory Committee (MAC)⁵. This letter sets up a revised commission to supplement the existing review being undertaken by the MAC. Whilst this latest commission seems to indicate an openness to building in more flexibility, and a willingness to consider a wider range of options (in contrast to the original proposals in the Immigration White Paper), the focus on skills and salary thresholds is still very evident, as is the political message of the need to end the Freedom of Movement and provide a system to attract the 'best and brightest' from the global workforce.
2. Our main report, which evaluates the assumptions behind proposals for a skills-based immigration policy and potential £30,000 salary threshold, remains relevant and vital in informing the case for tourism as UKinbound seeks to represent the interests of the industry in the developing consultation process.

Skills

3. The sector needs to move away from seeing itself (and thus, being seen) as a 'low-skill' sector, and seek to redefine and reposition the wider 'skills' debate away from a narrow focus on technical (and primarily STEM-orientated) skills to incorporate an appreciation of the importance of 'meta-skills' (a range of general skills, capacities and abilities which can be used to acquire and develop other, more specific skills over time) and 'soft skills'. The ESS 2017 survey⁶ shows that tourism and hospitality employers require a range of skills, from technical and practical, to people and personal, which they are not able to access adequately from the current pool of UK (non-migrant) labour.
4. Lower paid skills gaps and shortages are as hard to fill as higher paid ones – in fact, they are harder to fill because they rely on structural solutions beyond the scope of employers to address (e.g. housing prices, transport infrastructure). However, many tourism and hospitality employers are already adopting response strategies in terms of reaching out to the local labour market and developing their in-service training packages.
5. The picture of skills needs is complex, and the distinction between 'high-level' and 'low-level' skills at the centre of the Immigration White Paper appears to have little relevance to the reality of skills gaps and skills shortages across the sector.



INDUSTRY VOICE-SKILLS

"EU citizens, as part of our teams, are crucial, especially when working with over 60 source markets. Our clients expect to be serviced in their native language"



"We are a global organisation that welcomes a diverse workforce that is representative of our customers."



"We deal with more than 90 countries. We value not just linguistic but cultural alignment and understanding."



⁵ <https://www.gov.uk/government/publications/commissioning-letter-to-the-mac-on-a-points-based-system-for-migration>

⁶ Employer Skills Survey (2017) <https://www.gov.uk/government/publications/employer-skills-survey-2017-uk-report>

Realities of the tourism and hospitality labour market conditions

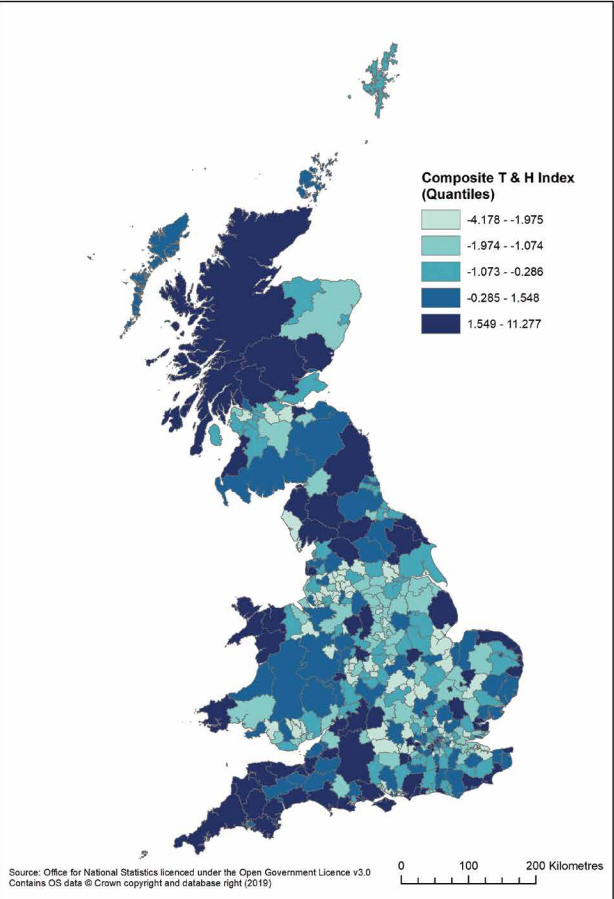
6. Distinctive characteristics of the tourism and hospitality sector provide the backdrop to understanding why the sector is particularly vulnerable to policy changes impacting upon the ability of businesses to access an appropriate talent pool. These characteristics include a workforce which has: a higher than average reliance on EU workers and on part-time and non-permanent workers; lower than average salary levels; and a talent pipeline negatively influenced by poor perceptions of the sector as a ‘career of choice.’

Localised labour markets and vulnerability to changes in immigration policy

7. Regional and sub-regional differences are real and critical, and are masked by national-level reporting. Some parts of the country, particularly rural areas, are heavily dependent on the tourism economy, with some local authority districts, especially in Scotland, Wales and the South West, showing concentrations of employment in the accommodation sub-sector at over twice the national average.

8. Vulnerability to changes in immigration policies: The research has applied a more finely grained classification of tourism and hospitality sub-sectors to tease out the potential impact of immigration policies on businesses most closely aligned with tourism and hospitality activities and the membership of UKinbound and wider stakeholders in the study. The calculation and mapping of location quotients from the ONS workforce databases, and the creation of a Composite Tourism and Hospitality Index, has allowed the research to identify areas with particularly high concentrations of employment in tourism and hospitality compared to the national average. This supports a picture of significant spatial variations in business activities, and helps to identify areas which could be more vulnerable to changes in immigration policies reducing access to EU workers - not necessarily because they stand out as areas with particularly high numbers of EU nationals, but because tourism and hospitality are so significant to their regional and sub-regional economies. Any restrictions on the free movement of EU nationals within the UK will have a disproportionate impact on such areas. In some ‘hotspots’ where the concentrations of tourism and hospitality businesses are particularly high, there is potential for substantial impact on the wider regional and sub-regional economy and growth.

Composite Tourism and Hospitality Employment Index. Concentrations of full and part-time employment across the four sub-sectors – accommodation; food & beverage; arts, entertainment & attractions; travel agencies/tour operators.



Source: Index calculated from: Employee (full and part-time) data, British Employment Survey 2017 (BRES) accessed from NOMIS⁷

Reliance on EU nationals

9. National reporting of the reliance of the tourism sector on EU nationals, which estimates around 10% of the total workforce (ONS, 2019)⁸, masks the realities of many tourism and hospitality businesses in terms of the scale of reliance, and the significant variations in sub-sectoral, occupational and regional experiences:
- Scale – The online survey research confirms that EU nationals are a critical labour pool, with nearly 60% of organisations who responded stating that more than 10% of their workforce is from the EU, with nearly a third indicating that over half of their workforce consists of EU nationals.
 - Sub-sectoral variations - Accommodation and tour operators are identified as sub-sectors particularly reliant on EU nationals for over half of their staff.
 - Regional differences – The online survey supports the findings from the Evidence Review that the distribution of EU workers across the UK is variable, with the highest concentrations in London. Nearly half the tourism and hospitality businesses from London who replied to the survey rely on EU nationals for over half their workforce.
10. Despite sub-sectoral variations, the average worker's salary in the tourism sector (defined by median wages - full and part-time workers) is lower than the national average, at approx. £17,000⁹. A high proportion of the workforce earn below the £30,000 threshold, and 56% of businesses sampled in the online survey relied heavily on EU nationals to fill these posts, rising to 70% of accommodation businesses.

A perfect storm?

11. The sector is facing a perfect storm created by high levels of skills shortages, high employment rates and low perceptions of the industry as a career of choice. When considered alongside its higher than average reliance on EU workers, this conjunction places the industry in an extremely vulnerable position when faced with the end of Free Movement post-Brexit.
12. Scale of the impact - Conservative modelling suggests that at least 100,000 EU migrants working in the four key tourism and hospitality-related sub-sectors (accommodation; food & beverage; arts, culture, entertainment and visitor attractions; travel agencies/tour operators) earn less than the £30,000 p.a. threshold.
13. Where the impact will be felt – Some locations will be more vulnerable than others, depending on local labour supply, regional salary levels, significance of the sector to the (sub) regional economy, and level of reliance on EU nationals.



7. The 5-digit SIC data for the tourism and hospitality sub-sectors was not available at the appropriate geographical scale for this calculation to be extended to Northern Ireland and the Channel Islands.

8. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrantlabourforcewithinthetourismindustry/august2019>
9. Median average for full and part-time workers in the tourism sector (Cebr (May 2019) Understanding the travel and tourism labour market. ABTA).

Perceptions of potential business impact

14. When set against the ambitions of the Tourism Sector Deal¹⁰ to increase productivity, it is worrying that the majority of the businesses responding to the online survey expected the proposed salary threshold to impact negatively on their ability to remain competitive (75%), expand (71%), develop new markets (66%) and even, continue to operate (65%).
15. Various transitional arrangements, such as transitional visas and the Youth Mobility Scheme, have been proposed as a way for the industry to plug the shortfall in low-skilled workers following the end to Free Movement. These solutions are questioned in terms of their limited ability to develop a productive/upwardly mobile workforce with clear pathways for progression. These types of transitional arrangements will exacerbate the existing challenges facing the sector with respect to high turnover of staff, and will limit the degree to which employers are willing and able to invest in upskilling the workforce.



WORKFORCE- THE ENGINE OF THE SECTOR

EU nationals - a critical labour pool for tourism & hospitality.

Potential scale of the impact:

100k
EU workers

working within the four tourism & hospitality-related sub-sectors, earn less than the proposed £30k salary threshold.



INDUSTRY VOICE



"Because the tourist industry is so resilient to everything, we always bounce back. The UK's such a fantastic product, but there's a danger that they forget we do need help... I think we're going to get overlooked, and that's the huge worry."
Tour operator / London & Scotland

"We are creating an experience, so we need people who understand that, who want to be part of that in an amazing city. These are soft skills we are looking for."
Visitor attraction / London

"Long term it might affect some restaurants' ability to open at all... it is very quick for a restaurant to go downhill, and very hard to come back from."
Restaurant Group/UK-wide

"I believe our industry has prospered on international labour, so to shut that down and expect the economy to grow is naive."
Accommodation / North West

10. <https://www.gov.uk/government/publications/tourism-sector-deal>

Online survey headline findings

INDUSTRY INSIGHTS

Responses to the Immigration White Paper & potential salary thresholds

Data collected from 190 UK businesses within the tourism & hospitality sector: 2019

| Accommodation | Pubs | Bars | Restaurants | Travel Agencies | Tour Operators | Visitor Attractions | Transportation | Destination Management / Marketing |



WORKFORCE - THE ENGINE OF THE SECTOR:

There is a **significant reliance** on **EU Nationals** within the tourism & hospitality workforce.

57% of organisations rely on EU nationals for **more than 10%** of their workforce.

29% claim EU workers make up **more than half their workforce**.

EU WORKFORCE - A CRITICAL LABOUR POOL LIMITED DOMESTIC LABOUR MARKET:

68% of respondent organisations cited the limited domestic labour market as a key reason for reliance on EU Nationals.

"The unemployment rate is close to an all time low, hence the need for immigration to fulfil the growing job market."

"Lack of labour in the area where we operate."

"Lack of suitably trained local workers."

EU WORKERS' SKILLS AND TALENT ARE CRITICAL TO THE SECTOR:

52% of organisations cited a **lack of home-grown talent with foreign language skills** as a driving factor for employing EU nationals. Within the Tour Operators and Destination Management sub-sectors this figure is closer to **80%**.

49% of organisations cite **high levels of customer service skills** as a driver for the reliance on EU nationals.



RECRUITMENT IS HARDER SINCE THE REFERENDUM

Percentage of organisations **by nation** that have found recruitment more difficult since the referendum:

76% 80% 57% 80%

"We have experienced the loss of some very good staff since the referendum (the best always leave first)"

58% of all organisations have **hard-to-fill vacancies**

94% of accommodation providers have **hard-to-fill vacancies**





HIGH PROPORTION OF THE WORKFORCE EARN LESS THAN THE £30K THRESHOLD

56% of businesses are at least **heavily reliant** on EU Nationals for **sub-£30k** roles.

Within the Accommodation Sector, this rises to **70%**

34% of businesses in the London region rely **'almost entirely'** on EU nationals to fill sub-£30k roles

£30K SALARY THRESHOLD WOULD IMPACT BUSINESS OPERATION

Businesses are likely to experience a significant skill shortage because of the proposed £30k threshold and the reliance of the industry on EU nationals for staff.



87% of the Accommodation Sector **say** they would **struggle significantly** to recruit a workforce with sufficient catering / culinary skills, with

70% of the **Pubs / Bars / Restaurants sub-sector** stating there would be a gap in this area.



82% of London operating businesses expect they would be impacted as a result of a £30k salary threshold.



WHAT WILL THE £30K THRESHOLD PREVENT YOUR ORGANISATION FROM DOING?:



"It will **seriously impact** on the ability of the hospitality industry to operate efficiently throughout the UK and will **severely disable** the tourism business which is a major income source for the country."







A Perfect Storm? The end of Free Movement and its impact on the UK tourism workforce has been undertaken by the Tourism and Events Hub, Canterbury Christ Church University, for UKinbound

October 2019

The Tourism and Events Hub at Canterbury Christ Church University aims to provide a clearly defined research and knowledge exchange offer to the visitor economy. It brings together a team of researchers with areas of expertise ranging from tourism, culture and the arts, stakeholder analysis, UK policy, destination management and education/training provision to collaborate on research and consultancy projects.

Email: tourismhub@canterbury.ac.uk

Website: www.canterbury.ac.uk/tourismhub

Contact: Dr Karen Thomas, Director of the Tourism and Events Hub

UKinbound was established in 1977. We are the only trade association that represents the interests of the UK's inbound tourism sector and ensure it is recognised as a leading economic and employment driver in the UK. We help our diverse membership of over 400 businesses all across the country to grow and develop via a programme of events designed to connect buyers and suppliers in the travel trade. We also provide marketing opportunities, market seminars, and access to the latest industry insights. In addition, we lobby Government on behalf of our members on key industry issues such as taxation, Visas and Brexit and engage with the media to raise the profile of inbound tourism and highlight its importance to the UK economy.

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Main Report: Thomas K, Scott J, Butcher J, O'Donoghue D, and Thomas L (2019) A Perfect Storm? The end of Free Movement and its impact on the UK tourism workforce.

In partnership with:

ABTA

Association of Leading Visitor Attractions

Airlines UK

British Beer and Pub Association

British Educational Travel Association

Cruise Britain

European Tour Operators Association

Hospitality Ulster

NI Hotel Federation

Northern Ireland Tourism Alliance

Scottish Tourism Alliance

The Tourism Alliance

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Wales Tourism Alliance

