



Hospitality in Scotland

Key Issues for the Future of the Sector



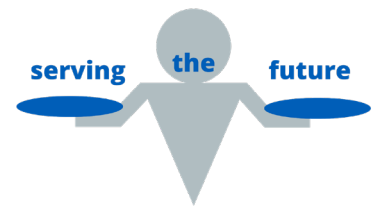


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Background and Objectives

Serving the Future is a three-year action research project working with hospitality employers and workers. The project is seeking to understand, reduce and prevent in-work poverty and identify changes that could be made within the sector. By working directly with employers and people with experience of low-paid work, the project is taking a variety of approaches to identify changes that can take place at an organisational level as well as necessary policy or systems wide changes that are required across Scotland.

The objectives of the Serving the Future project are to:

- Identify actions that can be taken by individual businesses to reduce and prevent in-work poverty.
- Support employers to identify changes that will enable them to prevent their staff moving into poverty or to alleviate their levels of poverty.
- Identify and support transformational change to address issues of in-work poverty that can take place at an organisational level as well as necessary policy or systems wide change.
- Provide businesses and their employees with the confidence to adapt to changing external conditions beyond the life of this study so that good practices are sustained beyond the project.
- Help Scotland to meet its statutory child poverty targets by engaging with both employers, parents, and caregivers working within the hospitality sector.

Serving the Future is funded by The Robertson Trust and is being delivered by the Institute for Inspiring Children's Futures, the Fraser of Allander Institute and the Hunter Centre for Entrepreneurship (University of Strathclyde), and the Poverty Alliance.

Summary

This briefing shares findings from research with hospitality employers and workers on potential future developments for the hospitality industry in Scotland, identifying actions that governments and the industry could take to alleviate issues around in-work poverty in the sector.

An overview of the research

This research was conducted as part of a wider project, *Serving the Future*, funded by The Robertson Trust's Partners in Change programme. Scenario planning, an approach used in other sectors to develop strategies and actions for the future, was adopted to explore potential scenarios of what the hospitality sector could look like in around ten years. The research involved:

- Scenario planning workshops with a group of hospitality employers and a group of workers in September 2022.
- Participants identifying key drivers of change in the sector (including political, economic, sociocultural, technological, environmental, and legal factors), focusing on the two drivers they felt were both the most impactful and uncertain. Workers identified key drivers as levels of poverty and consumer spending, and employers identified energy costs and levels of government policy.
- The creation of four potential futures and actions that employers and government could take to mitigate issues around in-work poverty based on these key drivers of change.

The insights from the scenario planning sessions are informing other components of the *Serving the Future* project. Emerging themes will be further explored through Action Learning Sets and longitudinal interviews.

Key findings

Across all the future scenarios, participants viewed both the hospitality sector and government as having important roles in making changes to improve workers' experiences and to support the sustainability of the sector.

Low pay and pay inequality in hospitality, in comparison to other sectors, were dominant themes across the workers' and employers' discussions. Issues around recruitment, retention and education provision for hospitality workers were also raised.

Roles for the hospitality sector:

- **Providing opportunities for development:** Opportunities to work with other businesses to provide training and having in-work mentors to support staff with their development were discussed. Workers focused more broadly on employers prioritizing actions to support retainment of staff.
- **Support for workers:** Opportunities to improve pay and provide other forms of support. More prosperous future scenarios would enable employers to increase pay and provide other benefits.

Roles for local, Scottish and UK governments:

- **Adequate incomes and welfare provision:** Ensuring adequate incomes through increasing the minimum wage and increasing social security payments.

- **Support for businesses:** Government could improve communication with the sector and make regulatory processes more accessible through the creation of ‘one-stop-shops’ for businesses and in crisis periods (e.g. high energy costs) should provide support.
- **Education and training:** Support education provision focused on hospitality sector-specific skills.

Introduction

The Serving the Future project was born out of a recognition that the hospitality industry urgently needs sustainable solutions which improve the situations of both employers and workers. By working with both business owners and managers and employees in the sector, we hope to contribute to these solutions through our research.

This report shares findings from one component of the Serving the Future project, drawing on scenario planning methodology. This research engages with hospitality employers and workers on potential future developments for the hospitality industry in Scotland and identifies actions that governments and the industry could take to alleviate issues around in-work poverty in the sector.

A group of eight employers and a group of five workers took part in two scenario planning workshops in September 2022. The aims of both workshops were to:

- Generate insights into key drivers of change affecting the hospitality sector in Scotland
- Identify (i) potential scenarios of what the sector could look like in the next ten years and (ii) key implications for employers and government bodies.

Hospitality in Scotland: impacts of Covid and the cost-of-living crisis

Hospitality and the visitor experience industry are important sectors for Scotland's economy, especially in rural areas where tourism is a large source of income. Pre-pandemic, food and accommodation services accounted for approximately 3% of Scotland's GDP and 8% of Scotland's jobs.

The hospitality sector suffered significantly and was hit disproportionately harder than the rest of the economy by the Covid-19 pandemic. While the sector's contribution to the economy largely recovered to pre-pandemic levels in Spring 2022, vacancies in the hospitality industry spiked during 2021 to roughly twice their pre-pandemic rate. This trend has persisted, with no sign of the vacancy rate falling significantly, more than a year after it peaked. Under normal circumstances, higher vacancies would lead to wage increases to attract talent, yet there is little evidence that these wage rises are happening at the scale that might be expected. This might be due to the significant competitive pressures facing the industry.

As the high vacancy rate persists, the consequences for those already working in the sector will become more pronounced. Unfilled vacancies mean short-staffed workplaces, which can lead to busier shifts, burnout, and stress, as well as a worsening work life balance for staff, especially for parents trying to balance work with their caring roles. In 2019, 45,000 households with children in Scotland had at least one adult working in hospitality (Serving the Future, 2022).

Supply chain issues and inflation have further pushed up input prices for businesses. This is at a significantly higher rate than that experienced by households. These pressures work in two ways: first, as inflation pushes up input costs, price rises and so demand is limited. Second, while inflation eats into household budgets, consumers are likely to restrict spending on leisure activities, such as visiting hospitality venues.

In-work poverty

In-work poverty describes households who live in relative poverty (earning 60% less than the median income) even though someone in the household is in paid work (Scottish Government, 2019).

The majority of the working-age population in poverty live in working households. In 2019-22, 57% of working-age adults living in relative poverty after housing costs were living in a household

where someone was in paid work in Scotland (Scottish Government, 2023). Women are much more likely to be in in-work poverty, as they are more likely to be in part-time work and/or have caring responsibilities, increasing the likelihood of reliance on the social security system.

There are a range of factors that contribute to in-work poverty including low-paid and precarious work (e.g., irregular or uncertain hours), inadequate social security, and inadequate welfare provision (e.g., housing, care, transport). In the UK, rising housing costs for those on low incomes has been the key factor driving higher rates of working poverty in recent years (McNeil et al, 2021).

What is scenario planning?

Scenario planning is an approach used to assist stakeholders to prepare for uncertainty around potential future contexts.

Scenario planning has been used as a tool in other sectors to understand uncertainty and to develop strategies and policies for the future (McNeil et al, 2021). The key benefits of scenario planning include raising awareness of challenges, identifying key and uncertain drivers of change that may impact a sector and, as a result, building readiness for a range of outcomes and implications (Robinson et al, 2021).

The aim of scenario planning is not to forecast the likelihood of changes to the sector but to consider plausible contexts and consequences. Although, sometimes, it is used to identify a scenario whose features seem more likely to occur than those in other scenarios, and to create a plan based on that scenario.

Why have we adopted this approach?

In this project, scenario planning enabled hospitality employers and workers to look ahead and to identify a variety of potential and plausible futures for the sector, based around key drivers of change, including political, economic, sociocultural, technological, environmental, and legal factors. Adopting this approach with employers and workers provided an opportunity to identify key drivers that may have a significant impact on the sector.

Overview of the scenario planning workshops

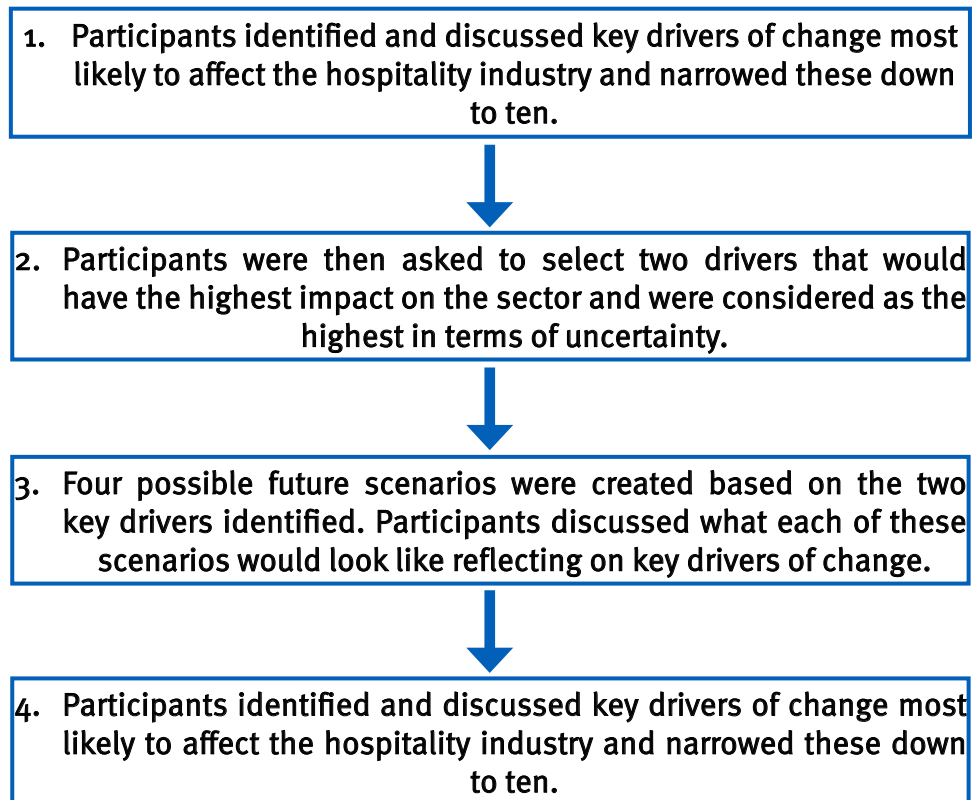
Two one-day workshops took place in September 2022, facilitated by a highly experienced facilitator at the University of Strathclyde, with support from the wider Serving the Future project team. Workers were recruited via social media and by a targeted approach which involved contacting Poverty Alliance's members and partners. They were recruited from within the Glasgow area only, to minimise travel time and additional constraints being placed upon this group. Businesses operating within the hospitality sector were recruited to the project through connections with Living Wage Scotland, as well as through industry umbrella bodies. In order to cover both rural and urban areas, recruitment of employers took place in Glasgow and Argyll and Bute.

Figure 1 provides an overview of the key stages of the process that took place in both workshops.

Once the project was specified for geography, time dimension, and sector, the first main step in scenario planning was to identify drivers of change most likely to affect the hospitality sector in the coming years. In both workshops, employers and workers were asked to identify 10 drivers of change in order of impact and uncertainty, before selecting two key drivers (critical uncertainties) whose outputs were deemed to be most uncertain and whose impact was considered to be the highest from the portfolio of drivers generated (see appendix for the full list of drivers).

Four scenarios were then built based on the two critical uncertainties. These were named and their content derived as participants discussed what each future scenario would look like, focusing on the ten drivers of change identified (e.g., workers identified changes in the use of technology as a driver of change and discussed what the use of technology would look like in each scenario). Once the scenarios were considered robust, participants focused on their implications and actions that the sector or government bodies could take. A follow-up discussion on scenario actions took place with two of the hospitality workers a few weeks after the workshop in order to further explore actions.

Figure 1: Scenario planning process



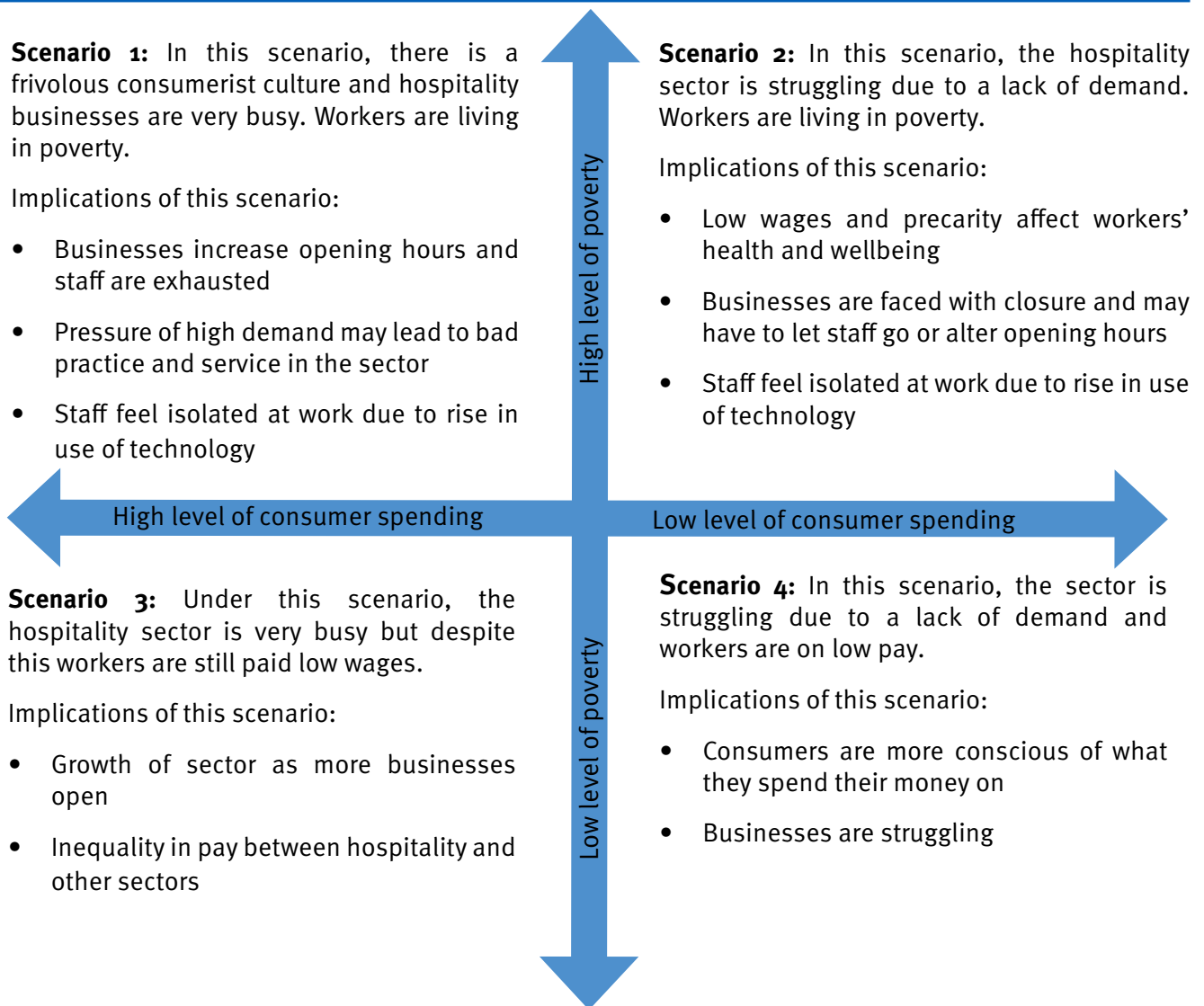
The Future Scenarios

Scenario planning with hospitality employers and workers aimed to (i) identify what the sector could look like in the future, and (ii) identify actions that governments and the industry itself could take to support business sustainability and alleviate issues around in-work poverty in the sector.

Levels of poverty and changes in consumer lifestyle were identified by the hospitality workers group as the key uncertain and impactful drivers likely to affect the hospitality sector in the coming years. Levels of effective government policy and energy costs were identified as key drivers by the hospitality employers group.

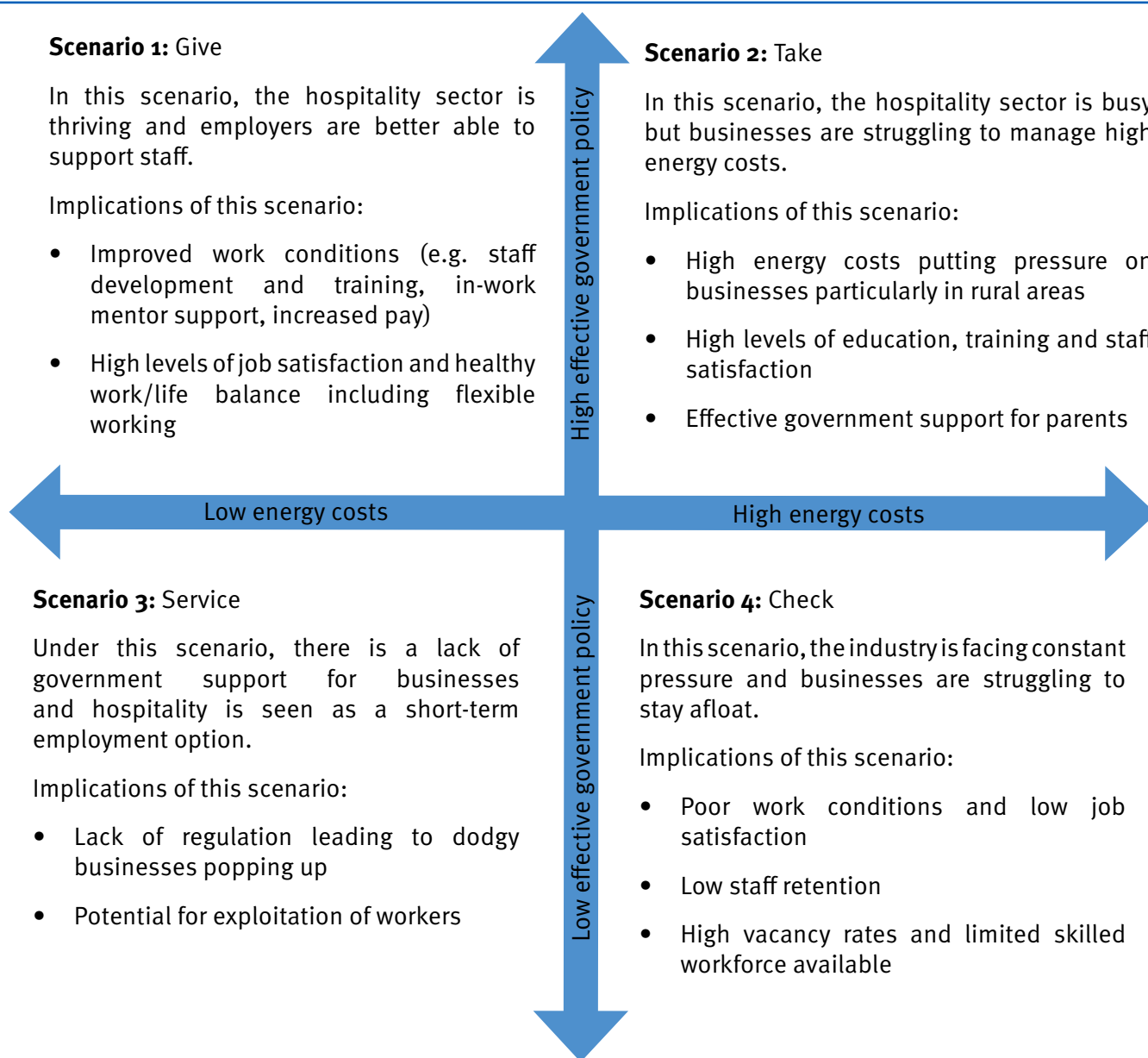
These key drivers formed the basis of both groups' formation of four potential and plausible future scenarios (see figures 2 and 3 for an illustration). Each scenario reflects a different future for the sector and considers the impacts of drivers of change on businesses and workers as well as actions that could be taken by both to counter some of these impacts. Actions under each scenario are included in the appendix to this briefing.

Figure 2: Workers' future scenarios¹



¹ In the workshops, workers created the following titles for the four scenarios: scenario 1 (Bittersweet Symphony/It's always sunny in Finnieston), scenario 2 (I predict a riot/we need to talk about Kelvinhall), scenario 3 (Money, money, money/the Wolf of Argyle Street), scenario 4 (God save the Queen/Breakfast at Bridgeton).

Figure 3: Employers' future scenarios



Identifying actions: the role of the government and the hospitality sector

Across all eight scenarios, both the hospitality sector and the government were viewed to have important roles in making changes to improve workers' experiences and to support the sector. Several solutions identified would require joint action between government bodies and the sector. For example, the focus on more training opportunities for the sector in almost all the future scenarios involved discussions about improvement to training delivered by the education sector as well as by employers.

Government's role

1. Adequate incomes and welfare provision

Actions for the UK and Scottish Governments focused on ensuring adequate incomes through

increasing the minimum wage and increasing social security payments. The provision of childcare outside of traditional work hours was also suggested by employers.

2. Support for businesses

Employers' actions focused on how government could improve communication with the sector and make regulatory processes more accessible through the creation of 'one-stop-shops' for businesses. In scenarios of crisis for businesses, the role of government intervention and support was seen to be instrumental; for example, support from the government for businesses to manage high energy costs was discussed by employers.

3. Education and training

During discussions, employers complained that the education system does not set people up with the skills required to work in hospitality, and one employer stated that "our education system is shaped not to reflect the reality of the job." This was linked to reflections around the education system which does not currently reflect business practice, for example the 25-year-old limit for modern apprenticeships, the lack of preparation for young people to work within the night-time economy and the lack of opportunity and exposure to learning practical industry specific skills, as well as softer more customer focused skills within schools and colleges. For rural employers in particular, the landscape was described as "bewildering", with too many arms-length organisations involved in accessing education and training. Furthermore, this landscape was described as time-consuming and costly.

Hospitality Sector's role

1. Providing opportunities for development

Provision of training and development opportunities for staff by hospitality businesses was raised in all the future scenarios by employers. Opportunities to work with other businesses to provide training and having in-work mentors to support staff with their development were discussed. Workers focused more broadly on employers prioritizing actions to support retainment of staff.

2. Support for workers

In future scenarios where the sector was prospering and effective government policies were in place to support businesses and workers, both workers and employers felt that there would then be more opportunity to increase pay and provide other benefits for staff (e.g., workers focused on improvements to work conditions whilst employers discussed working with other local businesses to provide transport or childcare for staff). In scenarios where hospitality businesses were struggling (e.g., due to high energy costs or low demand), employers discussions still focused on improving pay and providing other forms of support.

Reflections for the Sector

The aim of Serving the Future is to identify and implement meaningful change to reduce the risk of in-work poverty for individuals and families. With this in mind, we conclude this briefing with some reflections for the sector, based on findings from the scenario planning workshops. We recognize the limitations of drawing conclusions from a small number of workers and employers who took part in the research and instead seek to draw out some reflections for the sector and pose questions for further consideration.

Employers and workers' discussions revealed both present and ongoing challenges for the sector including:

Pay and inequality: In all four of the workers' future scenarios, low pay and inequality in pay comparing hospitality to other sectors were dominant themes. Even in more hopeful future scenarios, workers still foresaw hospitality as a low-paid industry. Improving pay and providing other benefits to staff was also perceived to be a priority by employers but would require more government support for the sector. For workers, tips are a key part of their income but have become inconsistent causing worry and anxiety for workers due to the impacts of Covid and the cost-of-living crisis. Employers frequently focused on how they could provide additional support or benefits to staff.

Unanswered questions

How can local businesses work together to provide additional support for staff around transport and childcare?

Growth in technology and reduction in social interactions: The growth in use of technology and its widespread adoption within the industry was expressed as something that could be frustrating for staff. Employers discussed this topic in further detail with examples such as digital check-ins in hotels providing less interaction between staff and customers. This was linked to ideas around technology reducing opportunities to build social and customer service skills, due to digital learning becoming the norm. When exploring this topic, one of the employers stated that "our operation system is called humans," voicing that not all jobs can be replaced by digitization.

Unanswered questions

What will the longer-term implications of growth in the use of technology look like for the sector?

Education: There was a strong consensus amongst employers that education provision needs to be improved. One participant voiced that "we are the backbone of the economy," and shared that, because the education system does not support the sector as much as other more profitable industries, it is difficult to expect the sector to grow and sustain itself without adequate financial and educational support. It was strongly voiced and agreed upon by employers, that they knew of no opportunities within the education system that would equip young people with soft skills such as resilience and confidence that are necessary to work in customer facing roles. The group voiced that young people are unable to learn to talk to people if there are no external opportunities to do so, therefore preventing opportunities to learn and integrate the soft skills necessary for hospitality.

Unanswered questions

What training opportunities would workers like to be offered to support their development and

progression?

How can hospitality employers work with the education sector to feed into the development of hospitality courses?

Recruitment and retention: Discussions often focused on how the sector is perceived as a short-term employment option; hospitality workers and employers felt that hospitality jobs are not viewed as viable or sustainable career options. Working within the industry is often seen as a part-time or shorter-term solution, particularly in rural areas, compounded by the impacts of tourism and seasonal trade. The effects of Covid-19 and Brexit on recruitment and retention were also discussed; it was felt that this had led to “middle ground workers” leaving the sector and a loss of experience and talent.

Unanswered questions

What can the sector and the government do to make the sector a more viable, sustainable career option?

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Appendix 1: Drivers of Change

Workers and employers identified drivers of change most likely to affect the hospitality sector in the coming years. In both workshops, employers and workers were asked to identify 10 drivers of change in order of impact and uncertainty.

Workers

1. Level of poverty
2. Changing energy prices
3. Level of wages
4. Changes in Government
5. Effects of Brexit
6. Changing use of technology
7. Changes in consumer lifestyle
8. Stability of supply chains
9. Changes in product demand
10. Level of Trade Union uptake

Employers

1. Level of talent
2. Level of effective government policy
3. Education and training
4. Level of compensation
5. Energy costs
6. Extent of regulations
7. Level of taxes
8. Sustainability agenda
9. Level of cultural change
10. Changing use of technology

Appendix 2: Scenario actions

Workers' Scenarios

The Four Scenarios	What actions could be taken?
<p>1. Hospitality workers are experiencing high levels of poverty within a frivolous consumerism culture – the hospitality industry is extremely busy but wages remain low</p>	<p>Employers</p> <ul style="list-style-type: none"> • Try as hard as possible to deliver good practice and service despite demands on the sector e.g. employ more staff • Hire and train additional staff to improve products and service <p>Government</p> <ul style="list-style-type: none"> • Provide hospitality training and scholarships • Establish a charter to hold businesses accountable for malpractice • Increase Universal Credit • Increase sick pay • More support for mental health • Tackle illegal dodgy practice and products
<p>2. High levels of poverty and a conservative consumer lifestyle – a precarious hospitality sector with a lack of footfall and jobs</p>	<p>Employers</p> <ul style="list-style-type: none"> • Compromise on profits in the short-term and prioritise sustained employment of staff <p>Government</p> <ul style="list-style-type: none"> • Ensure support and protection of workers and jobs through governmental support (e.g., similar to the furlough scheme) • Introduce incentives for customers e.g., “eat out to help out scheme” • Ensure businesses are held accountable for any forms of malpractice • Invest in advice services to support those in poverty • Create government supported employment schemes

<p>3. Low levels of poverty and a frivolous consumer lifestyle – increased footfall in hospitality venues</p>	<p>Employers</p> <ul style="list-style-type: none"> • Increase workers’ pay • Improve work conditions for workers ensuring all rights are adhered to (e.g., advanced rotas, consistent pay, paid breaks, improvements to job stability) • Address and be accountable for incidences of racism in the workplace • Increase pay for workers in less desirable jobs where conditions cannot be fully improved (e.g. cleaning) • Increase respect for staff and tackle stigma around low-status work <p>Government</p> <ul style="list-style-type: none"> • Increase the minimum wage • Increase taxes and make the economy more cyclical • Provide support to new businesses and specifically increase diversity of owners within the sector
<p>4. Low levels of poverty and a conservative consumer lifestyle</p>	<p>Employers</p> <ul style="list-style-type: none"> • Host cultural events that will intrigue and develop cultural knowledge and awareness • Push back as much as possible against a lack of diversity <p>Government</p> <ul style="list-style-type: none"> • Financial assistance for struggling businesses • Invest in promoting tourism including through new and existing events • Provide Universal Basic Income

Employers' scenarios

The four scenarios	What actions could be taken?
<p>1. High levels of effective government policy and low energy costs – hospitality sector is thriving, and employers are better able to provide for their staff</p>	<p>Employers</p> <ul style="list-style-type: none"> • Increase employee training and development • In-work mentors to help and support staff within their roles • Better pay and other staff benefits • Private health care • Better work/life balance e.g., through working with local businesses to provide shared benefits for staff e.g., childcare provision, travel <p>Government</p> <ul style="list-style-type: none"> • Increased support with childcare outside of traditional working hours • Hospitality education focused on practical as well as industry specific soft skills • Preventative planning for the sector for periods of potential difficulty • Direct reinvestment • Create a one-stop-shop for the sector to get government help regarding regulations e.g., alcohol licenses, non-domestic rates • De-centralise funds towards arm's length training

<p>2. High levels of effective government policy and high energy costs – hospitality sector is busy, but businesses are struggling with high energy costs</p>	<p>Employers</p> <ul style="list-style-type: none"> • Increased employee training and development • In-work mentors to help and support staff within their roles • Better work/life balance • Provide help with energy costs to staff • Salary sacrifices for green schemes e.g., using solar panels, cycle to work scheme • Working with other local businesses to provide support with rising cost of living e.g., local hotels providing transport for staff with local bus or taxi company <p>Government</p> <ul style="list-style-type: none"> • Creation of a step-by-step guide on energy efficiency • Increased support and subsidies for business energy costs • Financial support for sustainable green schemes • Provision of capital allowances to support investment in new equipment • Provide long-term clarity on energy costs and support to businesses
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<p>3. Low levels of effective government policy and low energy costs – lack of government support for businesses and hospitality seen as a short-term employment option</p>	<p>Employers</p> <ul style="list-style-type: none"> • Increased employee training and development, including collaboration with other businesses to provide additional training/support • Better work/life balance • Increased staff wages due to low energy costs • Showcasing business values to increase reputation • Work in collaboration with trade unions <p>Government</p> <ul style="list-style-type: none"> • Provision of policy, guidance and regulations for the sector • Lobby in the sector for policy • Creation of a Ministerial post for hospitality and tourism sector • Get policymakers to understand the sector more with fieldwork – joint project between the government and the sector.
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<p>4. Low levels of effective government policy and high energy costs – industry is facing constant pressure and many businesses are struggling to stay afloat</p>	<p>Employers</p> <ul style="list-style-type: none"> • Additional pay and benefits to staff • Better work/life balance • Building loyalty and strong relationships with staff based on kindness • Better understand the reasons for staff leaving positions and increase staff retention • Promote staff loyalty • Pull staff in from other industries to try and build a team of dedicated staff • Provide support with the transition period between education and employment e.g., training around resilience, confidence and managing anxiety <p>Government</p> <ul style="list-style-type: none"> • Provide more clarity around current and future energy costs • Provision of support to train and retain staff • Better data management • Provision of benefits for people in work that is supportive • Removal of silos and creation of one-stop-shop for businesses • Support for wages differentiated between urban and rural areas
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