



In-work poverty in the hospitality sector in Scotland:

Policy briefing

Serving the Future

October 2023

This policy briefing shares findings and policy implications at the mid-point of a three-year action research project on in-work poverty and the hospitality sector. Key messages from the briefing include:

- Public services such as childcare, transport and housing need to better factor in the needs of people working in the hospitality sector if in-work poverty is to be eradicated. Businesses are not able, and should not be expected, to provide services that are the responsibility of the state.
- Hospitality employers are facing one of the most challenging business environments in decades. There is more the government can do to ease the current pressures faced by the sector.

Introduction

It is now more common in Scotland to be in working poverty than it is to be in poverty and out of work. There are 410,000 adults and 170,000 children living in poverty in households in Scotland where at least one person works each year.ⁱ Real income from work has not risen significantly for those on the lowest incomes since 1995-98, and during that time their income from social security has fallen.ⁱⁱ To reach the Scottish Government’s poverty reduction targets, we must tackle the complex and pervasive causes of in-work poverty.

This policy briefing provides a summary of the findings and policy implications at the mid-point of the Serving the Future project. Serving the Future is a 3-year action research project seeking to understand, reduce and prevent in-work poverty in the hospitality sector.

Research overview

Serving the Future provides an innovative insight into in-work poverty in hospitality by working with both workers and employers in the industry (see figure 1). A key aim of this work is to inform how to support change in the industry. Our work with employers has been peer-led and we have been able to hear firsthand how they operate and the challenges and opportunities they face in supporting their predominantly low-paid workforce.

Alongside this, interviews with around 25 workers are helping us to understand the demands and challenges of working in the sector, particularly for families. These interviews will be repeated over the course of the project to help understand changes over time.

We recognise that this project is based on a small sample of businesses and workers; through these approaches the project aims to provide nuanced and important insights into policy implications for national and local governments.

Separate reports with detailed findings from each method are available on our [website](#).

Figure 1: Serving the Future overview



Understanding the hospitality industry

Speaking to both employers and workers in this project has given us an insight into what is and is not working well. Our research so far has uncovered some changes that can be made by businesses, the wider industry and the government to improve the sector for employees and employers.

Our participating employers want to be at the forefront of change and have genuine concern for their employees' wellbeing. Some workers we spoke with described their employers in a similarly positive manner. However, other workers told us of their experience of maltreatment and exploitation. The critical issues we have highlighted in this briefing fall into three categories:

- practices that can be changed by employers;
- required improvement in public services which are the responsibility of government and local authorities;
- and issues where businesses, government(s) and sector bodies need to work together to overcome barriers to effecting change.

Critical issues

Pay and security

The hospitality sector remains one of the lowest paid industries in the UK, with median pay sitting at just £10 per hour compared to the economy-wide average of £15.03 per hour in Scotland.ⁱⁱⁱ Holding all else equal, we may have expected that record-high vacancy rates from 2021 onwards would lead to pressure to raise wages, but this has not yet happened at scale and this implies that there are other factors at play. Employers spoke to us about constraints such as unpredictable cash flow, large increases in prices for other inputs and competition as factors that prevent movement on pay. These pressures are facing all employers, including those that are champions of fair work.

Zero-hour contracts and casual working arrangements were relatively common experiences for the workers we interviewed, and we heard about the challenges this places on those working long-term in the industry and those with caring responsibilities.

Our research involved employers who want to do better, but often feel constrained by factors outwith their control, which implies a possible role for government(s). Although the onus is on employers to find solutions to ensure their business practices are sustainable, suggestions for further help from government(s) included setting a level playing field in terms of minimum obligations (such as a higher minimum wage) and looking at ways of easing cost pressures through levers such as the non-domestic rates system.

Public services

The Serving the Future project particularly aims to understand the drivers of in-work poverty for people in low-paid work in Scotland, with a specific focus on families. In interviews with workers, this has included a focus on challenges around employment alongside issues relating to public services such as childcare, transport and housing and experiences of the social security system.

A lack of affordable and available childcare outside of traditional working hours and during holidays was an issue raised by both employers and workers. Some parents have found ways to juggle informal care and others had employers who let children come into the workplace if there was no other option, but for all it was an issue.

Employers discussed the potential of finding creative solutions, for example, by pooling with other local businesses to pay for provision. However, this is an issue that should not be the responsibility

of employers to solve, and further expansion of free childcare provision for those on low incomes is desperately needed:

“If I were to work full-time it would be like quite a nice salary. But two thirds of it’s gone in childcare, and like what’s, what’s the point? I think that the free childcare from three is really, like, it’s fantastic. And I know that there are some circumstances where you can get that from two years of age. I just, I’m not sure that the, the scope is wide enough.” (Hospitality worker)

Several participants also shared financial struggles during maternity leave including struggling to manage on Statutory Maternity Pay or Maternity Allowance. There needs to be more research on women’s financial experiences during maternity leave to ensure that appropriate policies are put in place so that women are properly supported.

Transport was identified as a challenge for hospitality workers primarily due to the lack of public transport available for late-night workers. Positive examples were shared by some workers of employers’ taking transport issues into account (e.g., by timing shifts around buses in a rural area or providing shifts in a venue nearer to a worker’s home). In general, however, research participants felt that public transport is widely insufficient, and needs to be addressed across both urban and rural areas. These changes cannot be made by individual employers making small-scale adjustments for individual workers.

“...with rural areas, like the transport. I had to buy a car to – for the job that I probably wouldn’t have bought otherwise. So that was a bit of an outlay to get going again.” (Hospitality worker)

Transport, childcare and benefits are clearly outside the remit of hospitality employers. Despite this, we saw employers in our research trying to support workers in these areas. Our research points to a need for policymakers to consider ways to mitigate these drivers of in-work poverty for hospitality workers, such as by increasing childcare provision outside normal 9-5 working hours. Regarding transport, Glasgow City Council’s support of the Get Me Home Safely campaign is welcomed, though the council’s motion currently only covers newly licenced premises and businesses extending their opening hours.^{iv}

Accessing support

Despite government investment into welfare and debt advice services provision, this research also found a lack of knowledge among some participants regarding social security entitlement (e.g., childcare costs through Universal Credit, support with Council Tax) and where to go to access support.

For some of our participants, there was confusion about whether they would receive a Universal Credit (UC) payment in a certain month; some found inconsistency in payments difficult to plan around. For parents, fluctuating entitlement to UC has implications for other income sources (e.g., the Scottish Child Payment, which is a ‘passported benefit’).¹

Workers in this research spoke about the pressures on their time, meaning that they face barriers trying to access support only available at specific times. Employers in this research voiced that they would like to better understand types of financial support available to employees and what employers could and should be doing to support them.

A further example of where further support could really make a difference is in terms of career progression. The Scottish Government’s *Best Start, Bright Futures: Tackling Child Poverty Delivery Plan* rightly recognises the importance of progression for alleviating poverty risk for parents.^v The hospitality industry clearly benefits from retaining those with experience in the sector and from

1 Passported benefits are benefits or schemes which some people are entitled to because of their entitlement to certain other benefits or Tax Credits.

having staff in more senior positions with the skills and confidence to thrive as they progress through the sector.

However, we heard from employers and workers that there is a lack of formal training in jobs, and that the skills and educational landscape is mismatched with industry needs, creating skills gaps. Some workers felt that progression was not worth it due to insufficient pay increases. Several workers had actually moved back down the ladder as they felt the small increase in pay was not worth significant extra responsibility and stress, while others had taken a lower paying role in different businesses.

Getting the right support for a sector where managers and workers are time-poor is a challenge. There are already a range of existing resources provided by sector bodies and other organisations for hospitality employers, but further support is needed. The work committed to in the Scottish Government's *Fair Work Action Plan* to provide a centralised hub for employers on fair work resources may be part of the solution.^{vi} There is a clear opportunity here for the taking, with an increase in scale, awareness, and accessibility of support for workers and employers clearly needed.

Key reflections and unanswered questions

Addressing in-work poverty and the challenges facing the hospitality sector in Scotland requires policy and systems-wide change.

This research provides evidence of negative impacts on wellbeing as parents try to juggle work with childcare and workers struggle with key household costs during the cost-of-living crisis. Policy responses to tackling child poverty in Scotland should focus on how families in low-paid work can be better supported. Alongside this, challenges around sustainability of the hospitality sector shared by workers and employers demonstrates that current government support for the sector is insufficient.

At this mid-point stage in the project, we suggest that the following questions need to be explored, that have not yet been fully answered within the *Serving the Future* project:

1. How can local and national governments better support low-paid workers and address the challenges faced by families specifically?
2. How can government work with and support hospitality businesses wanting to better support their workers?

*Learn more about *Serving the Future* and read our previous research at <https://www.servingthefuture.scot/>*

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