

Raising the Bar

Securing the future of Hospitality, Tourism and Retail

July 2022



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd website:
www.senedd.wales/SeneddEconomy

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

Tel: **0300 200 6565**

Email: **SeneddEconomy@senedd.wales**

Twitter: **[@SeneddEconomy](https://twitter.com/SeneddEconomy)**

© **Senedd Commission Copyright 2022**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Raising the Bar

Securing the future of Hospitality, Tourism and Retail

July 2022



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddEconomy

Current Committee membership:



**Committee Chair:
Paul Davies MS**
Welsh Conservatives



Hefin David MS
Welsh Labour



Luke Fletcher MS
Plaid Cymru



Samuel Kurtz MS
Welsh Conservatives



Vikki Howells MS
Welsh Labour



Sarah Murphy MS
Welsh Labour

Contents

Chair's foreword	5
Recommendations	7
1. Introduction	10
2. Business Support	12
Business Rate relief and Business Rate reform	13
Value Added Tax (VAT)	15
Pressure from increased energy prices	16
Impact of cost of living pressures	16
Other financial support measures	17
Supply chain support and local procurement	17
Investing in a recruitment strategy	18
3. A Strategy for the Retail Sector	19
4. Welsh Government approach to the Visitor Economy	22
Re-classifying self-catering accommodation for local tax purposes	24
A Local Tourism Levy for Wales	25
Engagement with sector representatives and small businesses	27
5. Labour market challenges in the sectors	29
Impacts of staff shortages on employers	29
Fair Work	32
Role of the Economic Contract	38
Status of the Sectors	39
'Professionalising' the sectors and creating progression pathways	41
Annex A: List of oral evidence sessions	44

Chair's foreword

In the past year the Welsh visitor economy enjoyed some bounce-back from post-Covid 'staycations', and we've seen a gradual return to 'business-as-usual'. But recovery is fragile and cost of living pressures mount. Our one-day inquiry looked at the long-term challenges for hospitality, tourism and retail, and how to resolve deep-seated issues that could hold back confidence and stand in the way of a solid recovery.

The tourism, hospitality and retail sectors employ a high proportion of the Welsh workforce and took a colossal hit during the pandemic. We've heard from businesses about the huge challenges they have faced, and their concerns for the coming months and years, but what's been perhaps less prominent is the voice of sector workers. We decided to examine the issues affecting longer-term viability and sustainability from the perspectives of employers, workers and training providers. We are grateful to all those who gave evidence, but in particular thank the anonymous individuals across Wales who gave us frank and compelling evidence about what it's like working in these sectors. We heard about long hours, low pay, job insecurity, lack of worker voice, and a lack of respect from customers and employers. Despite all that, people also said how much they love the work. There is great pride in being part of Wales's vibrant visitor economy, and although he acknowledged huge challenges for business and consumer confidence, the Minister for Economy was also very positive about the future.

There were fearful predictions of mass unemployment during the pandemic, but now these sectors face a people shortage amplified by a struggle with negative perceptions about whether they can offer secure and fulfilling careers. Raising the status of these sectors is vital. Work has begun to give a voice to the "experience makers" of Wales, and the Retail Forum and Visitor Economy Forum will be critical to build understanding between employers, workers, training providers, funders and policymakers. The strong partnership working that developed in response to Covid-19 gives a solid base for working through issues and crafting solutions. It will also help Welsh Ministers prioritise any further financial support in the face of difficult budget choices.

The Committee is calling for greater clarity around the role of Welsh Government's Economic Contract in driving fair work outcomes. We want assurances that Programme for Government policies relating to affordable housing and a planned tourism levy do not adversely impact on business confidence. The industry must play its part in tackling what are often well-grounded negative perceptions. It needs to professionalise itself, and work with government and the skills sector to promote clear career pathways that will attract talent. Businesses are struggling with a 'cost of doing business' crisis, but must resist off-loading business risks onto their employees and instead give them a voice and ensure fair pay and conditions. Welsh Government also needs to ensure that the voices of smaller owner-operators are heard in the fora set up to support these sectors.

The hospitality, tourism and retail sectors are absolutely vital to our nation's success. Alongside the large numbers of jobs they create they also provide the backbone of the entertainment and social life people in Wales, and our visitors, enjoy, and that make Wales an outstanding place to live or visit. This means raising the level of ambition for these sectors is vital and will help raise the quality of life of our citizens and visitors.



Paul Davies MS

Chair, Economy, Trade and Rural Affairs Committee

Recommendations

- Recommendation 1.** Welsh Ministers should set out in detail what changes to non-domestic rates are being considered to provide the “supportive environment” for the retail sector in Wales that the Retail Forum called for in its March 2022 position statement.Page 15
- Recommendation 2.** The Welsh Government should take the disproportionate impact of the pandemic and cost of living pressures on the hospitality, tourism and retail sectors into account with regard to the non-domestic rates re-valuation to take effect in April 2023.....Page 15
- Recommendation 3.** The Minister for Economy should continue the dialogue with HM Treasury on possible future changes to the level of VAT to support the fragile recovery in the hospitality, tourism and retail sectors, particularly in light of growing cost of living pressures on businesses in those sectors.Page 15
- Recommendation 4.** The Minister for Economy should set out whether hospitality, tourism and retail businesses can be given additional flexibility in repaying loans to Welsh Government or the Development Bank of Wales in light of the continuing financial pressures faced by these sectors of the Welsh economy.....Page 17
- Recommendation 5.** The Minister for Economy should consider what additional support for capital investment can be provided to the hospitality, tourism and retail sectors.Page 17
- Recommendation 6.** Following publication of a long-awaited strategic vision for the retail sector, the Welsh Government should keep the Committee updated on the timescale for the associated delivery plan to support the sector; how activities will be resourced to meet needs identified by the Retail Forum; and the extent to which these will be met from existing or new funding. The Committee should then receive a further report on progress with that detailed retail delivery plan six months following its publication.Page 21
- Recommendation 7.** The Welsh Government should provide the Committee with a detailed breakdown of 2022-23 budget allocations to support tourism.....Page 23
- Recommendation 8.** The Welsh Government should outline in detail their reasoning for the increase in the number of days per annum that a self-catering property must be available to let to 252, and days actually let to 182, as set out in The Non-Domestic Rating (Amendment of Definition of Domestic Property) Order 2022.....Page 25

- Recommendation 9.** The Welsh Government should set out the evidence base it considered in deciding to pursue the introduction of a local tourism levy at this time..... Page 26
- Recommendation 10.** The Welsh Government should share the outputs of the three tourism levy research projects with the Committee at the earliest opportunity. Page 26
- Recommendation 11.** The Welsh Government should set out in detail the intended approach to consulting on the draft legislation for a proposed local tourism levy. Page 26
- Recommendation 12.** The Welsh Government should set out how the challenges facing the hospitality, tourism and retail sectors are being factored into the development of its policy approach and interventions regarding second homes and a local tourism levy. The Committee would welcome an update on the findings of the Dwyfor pilot scheme, and for Welsh Government to explain its intentions for next steps; timescales for future policy changes; and approach to assessing the economic impacts on those sectors..... Page 26
- Recommendation 13.** The Welsh Government should set out more detail of where it sees scope, within its planned expansion of the apprenticeships programme, for higher-level career pathways in tourism and hospitality, including for degree apprenticeships..... Page 32
- Recommendation 14.** The Welsh Government should provide further information on the Membership of the Visitor Economy Forum, including how it is directly involving smaller owner-operators, and set out the extent to which progressing fair work outcomes forms part of its terms of reference. Page 35
- Recommendation 15.** The Welsh Government should ensure that its engagement with partners in the Visitor Economy Forum is as good as that of the Retail Forum, building on best practice and lessons learnt from that experience of social partnership..... Page 35
- Recommendation 16.** Given the concerns raised by business representatives and trade unions on lack of understanding of the Economic Contract, the Welsh Government should review its approach to explaining and promoting the contract, and set out how it plans to improve communication as part of its work to strengthen the contract. Page 38
- Recommendation 17.** While recognising that the Economic Contract is not a compliance tool, the Committee recommends that the Welsh Government provides an update on its work with social partners to develop mechanisms to review sample contracts, and sets out any further plans it has to strengthen monitoring and enforcement as part of its work on strengthening the contract..... Page 38
-

Recommendation 18. The Welsh Government should set out how it will use the fair work levers at its disposal to address the issues raised in the Committee’s report on barriers to fair work in the hospitality, tourism and retail sectors: including protecting and improving workers’ pay and conditions in light of growing cost of living pressures on workers and employers; improving worker voice; and using conditions in grant funding to businesses to leverage fair work improvements.Page 39

1. Introduction

As the hospitality, tourism and retail sectors continue to struggle in the aftermath of the pandemic, the Committee's inquiry focused on the longer-term challenges facing these sectors and their workers, and how they can be overcome.

1. Tourism and hospitality represent 11.8% and 9.6% of the Welsh workforce, respectively, and the retail sector is Wales's largest private sector employer, with 120,000 employees, accounting for 5.9% of Welsh GVA (Gross value added).¹ Over the course of the pandemic the Welsh Government says it has provided **over £2.2bn of support to businesses** affected by Covid restrictions. Hospitality, tourism and non-essential retail were significant beneficiaries of this support, and while there have been some encouraging signs of recovery, the Minister for Economy himself described confidence in the tourism sector as 'fragile', and recognised the long-term socio-economic impacts of the downturn.

2. After taking evidence on hospitality, tourism and retail issues on 30 September 2021, the Committee decided to conduct a short inquiry with a specific focus on:

- the sectors' recent experience with Covid-19 and economic recovery;
- the longer-term viability and sustainability of the sectors;
- workforce issues – including improving the quality of jobs and addressing labour shortages; and
- skills in the sectors.

3. On 3 March 2022, the Committee took evidence from organisations representing the hospitality, tourism and retail sectors, from the Bevan Foundation, Wales TUC and Unite Wales, and from training providers and representatives of CollegesWales and the National Training Federation Wales. The Committee then took evidence from the Minister for Economy on 17 March 2022.

¹ Welsh Government written evidence, 17 March 2022

4. Following the 3 March session, Members wanted to engage directly with workers in those sectors to explore the issues raised in Committee. An anonymous survey was promoted on social media, followed by one-to-one interviews with some respondents. This report takes account of the findings from those interviews, and a full separate report of this work by the Senedd Citizen Engagement team is available on the Committee's web pages. The workers who participated remain anonymous to protect their identities - the Committee is hugely grateful to those individuals for giving their time to contribute to this work.

2. Business Support

5. Welsh Government has provided a comprehensive package of financial support measures to businesses over the course of the pandemic, some of them specifically targeted at these three sectors. On 23 December 2021, the Minister for Economy announced an additional £120 million of coronavirus funding to support businesses impacted by the spread of Omicron through the period 13 December 2021 to 14 February 2022. The support included:

- Grants of between £2,000-£6,000 for non-essential retail, hospitality, leisure and tourism businesses and their supply chains who pay business rates, dependent on the rateable value of their business premises;
- Discretionary support of between £500 and £2,000 from local authorities to eligible sole traders, freelancers, and businesses in these sectors and their supply chains who do not pay business rates; and
- Grants of up to £25,000 through the Economic Resilience Fund for severely impacted hospitality and leisure businesses who had seen their turnover decrease by at least 60%.

6. At the same time the Minister announced that the £35 million Business Support Fund would be withdrawn, although existing offers would be honoured. The Business Support Fund had been announced in November 2021 to support small and medium-sized enterprises to relaunch, develop, decarbonise and grow. The Minister's evidence to the Committee also highlighted that many businesses in these sectors have also benefitted from the £108m Cultural Recovery Fund that has been supporting cultural events and individuals throughout the pandemic.

7. In general, representatives from all three sectors were positive about the support that had been offered by Welsh Government, describing it as generous, timely and well-delivered. This was the same message that the predecessor Senedd Economy, Infrastructure and Skills Committee had received during earlier scrutiny of Covid-19 business support to Welsh businesses. The sectors acknowledged that some microbusinesses had still "slipped through the cracks", and that the impact of last minute cancellations, uncertainty and prolonged severe financial pressures had taken its toll on individual businesses. Although the latest (at that time) Tourism Barometer (November 2021) showed encouraging green shoots of recovery for the tourism sector, Welsh Government described confidence as 'fragile', and identified a number of

medium-to-long-term challenges for all three sectors that form part of the vital 'visitor economy' of Wales.

8. A number of areas for continued support and attention from Welsh Government were identified by witnesses.

Business Rate relief and Business Rate reform

9. Welsh Government's draft budget for 2022-23 allocated £116 million to provide 50% business rate relief in 2022-23 for the retail, leisure and hospitality sectors, up to a maximum of £110,000. This was the same level of relief being provided by the UK Government in England.

10. The hospitality and retail sectors in particular have long called for business rate reform to assist property-based businesses. Sara Jones of the Welsh Retail Consortium and David Chapman of UKHospitality Cymru reiterated this as a priority for the sectors when giving evidence to the Committee. David Chapman said it was an *"important plank"* for Covid recovery:

*"Business rates have been an increasingly unjust system year on year going into this. Sara and myself hosted a round-table with representatives before COVID to highlight how the changing shift in the commercial climate had left property-based businesses such as ours in the hospitality sector adrift when internet-based businesses and out-of-town businesses were increasingly growing, but we were taking an unfair share of the cost base in business rates. So, that's been long term and there continues to be a desperate need to put us on a level playing field with others."*²

11. However Shavanah Taj of Wales TUC expressed grave concerns that because business rate relief is "indiscriminate" it could work against the goals of the fair work agenda for those sectors:

"...of all the levers the Welsh Government has to support business owners, I would say this is probably one of the worst ways for trying to leverage any changes in terms of employment conditions. I'm really worried that if this ends up continuing and it continues to be a significant way in which the sector is supported, instead of grant funding and other initiatives, it's going to be quite difficult to see how we'll actually achieve fair work outcomes as a result of that public spend, so this idea of the something-for-something agenda."

² Paragraph 73, Economy, Trade and Rural Affairs Committee, 3 March 2022

*It's also virtually guaranteed that those employers who actually practise illegal employment practices will receive Government support, because rates relief is so indiscriminate, and labour exploitation, of course, is rife in sectors like these. So, I think that we need to look at this again, and I think that when support is provided to businesses, even if it is during a pandemic, we need to go into it with our eyes open, and we need to be in a position where we are actively clawing back any support that has been provided if we find that bad practices are continuing."*³

12. The **position statement of the Retail Forum**, published by Welsh Government on 15 March, said of reform of non-domestic rates:

"The retail sector requires a supportive environment to meet these challenges, including considering feasible changes to the Non-Domestic Rates (Business Rates) system to support growth in the retail sector."

13. The Minister for Economy told the Committee on 17 March that the 2022 package of business rate relief for businesses in Wales was *"at least as good as every business over the border"*⁴, but that the planned reform package would not be simple to deliver.

14. On **29 March** the Minister for Finance and Local Government announced an "ambitious" four-year programme of non-domestic rates reform, telling the Senedd that Welsh Government would work with local government, the Valuation Office Agency and the Valuation Tribunal Wales *"to explore and deliver new ways of working for Wales."*⁵ The Minister said Welsh Government recognised the need to *"review and adapt"* local taxation policy, stating:

"We aim to bring forward legislation to move towards a three-yearly revaluation cycle, in line with other parts of the UK, and are exploring options for shorter revaluation cycles. This includes exploring the potential for reducing the gap between the valuation date and a new rating list coming into effect."

15. The Minister for Finance and Local Government also pointed to the need to review and "potentially reform" the appeal process, review the relief schemes, and improve data infrastructure to support the business rates system. She said that the reassessment of non-

³ Paragraph 213, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴ Paragraph 207, Economy, Trade and Rural Affairs Committee, 17 March 2022

⁵ <https://record.assembly.wales/Plenary/12661#A71283>

domestic properties for the revaluation taking effect in April 2023 *"will reflect the impact of the pandemic on our tax base."*

Recommendation 1. Welsh Ministers should set out in detail what changes to non-domestic rates are being considered to provide the "supportive environment" for the retail sector in Wales that the Retail Forum called for in its March 2022 position statement.

Recommendation 2. The Welsh Government should take the disproportionate impact of the pandemic and cost of living pressures on the hospitality, tourism and retail sectors into account with regard to the non-domestic rates re-valuation to take effect in April 2023.

Value Added Tax (VAT)

16. As part of the response to the pandemic the UK Government reduced the rate of VAT payable by hospitality and tourism businesses from the standard rate of 20% to 5% between July and September 2021, and to 12.5% between October 2021 and the end of March 2022.

17. When giving evidence to Committee in March, UKHospitality Cymru pointed to the campaign for HM Treasury to retain the reduced 12.5% VAT level for hospitality and tourism businesses after April 2022, rather than it reverting to the previous 20% rate. David Chapman pointed out that the increase would coincide with other financial changes impacting on businesses:

*"national insurance levels rising, with business rates returning to a 50 per cent ceiling from the 100 per cent support that we had during COVID, and also food and drink inflation, and, worse probably than that, energy inflation, which is absolutely enormous in the sector at the moment."*⁶

18. The Minister for Economy said that along with other Ministers he had raised the VAT issue with UK Ministers. He said that reverting to the previous 20% rate early "could actually harm the economy", as that although the overall economy was back to pre-pandemic levels in Wales, which was good news, the recovery *"isn't necessarily secured in every sector."*⁷

19. As announced by the UK Government at Budget 2021, the temporary reduced rate which applied to tourism and hospitality ended on 31 March 2022.

Recommendation 3. The Minister for Economy should continue the dialogue with HM Treasury on possible future changes to the level of VAT to support the fragile recovery in the

⁶ Paragraph 19, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁷ Paragraph 209, Economy, Trade and Rural Affairs, 17 March 2022

hospitality, tourism and retail sectors, particularly in light of growing cost of living pressures on businesses in those sectors.

Pressure from increased energy prices

20. At the time the Committee took evidence in March, UKHospitality Cymru told us that information from its Members indicated that between 2019-20 and 2023, most businesses would see a 2.8 times increase in their energy bills and that it was *"a really worrying time"*. *"The cupboard is bare"* David Chapman said. The Committee has since taken further evidence from the business sector on cost of living pressures which has highlighted further the pressure on the sector of meeting soaring energy costs, and what Dr Llyr ap Gareth of FSB Wales described as *"the cost-of-doing-business crisis."*⁸

Impact of cost of living pressures

21. Since taking evidence from the tourism, hospitality and retail sectors in March, cost of living pressures on those sectors have increased markedly. The impact of war in Ukraine, supply chain issues, rising inflation and the soaring costs of energy, fuel and food have all contributed. The Committee recently prioritised a piece of work to examine the socio-economic impacts on the workforce, businesses and rural communities in more detail.

22. The Committee took evidence from the Minister for Economy and Minister for Rural Affairs and North Wales, and Trefnydd on 15 June specifically on cost of living pressures, and will report separately with specific recommendations. It is clear that there is a particular impact on tourism, hospitality and retail, with the Minister for Economy characterising the growing pressures as very challenging. These sectors rely on households' discretionary spending on non-essential goods and services, which is being increasingly squeezed, and workers and business owners already badly affected by the pandemic face increased mental health strain. Business owners operating in rural areas in particular are disproportionately affected by increased energy and fuel costs to run their business and access services, as well as greater skills shortages. They will be experiencing the 'double whammy' of higher personal cost of living pressures coupled with higher costs to run their business. There is a greater reliance on private vehicles, longer travelling distances, more people are off-grid and subject to exorbitant oil and LPG costs, costs for adequate broadband connections are higher. Suzy Davies of WTA pointed out that *"the industry in the round has been affected by the cost-of-living crisis, both in terms of supply and in*

⁸ Paragraph 127, Economy, Trade and Rural Affairs Committee, 26 May 2022

*terms of demand.*⁹ Michael Bewick of North Wales Tourism Forum said the impact of business cost inflation on the tourism sector and its investment plans could not be overstated.¹⁰

Other financial support measures

23. Suzy Davies of WTA said that some businesses would need extensions to the period set for repaying loans, and that further capital investment was needed for some visitor attractions. She said *"I have my concerns about the very low amount of £5 million being available to Visit Wales for capital works, when, particularly, it looks as if they've got that earmarked for other plans."*¹¹ During Wales Tourism Week (16-22 May) the Minister for Economy announced a package of £2.9m of support under the "Brilliant Basics" Fund. Welsh Government's support to the Visitor Economy is covered in more detail later in this report.

Recommendation 4. The Minister for Economy should set out whether hospitality, tourism and retail businesses can be given additional flexibility in repaying loans to Welsh Government or the Development Bank of Wales in light of the continuing financial pressures faced by these sectors of the Welsh economy.

Recommendation 5. The Minister for Economy should consider what additional support for capital investment can be provided to the hospitality, tourism and retail sectors.

Supply chain support and local procurement

24. Suzy Davies of the WTA also identified issues with supply chains and called for a focus on encouraging 'value-for-money' Welsh procurement. Welsh Government and local authorities are focused on measures to support local procurement to generate wealth within the local foundational economy. As food costs rise there is a challenge for small businesses to continue to procure quality local produce from local suppliers. Supporting local supply chains - essentially supporting local businesses and communities - is all the more important in the face of cost of living pressures.

25. The Minister for Economy pointed to the importance of the Social Partnership and Public Procurement (Wales) Bill, introduced on 7 June, to further improve procurement as a key driver of wealth in local economies. He said he and Ministerial colleagues welcomed scrutiny of the Bill by the Senedd and were "genuinely interested" in seeing where further improvements could be made.

⁹ Paragraph 21, Economy, Trade and Rural Affairs Committee, 3 March 2022

¹⁰ Paragraph 25, Economy, Trade and Rural Affairs Committee, 3 March 2022

¹¹ Paragraph 71, Economy, Trade and Rural Affairs Committee, 3 March 2022

Investing in a recruitment strategy

26. Suzy Davies of the Wales Tourism Alliance (WTA) said the tourism sector was looking for an investment in a recruitment strategy for the industry. The need for a focus on recruitment and career progression in these sectors was a strong message from the inquiry, set out further in the skills section of this report.

3. A Strategy for the Retail Sector

27. The retail sector is the largest employer in Wales with 114,000 employees. Welsh Government had previously committed to publishing a Retail Strategy. The Fifth Senedd's Economy, Infrastructure and Skills Committee 2021 report on the implications of remote working for Wales recommended (Recommendation 8) that *"Beyond the current Welsh Government 'Town Centres First' principle and 'Transforming Towns' programme, Welsh Government should bring forward a Retail Strategy and Plan that can adapt and respond to remote working trends and set a clear path for that sector in Wales, and the businesses and workers' livelihoods it supports."* In responding to this Welsh Government said that the move to an overarching strategy was one that was welcomed by the sector.

28. In January 2022, during annual scrutiny of Welsh Government's Draft Budget for 2022-23, the Minister's paper to Committee said that the forthcoming strategy, which at that point was due for Ministerial launch in March 2022, would *"support the retail sector to achieve a vibrant future that will offer an attractive opportunity for employment and career progression and continue to be a cornerstone of the Welsh economy"*.

29. In its response to the Finance Committee's consultation on the draft budget the Welsh Retail Consortium called for the Welsh Government to 'deliver on the commitment' to produce a retail strategy. The WRC also stated that *"it is conceivable the strategy's recommendations may have a fiscal implication' and therefore 'it would be sensible for the Budget to include funding for the delivery of these recommendations."*

30. When questioned in Committee in January, the Minister clarified that there isn't a 'pot of money' set aside for the retail strategy and stated:

"I don't think I could point to you that there is a pot of money that is deliberately set aside for the retail strategy, but it is about how we use the resources and what it looks like. [...] The partnership approach, I think, will mean that we'll be able to not just say, 'Here are the objectives', but also have a clear understanding of how we're going to use resources. Sometimes the resources are what Ministers say and do with their time, and sometimes it is about money. Every business, I'm sure, would say, 'If you give us money, we could find a good use for it', but it's actually about trying to agree the strategy itself."

31. Sara Jones confirmed that the WRC sat on the Retail Forum established by Welsh Government, and was also part of the working group tasked with developing the strategy. In March she told the Committee she expected it was *"likely to be published this spring"*, but that she would also like to see an action plan following this:

*"I think that would be our recommendation back to Welsh Government. It will be great to see the fact that retail will be embedded in the thinking, but it needs to have some serious actions behind it. Because retail is so cross-cutting across Government portfolios, it is difficult to capture this, but I think the strategy will help do that and ensure that we don't see that silo approach to dealing with some of the challenges that the sector faces. So, I think, going forward, there'll be a spring publication, but let's ensure that we see action that follows then in terms of a series of action plans."*¹²

32. When asked about the fact that no specific funding had been set aside by the Minister, Sara Jones acknowledged that there was funding allocated in different areas to support retail, such as through the Transforming Towns budget commitment over three years. She said that was *"clearly going to deliver some of the aspirations of the retail strategy."* She went on to say that there needed to be some funding *"to help launch this strategy and really give it the profile it deserves, particularly in the early stages, as we look towards developing it further over the next 12 months."*¹³

33. In terms of developing a strategic 'vision' for the sector, a position statement issued by the Retail Forum on 15 March 2022 stated that the Forum *"welcomes the commitment to develop and publish such a vision in May 2022 and is committed to working with the Welsh Government on it."* It said the strategy would be evidence-based and *"informed by dialogue and engagement with the sector over the coming weeks,"* and that the 'vision' would:

"... set out the short, medium and longer-term challenges to support a successful, sustainable and resilient retail sector that delivers fair work and improved energy efficiency

... dovetail with complementary activity, such as those in relation to town centre regeneration and the future of Business Rates in Wales and provide a timetable for agreeing actions that will help realise the strategic vision

¹² Paragraph 83, Economy, Trade and Rural Affairs Committee, 3 March 2022

¹³ Paragraph 85, Economy, Trade and Rural Affairs Committee, 3 March 2022

... embed social partnership as a way of working, including supporting the introduction of trade union green representatives and reflecting values such as those set out in the four pillars of the Welsh Government's Economic Contract."

34. The Minister for Economy told the Committee on 17 March that Welsh Government was developing a strategy that had *"some joint ownership and agreement"*¹⁴ and a shared understanding of how to address the significant challenges facing the sector, including from changes in consumer behaviour. Responding to the WRC's call for funding to support the strategy and an action plan in its early phases, the Minister said he would need to see what additional resources were being asked for, as there was already funding deployed to support the retail sector. He did not rule out support for some work, but pointed out that there *"isn't a giant pot of unused money waiting for a home to be found for it."*¹⁵ He also noted that the sector was very diverse, ranging from small businesses to large supermarkets with considerable resources at their disposal.

35. The Minister also noted that supporting the visitor economy was not just about funding, through initiatives such as Jobs Growth Wales+ and ReAct+ under the wider employability and skills plan, but also about things like promotion and *"the way we seek to use our influence and powers."*¹⁶ He said that marketing campaigns to influence attitudes and behaviour, and encourage careers in these sectors, did not necessarily need to involve "megabucks". Although unwilling to put a figure on it in advance of publishing a shared vision for retail, the Minister undertook to come back to the Committee with more detail on resourcing.

36. The Committee welcomes the publication on 17 June of a shared strategic vision for the sector. We now look forward to seeing the promised delivery plan, which the Minister says will take account of evidence to this Committee, and will continue to closely monitor progress.

Recommendation 6. Following publication of a long-awaited strategic vision for the retail sector, the Welsh Government should keep the Committee updated on the timescale for the associated delivery plan to support the sector; how activities will be resourced to meet needs identified by the Retail Forum; and the extent to which these will be met from existing or new funding. The Committee should then receive a further report on progress with that detailed retail delivery plan six months following its publication.

¹⁴ Paragraph 184-185, Economy, Trade and Rural Affairs Committee, 17 March 2022

¹⁵ Paragraph 189, Economy, Trade and Rural Affairs Committee, 17 March 2022

¹⁶ Paragraph 192, Economy, Trade and Rural Affairs Committee, 17 March 2022

4. Welsh Government approach to the Visitor Economy

37. In March 2021, Welsh Government accepted recommendations in the Fifth Senedd's Economy, Infrastructure and Skills Committee report **Long-term recovery from Covid-19** on continued support to the hard-hit tourism, hospitality and retail sectors, and to work with the tourism and hospitality sectors on a destination management strategy. The same month Welsh Government launched its recovery plan for the visitor economy - **'Let's Shape the Future'** - which stated that a new task and finish group would be established to oversee the development of an accompanying Action Plan, to detail how the interventions set out in the document would be delivered and by whom. A **review** of recovery plan activities was published in March 2022, indicating the role of the four **Regional Fora** in Wales to coordinate future plans and activities.

38. In January 2022 the Minister acknowledged to the Committee how severely the visitor economy had been impacted by the pandemic, stating that *"businesses have faced unprecedented and extreme challenges from the outset"* and *"the downturn of the sector stands to have a serious impact –symbolic, social, cultural and economic –on many towns and villages that are also facing other post Covid-19 related challenges that will continue into 2022/23."*¹⁷

39. The Minister went on to say that he saw *"positive prospects"* in the medium to longer-term, *"due to the nature and quality of the Welsh product offer and strength in the domestic UK market,"* and that *"any funding is not solely a means of supporting a challenged industry; but can also [be] an investment in the long term prosperity of many parts of Wales."*¹⁸

40. In its January 2022 **report** on Welsh Government's Draft Budget for 2022-23, this Committee asked for a breakdown of the funding allocation and associated objectives for Welsh Government's action plan for the visitor economy. In response the Minister for Economy **told** the Committee that after the current financial year the Government would be completing work on the **'Let's Shape the Future'** recovery plan and *"effectively bridging back to our long-term strategic plan 'Welcome to Wales: priorities for the visitor economy 2020-25'"*. The Minister noted that a Business Plan for 2022-23 was being developed to deliver on Welcome to Wales priorities and *"provide a balance between capital and revenue expenditure to directly support the sector through the continuing recovery phase and further development of a sustainable tourism offer."*

¹⁷ Written Evidence from Minister for Economy, Economy, Trade and Rural Affairs Committee, 20 January 2022

¹⁸ Written Evidence from Minister for Economy, Economy, Trade and Rural Affairs Committee, 20 January 2022

41. In further written evidence to the Committee on 15 June the Minister acknowledged the continuing challenges for the visitor economy, and set out his priorities within the long term strategic plan: *"We emphasise the importance of addressing spread of benefits, encouraging increased spending our economy and tackling seasonality by promoting Wales as a nation you can visit all year round."*¹⁹

42. The draft Budget for 2022-23 provided an allocation of £5m capital and £11.962m revenue for tourism, and the Minister undertook to provide a more detailed breakdown of allocations once the Business Plan was finalised. Business Wales website **sets out** the various funds available in Wales to support tourism.

Recommendation 7. The Welsh Government should provide the Committee with a detailed breakdown of 2022-23 budget allocations to support tourism.

43. On 20 May, the Minister for Economy **announced** £2.9m from the Welsh Government's Brilliant Basics capital fund, *"to be shared among 18 projects that will help deliver small-scale infrastructure improvements in strategically important tourism locations across Wales."* The Minister said the money was to help local authorities and national parks deliver local benefits and support measures to *"alleviate pressures"* in areas seeing increased visitor numbers. It said it would support projects to *"improve accessibility to sites and projects that make their destinations more environmentally sustainable."*

44. The Committee asked the Minister for Economy about the calls from the tourism sector for more capital investment. He pointed out that while funds like Brilliant Basics were more "visible and obvious" investments, there were also other areas of capital allocation, such as through the £136m Transforming Towns programme, and projects in towns such as Narberth, Tonypandy or Aberystwyth, where investments in creating a *"sense of place"*²⁰ were contributing to support for the visitor economy.

45. The Minister for Economy also said that some of those projects, such as the Old College in Aberystwyth, had been supported through EU funding and that although some projects had been announced that were funded through the replacement Community Renewal Fund and Shared Prosperity Fund (SPF), there was still "some uncertainty", including around the bidding process aspect of the SPF.

46. The Minister told the Committee he saw tourism as one regeneration tool, and that a range of sectors and budget lines across different Ministerial portfolios needed to join up to

¹⁹ Written evidence, 15 June 2022

²⁰ Paragraph 199-201, Economy, Trade and Rural Affairs Committee, 17 March 2022

promote the visitor economy and visitor attractions in different parts of Wales. He said the international visitor market was important to tap into, pointing to the tie-in with Welsh Government's international strategy, but that it was a very competitive market with *"aggressive marketing"*²¹ by different parts of the UK. He also set out the work that was being done to promote Wales abroad, including links with the diaspora, the work of envoys and the international visits programme. The Minister pointed to positive co-operation with the UK Government, in particular the Department of International Trade, to promote Wales on the world stage.²²

47. Suzy Davies of the WTA had told the Committee that while some Welsh Government policies were being embraced by the tourism sector, such as 'greening' of the industry, other policies were contributing to a *"sense of instability and uncertainty"*, notably changes to thresholds on the difference between businesses and casual lettings, council tax on second homes and the tourism levy. Suzy Davies said these were confusing existing members, and deterring others from coming into the market. She said it was a 'disconnected' industry and that was something WTA wanted to help resolve.

48. The Committee notes the recent publication of the Senedd Local Government and Housing Committee report on **second homes** and notes the various policy interventions in this area, including the ongoing pilot scheme in Dwyfor. The Committee looks forward to seeing Welsh Government's response to recommendations in that report relating to the potential impact on the visitor economy in Wales.

Re-classifying self-catering accommodation for local tax purposes

49. On 24 May the Minister for Finance and Local Government **confirmed** plans to re-classify properties that are let as self-catering accommodation below a certain threshold of days per year as liable for council tax. The Non-Domestic Rating (Amendment of Definition of Domestic Property) Order 2022 is due to come into force on 14 June 2022 and take effect from April 2023. It increases the number of days per annum that a self-catering property must be made available to let from 140 to 252 days, and the number of days actually let from 70 to 182 days. The Minister's statement recognised the strength of feeling among operators, but said she had listened to representations from individual businesses and industry bodies, adding:

"I recognise that the stronger criteria may be challenging for some operators to meet. The purpose of the change is to help ensure property owners are making a fair contribution to local communities, for example by increasing

²¹ Paragraph 205, Economy, Trade and Rural Affairs Committee, 17 March 2022

²² Paragraphs 246-247, Economy, Trade and Rural Affairs Committee, 17 March 2022

their contribution to the local economy through greater letting activity or by paying council tax on their properties. The Welsh Government's policy priority is to support sustainable communities and affordable housing..."

50. The Minister's written evidence to the Committee also highlighted this issue of affordable housing. It stated that supporting young people to be able to stay and work in the visitor economy in the communities where they have grown up was part of its "three-pronged approach": "using our regulatory framework to better manage additional second homes and short-term holiday lets."²³

Recommendation 8. The Welsh Government should outline in detail their reasoning for the increase in the number of days per annum that a self-catering property must be available to let to 252, and days actually let to 182, as set out in The Non-Domestic Rating (Amendment of Definition of Domestic Property) Order 2022.

A Local Tourism Levy for Wales

51. Welsh Government made a commitment in its Programme for Government to bring in a Local Tourism Levy to apply to overnight stays in Wales. The decision to charge a levy would be left to individual local authorities, and the money raised invested into the local authority area.

52. Tourist levies are common in many parts of the world, typically an occupancy tax applied to each person per night for short-term stays. The Minister for Finance and Local Government has said the levy in Wales is an opportunity for local authorities to "*manage and invest in the services and infrastructure which make tourism a success*", whether this be cleaning beaches or maintaining toilets and footpaths. The levy is being proposed to support the future of tourist locations by promoting a more sustainable approach to tourism. The exact fee visitors will be charged has yet to be decided.

53. The WTA acknowledges the use of tourism levies in other countries, but emphasises that where levies are implemented, rates of VAT are typically lowered on tourism and hospitality. With the current UK-wide rate of VAT, the WTA suggests introducing a tourism levy would be a form of "*double taxation*" when compared to other destinations. It is also concerned the additional cost might discourage visitors on lower incomes from coming to Wales, or travelling within Wales itself. UK Hospitality Cymru has said it is "*the wrong tax at the wrong time*", given the impacts of the pandemic on the sector, and that increased prices might push customers to competitors. Llandudno Hospitality Association has also expressed concerns about the impact that a levy could have on the competitiveness of Wales with other UK tourist destinations. The

²³ Written evidence, 17 March 2022

chief executive of North Wales Tourism has described it as a *"hugely regressive step"*. Anglesey Tourism Alliance recognises tourism levies work in other destinations, but has warned against a *"knee-jerk reaction"* and called for consultation with the sector and visitors. Michael Bewick of North Wales Tourism Forum told the Committee in March that it was the view of many stakeholders that *"this is just not the moment"* to be consulting on bringing in a levy, with the industry under so much pressure.²⁴

54. The Minister has approved funding of three research projects to support development of the levy, and it is reported that this work will include consideration of the economic impact in Wales; the tax systems in areas where such levies apply; and the demographics of the accommodation sector in Wales. Welsh Government is expected to consult on draft legislation in Autumn 2022.

55. The Minister for Economy also attended Committee on **15 June** and was asked about the timing of consultation on the levy and its possible impact on the tourism and hospitality sectors in the context of growing cost of living pressures and business confidence. He stressed that "it's not going to happen in the middle of August this summer" and that a levy would be unlikely to come in before the end of this Senedd term.

56. With regard to support in other areas, such as business rates and council tax, he said that he recognised the big challenges facing the sectors but that there were increased inflationary pressures on Welsh Government's budget overall, and that any further support would involve a conversation with the Finance Minister about the ability to fund that.

Recommendation 9. The Welsh Government should set out the evidence base it considered in deciding to pursue the introduction of a local tourism levy at this time.

Recommendation 10. The Welsh Government should share the outputs of the three tourism levy research projects with the Committee at the earliest opportunity.

Recommendation 11. The Welsh Government should set out in detail the intended approach to consulting on the draft legislation for a proposed local tourism levy.

Recommendation 12. The Welsh Government should set out how the challenges facing the hospitality, tourism and retail sectors are being factored into the development of its policy approach and interventions regarding second homes and a local tourism levy. The Committee would welcome an update on the findings of the Dwyfor pilot scheme, and for Welsh

²⁴ Paragraph 39, Economy, Trade and Rural Affairs Committee, 3 March 2022

Government to explain its intentions for next steps; timescales for future policy changes; and approach to assessing the economic impacts on those sectors.

Engagement with sector representatives and small businesses

57. In March, Suzy Davies of the WTA described a lower level of engagement with Welsh Government than UKHospitality Cymru, and the action plan for the tourism sector recognises that engagement with the private sector needs to improve. It will be vital for small and medium sized businesses (SMEs) to be fully engaged in the process of addressing the key structural issues facing the tourism and hospitality sector post-Covid. Suzy Davies said SMEs *"don't feel that they've been particularly offered the opportunity to contribute in the way that they might have liked to have done."* With regard to the work of the regional fora she added *"...that's no disrespect, obviously, to the chairs of those fora, but it's not an area where the WTA has felt particularly valued or asked for its opinion, and when you consider the number of members—it represents almost 7,000 businesses through its membership across Wales—that's quite an omission in the arrangement..."*²⁵

58. Michael Bewick of the North Wales Tourism Forum said, in discussing the role of Welsh Government in supporting the professionalisation of the industry, that he saw *"a great role for Welsh Government in bringing together groupings of smaller businesses that are then able to access these sorts of things, because at the moment they're not really perceiving that there's anything for them."*²⁶

59. David Chapman described a positive experience in the Capital Region Skills Partnership of industry and academia sitting across the table and resolving disconnect issues, such as around provision of work experience. He noted that Qualification Wales interim report of its review *"indicates that there has been a fracture between the industry and the providers that we can resolve, and it's not been for any reason, for any party—it's just that there's an opportunity to get people together and to do it better."*²⁷

60. While Arwyn Watkins of National Training Federation Wales (NTFW) said he had been involved in development of the visitor economy plan and the tourism recovery plan, neither Jeff Protheroe of NTFW, James Scorey of Cardiff and Vale College, or Iestyn Davies of CollegesWales had been. Iestyn Davies said:

²⁵ Paragraph 138, Economy, Trade and Rural Affairs Committee, 3 March 2022

²⁶ Paragraph 120, Economy, Trade and Rural Affairs Committee, 3 March 2022

²⁷ Paragraph 123, Economy, Trade and Rural Affairs Committee, 3 March 2022

*"I would hope somebody writing these strategies has engaged with the FE community somewhere along the line, but it certainly hasn't been through us."*²⁸

It was a surprise to the Committee that there was not more consistency in how prominent stakeholders from the skills and tourism sectors had been involved in developing plans for the sectors.

61. When the Committee asked the Minister for Economy about the level of engagement with tourism SMEs he said he was *"pretty surprised and disappointed"* by the views of WTA. He described *"dedicated work streams on trying to redesign the future, to try to make sure that we still have a really healthy visitor economy."*²⁹ He said that he and officials had regular engagement with WTA and other business groups throughout the pandemic and that with 12% of workers employed in the sector pre-pandemic it was not considered marginal but really important.

62. The Committee acknowledges a lot of work will have gone on since March to continue to support the visitor economy by working with the regional fora, tourism and skills partnerships, educational providers and Business Wales, and promoting the various funding streams and skills programmes available to businesses and potential employees. However given the range of initiatives and programmes being delivered across different government departments, arms-length bodies and sectors, and the different partnership arrangements, greater efforts may be needed to ensure fully coordinated partnership working across the piece to support the visitor economy. There was a strong message from witnesses that more needed to be done to find ways to help owner-operated micro-businesses to be more involved.

²⁸ Paragraph 350, Economy, Trade and Rural Affairs Committee, 3 March 2022

²⁹ Paragraph 186, Economy, Trade and Rural Affairs Committee, 17 March 2022

5. Labour market challenges in the sectors

Impacts of staff shortages on employers

63. James Scorey of Cardiff and Vale College set out some of the skills challenges facing the sectors, including the impact of Brexit on skills shortages, the fact that 78% of the hospitality sector had been on furlough which was affecting recovery, and a loss of confidence of young people to apply for roles.

64. The Minister for Economy's evidence to the Committee on 15 June also underlined the scale of the problem, which he said efforts were being made to address through a Working Wales campaign, and in partnership with the Wales Tourism and Skills Partnership: *"The Spring Tourism Barometer found that 29% of tourism and hospitality businesses are currently trying to fill staff vacancies, with 63% of these experiencing considerable difficulties. Issues of attracting people back to work in the sector / work at all remain the main themes. The effects of recruitment difficulties remain considerable, with some unable to open as often or fully as they would like."*³⁰

65. Arwyn Watkins, representing National Training Federation Wales (NTFW), stressed that far greater priority needed to be given to addressing shortages in the hospitality sector:

*"If the number of jobs that have been lost in this sector over the last 24 months had been lost in any other sector, there would be absolute uproar, quite frankly, and nobody is saying anything about it whatsoever, apart from the employers trying to fill the vacancies."*³¹

66. He emphasised that it was *"a people shortage not a skills shortage"*³², pointing to the huge level of vacancies some employers were carrying:

*"nothing that we do over the next five years in terms of bringing people in through a skills system is going to address the number of vacancies that we've currently got in the Welsh economy within this sector."*³³

He welcomed the removal of the 25 year old 'age cap' barrier to apprenticeships in the hospitality and tourism sectors as a positive step.

³⁰ Written Evidence, Economy, Trade and Rural Affairs Committee, 15 June 2022

³¹ Paragraph 319, Economy, Trade and Rural Affairs Committee, 3 March 2022

³² Paragraph 308, Economy, Trade and Rural Affairs Committee, 3 March 2022

³³ Paragraph 308, Economy, Trade and Rural Affairs Committee, 3 March 2022

67. James Scorey said it was a priority to attract people in and *"re-inspire confidence."* Iestyn Davies added that the biggest challenge was that hospitality was seen as *"something you do while you're training to do something else"*³⁴ and not seen as a career path in its own right, and unless that changed then other measures would be secondary. Arwyn Watkins, who has made a career in the sector, agreed that a conversation needed to be had about future job security.

68. The witnesses from the skills sector discussed with Members the dilemma for the hospitality sector, and wider visitor economy in Wales, of the mismatch between aspiring to offer a high value service and product and strong career pathway, and the realities of a high employer demand for lower level 2 or level 3 skills jobs. Iestyn Davies of CollegesWales pointed to Dr Rachel Bowen's **research report** *"Gammon, egg and chips in a pub night after night"*:

*"...for the more ambitiously thinking, entrepreneurial proprietor, they want to see a big, wide range of culinary and other kinds of offers in their establishment. But, in many instances, the kind of place where we have hospitality being worked through, it's a bit like 'chicken ding' catering; it's very low skilled, unfortunately. It's taking pre-prepared foods that are frozen and reworking them in a very high-turnover, low-cost-to-low-reward economy. It's not Michelin star, unfortunately. So, I think we have to see this in that context."*³⁵

69. Arwyn Watkins called for a fully-funded, full programme of Further Education (FE) options. He acknowledged that there were very few businesses offering apprenticeships that fit into the 'professional cookery' model, and that should be just one of the options on offer in FE:

"very often, they are operating under production-chef model, and the production-chef qualification is not something that is widely offered as a full-time further education programme."

He said that a lot of those lower-skilled jobs had previously been filled by economic migrants, and that some employers were looking to trade deals for freedom of movement of workers, to fill those jobs post-EU exit.

70. Welsh Government's written evidence pointed to the additional £10m for Personal Learning Accounts announced in 2021 which it said *"will ensure more trained chefs, waiting and front of house staff to work in the hospitality sector."*³⁶

³⁴ Paragraph 284, Economy, Trade and Rural Affairs Committee, 3 March 2022

³⁵ Paragraph 295, Economy, Trade and Rural Affairs Committee, 3 March 2022

³⁶ Welsh Government written evidence, 17 March 2022

71. Iestyn Davies of CollegesWales said it was about “job re-design”, but that demand from employers would always have the upper hand. He said that current working practices were *“actually inhibitors to people progressing or staying within those industries.”* He understood it could be easier for employers to look to cheap labour rather than trying to grow the profession in a way that then allowed apprenticeships and progression pathways to be developed, but *“the industry needs to re-think itself”*.

72. Representatives of the tourism sector pointed to the wide range of higher level professions needed to support the visitor economy. Suzy Davies of WTA said although flexible employment was needed, it was also a place to develop skills and that had been missing from previous recruitment campaigns:

“...tourism needs lawyers, it needs accountants, it needs construction—it needs a whole range of professional, highly valued input, and we don't really talk about those careers in the context of tourism often enough. If we did that, I think we would take considerable steps towards improving the status...of the industry, as it is in other countries, actually, where it is seen as a very highly valued area of operation.”³⁷

73. The Committee asked witnesses what role they thought apprenticeships, including degree apprenticeships, had in defining that skills pathway. Arwyn Watkins cautioned that in relation to the higher skills agenda, most jobs in the sectors were actually at a hands-on “national occupational standard” level, and that this was the case not just in the UK but globally.

74. Suzy Davies did see tourism as an area for development of some degree apprenticeships, to support the ‘big picture’ development of the sector with some high-end vocational skills:

“I just think it's the ideal territory to do this, because it's an opportunity to develop a huge range of skills at high level, including things like destination management, which is something where, at the moment, it's unclear who has got the major responsibility for doing that in the tourism structure that we have, and yet it's where the mistakes get made, if you like.

We're talking about high-end vocational skills here, as well as the ability to be a great chef or the ability to be a great front-of-house person. If you haven't got people with not just the experience but the skills to see the big picture,

³⁷ Paragraph 105, Economy, Trade and Rural Affairs Committee, 3 March 2022

then all of the things that we've been talking about today are unlikely to proceed at pace."³⁸

75. Michael Bewick of North Wales Tourism Forum agreed that there was an *"internal ambition"* issue to be addressed, which was part of the perception issue for the visitor economy: *"...it's going to take quite some time to address, but it clearly is critical if we are to professionalise the industry."*³⁹

76. In responding to the Committee's report on budget scrutiny in January, the Minister for Economy had said new pathways would be informed by regional skills partnership plans. The Minister for Education also told the Senedd's Children, Young People and Education Committee in May that he expected the introduction of the new Commission for Tertiary Education and Research (CTER), to facilitate the expansion of apprenticeships. The Minister for Economy told the Committee he was not convinced that degree apprenticeships were 'the answer' for the tourism sector, but that they were 'part of the conversation' and he wanted to explore that alongside the industry, as part of efforts to influence and encourage people to see career opportunities in the sector. The Committee intends to keep a close eye on developments in this area.

Recommendation 13. The Welsh Government should set out more detail of where it sees scope, within its planned expansion of the apprenticeships programme, for higher-level career pathways in tourism and hospitality, including for degree apprenticeships.

Fair Work

77. Interviews with workers across the three sectors and in different parts of Wales found that they overwhelmingly enjoyed working in those sectors. However they also described:

- Low pay and the rise in the cost of living.
- Pay not reflective of the workload.
- Pressured workloads from understaffing.
- Worker safety during the pandemic.
- Lack of secure contractual arrangements.
- Workers not heard or listened to.

³⁸ Paragraph 110, Economy, Trade and Rural Affairs Committee, 3 March 2022

³⁹ Paragraph 118, Economy, Trade and Rural Affairs Committee, 3 March 2022

"Working in retail means that I don't have to move out of my community for work. I can live in the area I grew up in where my language is used.

There's no job security in retail, staff are viewed as a controllable cost akin to wastage and shrinkage of stock. We need to scrap zero-hours contracts and return to part-time and full-time contracts. Workers need secure contractual arrangements. But employment law doesn't look after the employee, it's skewed to the employer. Staff need to be consulted so that changes work for them too. But, retail unions are ineffective and management is dictatorial, so it's hard for staff to get their voice heard.

We need to make a change so that staff have a voice, like returning to employee committees or independent worker forums so that we have a say on things like wages and working conditions. We are deducted half an hour's pay for our meal break, but it's impossible for us to leave the premises to get food, eat it and get back in time. Not that long ago, an hour break was the norm."

Retail worker, Gwynedd

"I didn't feel safe working during the pandemic, especially as I'm older. You got a lot of abuse from customers too. Working conditions were terrible.

To be honest, I don't know what my employment rights are! I don't think that we workers are really listened to anyway. There's no information on what to do if you wanted to raise a problem. Nobody does anyway."

Hospitality worker, Vale of Glamorgan

"In tourism, visitors that come in get more of a say and much more respect than us local workers. Management doesn't have much regard for the workers, only the visitors. The industry needs to be made to fight for its staff and look after their wellbeing.

Pay is very low, there's no competition from other industries, so it's stagnant. Also, the cost of living is increasing only our pay isn't. And with no real career progression how can we get better pay?"

Local tourism worker, Ceredigion

78. Iestyn Davies of CollegesWales said there was a need for a culture change in the tourism and hospitality sectors. Pay and reward needed to not only reflect the cost of living for young

people going into those sectors. It also needed to reward the considerable demands of working long, hard hours, for example in the 'twilight or evening economy', and where weekend and bank holiday shifts make work-life balance difficult.

79. Shavanah Taj of Wales TUC said that it was not just low median pay in the sectors that was a big problem for workers through to retirement, but poor terms and conditions overall:

"..in hospitality and tourism it's estimated that 70 to 75 per cent of workers earn below the real living wage, and in terms of terms and conditions as well, this rarely actually goes beyond statutory minimum for workers in the sector. So, for example, 60 per cent of hospitality workers and 10 per cent of retail workers don't actually receive any statutory sick pay when they become ill, because they don't work enough hours so their boss can't actually claim statutory sick pay. So, by focusing on just the hourly pay, we do actually miss that much bigger gap in the overall remuneration package."

80. Shavanah Taj reported high levels of personal debt, and also pointed to huge insecurity in the sectors and *"a huge problem with employers often shifting a huge amount of that risk on to the workforce."* She said 1 in 4 workers in accommodation and food service were on zero-hours contracts. Informality of employee relations is a problem, with research showing high levels of non-compliance with labour rights and employment law, including around things like unpaid hours, and no or limited work breaks.⁴⁰

81. Mark Turner of Unite agreed with the Wales TUC analysis of a *"relatively disempowered workforce"*, adding that training opportunities were inadequate:

"it really is low down on a lot of the colleges' and universities' curriculum."

He said that younger workers did not understand their rights and were not made aware of them when first entering the workplace, so were open to abuse by employers and can end up with contracts that are *"laughable"*.

82. Shavanah Taj said good progress had been made in the retail sector where there was more collective bargaining and union representation, and Welsh Government had been able to bring people around the table. The development of the retail strategy had been a *"brilliant example of working in social partnership"*.⁴¹

⁴⁰ Paragraph 176, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴¹ Paragraph 207, Economy, Trade and Rural Affairs Committee, 3 March 2022

83. She said fewer structures existed in the hospitality and tourism sectors for joint working, although welcoming the fact that Unite had recently been brought into the visitor economy forum structure. She welcomed union involvement in the delivery of the visitor economy action plan, noting that they were not involved in formulating the plan. Shavanah Taj wanted to see change going forward, and a recognition that training should be the responsibility of the employer not Welsh Government. If there was an expectation that the state funds training she said *"that will be very reflective of some of the low aspirations that we have for the Welsh workforce in this sector."*⁴²

Recommendation 14. The Welsh Government should provide further information on the Membership of the Visitor Economy Forum, including how it is directly involving smaller owner-operators, and set out the extent to which progressing fair work outcomes forms part of its terms of reference.

Recommendation 15. The Welsh Government should ensure that its engagement with partners in the Visitor Economy Forum is as good as that of the Retail Forum, building on best practice and lessons learnt from that experience of social partnership.

84. Wales TUC wanted to see Welsh Government's top three priorities as focusing on leveraging fairer work outcomes from funding, investment in the sectors, including considering how initiatives like childcare work specifically for those workers, and *"a clearer vision and an honesty about the employment issues that are affecting tens of thousands of workers in these sectors."* She said it was not about *"talking sectors down"* but having a clear idea of the role of the state and the role of the employer. Unionisation was obviously seen as really important, and Wales TUC hoped to see change come through the planned social partnership legislation.

85. Mark Turner also said that beyond just childcare issues, it was important for employers to understand that workers in rural areas reliant on tourism might have 3 or 4 different jobs, with all the challenges that presented.⁴³

86. Dr Victoria Winckler of the Bevan Foundation welcomed Welsh Government "dipping its toe" into involvement in workforce issues, but hoped to see more progress in improving terms and conditions. She identified the priorities for Welsh Government as making sure that it is not supporting non-complaint working practices; and ensuring that Welsh students in higher and further education and apprenticeships are educated in their statutory entitlements. She said that probably more people in Wales were aware of their consumer rights than their worker rights.

⁴² Paragraph 208, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴³ Paragraph 187, Economy, Trade and Rural Affairs Committee, 3 March 2022

Thirdly she wanted to see “*co-investment*”⁴⁴, that is investment in both businesses and in the workforce, so that the latter are not seen as ‘expendable’.

87. The Committee raised the issue of some employers in the hospitality sector using surveillance apps to monitor employee’s whereabouts with the Minister for Economy. The Minister agreed that this kind of practice from a less scrupulous employer very much worked against the message the sector wanted to promote as offering a positive career choice. He asked for examples of this practice to be shared with him so that he could feed that into Welsh Government’s strategic approach.

88. Mark Turner of Unite told the Committee it was important for Welsh Government to ensure it was not entering into partnerships with large organisations that did not recognise unions or had poor working practices: “*it’s got to come from the top down.*”⁴⁵ Dr Winckler agreed that Welsh Government had to do more than just “*talk the talk*” and take tough decisions about who it does business with, or who receives business rate relief.⁴⁶

89. Shavanah Taj also wanted to see Welsh Government use its leverage with employers to ensure that apprentices were in receipt of their statutory minimum pay, and to ensure that skills policy was reflective of labour market realities. The unions also called for conditionality to be attached to grant funding to businesses, and Dr Winckler also wanted to see penalties for bad practice to be considered as part of that.

90. Dr Winckler wanted to see Welsh Government addressing its leadership on these issues. She said there was too much focus on what wasn’t devolved when there were actually lots of areas where Welsh Government had powers. However responsibility for skills and the economic contract was spread across different Ministerial portfolios, and there was no Minister for the labour market.

91. The Minister for Economy described Welsh Government having a “*range of broad levers to promote and influence fair work outcomes*”. He pointed to direct influence in the wider public sector, to improve employment conditions and raise expectations in a way that could indirectly help the tourism sector; the impact of procurement and financial levers; capital investment; and “*our convening power with networks and social partners*”. He said that the level of engagement with partners as a result of the pandemic meant that relationships were “*better than ever before*”⁴⁷.

⁴⁴ Paragraph 192, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴⁵ Paragraph 216, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴⁶ Paragraph 218, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁴⁷ Paragraph 211, Economy, Trade and Rural Affairs Committee, 17 March 2022

92. The Committee asked witnesses if they thought the cost of living crisis would make it harder to implement the Fair Work agenda and recommendations of the Fair Work Commission in Wales. Dr Winckler thought it was difficult to assess this, but was concerned about the possibility of a mini-recession making things harder for workers in sectors reliant on people having disposable income. Mark Turner of Unite had serious concerns that struggling businesses could start to pass this onto workers, and about more people turning to the black money market. Shavanah Taj said:

"I would say that there is a significant risk that it could actually further undermine worker power and that ability to say 'no' to a boss in particular, because it is people's incomes that are being further squeezed. We could also see more people, of course, working dangerously long hours because they are so reliant on that hourly pay rate. And, of course, also, it includes lots of people who are taking on multiple jobs.

Building on that idea, aspects of the UK's social security system have already limited the amount of freedom workers have to say 'no' to their employer, and we're really worried that we're going to be possibly seeing people making some really difficult decisions. There is going to be a growing amount of informal work, where people are going to be topping up their income with informal paid work, so that their welfare payments aren't affected and they can avoid falling into debt or homelessness as well. This makes those individuals, then, really vulnerable—extremely vulnerable, I would say—as it's virtually impossible for workers in that sort of situation to ensure that their basic employment rights are being upheld.

So, there is that risk that the cost-of-living crisis is going to result in further labour exploitation, and it's going to be very difficult to rectify, given the wider employment rights challenges in the UK."⁴⁸

93. Shavanah Taj wanted to see the cap on the discretionary assistance fund raised, saying that it failed to take account of the precarity for workers in those sectors due to the pandemic. Mark Turner of Unite said there were real opportunities for fair work to be progressed through the new retail strategy and visitor economy action plan:

⁴⁸ Paragraph 199, Economy, Trade and Rural Affairs Committee, 17 March 2022

*"...if we allow things to go back to how they were, then we're missing a massive opportunity....this is a point at which we can make a big change and we need to make those changes for these people in these sectors."*⁴⁹

Role of the Economic Contract

94. The unions and the Bevan Foundation stressed the importance of the economic contract and fair work initiatives not just being a *"paper exercise"* in 'box ticking'. Dr Victoria Winckler said that she was not aware of the Economic Contract having any overall impact on fair work in the tourism, hospitality and retail sectors and there needed to be better monitoring and enforcement to give it "teeth".

95. Mark Turner said there was no point in accrediting a business as a 'real living wage' employer if they were just taking away workers' rights or pay in other ways, e.g. by making them pay for their own uniforms. Shavanah Taj said the economic contract was not a contract and was actually a poorly understood policy - greater clarity was needed. It was only agreed with the employer, and there was no room there for the worker to have a voice.⁵⁰ The Committee heard similar evidence last year from Ben Cottam of FSB Wales, who described the economic contract as *"not terminology that is understood, necessarily, by most businesses."*⁵¹

96. The Minister for Economy said that it was common for politicians and governments to describe a 'contract' that was not legally binding, but that it was important for encapsulating Welsh Government's approach to "raising the bar" for the businesses it supported and engaged with. He said it was not just about fair work, but other areas where Welsh Government was looking for companies to make the right investment decisions, to promote wellbeing, low carbon and climate resilience. He said Welsh Government was looking to strengthen the economic contract, and it was important that it set out expectations on businesses in Wales.

Recommendation 16. Given the concerns raised by business representatives and trade unions on lack of understanding of the Economic Contract, the Welsh Government should review its approach to explaining and promoting the contract, and set out how it plans to improve communication as part of its work to strengthen the contract.

Recommendation 17. While recognising that the Economic Contract is not a compliance tool, the Committee recommends that the Welsh Government provides an update on its work with social partners to develop mechanisms to review sample contracts, and sets out any further

⁴⁹ Paragraph 211, Economy, Trade and Rural Affairs Committee, 3 March 2022

⁵⁰ Paragraph 258, Economy, Trade and Rural Affairs Committee, 17 March 2022

⁵¹ Paragraph 266, Economy, Trade and Rural Affairs Committee, 30 September 2021

plans it has to strengthen monitoring and enforcement as part of its work on strengthening the contract.

Recommendation 18. The Welsh Government should set out how it will use the fair work levers at its disposal to address the issues raised in the Committee's report on barriers to fair work in the hospitality, tourism and retail sectors: including protecting and improving workers' pay and conditions in light of growing cost of living pressures on workers and employers; improving worker voice; and using conditions in grant funding to businesses to leverage fair work improvements.

Status of the Sectors

"The biggest barrier I face in attracting people to work in the hospitality sector is the status of the sector and what people think of it. And when you are employed in the sector you find that your skills are not appreciated and your pay doesn't reflect the work you do."

Hospitality business owner, Conwy

97. The key to improving pay and conditions, addressing shortages and promoting careers in these sectors is to raise their status. As the Committee found with its previous inquiry into HGV driver shortages, despite the importance of these sectors to the Welsh economy, and how adversely they were affected by the pandemic, they do not get the recognition they deserve, and their workers feel undervalued.

"I love working in tourism but I am concerned about my job security and the cuts to staffing coupled with the rising workloads. Welsh Government needs to promote tourism as a viable career opportunity. They also need to increase the wages, as many of us are low paid, to encourage people into the sector. Unfortunately, businesses are not able to increase pay for their staff due to the increase in the costs they have to cover, such as overheads, business rates, taxes, insurance, VAT, etc. If Welsh Government helped tourist businesses with business rates, taxes, etc. then they could increase wages. The pay we get doesn't reflect the workload, commitment, and pride that we have for our work."

Tourism worker, Denbighshire

98. The significance of the hospitality sector to the Welsh economy was not properly recognised during the pandemic. Mark Turner of Unite said:

*"We're talking about a sector that employs, at its height, 200,000 people, that was bringing in—the figures that I have, but I'd have to double-check—£6 billion to the Welsh economy at one stage. This is big money. We're not talking of a small industry. And the bit for me is that, if you were talking about 200,000 people that were in one plant on a site in Wales—. So, take Port Talbot steelworks, for example, if that had 200,000 people on it and suddenly somebody came along and said, 'Right, we're shutting that down', everybody would have jumped. But we did that to, say, 140,000 people in Wales at the start of the pandemic, and it was just like, 'Well, that's the way it is.' And that's the bit that's frustrating. We need to treat the workers in the hospitality sector the same way as we treat any other working group and any other sector. So, yes, I believe that a forum for the hospitality and tourism sector, really going forward, is a must."*⁵²

99. Arwyn Watkins said that work was being done to address negative perceptions about working in the hospitality sector, for example with the '**real life stories**' case studies of young people on the Working Wales website, which were also promoted during Wales Tourism Week as part of the #experiencemakers campaign promoting the visitor economy. UKHospitality has also published a **workforce strategy** identifying the issues that need addressing within the industry across the UK.

100. Jeff Protheroe of NTFW said that for the retail sector too, aside from issues about reward and retention, there was an opportunity to develop a "team Wales" approach to challenging perceptions and ensuring workers felt recognised for their contribution to the Welsh economy:

*"We're beginning to see that approach being taken in other important sectors, such as the health and social care sector, where individuals working in that sector are being recognised for what they do, and I think it is that time now when if Wales is wanting to develop that visitor economy, we recognise the importance of the workforce and they should be recognised for the contribution that they make. And that doesn't necessarily impact on the business models or businesses operating it, but what it does do is demonstrate that Wales is proud of its workforce, working in the sector."*⁵³

⁵² Paragraph 228, Economy Trade and Rural Affairs Committee, 3 March 2022

⁵³ Paragraph 311, Economy Trade and Rural Affairs Committee, 3 March 2022

‘Professionalising’ the sectors and creating progression pathways

"I really like working in the retail sector. I'm 18, so having a clear career progression is important, and working in retail gives me that. I also like the flexibility the sector offers and my employer is good and I like working for them, so I can work the hours that suit me with an employer that I get on with. But, even though I like the flexibility with my hours, the hours are irregular and not secure.

I don't think that the pay is fair, it's too low and really doesn't reflect the work that we do. Employers don't give us enough benefits either.

Working during the pandemic was very stressful, I didn't feel safe because I was worried about catching it from other people. You got a lot of abuse from customers too, that was very hard. It makes it worse because workers are not really listened to, I don't think that I would get any backing to raise a work-related issue. You're on your own."

Retail worker, Blaenau Gwent

101. For the retail sector, CollegesWales was critical that historically the Government had come under "considerable pressure" from large brand retailers, to:

"almost allow them to cash in their chips when it comes to their apprenticeship levy money into what can often be low-skill, low-value, in-house training programmes and badging them as apprenticeships."

He said government should be supported by all parties to avoid that kind of short-term thinking, and try to establish much more integrated progression pathways. Picking up on Jeff Protheroe's 'Team Wales' analogy he said better partnership working was needed between FE providers, larger employers with 'a genuine commitment to corporate social responsibility' and government.

102. Arwyn Watkins of NTFW said he saw employers who were investing in the supply chain and training, and starting up academies, but that a fundamental re-think was needed around hospitality skills, and there was an issue about how policymakers and decision makers see the sector. He gave the example of the role of housekeeper, a skilled job but which was not perceived as such, and where there is a chronic shortage. He said the commitment to introducing a tourism tax in Wales required some "significant kudos" to be given to the sector in terms of its importance to the Welsh economy. James Scorey of Cardiff and Vale College CAVC)

saw “huge opportunities” to bring young people in and also re-skill those who had worked in the sector in the past, with CAVC looking at developing “priority sector skills academies”, and offering incentives for short, intensive programmes to bring people into the sector.

103. Suzy Davies of WTA also referred to the plans to develop a hub to provide access to specific short training courses online:

“...where you can access things digitally for short periods of time, little bitesize pieces of really important training, which can be done in the workplace without taking anybody out of the space.”

104. She said this was important for owner-managers or employees who don’t need, or are not able to go on longer courses away from the workplace. The Business Wales ‘Skills Gateway’ provides more information on the **Flexible Skills Programme** to help businesses in the tourism and hospitality sector with training until March 2023, as well as **information about Personal Learning Accounts** and links to colleges and access to bespoke advice.

105. Jeff Protheroe of NTFW said that looking to how other sectors had professionalised, registration was not really an option but there was an opportunity for Visit Wales or another part of Welsh Government under the “team Visit Wales” banner, to take an overarching view and undertake a workforce development planning exercise. He also pointed to the **qualification review** of the travel, tourism, hospitality and catering sectors that was being undertaken and expected to be published in January 2023. He noted that retail was currently considered a “non-priority” sector of generic apprenticeships, but that it was also an important part of the visitor economy and should be seen as such: The Committee hopes to see the review work by Qualifications Wales reflecting a greater priority being given to professionalisation of these sectors. Jeff Protheroe said:

“we’ve got to change those levels of perceptions. And let’s bring everybody under the banner of, ‘You are part of the visitor economy, and if you’re part of the visitor economy—and that could be demonstrated—then you’re priority.”⁵⁴

106. The Minister for Economy said Welsh Government would continue to support people to improve their skills and have access to fair work, but that fundamentally it was about trying to influence the private sector to improve its offer. He said that some businesses had had to do this ‘out of necessity due to the labour shortage, but that:

⁵⁴ Paragraph 327, Economy Trade and Rural Affairs Committee, 3 March 2022

*"if you want people to see this as a career, not a seasonal job, you've got to improve what people are going to get, not just in terms of take-home pay, but in the genuine investment in them and their career."*⁵⁵

107. Although the Minister saw a role for Jobs Growth Wales+ to help people see a career pathway in these sectors, he also said that pay and conditions needed to improve. He pointed to the ongoing conversation with the visitor economy group as the way to 'shift the conversation' with the wider public.

⁵⁵ Paragraph 213, Economy, Trade and Rural Affairs Committee, 17 March 2022

Annex A: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's website.

Date	Name and Organisation
3 March 2022	<p>David Chapman, Executive Director, UKHospitality Cymru</p> <p>Sara Jones, Director, Welsh Retail Consortium</p> <p>Suzy Davies, Chair, Wales Tourism Alliance</p> <p>Michael Bewick, Chair, North Wales Tourism Forum</p> <p>Dr Victoria Winckler, Director, Bevan Foundation</p> <p>Shavanah Taj, General Secretary, Wales Trades Union Congress</p> <p>Mark Turner, Community Coordinator, Unite Wales</p> <p>Iestyn Davies, Chief Executive, CollegesWales</p> <p>Jeff Protheroe, Director of Operations, National Training Federation for Wales</p> <p>James Scorey, Vice Principal, Funding and Planning, Cardiff and Vale College</p> <p>Arwyn Watkins, National Training Federation for Wales</p>
17 March 2022	<p>Vaughan Gething MS, Minister for Economy, Welsh Government</p> <p>Steffan Roberts, Deputy Director, Tourism Development and Sport, Welsh Government</p>

Date	Name and Organisation
	Claire McDonald, Deputy Director, Economic Policy, Welsh Government
	Heledd Owen, Deputy Director, Marketing, Welsh Government