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Britain’s hospitality industry urges National Insurance cut after losing 100,000 jobs in two years

UKHospitality says higher payroll costs threaten a sector that provides 31% of first jobs for people 16 to 24.

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Britain’s hospitality industry is urging the government to cut employer National Insurance costs in this month’s Budget, warning that its role as a major entry point into work for young people is being weakened by higher taxes and rising operating

expenses.

UKHospitality, the sector’s main trade group, said new analysis of Office for National Statistics data shows hospitality businesses have lost about 100,000 jobs over the past two years. It said that figure represents 45% of all jobs lost across the UK economy during the same period.

The group said the losses are especially important because restaurants, pubs, bars, hotels and other hospitality businesses remain one of the country’s biggest sources of first jobs. According to its analysis, the sector accounts for 31% of first jobs for people ages 16 to 24 and employs 18.2% of all young people in work across the UK. UKHospitality said roughly 300,000 roles for young workers are created in the sector each year, but it argued that those openings are now at risk unless the government eases the cost of employment.

The organization is asking ministers to progressively raise the employer National Insurance contribution threshold for hospitality businesses to £10,000 by the end of the current Parliament. The request is aimed at reducing payroll costs for employers at a time when many businesses say margins are already under heavy strain.

Allen Simpson, chief executive of UKHospitality, said the sector’s capacity to keep hiring younger workers has been damaged by a combination of tax pressure and cost inflation. He said hospitality companies have faced more than £5bn in additional costs over the past two years. He also said the sector pays 82% of its pre-tax profits in business taxes, which UKHospitality described as the highest share of any industry.

Simpson said the issue should be addressed in Chancellor John Healey’s first Budget, which is scheduled for Wednesday, October 28. He argued that the Budget should signal a policy shift toward supporting labor-intensive businesses that employ large numbers of younger and lower-paid workers.

UKHospitality’s warning comes as many employers in the industry continue to deal with a difficult trading environment. Hospitality businesses tend to be highly exposed to increases in staffing costs because wages make up a large share of their overall spending. They also face pressure from energy bills, food inflation, rent, business rates

and borrowing costs. Trade bodies have argued for months that many venues can no longer absorb those increases without cutting hours, reducing hiring or delaying investment.

The group linked the current job losses directly to those pressures. It said the sector’s ability to provide work opportunities for young people is already stretched and could deteriorate further if the government does not act. Simpson said businesses do not want to see more jobs or opportunities disappear and called on ministers to lower the cost of employing staff so that the sector can start hiring more freely again.

The trade body also framed the issue as part of a wider labor market problem. It said hospitality can help address the number of young people who are not in education, employment or training, often referred to in Britain as NEETs, because the industry offers large numbers of entry-level roles and flexible schedules. For many younger workers, hospitality jobs serve as a first step into the labor market and can provide experience in customer service, teamwork and management.

The call for tax relief came alongside a broader policy package from UKHospitality focused on local economic growth and high street recovery. Earlier this week, the group published what it described as a blueprint for central government and local authorities, with 33 recommendations aimed at reducing regulatory barriers and helping commercial districts recover. The proposals covered business rates, infrastructure, licensing, planning, rent and skills.

Among other measures, the group called for faster planning approvals, changes to licensing rules and a wider expansion of hospitality training programs. It said those changes, combined with lower tax costs, would make it easier for businesses to open, expand and hire.

The debate matters beyond employment figures alone because pubs, bars and restaurants sit at the center of the drinks trade. If operators continue to face rising tax and labor costs, that can potentially reduce profitability, limit what venues spend on beer, wine and spirits, and weaken demand across parts of the beverage supply chain. Lower staffing levels can also affect opening hours, service capacity and sales volumes, especially in businesses where drinks are a major source of revenue.

The government has not yet responded publicly to the latest proposal from UKHospitality. The Budget is expected to be closely watched by employers across retail, leisure and hospitality, which have argued that labor-heavy sectors are bearing a disproportionate share of tax and compliance costs.

For now, UKHospitality is trying to make the case that hospitality should be treated not only as a consumer-facing industry, but also as a national employment engine. Its central argument is that if the government wants more young people in work and stronger town and city centers, it will need to lower the cost of employing people in the businesses that hire them first.