

# WEEKLY BRIEFING REPORT

**Week ending 19 March 2023**

Published 20 March 2023

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## My insight

Funny thing, politics. Although I am a consumer of politics (as a taxpayer for example) and an influencer (say as a voter), I do not understand it – I don't understand how it works, and even what it is. It seems to be a shape-shifting monster that's always there and always affecting our lives.

Take the restaurant industry. Less than three years ago, the government (the major embodiment of politics in this country) launched the Eat Out to Help Out Scheme. It had a specific focus on the restaurant sector because, especially during covid lockdowns, restaurants were seen as lynchpins of local society, and they were struggling to keep their millions of employees working and paid. In short, they deserved to be helped.

And what did last week's budget have to say about restaurants? Nothing. You could include a freeze on alcohol duty on draught beer (but not bottled beer) as a benefit to pubs, and adjacent industry. On the other hand, the construction trade was given the benefit of more generous rules on employing immigrant bricklayers and carpenters - but restaurants, also unable to find sufficient staff, weren't given a mention. A headline of the budget was the removal of the lifetime cap on pension investment. This was noteworthy, in part, because it seems to have been specifically targeted at a single class of worker – highly paid doctors and surgeons (who have, reportedly anyway, been prone to retire as soon as their pension pots were full).

So what has happened to downgrade restaurants, the darling of politics in 2020, to an also ran in 2023? The political focus has switched, and the NHS (important in 2020 of course) now has the highest 'political' rating of all. Why should this change have come about? I put it down to three key things about the restaurant sector: it's fragmented; it's not the 'government's responsibility' (in the way that the NHS is); and it's not being able to 'shout' enough where it matters.

Not much can be done about the first of these (fragmentation is a weakness but also, as I have often previously noted, it's a benefit). Would the restaurant sector like to fall under the second – being owned by the government? Hardly. And as for shouting enough, the world is besieged by many interests each of which is making its own loud noises.

For a fragmented industry, like restaurants, in its quest to become the government's priority those are a pretty stiff set of mountains to climb in – although it got there in the summer of 2020.

Maybe the key is to be 'relevant'. But to whom? Politicians? To the public? To what politicians see as relevant to the public? Or is it something else? As I say, politics is a funny thing.

## The numbers

Last week I was digging around in the ONS data (you might ask: don't I have anything better to do? And the answer is, yes, I do, but you never know what you're going to find when you have access to new data – or, in this case, updated data).

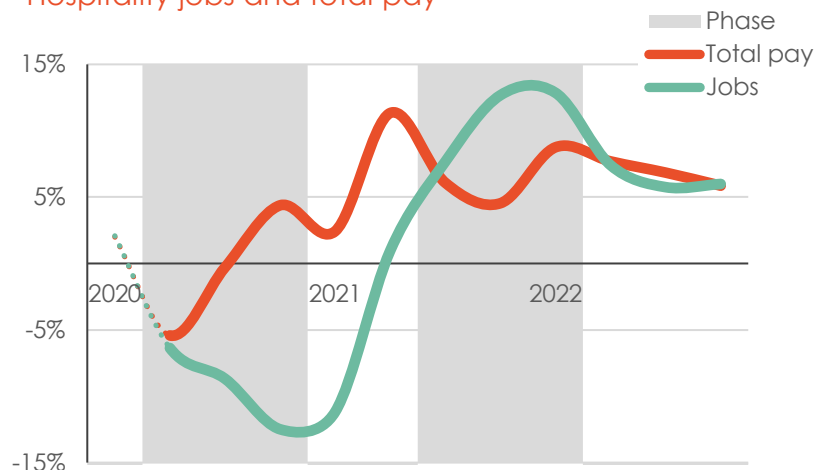
But before I go too far, here's a note of caution: although the ONS seems to try hard to cover what we know as foodservice, or hospitality, it has problems with the consistency of its definitions between data sets which do not always measure the same things. But for the purposes of what I'm writing about I think the differences will be of market sizing, rather than the level and direction of change, which is the more important issue for what I'm saying.

Here are some of the things I found. I came across some small, almost inconsequential, findings such as that 5.6% of the hospitality workforce was self-employed – a fall from the 6.7% self-employed in the 2010s.

And then there is the bigger picture. The numbers of hospitality jobs grew at an average (CAGR) of 0.5% a year between 2006 and 2022. This growth in jobs was less than the growth in total sector pay (not an individual's pay) which grew at 1.2% pa. That's because of an inflation boost. The figures also show that sales, at 1.8% pa grew faster than pay (1.1% pa). Why the difference? The figures don't tell us, but it's possible to speculate that labour productivity increased during the period. Perhaps employers reduced individual pay levels? Or maybe there were other reasons.

But perhaps the most interesting thing to emerge was how pay and jobs changed from quarter to quarter over the covid period – from Q1 2020 to Q4 2022. The graph shows four phases. Phase 1

### Hospitality jobs and total pay



Sources: ONS; Peter Backman

was from before the start of the pandemic and its lockdowns, to late 2020. In this period, pay fell a bit then increased while the number of jobs fell continuously. This was the period of furlough.

Phase 2 was from late 2020 to summer 2021 – the period of omicron and the scramble for workers. True enough the figures show growing numbers of jobs – but pay, although elevated and with varying levels of increase, changed much less. Phase 3 was the year between early summer 2021 and late spring 2022 when job numbers rose

rapidly (perhaps that's news to many operators?). Pay on the other hand stayed comparatively stable. Phase 4 - the final phase - was from the second half of 2022 when changes in job numbers and pay both stabilised at around 6%.

What does this tell us? First: it puts the gyrations in demand for (and supply of) hospitality workers, and their changes levels of pay, into context. And second, it suggests that we are now in for a period of stability. But that may, of course, be knocked sideways by any passing crisis.

The rest of this Weekly Briefing Report provides a summary of the news in the past week:

## News in the past week

### Financial & Legal

- Company insolvencies rose 17.5% in February versus 2022
- Chancellor of the Exchequer retained existing rate of tax on alcohol in draught beer and cider sold in pubs

### Restaurants

- Robotazia, reputedly the first UK restaurant to serve customers by robot, has closed

### QSR

- Leon plans to close Harrogate drive-thru after less than 12 months trading

### Pubs

- Nightcap rose 48.7% in the last six months of 2022 versus 2021; LfL sales rose

### Hotels

- Blantyre Capital acquired Crerar Hotel Group

### Around the World

- Deliveroo global sales rose 8.4% in calendar 2022 versus 2021

In the latest episode of The Delivery Prophets, I discuss dark kitchens with Jon Borzacchiello of [Aviko](#), and our guest [Eccie Newton](#), founder and CEO of [Karma Kitchen](#). Eccie shares her insights on using dark kitchens to streamline infrastructure and improve delivery experiences. Learn about Karma Kitchen's local community-focused 'Food Hubs', virtual restaurants for local markets, and how dark kitchens can benefit small businesses. You'll find the podcast [here](#) or on Spotify, Apple, Google or wherever you listen to your favourite podcasts.

From the impact of technology on delivery logistics to changing consumer demands and preferences, from the rise of dark kitchens to the opportunities from virtual brands, listeners to The Delivery Prophets gain a deep understanding of the forces shaping the delivery



sector. Whether you're a supplier of food and drink, a delivery company, marketplace app, technology company, restaurant owner, or investor, The Delivery Prophets is the perfect way to stay informed and ahead of the curve in the world of food delivery.