

Thursday, 21 September 2006

Peter Stephens  
Annual Leave Entitlement, Employment Relations  
Department of Trade and Industry  
Room 3140  
1 Victoria Street,  
London  
SW1H 0ET

Dear Peter,

**RE: Increasing the holiday entitlement – an initial consultation**

Thank you for inviting us to respond to the consultation document regarding proposed changes to the annual leave entitlement for employees. We hope you find our comments useful.

Tourism South East (TSE) has the prime responsibility for co-ordinating and developing tourism in the South East and this is underpinned by having close links with businesses. We have undertaken a consultation exercise of our own with businesses on the proposals, the findings of which form the basis of our observations below.

For simplicity, we have broken our comments down to two key areas.

**1. The basic proposal to increase statutory holiday entitlement**

Many employers voluntarily offer staff leave above the 20 day statutory minimum. This offer forms part of the employment package and is consequently accepted or rejected by the prospective employee. The flexibility this offers to employers will be severely reduced should the entitlement increase. We are also concerned that raising this lower limit may have an influence on labour markets and we wish you to exercise caution should these proposals be enacted.

Research by the British Hospitality Association (BHA) has indicated that the proposals contained in this consultation will result in an estimated cost to industry of around £190m per year. This additional cost burden will have to be absorbed by businesses, further reducing margins or resulting in increased prices for customers. This will further squeeze the UK's tourism industry, which is characterised by a large proportion of small and medium sized businesses. It is these businesses that will be disproportionately affected by the proposals, incurring the additional costs of covering leave while continuing to operate the high levels of service expected by guests. Some of our members have expressed concern at this additional cost, citing reduced levels of service as their only option to remain viable. This is counter to the aims of VisitBritain and the Department of Culture, Media and Sport to increase the quality and value for money of the tourism product.

We recognise that increasing the statutory holiday entitlement will create additional leisure days for some employees in the UK. However, we have reservations as to the benefit this increase will have for tourism and leisure providers. It is our view that many of those gaining the additional entitlement will be from lower-paid jobs. These groups have a lower propensity to travel and as such will only offer tourism businesses a relatively minor opportunity to increase business. This will not offset the cost implications for these businesses; being to the detriment of the UK's tourism industry.

## 2. The options for implementation and regulation

i. Creating a requirement for employers to allow the additional days to be carried over to the next holiday year.

Requiring businesses to include this in the employment package will add to the burden of the entitlement increase. Many businesses will struggle to be able to accommodate longer periods of annual leave and will have to remedy this by hiring additional and/or casual staff. This will increase the costs associated with the proposals and we believe this will further disadvantage tourism businesses.

ii. Creating a buy-back policy for employers who wish to purchase employees annual leave.

We fully support this addition to the regulations and welcome its inclusion. This added flexibility will allow employers more options for working around the increased leave entitlement.

iii. Phasing in the additional entitlement in two instalments; the first beginning 1st October 2007.

We support this measure and the flexibility it adds to the implementation of the regulations. We welcome the department's identification of difficulties associated with the implementation of this kind of employment change.

With regards to the second instalment, we would hope that a review of the first phase of implementation would give a good idea as to the timescales necessary in order to reduce the administrative burden on businesses. We would also like to see this review examine the impact of the change and leave open-ended the options for further entitlement increases.

To conclude, we feel that the increase in holiday entitlement will have a major cost implication for the tourism industry. The burden of these costs will either be adsorbed by businesses, having the affect of reducing margins, profitability and ultimately viability or be passed on to visitors, further weakening the competitiveness of the industry in the global marketplace. The increase in leisure time for employees may offer a small amount of consolation. However we believe that the opportunity this provides for tourism businesses is outweighed by the costs associated with the additional leave entitlement.

Thank you for the opportunity to comment on this consultation. If we can be of any further assistance please feel free to contact us at the address below.

Yours sincerely,



Robert Collier  
Managing Director



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