

SOCIO-ECONOMIC DUTY ASSESSMENT

Introduction

The Programme for Government 2021-2026 includes a commitment to “Take forward actions to cap the number of second homes, bring more homes into common ownership and license holiday lets”. This is because the Welsh Government wants to balance the needs and concerns of communities, particularly around housing, with wider economic and sustainable tourism interests.

The Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill (“the DTRVA Bill”) provides the legislative basis for a licensing scheme for visitor accommodation. This builds upon the register of visitor accommodation and providers, as set out in the Visitor Accommodation (Register and Levy) Etc. (Wales) Act (“the VARL Act”).

The DTRVA Bill proposes that visitor accommodation providers will need to have a licence, for self-contained, self-catering accommodation in the first instance. However, our intention is that licensing will apply to other visitor accommodation types in the future. Further consultation and assessment of the impact will be conducted later if necessary.

The aims of the licensing scheme are:

- to support tourism in Wales by assuring visitors that accommodation meets the basic standards they would expect.
- to support accommodation providers by providing a clear regime of required standards for tourism in Wales, which supports consistency, compliance and best practice.
- to align more closely regulation of self-catering accommodation with the regulation of the private rented sector.
- to establish a Code of Welsh law on tourism that will incorporate existing legislation on the development of tourism in Wales, with a view to improving the accessibility of the law.

To achieve these aims, it is the intention that visitor accommodation providers will need to meet certain conditions before they are licensed. This will include undertaking and passing training to ensure they are aware of their responsibilities.

Undertaking the impact assessment

What evidence has been considered to understand how the proposal contributes to inequalities of outcome experience as a result of socio-economic disadvantage?

Official data from the Office for National Statistics and Welsh Government have been used where available. However, there are large gaps in the Welsh tourism data needed to

inform this assessment. For example, data relating to those who work in, or own, visitor accommodation businesses in Wales is not broken down by socio-economic group. Therefore, drawing conclusions about how much the licencing scheme will impact people is difficult.

To supplement the gaps in the data, because it is not broken down by socio-economic group or groups with protected characteristics, this impact assessment uses qualitative first-hand accounts gathered by officials, and wider data available on socio-economically disadvantaged people to make inferences as to the potential impact of implementing the licencing scheme.

The specific references we have used when considering the impacts are listed at the end of this document.

What information has been gained through engagement with those affected by the proposal?

The engagement we undertook during policy development helped inform our impact assessments. Further information on the consultation and engagement process is set out in Chapter 4 of the Explanatory Memorandum.

What information has been considered regarding future trends?

The [Future Trends Report](#) is an important institutional mechanism in Wales, established under the Well-being of Future Generations (Wales) Act 2015, to help policy makers understand Wales' future and respond accordingly. This report has been considered when assessing the socio-economic impact of the Bill. The following paragraphs outline future trends deemed relevant to this legislation. Direct quotes from the report are presented in italics.

Population

*'Wales' population currently stands at 3.17 million people and, based on current projections, this is expected to increase (**Population projections by local authority and year**, StatsWales), but is dependent on continued fertility and mortality rates as well as continued net in-migration, which may or may not occur'.*

*The structure of households in Wales is changing. The number of households in Wales is projected to increase steadily over the next 20 years (**Household projections by variant and year**, StatsWales), however this is dependent on highly uncertain population projections. Trends of household composition point to increases in one-person households. Household sizes are becoming smaller in Wales, with the number of single-person households projected to increase by over 10,000 in the period between 2020 and 2043 (**Household projections by household type and year**, StatsWales).*

These trends both in population growth and the trend towards one person households indicate there will be a growing need for appropriate and affordable housing.

Poverty

With less wealth and fewer higher earners, Wales has lower levels of income and wealth inequality than many other parts of the UK (**Chief Economist's Report 2020**, Welsh Government).

Approximately one fifth of the Welsh population live in poverty (measured after housing costs - **Chief Economist's Report 2020**, Welsh Government). However, using relative income poverty as a measure, levels of poverty across Wales have gradually reduced since the mid-1990s (**Percentage of all individuals, children, working-age adults and pensioners living in relative income poverty for the UK, UK countries and regions of England between 1994-95 to 1996-97 and 2017-18 to 2019-20**, StatsWales)... While non-working households continue to be at greatest risk of poverty, the share of poor people living in working households has increased over recent years as employment levels have increased (**Working age adults in relative income poverty by economic status of household**, StatsWales). Future trends in relation to poverty are uncertain and will depend particularly on UK government policy on welfare. In recent years, poverty rates for children in Wales have been broadly similar to the UK as a whole (**Children in relative income poverty by economic status of household**, StatsWales).

Employment

Over the past 30 years, there has been an historic improvement in Wales' rates of employment when compared with the UK as a whole, and, while rates have remained below the UK as a whole, Wales' position in recent years has been better than in a number of other UK counties and regions (**Labour market overview: October 2021**, Welsh Government). Unemployment levels have been falling across Wales since 2013, although this is not occurring at an equal rate across the country – south east Wales has seen steep decreases in unemployment, whereas mid Wales has experienced very little change (**ILO unemployment rates by Welsh local areas and year**, StatsWales). Job creation in Wales has increased over the past decades but has occurred unevenly.

Living Standards

Living standards across different areas of Wales have become slightly more equal over time, although some progress has been reversed in recent years (**Chief Economist's Report 2020**, Welsh Government)... Productivity, which is partly shaped by levels of education and skill, but also by population density and levels of urbanisation, is lower in Wales than in any other UK country or region except Northern Ireland. Flintshire, Wrexham, and the counties of south Wales have the highest rates of productivity in Wales, while Powys has the lowest productivity rate of all sub-regions in Britain (**What are the regional differences in income and productivity?** Office for National Statistics).

Policies such as this to support a sustainable tourist industry may increase local productivity in tourist areas, support employment levels and keep families in work, lowering the risk of poverty. However, there may be people providing visitor accommodation to supplement low incomes, who would need to comply with the licensing scheme to continue doing so.

Internet Usage and access

Internet usage is increasing across Wales and the UK as a whole. The number of proportion of adults in Wales who do not use the internet has dropped to around 10 per cent ([Internet Users](#), Office for National Statistics). However, the proportion of people aged 75 and over in the UK who do not use the internet is increasing...

Digital skills

Almost 1 in 5 people in Wales lack basic digital skills, the highest proportion of any UK region. Wales also has the fewer people reporting good digital skills than other UK regions ([Essential digital skills report 2021](#), Lloyds Bank).

Online public service use

The way in which people access public services is changing. The trend in increasing internet use has also led to growth in online use of public services, and a general increase in the obtaining of information, downloading, and submitting of official forms online ([Internet skills and online public sector services: April 2019 to March 2020](#), Welsh Government). The latest evidence suggests that 77 per cent of respondents in Wales have used at least one public service website within the last 12 months, with those aged 35-54 most likely to access public service websites, and those aged 65 and over least likely ([National survey for Wales: Results viewer](#), Welsh Government).

The above extracts on internet use and digital skills make it clear that despite the upward trend in accessing public services online, any scheme reliant on a digital/online channel must take account of the users' needs, for example as to the level of support required.

What data has been considered (national and local)

When developing legislation, we analyse the estimated impact on the needs of the people who live, work, socialise, and do business in Wales.

Official data from the Office for National Statistics and Welsh Government have been used where available. However, there are large gaps in the Welsh tourism data needed to inform this assessment. For example, data relating to those who work in, or own, visitor accommodation businesses in Wales is not broken down by socio-economic group. Therefore, drawing conclusions about how much the licencing scheme will impact people is difficult to determine.

A [literature review](#) was undertaken by Alma Economics on behalf of Welsh Government to consider potential price elasticities of demand for tourism in Wales. An important limitation of this work is that there are no specific Welsh studies to draw on and most studies consider inbound international passenger flows rather than domestic markets. In Wales, most of our visitors are UK residents.

Another source we have referred to regularly is the [Tourism Barometer](#). This provides a 'snapshot' of the Welsh industry performance after important points in the tourism calendar.

Sitting alongside these datasets, there is a [compendium of data sources](#). This draws together the visitor and accommodation numbers for different types of establishments (serviced, self-catering, camping/caravan, hostels). Whilst this data is not an official count of properties, it is included to highlight the potential size of the sector. The figures provide some useful context in which to start framing insights into potential impacts and implementation costs.

We have also considered feedback we received as part of the consultations for the [licensing scheme](#) and the [visitor levy](#). Further information about this, and our engagement with key stakeholders and stakeholder groups is available in the Explanatory Memorandum and Regulatory Impact Assessment.

Provide a summary of evidence and links

The specific references we have used when considering the impacts are listed at the end of this document.

How could the proposal potentially further exacerbate inequality of outcome experienced as a result of socio-economic disadvantage?

Officials have evaluated the potential direct and indirect impact of the licensing scheme for visitor accommodation on socio-economically disadvantaged individuals and communities in Wales. This comprehensive assessment was conducted using a combination of available data, academic research, and direct engagement with the affected communities. Engaging with these communities has been crucial in understanding the scheme's potential effects and shaping the policy accordingly. Further details on the consultation process can be found in the 'Consultation' chapter of the Explanatory Memorandum for the Bill.

A 'direct impact' refers to the impact of having to obtain a licence to operate visitor accommodation. An 'indirect impact' refers to any wider impact the existence of the licence scheme could cause. These may be secondary or tertiary impacts which occur because of the licensing scheme.

Potential impacts of a licensing scheme

Tourism-related industries accounted for 11.8% of employment (159,000 jobs) and 5.1% of GVA in Wales in 2022 (£3.8 billion) in Wales in 2022 [[Wales visitor economy profile: 2024 \[HTML\] | GOV.WALES](#)]. The industry plays a greater role than in the other countries of the UK, meaning any job losses or gains would be felt proportionately greater than other countries in the UK. The Bill seeks to promote tourism in Wales, but will impact most directly on visitor accommodation providers. However, data on the characteristics of visitor accommodation providers is limited.

The median hourly pay in the financial year ending April 2021 was £12.82 in Wales, but was lower within tourism-related industries. Among employee jobs in accommodation and

food service activities the median hourly pay was £8.91; in arts, entertainment and recreation jobs it was £9.51; and in travel agency and tour operator activities was £9.65.¹

The ONS analysis of the Annual Survey of Hours and Earnings in 2023 states 'The lowest-earning employees tend to be younger, aged between 16 and 21 years, and in the elementary occupations or in the hospitality industry.'² Based on this UK wide data set, the analysis also identifies that 39.1% of accommodation and food workers are low earners.³⁴

Furthermore, a large share of the regional tourism workforce is characterised by low pay and precarious working conditions⁵, especially if tourism workers are female or migrants and other with protected characteristics.⁶ The seasonal nature of the tourism industry means there may be more insecure employment.⁷ It has been reported at the UK level that 39% of workers in 'accommodation and food services' would be categorised as being in insecure work. 56% of those in the UK in insecure work earn less than a real living wage, meaning over half of those in insecure work cannot meet their basic needs through work⁸.

In 2022, 11.5% of workers in Wales were categorised as being employed in insecure work. Wales-specific data is not broken down by sector, but it would be reasonable to assume that tourism and accommodation service workers make up a greater proportion of Wales's working population characterised as being in insecure work.⁹

People within urban and rural areas can face shared and unique challenges, but socio-economic disadvantage is present both in cities and rural environments. A decrease in tourism demand would have a negative impact on the local economy, particularly in areas that rely heavily on tourism in coastal and mountainous areas. Any policy resulting in a downturn in demand could, for example, lead to employers reducing hours, recruitment, wages or in the extreme making redundancies.

Simpson¹⁰ summarised a variety of common positive effects of tourism on the social welfare of the local community, such as the improvement of infrastructure (roads, communications, healthcare, education, public transport, drinking water access); the enhancement of local or regional safety and security; the promotion of workforce development (e.g. rights and conditions); and the promotion of civic pride (in community, culture, heritage, natural resources and infrastructure).¹¹

There is a possibility that the cost of compliance of any licensing scheme, combined with other factors currently affecting the viability of maintaining a visitor accommodation business, may cause some VAPs to exit the market thus reducing the number of available premises available to visitors. This may increase market share for more reputable, professionally run visitor accommodation. This in turn may increase the number of secure, high-quality jobs in a local area despite the loss of some less secure work. However, these impacts are highly uncertain.

The Work Foundation's UK Insecure Work Index 2022 found that disabled workers are more likely to be in insecure work than non-disabled people.¹² This means that disabled people are more likely to be affected by any change in availability of work, either positive or negative, for example if there is a change in demand for visitor accommodation or some businesses decide to exit the market. Per the latest Welsh Government statistical releases, in 2021 disabled people made up 5.7% of the tourism workforce in Wales.¹³

The proportion of disabled people in the tourism workforce in Wales, at 5.7% in 2021, is lower than the proportion of disabled people in the general Welsh workforce. According to the most recent Office for National Statistics data, disabled people make up approximately 16% of the total workforce in Wales.

This suggests that disabled people are underrepresented in tourism-related employment compared to other sectors, highlighting an area where the tourism industry could improve inclusivity and accessibility for disabled workers. Higher quality, more secure employment in this sector from reputable providers could improve outcomes in this area.

We expect the licensing scheme to be operated digitally. According to [PASC UK's 2025 Self Catering Owners Survey](#), 54% of holiday let owners across Wales and England are over 60, with 3.3% being over 80. As described above, we are aware that there is a current trend for a decrease in the proportion of people aged over 75 using the internet. In addition, 1 in 5 people in Wales lack digital skills. For this reason, it will be essential to provide appropriate communication and support to VAPs, well in advance of the need to be licensed to ensure that no one is excluded unfairly from the opportunity to run their business in a compliant way.

Ultimately, wider factors will influence both visitor and provider/employer behaviour including the macro-economic context, therefore delineating any precise economic impact of a licensing scheme would be unfeasible. Factors such as the weather, the time of year, levels of disposable income, what other destinations are doing, the state of the economy and other factors will all impact on visitor behaviour.

The Welsh Government will continue to promote Wales as a world-class destination for visitors and the benefits that that brings. However, that must mean taking collective responsibility for managing the impact that tourism has on our environment and local communities. In an overview of the different data sources relevant to second homes in Wales¹⁴, the number of self-catering holiday lets has almost trebled over the last decade. In 2013-14, self-catering properties made up 3.6% (3,900) of all non-domestic rate properties. Each year since then this proportion has increased and reached 8.8% (11,300) in 2022-23.

To put this into context, the number of hotels, guest houses and other leisure accommodation remained stable from 2013-14 to 2022-23, seeing neither major increases nor decreases. The Bevan Foundation concluded in their report on holiday lets and the private rented sector that: *In Airbnb hotspots it appears likely that the sector is having a direct impact on the availability of rental properties for low-income tenants* [[Bevan Foundation: Holiday lets and the private rental sector](#)], but those choosing to exit the market may or may not add to the local housing stock. This would depend on several factors including whether the accommodation is mainly used as a home, whether the property is put on the market, any planning restrictions on use, and the condition and affordability of the property. The intention is, however, that the licensing scheme will help maintain a sustainable and prosperous tourism industry, at the same time supporting those communities that rely on it.

In conclusion, the proposed licensing scheme for visitor accommodation in Wales is designed to raise standards and enhance the reputation of the tourism sector, but careful

consideration is being given to its potential economic and social impacts. The sector is characterised by high levels of low pay and precarious employment, particularly for those with protected characteristics, and any regulatory changes could disproportionately affect these groups. Furthermore, the digital nature of the scheme requires robust support to ensure inclusivity, especially for older owners and those lacking digital skills. Ultimately, the success of the scheme will depend on ongoing efforts to balance tourism growth, community wellbeing, and equitable access to economic opportunities, while also responding flexibly to wider economic factors and changes in housing supply.

How will you monitor the impact of this decision? (Please consider wider outcomes)

This Bill introduces a statutory licensing scheme for visitor accommodation in Wales. We are developing a detailed implementation plan to operationalise the scheme, of which a post implementation review of the scheme delivered by the Bill will form part.

The Welsh Government will conduct the post implementation review no later than five years after the legislation has come into force. It is expected that the formal review process will commence once the scheme has been in place for a year.

The objectives of the review will include:

- assessment of the effectiveness of the licensing scheme introduced by the Bill in achieving its objectives;
- a comparison of the costs and benefits set out in this Regulatory Impact Assessment, and the realised costs and benefits;
- an evaluation of the impacts of the Bill; and
- an evaluation of the measures taken to implement the Bill and their effectiveness in achieving the objectives of the Bill.

Full details of the review are to be determined. We will work with key stakeholders to design and develop the post implementation review of the legislative changes, as well as a review of the delivery of the statutory licensing scheme. Our delivery plan will include a framework for monitoring and evaluation. We will work with stakeholders to develop appropriate methods for collecting evidence to enable evaluation and will report on progress.

The review will consider feedback, for example from visitor accommodation providers, principal regulators, visitors, booking agents, and other stakeholders.

This evaluation will include a review of the integrated impact assessment. The review will consider whether there have been any identifiable impacts on the tourism sector and assess whether amendments are needed to any guidance supporting the implementation of the scheme.

With input from stakeholders, we will establish key performance indicators (KPIs) for the scheme, together with clear operational metrics that can be subsequently measured, compared, and reported on. The post implementation review will be expected to measure progress against these. This is likely to include metrics such as compliance rates and administrative efficiency.

It is important to note the limitations of any post implementation review in the context of a sector which has been subject to several recent interventions, as well as operating against the backdrop of world events and wider economic and market forces. Any review will be necessarily limited insofar as the wider economic, political and social context in which the legislation is operating. It is likely to be extremely challenging to attribute any impact on the visitor accommodation sector to any specific intervention.

Bibliography

¹ Welsh Government, [Wales Visitor Economy Profile: 2021 | GOV.WALES](#)

² ONS, [Low and high pay in the UK - Office for National Statistics \(ons.gov.uk\)](#)

³ *Ibid*

⁴ The ONS [definitions of low and high pay](#) are based on those used by the Organisation for Economic Co-operation and Development (OECD) in which low pay is defined as below two-thirds of median hourly earnings and high pay is defined as more than 1.5 times median hourly earnings. In 2023, low pay is defined as those earning below £10.59 per hour and high pay is defined as those earning more than £23.82 per hour.

⁵ TUC (2019), [No stars: Low pay in the hotel and accommodation sector](#)

⁶ see Baum, T., Solnet, D., Robinson, R., & Mooney, S. K. (2020). [Tourism employment paradoxes, 1946-2019: A perspective article](#). *Tourism Review* Mooney, and S., Ryan, I., & Harris, C. (2017). [The intersections of gender with age and ethnicity in hotel careers: Still the same old privileges?](#) *Gender, Work & Organization*, 24 (4), 360–375. Kronenberg, K., & Fuchs, M. (2021b). [The socio-economic impact of regional tourism: an occupation-based modelling perspective from Sweden](#). *Journal of Sustainable Tourism*, 1–21. Ioannides, D., & Zampoukos, K. (2018). [Tourism's labour geographies: Bringing tourism into work and work into tourism](#). *Tourism Geographies*, 20 (1), 1–10

⁷ Per Richardson, J. (2021) The Living Wage Foundation. [The Insecurity Complex: Low Paid Workers And The Growth Of Insecure Work | Living Wage Foundation](#). Insecure work is defined as 1) People in non-permanent work (casual, seasonal jobs, fixed term and agency), excluding anyone who said they did not want a permanent job; 2) People who self-report volatile pay and hours including those on zero hours contracts; 3) People who self-report constant pay but volatile hours; 4) Low paid self-employed people.

⁸ Richardson, J. (2022) UK Data Service [How can we tackle work insecurity in the UK? — UK Data Service](#)

⁹ TUC (2023) [Insecure work in 2023 | TUC](#)

¹⁰ Simpson. M.C (2009) [An Integrated Approach to Assess the Impacts of Tourism on Community Development and Sustainable Livelihoods by Murray C. Simpson :: SSRN](#) Community Development Journal, Vol. 44, Issue 2, pp. 186-208, 2009

¹¹ Gnanapala. A, Rudmi Chehanika Sandaruwani J.A (2016) [Socio-economic Impacts of Tourism Development and Their Implications on Local Communities](#) International Journal of Economics and Business Administration 2:59-67

¹⁴ [Second homes: What does the data tell us? \[HTML\] | GOV.WALES](#)