



TUC

Changing the world
of work for good

No stars

**Low pay in the hotel and
accommodation sector**

Contents

Executive summary	3
Methodology.....	5
Overview of the accommodation industry	7
Make-up of the workforce	8
The industry across the UK	9
The accommodation industry since the recession.....	10
Pay in the accommodation sector	13
Overview of wages and wage growth	13
Real Living Wage.....	16
Gender inequalities	17
Regional inequalities	18
Age	22
Full-time and part-time wages	26
National Minimum Wage non-payment	27
Unpaid overtime and the minimum wage	29
Conclusion.....	31

Executive summary

The UK's hotel industry has made an impressive recovery since the 2008 recession. This recovery would have been impossible without the hundreds of thousands of workers that keep the accommodation industry in business. Whether it's through making beds, cleaning rooms, or cooking food for guests, their dedication and hard work means that both British and international visitors are able to enjoy the time they spend in hotels.

Despite the contribution they make to the success of the accommodation industry, hotel workers are often badly rewarded for their efforts. Low pay, long hours and abuses of power such as sexual harassment are rife in the industry. In the words of one worker, 'they treat us like machines'.

This report is the first of two reports looking at the hotel sector. This report will focus on pay. The second, to be published in early 2019, will look at how workers are treated while at work. This will include issues such as long hours, health and safety and abuses of power.

What's the issue with pay?

The hotel industry is enjoying an impressive recovery. For example:

- The country's largest hotel chain, Premier Inn, saw its underlying operating profit increase from £457 million in 2016/17 to £498 million in 2017/18, a rise of 6.5 per cent. Its total sales grew by 5.2 per cent, while the chain opened 4,385 new rooms
- Intercontinental Hotels Group (IHG), owner of chains including the Holiday Inn and the Crowne Plaza, report that group operating profit rose by 12.5 per cent
- In its most recent publicly-available annual report, Travelodge had increased its total revenue by 6.6 per cent

These profits are not being shared evenly. For the average employee, the accommodation industry is one of the most badly paid in the economy. The average employee receives £8.15 per hour, which is over £4 per hour less than the average employee in the economy as a whole.

Over half of the employees in the accommodation sector are paid below the real Living Wage, with the percentage of employees not paid the real Living Wage rising among certain groups. For example:

- In some regions, between 60 and 70 per cent of employees are not paid the real Living Wage. In three regions (Wales, Yorkshire and the Humber, and the East Midlands), it's between 70 and 75 per cent of employees
- Younger workers in the accommodation sector are much less likely than the average accommodation employee to be paid the real Living Wage

- Women in the sector are less likely than male employees to be paid the real Living Wage

The accommodation sector does not offer its employees much scope for pay progression. An employee in the accommodation sector barely earns more in their thirties and forties than they do in their twenties. This goes against the trend in the rest of the economy. The highest earning age group in the accommodation sector, those in their forties, earns £54 per week less than the average employee across the whole economy between the ages of 22 to 29.

Excessive executive pay coexists with poor wages across the industry. While the average hotel sector employee is paid £8.15 per hour, Travelodge paid its board of directors a combined total of £5.4 million in 2017. Its best-paid director saw their remuneration package double, from £1.2 million to £2.5 million. Whitbread paid its board and CEO a combined total of over £4.7 million in the 2017/18 financial year.

What we want to see change

The TUC believes that every worker deserves to have a great job. An essential part of this is fair pay.

We want the government to increase the national minimum wage to £10 as quickly as possible, and for this to include 21- to 25-year-olds. Due to the prevalence of low pay in the accommodation sector, with median pay for all employees being £8.15 per hour, this would improve the pay of the vast majority of employees in the sector.

Employees in the hotel sector also need a voice at work. As part of the Great Jobs Agenda, we want employers to:

- Recognise a trade union for collective bargaining on pay and conditions
- Set out how they'll consult the whole workplace on important decisions
- Have elected workers on company boards.

Each of these would help to improve the pay of workers in the hotel sector, as well as lead to fairer distribution of the profits currently being enjoyed by the CEOs and boards of directors of hotel chains.

You can read more about the [Great Jobs Agenda](https://www.tuc.org.uk/sites/default/files/The_Great_Jobs_Agenda_2017_AW_Digital.pdf)¹ online.

¹ https://www.tuc.org.uk/sites/default/files/The_Great_Jobs_Agenda_2017_AW_Digital.pdf

Methodology

Industrial classification

As the focus of this report is on workers in the hotel sector, we have cited figures for the ‘hotel and similar accommodation’ industry where possible.² Sometimes, however, we could only produce reliable statistics if we used the broader ‘accommodation industry’ category. As 83 per cent of employees in the accommodation industry are employed in the hotel sector, these figures will still be a good reflection of pay and conditions in the hotel sector.

We have often used the accommodation industry when breaking down the figures by region, age or sex. Almost all the statistics cited regarding pay in the accommodation industry, for example, are for the accommodation industry rather than the hotel industry.

The Labour Force Survey

The Labour Force Survey (LFS) is a quarterly household survey of employment carried out by the Office for National Statistics (ONS). Around 40,000 households take part. The results are weighted by sub-regional population estimates before being adjusted for the estimated age and sex composition by region.³

Although the LFS is representative of the overall population, the sample includes only a small number of migrants, affecting the reliability of its figures, especially for sectors like the hotel sector, where migrants form a large part of the workforce. It also omits workers who have not been living in the same place for the six months, meaning it does not include temporary migrants in the sample. For both of these reasons, the LFS underestimates the number of migrants in the labour force. As migrants are often less familiar with their rights in the UK than other workers, they are more vulnerable to exploitation. This means that working conditions are even worse than the figures in this report suggest.

The Annual Survey of Hours and Earnings

Most of the statistics cited regarding pay in the accommodation industry are from the Annual Survey of Hours and Earnings (ASHE). ASHE information contains estimates of hourly and weekly earnings, as well as paid hours of employment. As the survey is conducted in April, most summer and winter seasonal workers would not be included in the sample⁴. Although ASHE underwent a slight methodological change in 2011, the impact of this on our statistics is minimal.

Outsourced workers

Although a significant part of the workforce in the accommodation industry is outsourced, these workers are not included in the LFS’s statistics on the industry. This is because the LFS

² As defined by the Standard Industrial Code (2007)

³ Methodology: Labour Force Survey (LFS) QMI, Office for National Statistics

⁴ Quality and Methodology Information: Annual Survey of Hours and Earnings, Office for National Statistics

categorises a worker's industry by the company that employs them. As a result, an outsourced cleaner working in a hotel would be classified as working in the cleaning services industry⁵.

It is unclear as to whether the same applies to the results of the ASHE. ASHE asks employers to classify themselves, meaning that there is some potential for variation. WGC, the company that cleans around 70 per cent of Accor Group hotels, classifies itself as being in the 'general cleaning of buildings' industry. P&P Hotel Consultancy, which is contracted to clean some hotels in the Holiday Inn chain, classifies itself as being in the 'hotel and similar accommodation' industry.⁶ This means that some outsourced cleaners working in hotels would be classed as being in the hotel industry while others would not.

For reasons described elsewhere in this report, outsourced workers are more likely to be exploited. As a result, their exclusion from our statistics on pay and conditions would lead us to believe that workers in the accommodation industry are even more badly treated than the figures presented in this report would suggest.

⁵ This has been confirmed by ONS in its correspondence with the TUC.

⁶ Companies House

Overview of the accommodation industry

The accommodation industry in the UK has recovered rapidly since the recession. The number of employees in the industry increased by 20 per cent between September 2007 and 2017. Total employment across all industries, in contrast, rose by only 8 per cent over the same period⁷. Record numbers of overseas visitors in 2017 resulted in a particularly successful year for the industry, with the percentage of rooms that were occupied also reaching a record high⁸.

The accommodation industry, as defined by the Standard Industrial Code, can be broken down in four groups:

- Hotels and similar accommodation
- Holiday and other short stay accommodation
- Camping sites, recreational vehicle parks and trail park
- Other accommodation

83 per cent of employees in the industry work in hotels and similar accommodation, with another 12 per cent employed in holiday and short stay accommodation.⁹ Although the hospitality sector is sometimes conflated with the accommodation industry, the hospitality sector in fact contains both accommodation and food services activities, such as restaurants and cafés.

Table 1: breakdown of the accommodation sector by type of accommodation

	Hotels and similar accommodation	Holiday and other short stay accommodation	Camping sites, recreational vehicle parks & trail park	Other accommodation	Total
Number of employees	275,073 (82.5%)	39,178 (11.8%)	7,522 (2.3%)	11,590 (3.5%)	333,363

While this report focuses on pay and conditions in the hotel sector, figures for this industry alone are not always available. The report will clearly state whether statistics refer specifically

⁷ TUC calculations based on LFS results published in JOBS03: Employee jobs by industry

⁸ <https://www.bdo.co.uk/en-gb/insights/industries/leisure-and-hospitality/hotel-britain-2017>

⁹ 'Other accommodation' covers a range of types of accommodation with little relevance to the hotel sector, including halls of residence and boarding school accommodation and worker hostels.

to the hotel sector or to the whole accommodation sector. The figures for the whole accommodation industry are still relevant to this report because the overwhelming majority (83 per cent) of employees in the accommodation sector work in hotels.

Make-up of the workforce

The LFS provides insight into the make-up of the hotel sector workforce¹⁰. Employees in the hotel sector are more likely to be women, with almost three-fifths (59 per cent) of the directly-employed workforce being female. Employees also tend to be younger, with more than two-thirds (68 per cent) being under the age of 40. Across all employees, the figure is just under half (49 per cent).

Employees in the hotel sector are more likely to be part-time than the average employee. 36 per cent of employees in the hotel sector are part-time, compared to 26 per cent across all employees. Of those who are working part-time in the hotel sector, almost half (48 per cent) say that they do not want a full-time job, while 29 per cent are working part-time while they study. Over one-in-five (22 per cent) were unable to find full-time work.

According to the LFS, the majority of employees in the hotel sector are from the UK (62 per cent). However, this is a much smaller majority than across all employees, where around 83 per cent are from the UK.

Table 2: top 10 occupations in accommodation sector

Occupation	Number of employees ¹¹	Percentage
Cleaners and domestics	35,605	10.7
Waiters and waitresses	34,342	10.3
Cleaning and housekeeping managers and supervisors	22,289	6.7
Receptionists	21,510	6.5
Chefs	18,706	5.6
Kitchen and catering assistants	18,672	5.6
Hotel and accommodation managers and proprietors	17,552	5.3
Bar staff	17,394	5.2
Housekeepers and related occupations	11,940	3.6
Other elementary services occupations n.e.c.	11,892	3.6

Source: LFS, July to September 2017

¹⁰ LFS, July-September 2017

¹¹ These figures are for indicative purposes only. This table includes the top 10 occupations in the accommodation sector, rather than the hotel sector specifically, according to LFS. Only those occupations with more than 10,000 employees have been used.

Around a quarter of hotel sector employees (26 per cent) are from the EU. The LFS, however, tends to underestimate the number of foreign nationals in the labour force. The fact that outsourced workers are not included in these figures may lead to an underestimation of migrant workers in the industry. Results from a survey by the industry body, the British Hospitality Association (BHA), suggest that 34.1 per cent of workers in the hotel sector are EU nationals¹².

Migrants are particularly vulnerable to exploitation as they are less likely to be aware of their rights. In the words of one union member in London; ‘You won’t find people with good English employed by the agency. They don’t want people who can discuss their rights.’¹³

The industry across the UK

In 2016, the approximate gross value added at basic prices (aGVA) generated by the accommodation sector in the UK economy was estimated to be £14.9 billion¹⁴. aGVA is the amount that a sector contributes to the economy. It’s calculated by finding the difference between the value of goods and services produced by a company (the output) and the cost of raw materials and other inputs that are used up in production of those goods and services.

London was the highest contributing region, with an aGVA of £3.8 billion. The figure was above £1 billion in the North West, the East of England, the South East, the South West and Scotland. The regional breakdown of employment by region in 2017 reveals a similar pattern. The five regions where the accommodation industry has an aGVA of over £1 billion also have the highest number of employees.

While the industry’s recovery since the recession will be discussed in greater depth later in this section, it’s worth noting that the industry grew in every region between 2008 and 2016. Even the region with the weakest accommodation industry, the North East, has seen a rise of £125 million (53 per cent) in aGVA. Every other region, however, has seen increases even higher than this. The figure has risen by 125 per cent in the North West, 89 per cent in the East Midlands and 83 per cent in Yorkshire and the Humber.

Table 3: number of hotel sector workers by region

Region	Number of employees	Percentage of the workforce
London	59,335	18%
South East	36,076	11%
North West	34,960	10%

¹² *Labour migration in the hospitality sector*, KPMG, p.18 <http://www.bha.org.uk/wordpress/wp-content/uploads/2017/05/BHA-EU-migration-final-report-170518-public-vSTC.pdf>

¹³ *Unethical London*, Unite the Union, p.11

¹⁴ Annual Business Survey, 2016

South West	34,620	10%
Scotland	32,815	10%
East of England	30,112	9%
Yorkshire and Humberside	28,824	9%
West Midlands	26,601	8%
East Midlands	15,921	5%
Wales	18,873	6%
Northern Ireland	9,509	3%*
North East	5,717	2%*
Total	333,363	100%

Source: LFS, July-September 2017, *not statistically significant as less than 10,000 employees

The accommodation industry since the recession

The industry's recovery after the recession has been impressive. 2016 marked the industry's seventh year of consecutive growth¹⁵. The industry's 2016 aGVA of £14.9 billion was an increase of 73 per cent since 2008¹⁶.

Although the rate of hotel rooms in the UK occupied during the summer fell from 72 per cent to 68 per cent between 2007 and 2009 because of the financial crash, this rate jumped to 74 per cent in 2010¹⁷. The summer occupancy rate then dipped slightly in 2012 to 73 per cent, before rising to 77 per cent in 2013 and continuing to grow consistently since. It reached a record level of 82 per cent in 2017, however there was a methodological change in June 2017 that means this figure cannot be compared to the figures from previous years^{18 19}.

¹⁵ According to the accountancy and business advisory firm, BDO, 2016 marked the industry's seventh year of consecutive growth. With occupancy rates and revenue per room at record highs, it seems reasonable to assume that 2017 could mark the eighth year of growth. <https://www.bdo.co.uk/en-gb/insights/industries/leisure-and-hospitality/hotel-britain-2017>

¹⁶ TUC calculations based on the results of the Annual Business Survey, Section I- Accommodation and Food Services Industry

¹⁷ Table 1, *UK Occupancy Survey for Serviced Accommodation: Annual Summary 2010*, VisitBritain: https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/England-documents/2010_uk_os_annual_summary.pdf

¹⁸ Table 1a, *United Kingdom Occupancy Survey: Annual Report 2015*, VisitBritain, see: https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/England-documents/annual_ukos_2015_final_summary_report.pdf

¹⁹ The figure for 2017 was calculated by the TUC using VisitBritain's monthly figures for July, August and September. https://www.visitbritain.org/sites/default/files/vb-corporate/2017_ukos_newsletter_september_2017.pdf

There's also been a recovery in the industry's standard measure of success, the Revenue per Available Room (RevPAR), since the end of the recession. RevPAR is calculated by multiplying the average daily rate of a room by the occupancy rate²⁰. After falling slightly in 2009, the RevPAR for London had recovered and exceeded its pre-recession peak by the following year. According to PWC, between 2008 and 2016, London hotels saw RevPAR rise by 23 per cent from £98 to £121. Although it has taken longer for hotels outside of London to recover, RevPAR reached £54 in 2017, compared to £46 in 2008²¹.

2017 was a particularly successful year for the accommodation industry, driven partly by a record rise in the number of overseas visitors to the UK.²² Revenue per Available Room (RevPAR) also reached record levels in the same year. Knight Frank, an estate agency and property consultancy, estimate that London's RevPAR rose by 8.6 per cent in 2017 to £136. Hotels outside of the capital saw RevPAR rise by 6.4 per cent to £67. Knight Frank also conclude that Gross Operating Profit Per Available Room has risen despite increased overheads.²³ An estimated 17,000 new rooms opened in the UK over the course of the same year, with 50 per cent of new hotels opening in London.²⁴

While it is true that the positive effect of a falling pound may be temporary, market analysts predict that the industry's success will continue through 2018. Knight Frank forecast continued nominal growth in RevPAR in both London and the regions in 2018, albeit at a slower rate. Occupancy is set to remain at its high levels in the regions, while the rate for London hotels was forecast to fall by 0.5 per cent in 2018²⁵. Another consultancy company, PwC, are even more optimistic about the industry's performance in 2018. Unlike Knight Frank, PwC forecast growth of 0.2 per cent in the occupancy rate of London's hotels, with marginally higher growth in the regions. In nominal terms, they predict that RevPAR will grow by 2.4 per cent in London and 2.3 per cent in the regions. In real terms, they expect that RevPAR in London will stay above pre-recession levels, but outside London to be 6.6 per cent lower than it was in 2007. Despite this, PwC believe that the outlook for the industry in 2018 will be 'reasonably strong.'²⁶

The UK's biggest hotel chains are also booming. The country's largest hotel chain, Premier Inn, saw its underlying operating profit increase from £457 million in 2016/17 to £498 million in

²⁰ <https://www.investopedia.com/terms/r/revpar.asp>

²¹ 2008 figures taken from *UK hotels forecast 2010 and 2011*, PWC (see: <https://www.pwc.co.uk/assets/pdf/uk-hotels-forecast-issue21.pdf>). 2017 figures taken from *UK hotels forecast 2019*, PWC (see: <https://www.pwc.co.uk/hospitality-leisure/documents/pwc-uk-hotels-forecast-report-final.pdf>). These figures do not take into account inflation.

²² <https://www.theguardian.com/travel/2017/jun/16/uk-tourists-pound-brexit-us-holiday-exchange-rates>

²³ Knight Frank Hotel Trading Performance, p.14, <http://content.knightfrank.com/research/1360/documents/en/uk-hotels-trading-performance-review-2017-5018.pdf>,

²⁴ <http://content.knightfrank.com/research/1360/documents/en/uk-hotels-trading-performance-review-2017-5018.pdf>, p.3

²⁵ <http://content.knightfrank.com/research/1360/documents/en/uk-hotels-trading-performance-review-2017-5018.pdf>, p.3

²⁶ <https://www.pwc.co.uk/hospitality-leisure/documents/pwc-uk-hotels-forecast-2018-as-good-as-it-gets.pdf>

2017/18, a rise of 6.5 per cent. Its total sales grew by 5.2 per cent, while the chain opened 4,385 new rooms²⁷. Intercontinental Hotels Group (IHG), owner of chains including the Holiday Inn and the Crowne Plaza, report that RevPAR rose by 2.7 per cent in 2017 and group operating profit rose by 12.5 per cent. Its annual report announces increased returns for its shareholders²⁸. In their most recent publicly-available annual report, Travelodge had increased its total revenue by 6.6 per cent, and its RevPAR by 2.9 per cent²⁹.

As the section below on pay will make clear, the fruits of the industry's success are not being evenly shared. Although these companies are happy to boast about their financial success when they talk to their shareholders, they paint a different picture while trying to justify the Dickensian wages they pay their staff.

Last year, Intercontinental Hotels Group (IHG) announced that they would break their promise, made during the 2012 Olympics, to introduce the real Living Wage in their hotels. Despite rising profits, IHG had the audacity to cite rising employment costs as the reason for their failure to pay their employees the real Living Wage.³⁰

Excessive executive pay coexists with poor wages across the industry. Travelodge paid its board of directors a combined total of £5.4 million in 2017.³¹ Its best-paid director saw their remuneration package double, from £1.2 million to £2.5 million. In comparison, the average hotel sector employee is paid £8.15 per hour^{32 33}. Whitbread paid its board and CEO a combined total of over £4.7 million in the 2017/18 financial year. The company's CEO, Alison Brittain, was paid over £2.3 million³⁴

²⁷ Whitbread Annual report

2017/18: <https://www.whitbread.co.uk/~media/Files/W/Whitbread/report-and%20presentations/2018/Whitbread%20Interactive%202018.pdf>

²⁸ <https://www.ihgplc.com/en/investors/annual-report>

²⁹ https://www.travelodge.co.uk/sites/default/files/Thame_and_London_Limited_signed.pdf

³⁰ <https://www.thecaterer.com/articles/514480/ihg-performs-reverse-ferret-on-london-living-wage>

³¹ https://www.travelodge.co.uk/sites/default/files/Thame_and_London_Limited_signed.pdf

³² https://www.travelodge.co.uk/sites/default/files/Thame_and_London_Limited_signed.pdf

³³ ASHE, TUC analysis

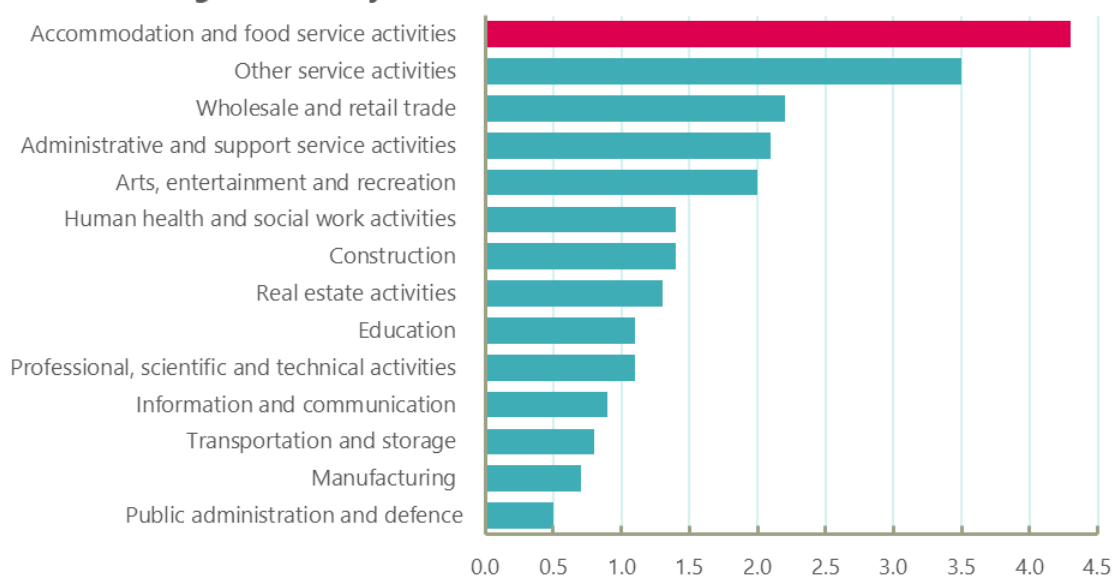
³⁴ P.89, Whitbread Remuneration Report, 2017/18,

<https://www.whitbread.co.uk/~media/Files/W/Whitbread/report-and%20presentations/2018/Whitbread%20Interactive%202018.pdf>

Pay in the accommodation sector

Despite the strong economic performance described in the previous section, the accommodation industry is one of the most badly paid in the economy. Official statistics show that average earnings in the sector are well below the national average. The majority of workers earn below the Real Living Wage. There's also evidence that a significant number of employees in the industry are earning below the legal minimum wage.

Percentage of employees estimated to be paid below the minimum wage in 2017 by sector



Source: ASHE 2017. Estimates considered by the ONS to be unreliable have been removed

This section will examine the trends in pay in the accommodation industry between 2008 and 2017. These trends will be broken down by region, gender, employment pattern and age. As well as analysing trends in pay, this section will consider how many employees are missing out on both the real Living Wage and the National Minimum Wage.

Overview of wages and wage growth

Employees in the accommodation industry tend to be badly paid. According to the 2017 Annual Survey of Hours and Earnings (ASHE), the mean hourly wage before tax in the accommodation industry was £10.51, compared to £16.25 for all industries³⁵. The mean wage is calculated by dividing the total sum of all wages in a sample by the total number of employees. It does not therefore measure how pay is distributed. As the results of the ASHE

³⁵ASHE 2017 (Provisional)

includes hotel managers and proprietors on higher wages than rank-and-file employees, the mean is not usually a reliable way of measuring what most people are being paid.

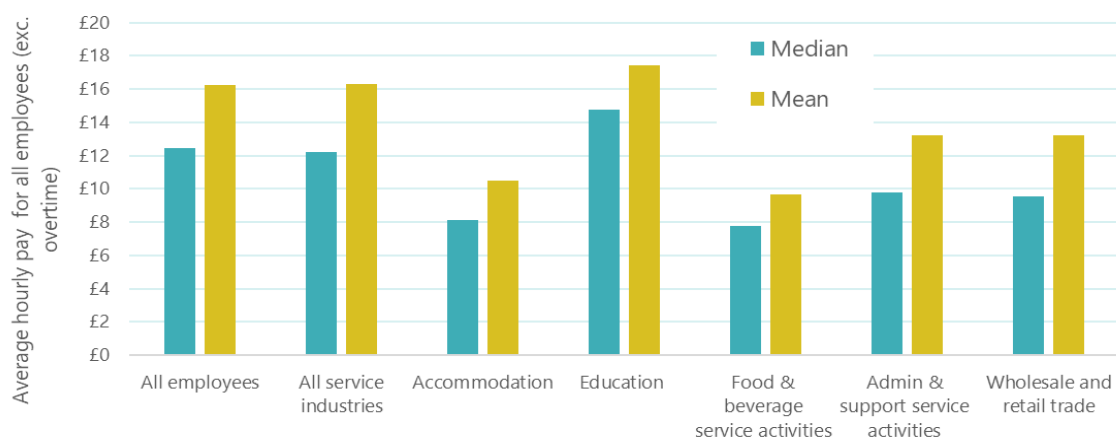
The median wage, which is the point at which 50 per cent of a sample earn less and 50 per cent earn more, is a more reliable way of calculating the typical wage of a worker in the industry³⁶.

While this report will focus on rank and file staff who are paid very low rates, it's worth noting that hotel managers are paid below the mean wage for all employees. Despite the industry's rapid recovery since the end of the recession, the mean wage of hotel managers and proprietors has fallen by £4.07 an hour in real terms between 2012 and 2017. While hotel managers earned about £2 above the mean hourly wage in 2012, in 2017, they earned £2 below it^{37 38}. Although hotel managers have often been the enforcers of their employers' anti-union policies, they have also been the victims of the industry's failure to increase pay in line with rising profits.

As a result of the inclusion of hotel managers and proprietors, the mean does not reflect the wages earned by the majority of the workforce. In 2017, over 75 per cent of employees in the accommodation industry earned below the mean gross hourly wage of £10.49³⁹. The median wage was £8.15, just 75p above the National Living Wage⁴⁰.

Pay growth

Mean and median hourly pay in selected sectors



Source: ASHE 2017 (provisional)

If we look at mean pay, the accommodation sector has been disproportionately affected by the fall in real wages since the beginning of the recession. Between 2008 and 2017, the mean hourly wage for employees in the accommodation industry fell by £1.15 in real terms,

³⁶ Table 14.6a, ASHE 2017 (provisional)

³⁷ Table 14.6a, ASHE 2017 (provisional)

³⁸ Table 14.6a, ASHE 2012

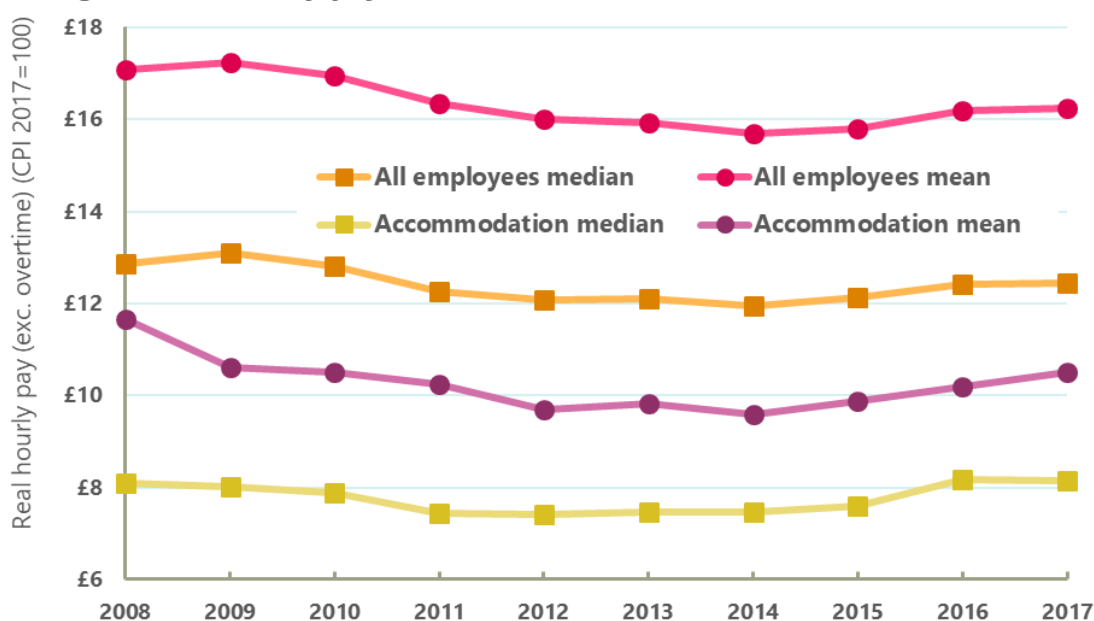
³⁹ Table 5.6a, ASHE 2017 (Provisional)

⁴⁰ Table 5.6a, ASHE 2017 (Provisional)

compared with £0.83 across all industries⁴¹. This is a drop of around 10 per cent in the real earnings of employees in the accommodation, compared to a 5 per cent drop across all employees. While this fall in the mean hourly wage is worth noting, over 75 per cent of employees in the accommodation industry are paid wages below the mean.

Median wages are therefore a more reliable indication of what most employees in the industry earn. Between 2008 and 2017, the median hourly wage for those in the accommodation industry rose in real terms by only 6 pence, from £8.09 to £8.15⁴². The rising minimum wage across this time may have helped to prevent real-terms pay cuts, due to the number of employees in the sector who are paid the minimum wage.

Changes in real hourly pay: 2008 to 2017



Source: ASHE 2008-2017

The dependence of the accommodation industry on the minimum wage seems to have slightly grown between 2008 and 2017. In 2008, the median hourly wage was 20 per cent (£1.11) higher than the National Minimum Wage (NMW) for those 21 and over at the time of the 2008 ASHE⁴³. By 2017, the gap between median pay and the NMW for those aged 21-24 had shrunk to 16 per cent (£1.10). In 2017, the gap between median pay and the National Living Wage for those aged 25 and over (introduced in April 2016) was just 9 per cent (£0.65).

⁴¹ A comparison of ASHE 2008 and ASHE 2017 (provisional)

⁴² A comparison of ASHE 2008 and ASHE 2017 (provisional)

⁴³ As the 2008 minimum wage rate introduced after the 2008 Annual Survey of Hours and Earnings, we are referring here to the 2007 minimum wage.

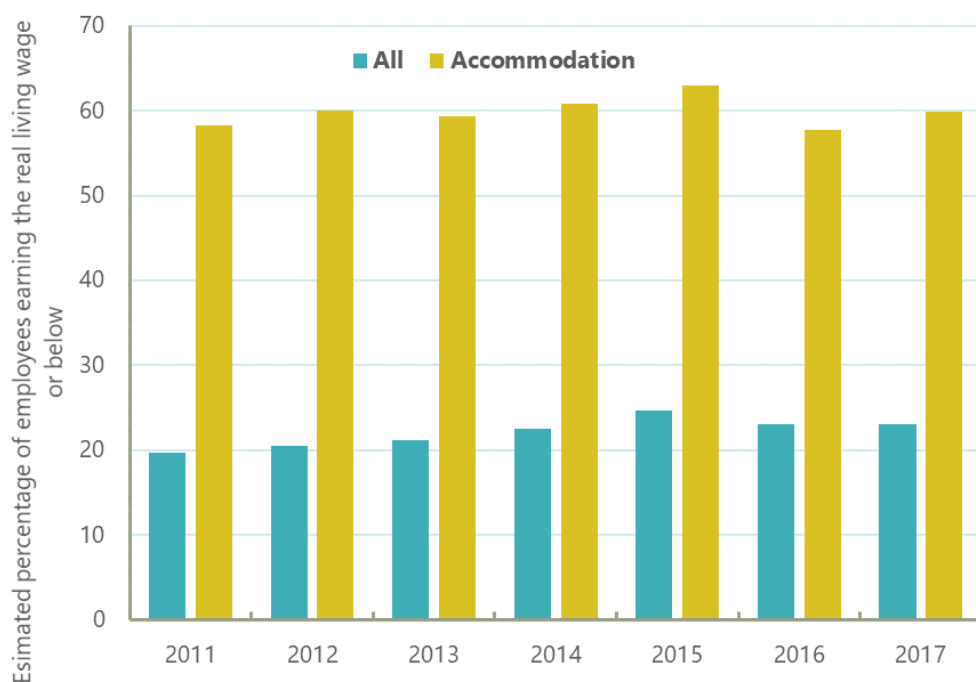
As we have seen, the industry has recovered rapidly since the recession, with a record percentage of available rooms being occupied in 2017. Yet the industry's reliance on the minimum wage did not abate, and actually slightly grew, over the same period.

Real Living Wage

Despite its name, most employees on the National Living Wage are not paid enough to meet their living costs. The real Living Wage, as calculated by the Living Wage Foundation (LWF) and KPMG, is a more reliable benchmark, albeit still imperfect, of whether someone is paid enough to live on.

Only around a dozen hotels or B&Bs are accredited by the LWF as Living Wage employers, all of which are independent⁴⁴. Intercontinental Hotels (IHG), owner of the Holiday Inn and Crowne Plaza chains, committed to paying the real Living Wage so that they would be eligible to become the official supplier of hotels during the 2012 London Olympics. In 2017, after five years of failing to keep its promise, IHG finally admitted that it had no intention of paying its employees a living wage. Despite growing profits, the company justified its decision by referring to 'rising business costs'⁴⁵.

Estimated percentage of employees who earn the real Living Wage or below



Source: ASHE 2017 (provisional), TUC analysis

⁴⁴ <https://www.livingwage.org.uk/accredited-living-wage-employers>

⁴⁵ <https://www.thecaterer.com/articles/514480/ihg-performs-reverse-ferret-on-london-living-wage>

While some hotel owners, no doubt, are paying some of their workers the real living wage without being accredited by the Living Wage Foundation, the TUC's analysis of ASHE reveals that the majority of employees in the industry are paid below the real Living Wage.

While the ONS does not make all of the data publicly available, the figures for each decile can be used to estimate the percentage of employees earning the real Living Wage or below⁴⁶. Across the economy as a whole, this figure has mainly remained within the 20-to-25 per cent band between 2011 and 2017. In the accommodation industry, however, between 50 and 60 per cent of employees earned the real Living Wage or below. This rises into the 60-to-70 per cent band in some years⁴⁷. Despite increases in the National Minimum Wage and the introduction of the National Living Wage, the percentage of employees in the accommodation industry earning the real Living Wage remained relatively stable between 2011 and 2017.

Gender inequalities

On average, women earn less than men in the accommodation industry. This is true of both mean and median wages. In 2017, the median hourly wage for a woman working in the accommodation sector was £7.97, around 7 per cent less than it was for a man (£8.53).

The gender gap has narrowed slightly between 2008 and 2017. In 2008, female employees in the accommodation sector were paid 10 per cent less than male employees. In real terms, median hourly pay decreased for men (-1.4 per cent) and increased for women (+2.7 per cent) between 2008 and 2017⁴⁸. This is unlikely to be due to the industry making an active effort to improve the gender pay gap. Instead, it may be because more women than men are on the minimum wage and women are therefore more likely than men to see their pay rise in line with the minimum wage⁴⁹.

Gender and the real Living Wage

Within the accommodation sector, women are less likely than men to receive the Real Living Wage. In 2017, between 50 and 60 per cent of men in the accommodation industry earned less than the Real Living Wage, compared to between 60 and 70 per cent of women⁵⁰. This gender gap is in line to the pattern for the whole economy, with between 10 and 20 per cent of male employees earning less than the real Living Wage, compared to between 20 and 30 per cent of female employees.

⁴⁶ For example, in 2016, 20% of people across all industries earned £8.14 an hour, while 25% earned £8.64. Assuming an even distribution between these two points, it is possible to estimate that around 23 per cent of employees in the country earned below the Real Living Wage of £8.45 for that year.

⁴⁷ ASHE 2017 (provisional)

⁴⁸ TUC analysis of ASHE 2008 and ASHE 2017 (provisional)

⁴⁹ In 2017, between 30% and 40% of full-time female employees earned the National Living Wage of £7.50 or less, compared to 25% to 30% of men.

⁵⁰ These figures are based on UK-wide wages. As a result, they are an underestimate as they measure the wages of the London employees included in the sample against the lower Real Living Wage rather than the London Living Wage.

The percentage of male employees in the accommodation sector earning the real Living Wage has remained in the same range between 2012 and 2017⁵¹. The rate for female employees has been more volatile. The percentage of female employees earning less than the real Living Wage reached over three-quarters in 2015. This suggests that women are in a more financially precarious position than men within the industry. Given that 90 per cent of single parents with dependent children are women, this gender gap is particularly concerning as parents' financial needs may well exceed those that can be provided by a Real Living Wage⁵².

Regional inequalities

A regional breakdown of pay in the accommodation industry reveals that employees tend to be paid less in some regions. Several regions have median hourly earnings that are significantly less than £8.15, the figure for the UK. Median hourly earnings are particularly low in the North East (£7.50), East Midlands (£7.71) and the West Midlands (£7.71).⁵³

Median hourly pay by region



Source: ASHE 2017 (provisional)

Even where median wages are higher than the industry-wide average, this does not necessarily mean that employees in the accommodation sector in these regions will benefit from a higher standard of living. With median hourly pay of £10.04, earnings for employees in London's accommodation industry are higher than across the rest of the UK.⁵⁴ However, they remain far below the median hourly pay of all employees in London (£16.73). Furthermore, the cost of living in the capital is significantly higher than elsewhere. The higher median wage is unlikely to

⁵¹ In 2011, the rate was at the very upper end of the 40 to 50 per cent category, with the median employee earning £7.23 per hour - just 3p above the real Living Wage of £7.20.

⁵² Table 1, Families and Households: 2017, Office for National Statistics

⁵³ Table 5.1a, ASHE 2017 (Provisional)

⁵⁴ ASHE 2017 (Provisional)

compensate for this, meaning that employees earning this wage are unlikely to have a higher standard of living than those living outside of London.

Wages in the industry may also be even lower than these figures suggest. While, as discussed in the section on methodology, it's difficult to estimate the wages of outsourced hotel workers, outsourced workers are likely to be less well-paid, and less likely to be paid the minimum wage, than those who are directly employed. Outsourced workers are also less likely to be aware of their rights as a worker in the UK, making them more vulnerable to exploitation and lower rate of pay.

Unite estimates that a typical room attendant in London earns £288 a week, much less than the median weekly earnings of an employee in the accommodation sector (£383) according to ASHE⁵⁵.

While these variations are partly a reflection of regional inequalities in wages across all industries, the gap between wages in the accommodation sector and the wider economy is greater in some regions. In most regions, the gap between the median hourly earnings in the accommodation industry and all employees in the region is around 34 per cent or below, matching the gap at the national level. The gap is higher in London (40 per cent) and the North East (35 per cent). This relatively limited regional variation is likely to be the result of the industry's dependence on the minimum wage, as employers are paying vast numbers of employees the lowest possible wage, regardless of where they are in the country.

Although the median is generally the most reliable way of measuring the wages earned by most people working in the accommodation industry, the mean can also be a useful indication of how regional differences affect the pay of those who earn above the minimum wage. Nationally, the gap between mean hourly earnings for all employees and for those in the accommodation industry is very close to the same as the gap in median full-time wages (35 per cent for the mean, compared to 34 per cent for the median). When we look at the mean, however, there are more regions where the pay gap between all employees and employees in the accommodation sector is larger than the national average. The gap between wages in the local economy and the accommodation industry was higher than it was nationally in:

- London (40 per cent)
- Wales (39 per cent)
- the East Midlands (37 per cent)
- the North East (36 per cent)
- the South East (36 per cent)
- Yorkshire and the Humber (36 per cent)⁵⁶

⁵⁵ *Unethical London*, Unite, p.21

⁵⁶ Table 5.1a, Annual Survey of Hours and Earnings, 2017 (Provisional)

This suggests that wages in the accommodation industry in these regions are not only low by national standards, but by regional standards as well.

Region and the real living wage

A breakdown of ASHE reveals significant regional inequalities. In all regions except London, the South East, and the South West, over 60 per cent of employees in the accommodation industry were not paid the Real Living Wage of £8.75 in 2017. In the East Midlands, Wales, and Yorkshire and the Humber, the rate was above 70 per cent.

Estimated percentage of employees who earn the Real Living Wage or below (2017)



Source: ASHE 2017 (provisional), TUC analysis

Although the percentage of employees in the accommodation industry across the UK earning below the Real Living Wage remained within the 50–60 per cent range between 2011 and 2017, in some regions it has increased. The starkest example of this can be found in the East Midlands, where the percentage of employees in the accommodation industry earning below the real Living Wage rose from between 50 and 60 per cent in 2011 to between 70 and 75 per cent in 2017. Other areas have seen a less significant rise. Wales has seen a rise in the percentage of employees earning below the real Living Wage rise from between 60 and 70 per cent in 2011 to between 70 and 75 per cent in 2017.⁵⁷

In 2017, between 50 and 60 per cent of employees in the accommodation industry in London earned less than the London Living Wage, compared to between 40 and 50 per cent in 2011.⁵⁸ While the real Living Wage and the London Living Wage are valuable ways of estimating the

⁵⁷Comparison of ASHE 2011 and ASHE 2017 (provisional)

⁵⁸ Like the Real Living Wage, the London Living Wage is calculated by KPMG on behalf of the Living Wage Foundation. As it takes into account the higher cost of living in London, the London Living Wage was set at £10.20 in 2017, while the Real Living Wage was £8.75.

income needed to meet living costs, these rates may not be sufficient for employees with higher living costs. Those with children, for example, will face high childcare costs while already struggling to get by on less than the real Living Wage.

Table 4: Number of employees who earn the Real Living Wage or below (2017)

Description	All employees	Employees in the accommodation sector
United Kingdom	Between 20 and 25 per cent	Between 50 and 60 per cent
North East	Between 25 and 30 per cent	Between 60 and 70 per cent
North West	Between 25 and 30 per cent	Between 60 and 70 per cent
Yorkshire and The Humber	Between 25 and 30 per cent	Between 70 and 75 per cent
East Midlands	Between 25 and 30 per cent	Between 70 and 75 per cent
West Midlands	Between 25 and 30 per cent	Between 60 and 70 per cent
East	Between 20 and 25 per cent	Between 60 and 70 per cent
London	Between 20 and 25 per cent	Between 50 and 60 per cent
South East	Between 20 and 25 per cent	Between 50 and 60 per cent
South West	Between 20 and 25 per cent	Between 50 and 60 per cent
Wales	Between 25 and 30 per cent	Between 70 and 75 per cent

Source: ASHE 2017 (provisional), TUC analysis

Although these figures show a very high percentage of employees earning below the real Living Wage in the capital, they are most likely an underestimate. A survey carried out by Unite Hotel Workers Branch revealed that 68 per cent of Unite members in the hotel industry in London were paid below the London Living Wage. The rates for some jobs were even higher, with 90 per cent of bar staff, 85 per cent of kitchen staff and 80 per cent of kitchen staff earning below the London Living Wage⁵⁹.

While between 60 and 70 per cent earn below the Real Living Wage in most regions, employees in some regions, such as Wales, the East Midlands, and Yorkshire and the Humber, are even less likely to earn the real Living Wage.

⁵⁹ P.5, Unethical London, Unite the Union- London Hotel Workers' Branch.

Age

When we break down the 2017 ASHE data by age, it's clear that employees in the accommodation industry are less likely than employees across all industries to see their wages rise as they become older. While, across the economy, the median hourly wage of those aged 22 to 29 was 39 per cent higher than those aged 18 to 21, in the accommodation industry it was just 15 per cent higher. Similarly, the median hourly wage for employees in their thirties was just 11 per cent higher than that of those between the ages of 22 and 29, compared with a difference of 28 per cent for the whole workforce.

As a result of this weaker link between age and wage in the accommodation sector, the gap between wages in the industry and the rest of the economy tends to widen with age. While the median wage of an employee between the ages of 18 and 21 in the accommodation industry is just 9 per cent lower than it is for all employees of the same age, this gap widens to 25 per cent for those between the ages of 22 and 29. For those in their thirties, the gap is even wider at 35 per cent. It remains similarly high for employees in their 40s and 50s, before falling to 25 per cent among employees over 60⁶⁰. Although most employees can expect their wages to grow significantly throughout their career, employees in the accommodation industry are not similarly rewarded for their experience.

Median hourly pay by age group



Source: ASHE 2017 (provisional)

The scale of this gap is clear when we consider wages on a weekly basis. Across all industries, the median wage for an employee in their thirties is £94 a week higher than it is for someone between the ages of 22 and 29. In contrast, an accommodation sector employee in their thirties earns only £28 a week more than one between the ages of 22 and 29. This doesn't

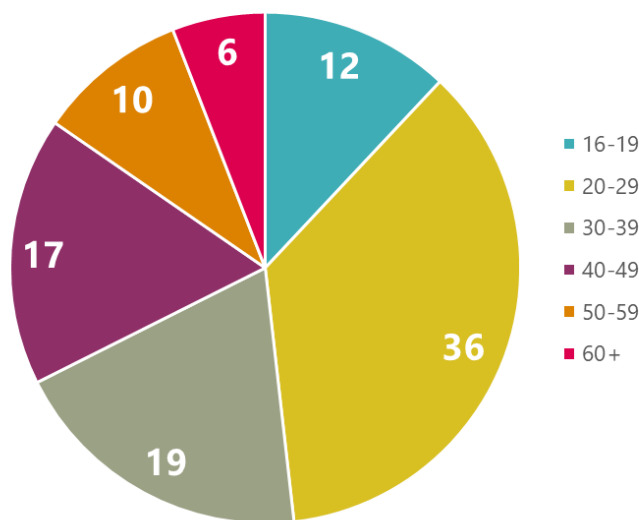
⁶⁰ ASHE 2017 (provisional)

improve as employees in the sector move into their forties. Across the workforce, the median wage for an employee in their forties was £96 a week higher than someone between the ages of 22 and 29. In the accommodation industry, however, employees in their forties still earned only £29 a week more than employees between the ages of 22 and 29.

As a result, employees at the peak of their career in the accommodation industry tend to earn less than the median employee in the labour force who has just started their career. The median wage for an employee in the accommodation sector peaks in their forties at £346 a week. Across all industries, the median full-time employee between the age of 22 and 29 already earns £400 a week.

Many in the industry will not see their wages rise as they grow older. 10 to 20 per cent of employees in their thirties and forties earn no more than the government’s National Living Wage^{61 62}. The situation is even worse for older employees. In 2017, 20 per cent of employees over the age of 60 earned the National Living Wage (£7.50) or less. For those in their fifties, pay is even worse, with 25 per cent of employees earning the National Living Wage or less.

Employees in the hotel sector by age (%)



Source: LFS July-September 2017

It’s true that not all older employees have previous experience in the accommodation industry. Employees in the accommodation industry do, at least in the medium term, seem to stay in the hotel sector, with 90 per cent of employees in April 2018 saying they were in the same exact same occupation 12 months previously.⁶³ But older employees who have worked in other industries would be likely to have acquired transferrable skills even if they were new to the accommodation industry.

Young workers

The workforce in the accommodation industry tends to be younger than the rest of the labour force. 48 per cent of employees in the industry are under the age of 30, compared to 26 per cent of employees across all industries. These employees, particularly those under the age of 22, tend to be paid very low wages.

⁶¹ 30-39: 10% of employees earn £7.50 an hour while 20% earn just £0.06 above that.

⁶² 40-49: 10% of employees earn £7.50 an hour while 20% earn just £0.07 above that.

⁶³ *Main occ refwk, LFS April – June 2018*

Those under the age of 25 are penalised by the lower minimum wage rates for younger employees⁶⁴. According to the LFS, in July-September 2017, 32 per cent of employees in the hotel sector were under the age of 25, meaning that they were too young to be eligible for the National Living Wage. 14 per cent of employees were under the age of 21, entitling them to an even lower minimum wage rate⁶⁵.

Pay for workers under the age of 22 in the accommodation industry is uniformly bad, with much less variation in this age group than among older employees. 50 per cent of employees in this age range earn no more than £7.10 an hour, while 75 per cent earn no more than £7.85 an hour. In contrast, 50 per cent of those between the ages of 22 and 29 earn no more than £8.14 while 80 per cent earn no more than £9.74.

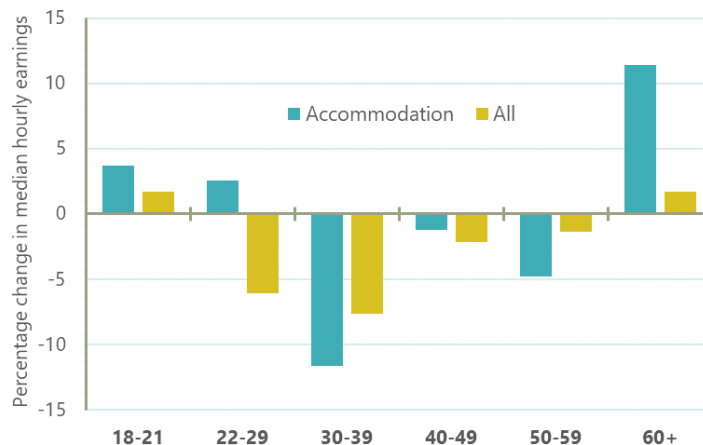
This is because the wages of those between the ages of 18 and 21 were more closely linked to the national minimum wage. In 2017, 10 per cent of 18 to 21-year olds in the accommodation industry earned no more than £5.60 (the 18-20 minimum wage rate), while 40 per cent earned no more than the £7.05 (the 21-24 minimum wage rate). Although the different minimum wage rates within this age range make it difficult to estimate what percentage of employees are on the minimum wage floor, employees in this age group are clearly more likely to be paid the minimum wage.

Similarly, the two different minimum wage rates in the 22-29 age range make it difficult to estimate the percentage of employees in the accommodation industry earning no more than the minimum wage. The bottom ten per cent of 22-29 year olds earn £7.15 or below, ten pence higher than the rate for those between the ages of 21 and 24. The bottom 25 per cent of 22-29 year olds earn £7.50 or less, while the lowest-earning 30 per cent earn no more than £7.56. Even without a precise estimate, it's clear that a significant number of employees in this age range earn no more than the minimum wage.

Pay since 2008

Each age range has seen a different trend in wages since the recession. Employees in the two youngest age brackets, as well as the oldest age bracket, saw their real wages rise slightly between 2008 and 2017. This is most likely the result of younger employees' dependence on the minimum wage, which has been rising faster than pay

Percentage change in median hourly earnings between 2008 and 2017



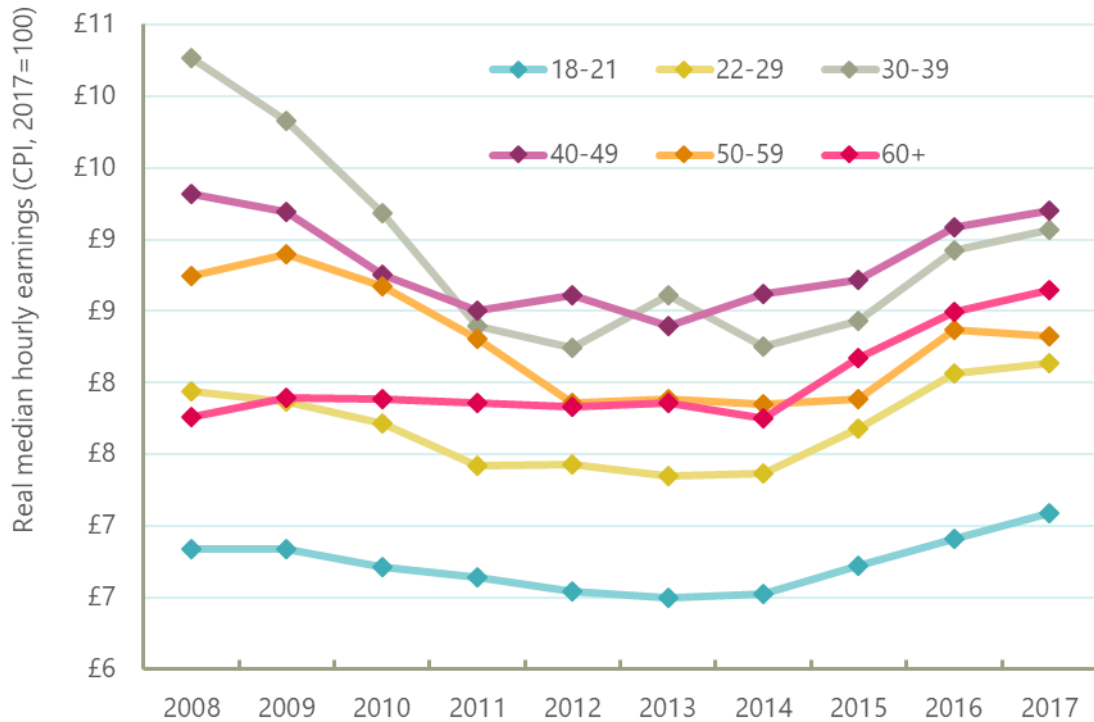
Source: ASHE 2008-2017 (provisional), TUC analysis

⁶⁴ <https://www.gov.uk/national-minimum-wage-rates>

⁶⁵ LFS, July-September 2017

in general. Those in their thirties, forties and fifties saw wages fall in real terms between 2008 and 2017⁶⁶.

Real hourly pay in the accommodation sector by age (2008-2017)



Source: ASHE 2008-2017 (provisional), TUC analysis

Age and the real Living Wage

Lower pay amongst younger employees in the accommodation industry means that they are significantly less likely than older employees to earn the real Living Wage of £8.75. The 2017 ASHE shows that 80 per cent of all employees in the accommodation industry between the ages of 18 and 21 earn £8 an hour or less.

Although pay is higher for those between the ages of 22 and 29, between 60 and 70 per cent of employees in this age bracket still earn less than the real Living Wage. Even though employees in their thirties and forties are the most likely to be earning the Real Living Wage, between 40 and 50 per cent of employees in this age range are paid less. Between 50 and 60 per cent of those over the age of 50 earn below the real Living Wage. While this percentage has been unchanged for those over the 60, those in their fifties were less likely to be paid the real Living Wage in 2017 than in 2011. Apart from this exception, the data shows few changes

⁶⁶ ASHE 2008-2017 (provisional)

in the percentages earning the real Living Wage when compared to 2011, the year in which it was launched.

These figures suggest that the introduction of the government’s National Living Wage, though to some extent cushioning the most badly paid employees from the effect of falling pay, has failed to increase income to the extent that more employees earn the real Living Wage. While the then Chancellor, George Osborne, launched the policy as part of a strategy to create a ‘low-tax, high-pay economy’, poverty pay still blights low-paid sectors such as accommodation. It does not seem to have encouraged employers to offer pay rises to those above the National Living Wage, leaving the percentage of employees earning below the real Living Wage unchanged between 2011 and 2017.

In short, vast numbers of employers in the accommodation industry are being paid wages that would not cover basic living costs. Young employees are being hit the hardest, yet they have not been helped by the government’s flawed attempts to introduce a ‘living wage’.

Full-time and part-time wages

Part-time workers tend to be paid even less than full-time workers. The median hourly wage is £8.98 for full-time employees, compared with £7.50 for part-time employees. There is a narrower range of wages earned by part-time employees than by full-time employees, with 80 per cent of part-time employees being paid at or below £8.66 an hour, compared to £12.81 for full-time employees.

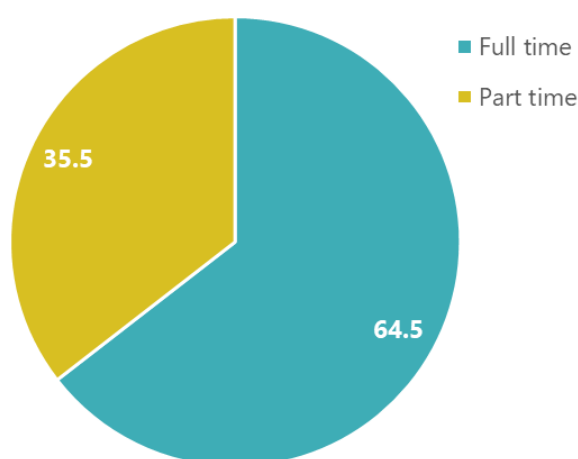
Median hourly earnings for full-time employees in the accommodation

sector have grown by around 3 per cent (£0.25p) in real terms between 2008 and 2017. Real hourly earnings for part-time employees have grown slightly more, by around 6 per cent (£0.41p) between 2008 and 2017. This is probably the effect of a rising minimum wage and the introduction of the National Living Wage.

There’s a smaller gap between full-time and part-time wages in the accommodation industry than across the whole economy. Across the labour force, those who work part-time are paid 35 per cent less per hour than those who work full time. In the accommodation sector, part-time employees are paid 17 per cent less per hour than full-time employees⁶⁷.

This reflects the very low level of full-time wages in the sector. The median wage of a full-time worker in the accommodation industry is only £8.98 an hour, lower than the median part-time

The split between full-time and part-time employees in the accommodation sector



Source: LFS, July to September 2017

⁶⁷ ASHE 2017 (provisional)

hourly wage for all workers (£9.12). Both median full-time and part-time wages for all employees are above the real Living Wage of £8.45 an hour. In contrast, the median part-time wage in the accommodation industry is only £7.50.

Work patterns and the real Living Wage

Although part-time employees do the same work as full-time employees in the accommodation industry, they are significantly less likely to earn the real Living Wage. Between 40 and 50 per cent of full-time employees in the accommodation sector earned below the real Living Wage in 2017, whereas for part-time employees it was over 80 per cent.

While it's understandable that employees are rewarded with higher wages when they are more experienced, it cannot be right that they need a certain level of experience before they are able to earn a living wage. With 80 per cent of part-time employees in the accommodation industry earning less than the real Living Wage, it seems likely that part-time employees are paid less than their full-time colleagues even when they are just as experienced.

The real Living Wage is based on the assumption that employees will work full-time. In the hotel sector, 22 per cent of those working part-time do so because they have been unable to find a full-time job⁶⁸. These employees have to try to meet the same living costs as those in full-time work, but with a part-time wage. There will also be employees who work part time because they need to look after their children. Their costs will likely be even greater than a full-time employee without children, yet they must try to meet them with a part-time wage. The fact that part-time employees are considerably less likely than full-time employees to be paid the real Living Wage is particularly concerning, not least because it may be having a serious impact on their ability to maintain basic living standards.

National Minimum Wage non-payment

In 2017, an estimated 69,000 employees in the accommodation and food services industry were paid below the minimum wage, second only to the wholesale, retail & motor trade in terms of numbers. No other industry had a higher percentage (4.3 per cent) of underpaid employees.⁶⁹

There is some evidence that non-payment has become more common in recent years. ONS figures show the rate of employees not being paid the minimum wage rose in the year after the introduction of the National Living Wage in 2016, with the rate of non-payment jumping from 2.3 per cent to 4.3 per cent between 2015 and 2017⁷⁰. This increase is higher than in other low-paid industries, such as in wholesale and retail, which rose by a half a percentage point, or administrative and support services, where non-payment rose by one percentage point⁷¹.

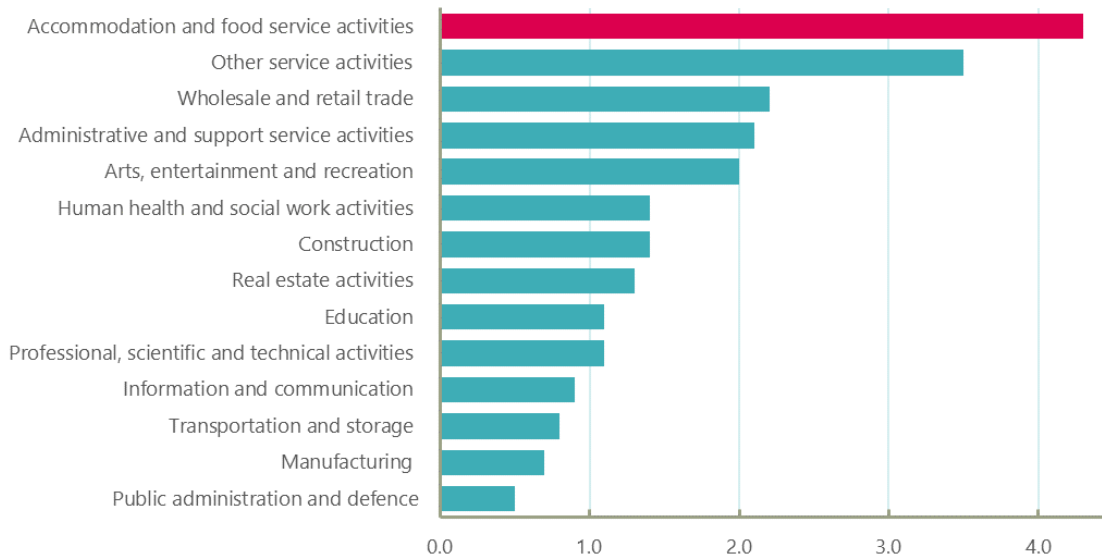
⁶⁸ Quarterly LFS, July-September 2017, ONS

⁶⁹ Table 2a, Jobs paid below minimum wage by category, Office for National Statistics (2017)

⁷⁰ Table 2a, Jobs paid below minimum wage by category, Office for National Statistics (2017)

⁷¹ Table 2a, Jobs paid below minimum wage by category, Office for National Statistics (2017)

Percentage of employees estimated to be paid below the minimum wage in 2017



Source: ASHE 2017. Estimates considered by the ONS to be unreliable have been removed

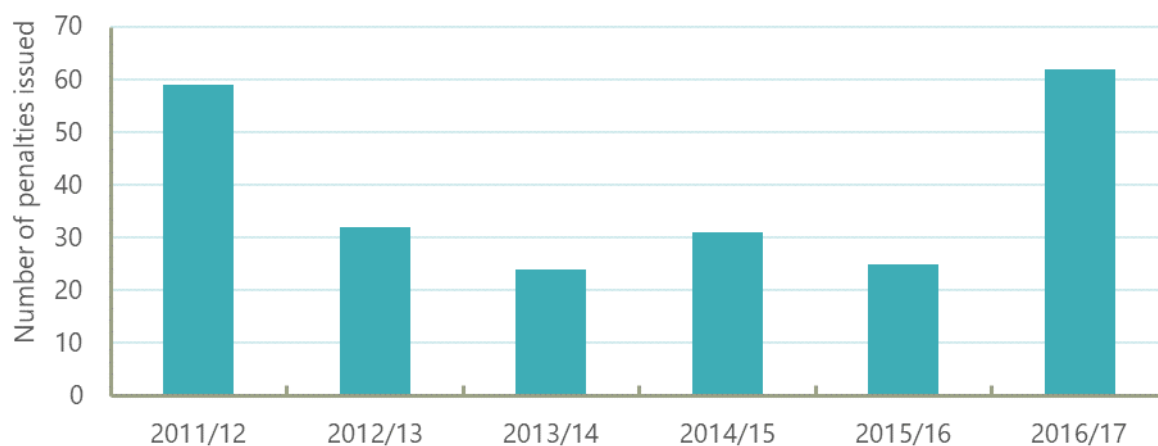
Although the 2017 ASHE figures do not show the breakdown of these figures into the accommodation industry alone, the HMRC's figures on enforcement show that the accommodation industry is one of the worst in the economy for underpaying workers. In 2016/2017, HMRC closed 72 cases of companies in the accommodation industry failing to pay the minimum wage. These affected 2,130 workers, who were underpaid by a total of £610,356, averaging around £287 each. HMRC only identified a higher number of cases of underpayment in five other industries, three of which are significantly larger than the accommodation industry⁷². There's been an increase in 2018, with 92 cases of companies failing to pay the minimum wage, underpayment of around £1.4 million, and 4,840 workers affected⁷³.

Many of these cases result in fines for the companies involved. In 2016/2017, the HMRC issued 62 fines for non-payment of the minimum wage in the accommodation industry. This is significantly higher than the majority of industries, with 88 out of 99 industries issued with fewer than 10 fines. In fact, the accommodation industry had the third highest number of fines that year. Although this was a higher than usual number of fines for the industry, it was not wildly out of step with previous years. With 233 fines issued to companies in the accommodation industry between 2011/12 and 2016/2017, it was the fifth most-fined industry. All but one of the industries with a higher number of fines had larger a workforce than the accommodation industry.

⁷²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630197/nmw-nlw-lpc-evidence-compliance-enforcement-2017.pdf

⁷³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742668/nmw-nlw-enforcement-compliance-report-2018.pdf

Number of penalties issued for non-payment of the minimum wage in the accommodation industry



Source: HMRC figures obtained by the TUC through a Freedom of Information Request

Some of those who have been issued with fines for non-payment of the minimum wage have been named under the Department of Business, Energy and Industrial Strategy's 'naming and shaming'. The accommodation industry feature prominently on these lists. While most of the hotels named by BEIS have been independent, Marriott Hotels was named under the scheme in March 2018. The chain was found to have underpaid 279 workers by £71,722.93 in total, making it the second worst offender⁷⁴.

If, as the ONS estimates, 69,000 workers in the accommodation and food services industry were earning below the minimum wage in 2017, then HMRC are clearly only identifying a fraction of underpaid workers in the industry.⁷⁵ Given the scale of the problem, it also seems likely that major hotel chains other than Marriott are paying workers below the minimum wage. A survey carried out amongst Unite the Union's members in the hotel industry in London revealed that 36 per cent of front of house staff were owed wages for hours they had worked, including those at major hotel chains.

Unpaid overtime and the minimum wage

While some companies break the law by paying rates that are explicitly below the minimum wage, there are other less obvious ways of underpaying workers.

Unpaid overtime is a particular problem in the accommodation industry. A worker on the minimum wage will be underpaid if they work any amount of unpaid overtime. If a worker on the minimum wage works for 8 hours but is only paid for 7 of those, the amount they earn per hour of work would be less than the minimum wage. Even those on higher wages could also end up being paid less than the legal minimum if forced to work longer without extra pay.

⁷⁴ <https://www.gov.uk/government/news/nearly-200-employers-named-and-shamed-for-underpaying-thousands-of-minimum-wage-workers>

Those earning the industry's median wage of £8.15 for 9 hours a day would end up with an average hourly wage below the National Living Wage if they were made to work just an extra 50 minutes a day.

A survey carried out by Unite's Hotel Workers' Branch has shown that unpaid overtime is the norm for most hotel employees in London. A third of front of house staff (concierge, doormen and reception) frequently work after the official end of their shift without being paid for working more than their contracted hours. Chefs are particularly affected. Forty-seven per cent of chefs said that they regularly started work before their official start time for no extra pay, while a similar percentage undertake unpaid overtime at the end of their shift⁷⁶.

Some standard practices in the industry make unpaid overtime inevitable. While it is illegal for housekeepers to be paid per room rather than per hour worked, hotel companies often set unrealistic targets, forcing workers to stay after their shift if they cannot finish in time. A recent Dispatches documentary, for example, showed how housekeepers at the London Bridge branch of Premier Inn were set a target of cleaning three rooms an hour. This does not take into account the state of the room or how many beds need to be made. As a result, housekeepers were forced to work extra hours to finish the rooms without being paid. While Premier Inn have blamed the contractor for this practice, the target used by the contractor came from the hotel chain's own cleaning manual.

Managers in the accommodation sector are seemingly using unpaid overtime to deny their workers the wages to which they are entitled.

The issue of unpaid overtime will be addressed in more detail in our second report on the hotel industry, to be published in early 2019.

⁷⁶ P.8, Unethical London, Hotel Workers' Branch

Conclusion

Hotels have failed to share the profits of their booming businesses with their workforce. Despite the industry's rapid recovery after the recession, median earnings barely rose in real terms between 2008 and 2017. Pay in the industry is so low that over half of employees in the industry earn below the real Living Wage, with the number of employees not earning a living wage higher among:

- Younger age groups
- Part-time employees
- Women
- Workers in some regions

With low pay the norm in the sector, it's perhaps unsurprising that it's one of the worst industries for illegally underpaying employees. While official statistics estimate that 4.2 per cent of employees in the industry were paid wages below the National Minimum Wage in 2017, evidence from unions suggest that this figure could be significantly higher.

Those working in the accommodation sector deserve great jobs that pay fairly. Fair pay is one of the standards of the TUC's Great Jobs Agenda. We want the government to increase the national minimum wage to £10 as quickly as possible, and for this to include 21- to 25-year-olds. Due to the prevalence of low pay in the accommodation sector, with median pay for all employees being £8.15 per hour, this would improve the pay of many employees in the sector.

Employees in the hotel sector also need a voice at work. As part of the Great Jobs Agenda, we want employers to:

Recognise a trade union for collective bargaining on pay and conditions

Set out how they'll consult the whole workplace on important decisions

Have elected workers on company boards

Each of these would help to improve the pay of workers in the hotel sector, as well as lead to fairer distribution of the profits currently being enjoyed by the CEOs and boards of directors of hotel chains.

You can read more about the [Great Jobs Agenda](#)⁷⁷ online. It also covers issues such as health and safety in the workplace and the right to be treated decently. These issues will be discussed further in regards to the hotel industry in our second report on the industry, to be published in early 2019.

⁷⁷ https://www.tuc.org.uk/sites/default/files/The_Great_Jobs_Agenda_2017_AW_Digital.pdf