‘SUBCONTRACTING BY STEALTH’ IN LONDON’S HOTELS: IMPACTS AND IMPLICATIONS FOR LABOUR ORGANISING

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LABOUR MARKET RESTRUCTURING: OUTCOMES FOR LABOUR

The British economy has undergone marked change in the last three decades or so. Restructuring driven by a neoliberal political economic agenda has led to the demise of manufacturing as the key sector of the economy and its replacement with producer and consumer services. This shift has been accompanied by a reconfiguration of labour markets, entailing a polarisation of the workforce in terms of both skills and earnings (Sassen 1996; Goos and Manning 2003). The growing globalisation of markets has in turn intensified the pressure on firms to improve their competitiveness, prompting a relentless search for ways of cutting down on labour costs.

In Britain, Conservative governments from the late 1970s to the mid-1990s sought to improve the competitiveness of the economy through labour market deregulation, enacting legislation to reduce employment protection and remove workers’ rights, at the same time as taking measures to weaken trade union organisation. This paved the way for the growth of non-standard forms of work. The rise in part-time, temporary and agency work, along with labour subcontracting, explains how employers have been able to hire workers to do similar work on differentiated pay rates, working hours and conditions (Allen and Henry 1997; Benyon et al 2002; Nolan 2004; Smith and Morton 2006).

Analysts have noted the detrimental impacts of these ‘flexible’ working arrangements on workers, following an upsurge in managerial prerogative through deregulation. Lower wages and restricted benefit entitlements such as sick pay, paid holidays, maternity and paternity leave, overtime pay, bonuses and pension contributions have commonly resulted from such arrangements. In combination, such outcomes are part of a wider shift in employment relations involving the transfer of the costs and risks of employment from employers to employees (Sassen 1996; Allen and Henry 1997; Forde and Slater 2006; Smith and Morton 2006; for international examples, see Peck and Theodore 1998, 2001; Peck et al 2005).

Since coming to power in the mid-1990s, the New Labour government has attempted some re-regulation of labour markets, through the introduction of the National Minimum Wage (NMW) and increased access to
paid maternity and paternity leave. However, re-regulation has been conducted along individualistic lines rather than on collective terms, with employers largely retaining their prerogative (Allen and Henry 1997; Ward et al 2001; Smith and Morton 2006). Meanwhile, having seen their traditional membership in manufacturing recede under the transition to a post-industrial society, trade unions have moved to make inroads into the service sector, trying to reinvent themselves to become relevant to previously neglected workers such women, members of Black and Minority Ethnic (BME) groups and, more recently, migrants (Wills 2001; Beynon et al 2002; Holgate 2004).

As an important form of non-standard work, temporary agency working has expanded markedly. Between 1992 and 2001, the number of people working through a temporary employment agency increased by some 346 percent, to stand at 281,000, or just over 1 per cent of the employed workforce in 2001 (Forde and Slater 2005, 2006). Traditionally, employers turned to agency workers to fill short-term labour deficits for *ad hoc* tasks, affording both numerical and functional flexibility. Agency workers thus covered for permanent workers on leave, filled gaps during periods of recruitment, and provided skills in short supply. Young people, single workers and women are more likely to take up low-paid, entry jobs in the service sector through agencies, often to avoid unemployment (Purcell et al 2004; Forde and Slater 2005, 2006; Stanworth and Druker 2006).

However, a trend has emerged recently, whereby employers hire agency workers on a longer-term basis to fill permanent vacancies. This subverts agencies’ traditional function of providing temporary labour, and some firms now use agency labour on a quasi-permanent basis. By recruiting labour in this manner, employers are able to save on labour costs, effectively transferring their obligations onto the agencies (Allen and Henry 1997; Forde 2001; Davidov 2004; Nolan 2004; Stanworth and Druker 2006). In turn, agencies pass on these costs to workers by lowering wages and restricting access to work benefits. Agency pay has been shown to be on average 68 per cent that of permanent employees (Forde and Slater 2005). Lowered rates of pay and the erosion of worker’s rights that have accompanied the growth in agency working means that ‘agency workers are currently one of the least protected groups in the British labour market’ (Forde and Slater 2005:250). Amongst European countries, Britain singularly fails to provide systematic measures to prevent employers using temporary labour agencies to avoid their responsibilities (Davidov 2004; Arrowsmith 2007).

Through this misuse of temporary agency labour, firms hire agency workers on differentiated pay and terms and conditions to work alongside their permanent staff, thus creating a two-tier (or even, multi-tier) workforce, where the lower tier effectively comprises a lesser class of workers employed on reduced wages and restricted benefits. Compounding this picture are the low-levels of trade union membership amongst agency workers and restrictions on member’s ability to mobilise within client firms (Davidov 2004; Purcell et al 2004; Forde and Slater 2005).
NEW PROSPECTS FOR LABOUR ORGANISING: THE LIVING WAGE CAMPAIGN

In the current climate of changing employment relations and weakened trade unionism in Britain, we suggest that community unionism may prove a more effective form of labour organising.

Community unionism has emerged as a promising model which has already secured important victories in the US. Key tenets are the need for unions to link up with local community groups and social movements to find additional sources of leverage and power to reshape working conditions, particularly in low waged and subcontracted labour markets (Wills 2001). An example is the Justice for Janitors Campaign, led by the Service Employees International Union (SEIU) in the US. This involves organising workers on the basis of occupation, rather than workplace, along with the mobilisation of community groups through a range of tactics, such as direct action and demonstrations (Savage 1998; Waldinger 1998). Other examples of community unionism in the US include living wage campaigns and workers centres that organise immigrant workers on the basis of their identity and geography as well as their employment (Fine 2005, 2006).

Community unionism has yet to strongly develop in Britain, but chief among nascent efforts is the Living Wage Campaign (LWC) that has been led by London Citizens, a broad-based alliance of community groups, faith-based organisations and unions. The campaign aims to exert pressure on employers to win a living wage for all subcontracted, as well as in-house staff (Wills 2004; Holgate and Wills 2007). While faith and community leaders have targeted the clients of cleaning and other services, trade unions have sought to recruit and organise the workers themselves. The LWC was launched in 2001 and already counts important victories for workers in East London’s hospitals, private banks and universities1. While we acknowledge some of the limitations of the living wage movement that have been documented for the US in relation to the problems of implementation (Luce 2004, 2005), the relatively small numbers of workers covered (Freeman 2005) and the limited impact on overall poverty rates (Neumark and Adams 2003), we argue that living wage campaigns have particular salience in a sector such as hospitality, which in the UK at least, has very low rates of unionisation, high labour turnover and an increasing dependence on an out-sourced labour supply. Union organising efforts have proved problematic in this industry and even if they were successful, the growing use of agency labour would make it hard to sustain any gains. Workers in relationships of subcontracted employment need to tackle the ‘real employer’ at the top of any contracting chain, and this is much more effective by building a broad alliance far beyond the boundaries of the workplace concerned. Here we consider the potential implications of extending the LWC into the hotel sector, but to begin, we outline the key features of the hotel sector in the UK.
THE HOTEL SECTOR IN THE UK

The hotel sector in the UK is a key contributor to the economy. It accounts for 10 per cent of the national gross product, with a revenue of £27 billion in 2005 ($Cdn 62 billion). In 2004, the hotel market was worth £11.5 billion ($Cdn 26 billion), an increase of 4.5 per cent since 2000, which places it amongst the ten fastest growing industries. In 2002, it employed approximately 280 000 workers. Leading companies include Premier Travel Inn, Hilton, Marriott, Intercontinental and Le Meridien. In the same year, the total number of establishments stood at 40 000. The industry is fragmented, with a large number of owner operators, and average room size of 20. However, as much as 10 per cent of the total stock of hotel rooms are located in London, which is the hub of the hotel industry in the UK (ONS 2004; Datamonitor 2005; Keynote 2005; BHA 2006; Hotel Research 2006; HCTC 2007). London also has a concentration of the nation’s luxury establishments and all the leading hotel chains have facilities in the city, making it particularly important in setting industry trends.

In the UK, as elsewhere, the industry exhibits a number of important, well-documented features. It is labour-intensive, with housekeeping usually the largest hotel department. Students, young people, female workers, and members of BME groups have traditionally made up the bulk of workforce, generally working on a part-time or temporary basis, and women tend to predominate in room cleaning (Lucas 1996; Smith and Carroll 2003; Lai and Baum 2005; Wills 2005; McDowell et al, 2007; Wright and Pollert 2006; for the US, see Wells 2000; Bernhardt et al 2003; Gray 2004).

In the past, hotels tended to hire agency staff primarily for numerical flexibility but increasingly such workers have been used to reduce labour costs on a more permanent basis (Datamonitor 2005; Lai and Baum 2005; Wills 2005). Employers have pushed wages down and used low pay to gain competitive advantage, using agencies to fill staff vacancies as an easy way to do this without tendering out their staff, as has been done in the public sector. Indeed, the sector has practised what we call here ‘subcontracting by stealth’, effectively outsourcing the labour supply by gradually increasing dependence on agency staff. The lack of strong union organisation and weak legislative standards regarding the use of temporary labour have made this possible in the UK. Whereas some employers may be concerned about service standards when reliant on temporary agency staff, this does not appear to be a problem in the UK. The relative oversupply of agency labour and the heavy use of foreign-born workers works to the advantage of the hotel employers. Not surprisingly, average wages in the sector are the lowest in the economy (Adam-Smith, Norris and Williams 2003; IDS 2005). Full-time average earnings in the sector stood at £324.80 a week in 2005, whereas average earnings for the whole economy were £517 a week (ASHE 2005). Labour turnover has generally been very high relative to other industries (Byrne 1986; Wood 1992), with one study reporting turnover of hotel workers...
at 34 per cent, against an average of 19 per cent for the whole labour market (Smith and Carroll 2003).

Industrial relations in the sector have traditionally been subject to strong managerial prerogative, with employers determined to keep tight control and to reduce costs, often by exploiting loopholes in their use of casual labour (Head and Lucas 2004). Along with employer hostility to trade union organisation and the low priority attached to recruitment in this sector, these features explain the persistence of very low union density in the UK (Riley 1985; McCaulay and Wood 1992; Wood 1992; Aslan and Wood 1993; Wright and Pollert 2006). Indeed, the hospitality sector exhibits the lowest union density of all industries in the UK, at about 5 per cent (Wills 2005). Casualisation constitutes a major obstacle to reversing this situation as casual workers are used to undercut the pay and conditions of permanent workers. At the same time, high rates of labour turnover at work make it difficult to retain shop stewards and sustain workplace organisation (Riley 1985).

METHODOLOGY

The research reported here is part of a wider project investigating the work and life experiences of low-paid migrants in London (see Evans et al 2005; May 2007). We conducted a survey questionnaire with migrant workers in key low-paid sectors of the economy, who answered questions about pay and work conditions, migration histories, and household dynamics. We gained access to workers through trade unions but we also approached workers through snowballing and random workplace ‘cold-calling’. We subsequently conducted face-to-face, follow-up interviews with a sub-sample of respondents.

This paper draws on primary data obtained from hospitality sector workers, comprising a total of 58 respondents (17 per cent of the total sample), of whom eleven participated in structured, in-depth interviews. Although the sample size precludes any claims about representativeness of workers in the sector, we believe nevertheless that our findings provide an accurate picture of emergent trends. We have yet to conduct interviews with employers and, as a result, our focus is on the world of work from the perspective of workers, whose names we have been fictionalised here to ensure anonymity.

MIGRANT WORKERS IN LONDON’S HOTELS

Workers in our study were based mostly in three luxury hotels in central London (41). The remainder worked in other individual establishments across the capital. More workers were women (41) than men (17). Most workers were aged 18-34 (27), followed by those aged 35-44 (16).

Workers had migrated from a total of 24 countries, with Poland contributing the largest single contingent (20). Regionally, Europe accounted
for the largest share of workers (19), followed closely behind by Eastern Europe (16) and Africa (14). Ethnically, Whites comprised a majority (31), with Black Africans making up the second largest group (13). Most workers were European nationals (33).

Workers were relatively well-educated, with many having completed basic primary or secondary schooling in their home country (33), whereas the remainder had completed tertiary level education (25). Most workers had also been in paid employment in their home country before moving to the UK (44). Occupations included bank auditors, company sales representatives, tour guides, and advertising agents.

CHANGING EMPLOYMENT RELATIONS IN LONDON’S HOTELS

Our sample included more agency staff workers (33) than in-house workers (25), involving fourteen agencies in total. Chambermaids and housekeepers made up the majority (39), many of whom were agency employees. Indeed, over one-half of the housekeeping staff surveyed at two of our key hotels was supplied by agencies, and all workers surveyed at the third main hotel were also employed by agencies.

We found that hotel employers had been using agency staff as a means of cutting down on labour costs, rather than using such labour to cover for absences, leave or retirement. One hotel had transferred all of their permanent housekeeping staff to an agency and ceased hiring in-house altogether, so that this one agency would meet all future labour requirements. Although it would honour the existing wages and conditions of the staff it took over from the hotel (following TUPE), the agency would deploy any new staff alongside others on inferior terms and conditions of work.

We found that different employee statuses attracted different wages and conditions of employment. Hotels were paying their in-house staff either the NMW or hourly rates above that. Agencies, in turn, used a dual payment system. They paid the NMW to those who had been transferred under TUPE, but used a piece-rate system to pay their own staff, according to the number of rooms they cleaned. The use of the piece-rate system meant that these workers had to clean a large number of rooms in order to receive the NMW. However, given that the room quota will vary from day to day, a lower quota meant that pay rates would fall below the NMW, which is illegal in the UK. Our data corroborates this discrepancy. Thus, 16 of the 25 in-house workers earned more than the NMW and 24 out of 33 agency workers earned just the NMW or rates below that.

By exerting downward pressure on wages, the piece-rate pay system had contributed to work intensification, as workers sought to clean more rooms to improve their pay. Similarly, differentiated and arbitrary rules imposed by agencies helped increase the workload. Despite being paid only for the rooms they cleaned, agency workers were also required to work a full shift. Hence, even if they finished their room quota early, they still had to stay...
on and undertake additional tasks, such as ‘room spring clean’, cleaning corridors, stairs and/or public areas. However, workers were not being paid for this work because these tasks did not count as piece-work.

There were other instances of efforts to increase the workloads of agency staff. According to Tekla, a 28 year old Polish woman who worked for an agency as a chambermaid at a five-star hotel in central London, her employers never paid workers for more than 15 rooms cleaned. Yet, whenever a colleague was absent from work, her quota would be divided amongst the other workers, whose own quota would hence rise to 16 rooms or beyond. This would, again, entail working for no additional pay.

Other key differences between in-house and agency workers related to worker’s entitlements to components of a social wage. For instance, 12 in-house workers were entitled to the statutory minimum period of 20 days (including Bank Holidays), with another 11 earning above that. By contrast, only eight agency workers received paid holidays above the statutory minimum, seven were granted the statutory minimum and another seven received no holiday pay at all. A similar contrast was evident in entitlements to sick pay. Two-thirds of in-house workers received sick pay but less than one-third of agency workers did so. In addition, labour turnover was much higher amongst agency workers than in-house staff. Thus, 23 out of 25 agency workers had been with their current employer for up to one year, in contrast with in-house workers, where the majority (19 out of 25) had been in employment for longer.

Low-pay and lack of access to a full social wage are thus the main negative effects on hotel workers who were employed by agencies. This is compounded by the newly-emergent use of piece-rate pay, which potentially contravenes NMW legislation and exacerbates inequalities between workers. Moreover, as hotel workers leave or retire, they will be replaced by workers employed on the terms and conditions set solely by agencies. The overall effect of this ‘subcontracting by stealth’ is to further depress wages and erode entitlements to a social wage, an outcome that unions are unable to prevent.

In our sample, members and non-members alike expressed doubt about the power of unions to effect positive changes at work. The comment by Sylwia, a 48 year old Polish chambermaid working for an agency at a four-star hotel in central London, aptly illustrates the dynamics of changing employment relations in the sector:

[…] after three months working for one agency, the hotel subcontracted to another agency. No one told us why, but I suppose the new agency offered better terms [for the hotel]…All of us, there were like seventeen or eighteen Poles. We started working for the new agency…Our pay remained the same, but the working conditions worsened considerably… once this take over was completed, one could really feel the difference… They put a lot of pressure on us… there were many girls leaving the job after just a few days or a week. They could not keep up physically or psychologically with this work. (March 2006)
THE LIVING WAGE CAMPAIGN: UNDOING SUBCONTRACTING BY STEALTH

Our study shows that employers in London hotels have been increasingly hiring agency workers on inferior pay and terms and conditions of employment to those of their permanent in-house staff. The negative outcomes for hotel workers employed by agencies have been the intensification of work, restricted access to components of a social wage and low pay. The workload has intensified as a result of the imposition of piece-rate pay alongside the demand that workers do a full shift, taking on additional tasks for no extra pay. Restricted access to work benefits and low pay are in turn imposed by employers by virtue of the managerial prerogative afforded them by a weakly regulated market (see Bernard et al 2003; Head and Lucas 2004; Lai and Baum 2005; Seifert and Messing 2006). Our research has highlighted how the introduction of piece-rate pay represents a novel move by employers to lower wages and intensify work yet further.

The overall picture that emerges of hotel work is one of low-paid, casualised, insecure and intensive jobs. As Gray (2004) has argued, such types of job result from an ‘institutional vacuum’ which allows firms to compete by reducing wages and benefits. Trade unions have a key role to play in re-regulating labour markets in favour of workers, although they need strength to do this. As Bernhardt et al (2003) show, trade unions in the hotel sector in the US have been able to mitigate the negative effects of casualisation on their members. Similarly, Gray (2004) relates the successes of the Hotel Employees and Restaurant Employees (HERE) in Las Vegas, which has played a positive role in re-structuring labour markets for the hospitality sector.

In Britain, however, hotel sector unions have been unable to obtain similar outcomes, due to the challenges faced in the sector and their inability or reluctance to dedicate the resources and energy needed to devise and implement new organising strategies. Besides, there is a wide gulf between union leadership and culture, and the workforce in a sector that is largely female, young and born overseas (Wood 1992). Organising along traditional lines makes little sense in this employment context, especially as the sector is heavily reliant on agency staff (Wills 2005).

Given this poor record by unions in the hotel sector in the UK, one way of filling the ‘institutional vacuum’ is for workers to rally around the Living Wage Campaign that is being led by London Citizens. This campaign embodies a new type of community-wide activism which mobilises its members to press for justice demands from employers. Demonstrations outside target hotels to embarrass employers can deter customers, which along with the effective use of the media, can bring the employer to the bargaining table. These organising tools may prove very effective in helping hotel workers to fight back against casualisation. As the LWC has already successfully demonstrated by securing a living wage for workers in other
sectors, its extension into the hotel sector may be a way of overcoming trade union weakness and the impact of subcontracting on the wages, conditions and relations of work.

London Citizens launched the LWC in the hotel sector during the summer of 2006, with support from hotel unions and UNITE HERE, at a demonstration outside the Hilton Metropole Hotel in London. Hundreds of people demanded a meeting with the president of the corporation to press for a commitment to providing a living wage to its workers. At the same event, London Citizens encouraged hotel workers to join its Workers Association, to bring together workers from all backgrounds to organise and press for their demands with the ultimate aim of getting them into trade union organisations. The LWC provides a vehicle for in-house and agency staff to unite in demanding that hotel employers take back responsibility for the wages and conditions of all of those working for them. While it would be difficult to organise agency workers on their own, they can engage in a wider LWC that fosters unity with in-house staff and a multitude of allies in the wider community. Moreover, the involvement of faith and community leaders is particularly supportive to foreign-born workers who are often active in faith and community based organisations. A wide coalition makes it harder for hotel employers to ignore the demands being made and eases the pressures involved in hotel workers making such demands on their own. At the time of writing, talks are ongoing between London Citizens and senior managers at the Hilton group with a view to implementing the living wage. Should this happen, it might provide the first steps in limiting the impacts of subcontracting of hotel employment within the UK.

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NOTES

1. For more information see www.livingwage.org.uk.
2. These sectors are office and public transport cleaning, hospitality, construction, home care work and food processing.
3. TUPE means Transfer of Undertakings (Protection Employment) and refers to legislation which ensures that the terms and conditions of employment remain unchanged when workers are transferred from one employer to another.
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