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Walmsley, A, Partington, S ORCID logoORCID: <https://orcid.org/0000-0002-5001-1416>, Armstrong, R and Goodwin, H (2019) Reactions to the National Living Wage in Hospitality. *Employee Relations*, 41 (1). pp. 253-268. ISSN 0142-5455

Downloaded from: <https://e-space.mmu.ac.uk/623178/>

Version: Accepted Version

Publisher: Emerald

DOI: <https://doi.org/10.1108/ER-02-2018-0044>

Please cite the published version

<https://e-space.mmu.ac.uk>



ISSN 0142-5455
Volume 00 Number 00 2018

Employee Relations

The International Journal



Reactions to the national living wage in hospitality

Journal:	<i>Employee Relations</i>
Manuscript ID	ER-02-2018-0044.R2
Manuscript Type:	Research Paper
Keywords:	Hospitality, National Living Wage, Minimum wage, Employee relations, Living Wage, Low Pay

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Reactions to the national living wage in hospitality

Purpose: To explore reactions to the introduction by the UK Government of the National Living Wage in the UK hospitality sector and consider implications for the status of employee relations.

Design/methodology/approach: In-depth interviews were conducted with senior industry representatives of the hospitality sector in the UK.

Findings: Concerns surrounding an increase in the wage bill, in maintaining pay differentials and in shifting employment to youth were confirmed. Managers expressed ambiguity in face of the legislation, offering agreement at a personal level with the rationale underpinning the NLW, but also expressing concern about impacts on their businesses.

Research limitations/implications: This exploratory study offers the basis for further research in understanding the foundation of employee relations in hospitality.

Social implications: A reconsideration of the nature of the employment relationship is key at a time of growing concerns about the business-society relationship.

Originality/value: Uses reactions to the UK Government's stipulation of a national living wage to explore the basis of employee relations in the hospitality sector. This is timely where work to date in hospitality has largely focussed on symptoms but not causes of poor working conditions.

Introduction

Disquiet surrounding low wages is not new (Brown, 2017, notes the establishment of wage councils in 1909 as concerns over childhood poverty mounted). Referring to low wages in the 1970s, Pond (1983) concluded that low pay, once again, had become a matter of central importance in industrial relations. Today, arguably, low wages are yet again an issue that has not gone away (D'Arcy, 2017) and continues to assume central importance in industrial relations (Prowse & Fells, 2016).

This study focuses on the hospitality industry because of its ongoing concern with the employment relationship generally, and because it is widely acknowledged as a low wage sector specifically. The sector is large, diverse and continues to witness ongoing changes, growth in many areas (e.g. the rise of the budget hotel sector, the rise of boutique hotels and the expansion of international hotel chains) and sharp decline in others (e.g. public house/licensed bars and very recently consolidation in a number of restaurant chains). It includes major international hotel and restaurant chains, but

1
2
3 equally a large proportion of businesses in the sector are not only small, but micro enterprises
4
5 (employing fewer than ten employees).
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7
8 The sector, at its simplest, is defined as covering the provision of accommodation, food and drink
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10 outside the home (Jones, 2002). As such, it includes numerous sub-sectors such as hotels, youth
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12 hostels, holiday centres and villages, licensed restaurants, unlicensed restaurants and cafes and
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14 event catering activities (see for further details the Standard Industrial Classification of economic
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16 activities). Because of the broad scope of hospitality as an economic activity, and with a view to
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18 seeking some degree of uniformity in the businesses reviewed, it was decided to focus in this study
19
20 solely on hotels as one of hospitality's key subsectors.
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22
23 The industry in which people work has a significant bearing on their risks of being low paid. . Data
24
25 from the Office for National Statistics (2016) indicate that after hairdressing and childcare,
26
27 hospitality has the highest proportion of jobs that are paid below the minimum wage rate at 3.8%
28
29 (data refer to April 2016). Similarly, D'Arcy (2017) identifies that employees in Retail and Hospitality
30
31 have in fact benefitted disproportionately from the introduction of the National Living Wage (NLW)
32
33 because of these sectors' reliance on employing people at the wage floor.
34

35
36 The hospitality sector is a major global employer. Statistics from the UN World Tourism Organisation
37
38 (2017) propose that one in ten employees globally work in tourism (hospitality comprising one of the
39
40 key sectors in tourism). In a report compiled for the British Hospitality Association (Ignite Economics,
41
42 2017) hospitality is the UK's fourth largest employer accounting for 3.2m jobs directly, and a further
43
44 2.8m indirectly. Nickson (2013) argues however that while the quantity of jobs supplied by the
45
46 sector is unquestionable, the quality of hospitality work is of concern to policy makers and
47
48 academics alike.
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51
52 Concerns about low pay and poor working conditions in hospitality are not new (e.g.Riley, 1996;
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54 Tomoda, 1983). Levels of staff turnover are high although estimates vary considerably, depending to
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3 an extent on whether one is a core or peripheral employee (e.g. Walmsley, 2004). Unsurprisingly
4 perhaps, hospitality managers face ongoing challenges recruiting, developing and maintaining a
5 committed workforce (Nickson, 2013; Boella and Goss-Turner, 2013) although it is recognised that
6
7 for some, employment in the industry is appealing (Partington, 2016; Walmsley, 2015; Nickson,
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9
10
11 2013; Baum, 2007), for example for those looking for part-time work, others may be attracted by a
12
13 glamorous image, or the opportunity to meet and engage with a diverse range of customers.
14
15 Progression in hospitality can also happen relatively quickly. Nonetheless, despite the proliferation
16
17 of HR rhetoric to the contrary concerns surrounding the employment relationship in tourism and
18
19 hospitality persist (Baum, 2018)

20
21
22 Crucially, this study explores reactions to the introduction of the NLW, which needs to be
23
24 distinguished from the Real Living Wage, the latter being entirely voluntary, the former legally
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26 binding. As a policy response to the issue of low wages in the UK the Government introduced a
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28 mandatory NLW which was implemented in April 2016. This effectively constituted an increase in the
29
30 minimum wage and the largest fall in low pay in four decades (D'Arcy, 2017). It currently stands (for
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32 those 25 years and over) at £7.83. The Real Living Wage, on the other hand, as calculated by the
33
34 Living Wage Foundation is currently £8.75. Although some research exists on the uptake of the Real
35
36 Living Wage (e.g. Werner & Lim, 2017 who focus on the retail sector) this is, to the authors'
37
38 knowledge, the first study that explores the hospitality sector's responses to the lower NLW, and
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40 further that seeks then to assess what these responses mean for the employment relationship. This,
41
42 we would argue, is timely given mounting concerns about the business-society relationship (Chang,
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44 2011; Fotaki & Frasad, 2015; Küng, 2010; Wolff, 2016), especially surrounding the distribution of
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46 benefits from economic growth. It seeks therefore to address two research questions:

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51 a) How is the hospitality sector responding to the introduction of the national living wage?
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53 b) What do responses to the introduction of the NLW tell us about the status of the
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55 employment relationship in hospitality?
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The paper is structured as follows: The review of the literature sets the introduction of the NLW within its socio-political context, before making reference to previous research on the introduction of minimum wages generally, but also then specifically in the hospitality industry. The literature review concludes with a brief review of employee relations in hospitality. The methodology explains how data were collected, making a case for the interpretive approach adopted as well as discussing how data were analysed. The discussion of the findings is separated into two broad sections, firstly, an overview of responses to the NLW for the individual business, for the sector and then also for the economy, and secondly, a review of what this means for the status of employee relations in hospitality. The paper concludes by summarising key findings as well as providing avenues for future research.

Literature review

The exchange of labour for a wage is a fundamental feature of labour economics (Sapsford and Tzannatos, 1993; Smith, 2003); this exchange continues to lie at the heart of the employment relationship and indeed is frequently regarded as a defining feature of work itself (see for example Grint, 1991). Assessed on the basis of real wage levels the employment relationship in the UK is strained. Recent years have seen real wages in the UK fall for many, particularly those at the lower end of the wage spectrum. The Resolution Foundation has also claimed that this decade is set to be the worst in over 200 years for pay packets in the UK with latest official forecasts suggesting the average UK worker will still earn less in 2021 than they did in 2008 (O'Connor, 2017).

The National Minimum Wage (Amendment) Regulations 2016 came into force on 1 April 2016 raising the hourly wage rate further to £7.20 for those aged over 25. According to Office for National Statistics (ONS) estimates, there were almost four hundred thousand jobs with pay less than the National Living Wage (NLW) held by employees aged 16 and over in April 2016, which constituted 1.3% of UK employee jobs. This de facto increase in the minimum wage was billed as a NLW by the then Conservative government. It is lower than the (Real) Living Wage which was introduced by the

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2
3 Living Wage Foundation in 2004, a rate that is independently calculated based on the actual cost of
4 living; it is not enforceable by law. The Living Wage Foundation encourages employers to pay wages
5 that meets the costs of living rather than just the government minimum wage
6
7 [https://www.livingwage.org.uk/]. According to Markit (2017) 21% of all employee jobs paid less
8
9 than the Living Wage in 2017, with bar staff (86%) and waiters and waitresses (83%) most likely to be
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11 paid less.
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16 Literature on the impact of minimum wage legislation at a macro-economic level is neither new (e.g.
17 Mincer, 1976) nor uncommon (e.g. Adams & Neumark, 2005; Ahn, 2011; Card & Krueger, 1994; Katz
18 & Krueger, 1992). Less research exists however on the impact of minimum wage legislation at a
19
20 micro level. A UK study that looked into the potential impact of the introduction of the NLW (CIPD,
21
22 2015) found that 30% of firms planned to increase productivity, 'taking lower profits/absorbing
23
24 costs' was the next most popular response (22%) followed by a reduction in overtime and bonuses
25
26 (16%), raising prices (15%) and a reduction in the number of employees (15%). Fewer than one in ten
27
28 employers said they would implement one or more of the following: reduce the basic pay growth
29
30 rate, reduce hours, hire more workers under 25, hire more apprentices, or cancel/scale down plans
31
32 for investing in or expanding the business. A further impact concerned a reduction in pay
33
34 differentials between those affected and their supervisors/managers. Nonetheless, 20% of
35
36 employers said they would maintain pay differentials resulting in a 'ripple effect' (this refers to wage
37
38 rises above the level of the minimum wage that are indirectly caused by uprating of the minimum
39
40 wage, (Brown, 2017; Grimshaw *et al.* 2014). Earlier work on the impact of the introduction of NMW
41
42 on small firms by Ram *et al.* (2001) also found that the NMW has led to productivity-driven approach
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44 as firms were trying to manage labour more efficiently. However, they worryingly concluded in their
45
46 study that "...the NMW sharpened the divide between formal and informal sectors of the economy",
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48 hence small firms were making "...explicit decision of whether or not to go off the books" (p. 858).
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3 Positive effects of the NLW at the level of the individual firm are equally rarely reported. A case can
4
5 be made that staff will be more motivated and that productivity will increase due to higher wages
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7 (Brown, 2017), but the relationship between wage levels and proximal outcomes (e.g. motivation,
8
9 staff satisfaction) as well as distal outcomes (e.g. customer satisfaction, profit) is complex
10
11 (Armstrong, 2009; Price, 2007).
12

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14 In hospitality specifically, the trade press continues to provide much coverage of what was
15
16 undoubtedly one of the key concerns for UK hoteliers in 2016 (Ducker, 2016). Within this literature,
17
18 we find that an increase in prices is something that has been proposed by a number of hospitality
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20 firms such as Mitchells and Butlers (Witts, 2015b), Whitbread (Witts, 2015c) and Best Western
21
22 (Witts, 2015a) as a response to the introduction of the NLW. Some hospitality organisations had
23
24 decided to introduce the [Real Living Wage](#) prior to the introduction of the NLW, e.g. Faucet Inns [in](#)
25
26 [2012](#), and [others such as](#) French bakery and café group Paul [introduced the NLW early \(November](#)
27
28 [2015\)](#)-
29

30
31 Reflecting on human resources management in the tourism and hospitality sectors, Baum (2007)
32
33 suggests we are still waiting for change, despite at least two decades of literature extolling the
34
35 importance of employees to business success, a view largely unchanged in a more recent review
36
37 (Baum, 2018). We argue therefore that a more fundamental view on the nature of employment
38
39 relations is required to understand and subsequently improve the working lives of hospitality
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41 workers. Based on the foregoing discussion, what we know is that a range of potential responses to
42
43 the NLW exists. What we do not know is how hospitality employers view the introduction of the
44
45 legislation and what we can infer from this with regard to the employment relationship in
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47 hospitality.
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50 51 52 **Methodology**

53 The data used in this study derive from twelve semi-structured, in-depth interviews with senior
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55 managers in the hotel sector. These data provide on the one hand 'hard facts' in terms of measures
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3 undertaken to adapt to the legislation, as well as the source of rich, socially constructed data
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5 defining the employment relationship. Despite the proliferation of recent studies in hospitality that
6
7 focus on CSR (e.g. Kim, Rhou, Uysal, & Kwon, 2017; Kim, Song, & Lee, 2016), an ideographic and
8
9 micro-level analysis of managers' beliefs and attitudes remains wholly absent, but we would argue
10
11 essential in offering rich insights and new understandings (Patton, 1990) as well as a high level of
12
13 ecological validity (Saunders *et al.* 2016a).
14
15

16 Sampling was purposive in that all participants needed to be senior managers within UK hotels, but
17
18 also reflected a convenience sample whereby the researchers followed up personal leads. Although
19
20 Alvesson and Ashcraft (2012) warn against relying on participants to whom researchers have ready
21
22 access, because of the potentially controversial nature of the issue at hand, the research team were
23
24 reliant on accessing participants with whom some prior connection already existed, or who had been
25
26 recommended by others. The number of participants in studies using qualitative interviews will be
27
28 contingent, as Saunders and Townsend, 2016b, suggest, on characteristics of the population from
29
30 which they are chosen. We encountered a general reluctance to participate which we can only
31
32 surmise relates to the busy schedules, especially given the level of seniority of participants (see
33
34 Table 1), as well as the topic of the study. In fact, Not only was non-response common, but even
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36 when individuals initially agreed to participate, follow-up calls or emails frequently remained
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38 unanswered – as outlined, this is a contentious topic and so reluctance to discuss it should not be
39
40 surprising. Consequently, although the study makes no claims of statistical generalisability, and is
41
42 essentially exploratory in nature, it is recognised that the sample of hotels included was dominated
43
44 by mid and up-market businesses (no budget hotels are represented). Nonetheless, in most
45
46 qualitative studies a balance is struck between representativeness and quality of responses
47
48 (Alvesson & Ashcraft, 2012). Thus, given the seniority of participants, it is felt the study was able to
49
50 gain valuable data and insights into the consequences of this new legislation and, crucially, the
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52 employment relationship in hospitality. This is the only study, to the authors' knowledge, that has to
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54 date sought a qualitative (rather than survey) approach to assess the impact of the introduction of
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3 the NLW in hospitality, the gathering of data that can help make sense of complex organizational
4 realities (Eby, Hurst and Butts, 2009, cited in Saunders and Townsend, 2016b:837).

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8 The sample included two directors of major UK hospitality associations whose responses have been
9 included in the analysis because they frequently offered a counterpoint view as to the legislation
10 (the research team also initially sought feedback from employees but only one employer agreed to
11 this and so this was not pursued further). As the researchers were based across the UK the results
12 reflect a variety of geographical locations although there was a preponderance of businesses in the
13 North West and in the South West (eight out of twelve interviewees were based in either of these
14 two regions).

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18 The majority of interviews were conducted in April 2016 (the month the legislation was
19 implemented), the remainder in May. Where possible (in eight out of twelve cases) interviews were
20 conducted face-to-face to facilitate rapport and engagement (Wengraf, 2001). However, given
21 distances, and in one case time constraints, the remainder of the interviews were conducted over
22 the phone. In relation to interview structure, the intention was to pursue key themes developed in
23 the literature review while also allowing for a relatively free conversational flow (Burgess, 1984).
24 Interviews lasted between twenty-five and seventy minutes. Interviews were recorded and
25 subsequently transcribed, then transferred to the qualitative data analysis software Nvivo for further
26 analysis.

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28
29
30 The data were analysed in a number of stages. After data familiarisation a first round of coding was
31 undertaken based on an agreed coding scheme which was aligned with the interview schedule, itself
32 drawing on the aims of the study and the literature review. The five key sections of the interview
33 were a) baseline data on the participants and their businesses (descriptive coding: Richards, 2005),
34 b) perceptions of context, c) perceptions of impact, d) measures envisaged as a result of the NLW
35 legislation and finally, e) the employer-employee relationship (all of these being examples of topic
36 coding, Richards, 2005). The first round of coding resulted in 25 codes, 8 of which were emergent,
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3 and 468 coded sections (the same section could contain multiple codes). To ensure coding reliability
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5 the coding was undertaken at the same time and place by the researchers so that any coding
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7 difficulties could be dealt with in situ. Summary data from these codes sorted by participant were
8
9 then imported into a number of tables to facilitate analysis (e.g. a table on perceptions of context
10
11 contained twelve cells, each cell containing a condensed version of what the participant had said on
12
13 this topic). Once the descriptive and topic coding had been completed, data reduction had taken
14
15 place and then key insights summarised, the researchers moved to interpretation specifically of the
16
17 employment relationship which resulted in further analytical coding (Richards, 2005).
18

19
20 All participants were made aware of the ethical guidelines underpinning the study. Notably, the
21
22 purpose of the study was declared, the interview schedule was sent in advance (whereby it was
23
24 explained that as a semi-structured interview new themes might be explored and some divergence
25
26 from pre-determined themes was to be expected) and anonymity would be upheld. This has resulted
27
28 in some potentially identifying information to be amended in the results section, including
29
30 information on number of employees in Table 1 although the size categorisation and ranking of
31
32 companies by size still holds).
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36

37 **Results and discussion**

38 Following an overview of participants and their businesses (Table 1) the results are presented in two
39
40 parts based around the two research questions, namely: "How is the hospitality sector responding to
41
42 the introduction of the national living wage?", and "What do responses to the introduction of the
43
44 NLW tell us about the status of the employment relationship in hospitality?"
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46

47 Columns 'D' and 'E' in Table 1 reveal that participants overall had a more positive view on business in
48
49 the past twelve months compared to the twelve months going forward (Column D scale: 1 =
50
51 extremely poor, 10 = exceptionally good; Column E scale: 1 = extremely pessimistic, 10 = extremely
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53 optimistic). In fact, overall participants were positive about business in the past twelve months with
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55 seven scoring at least an 8. Scores were lowered slightly for views on business going forward with
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3 two participants scoring a fairly pessimistic 4 (both of these in the North West). Nonetheless, overall
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5 seven participants were still fairly optimistic for business prospects, scoring 8-9.
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7
8 INSERT TABLE 1 HERE
9

10 *Impacts and measures taken*

11 As to be expected, all participants mentioned the direct impact on wage costs as a result of the
12
13 introduction of the NLW. The increase from £6.70 to £7.20 (+7.5%) followed an earlier 3% increase in
14
15 October 2015, that is to say there had been an increase of almost 11% in the minimum/living wage
16
17 in one year. Furthermore, some participants expressed concern about further annual increases as
18
19 the government has set a target for 2020 when the NLW should reach 60% of the UK median wage.
20
21 A participant from one of the smaller boutique hotels drew attention to the differential impact of
22
23 the NLW on this type of hotel. Where the offer was very labour intensive, the impacts would be felt
24
25 more, affecting 'the dynamics and viability of a smaller country house hotel'. The disproportionate
26
27 impact on small businesses was something mentioned by a number of participants and is something
28
29 also considered by Brown (2017).
30
31

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33 Indirect effects were also mentioned; foremost here were concerns about staff morale for those
34
35 who did not benefit, or not benefit as much from the introduction of the NLW (e.g. those under 25
36
37 years of age, supervisors who were receiving slightly more than the new minimum wage rate at the
38
39 outset). Whereas businesses suggested it was too early to tell whether the NLW had had a positive
40
41 impact on morale and associated variables, e.g. engagement, commitment and productivity the
42
43 concerns about pay differentials were clear:
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47 '...but you cannot afford to put 10% up for everybody. However, if you don't do anything different
48
49 then you'll have a highly motivated frontline team, but highly demotivated managers' (5SW).
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51
52 'I think the main challenge that we have is to maintain the pay differential...They will be asking
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54 questions like '...why should I continue in my role as a supervisor when I only get back 5p an hour
55
56 more than other staff?' (8NW).
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3 Participants were also asked what the NLW would mean for the hotel sector and the wider
4
5 economy. Answers to both questions varied somewhat and were more tentative with regard to
6
7 implications for the economy. Here the general verdict was split. On the one hand it was argued
8
9 consumers would have more money in their pockets which would lead to more spending and in
10
11 consequence would stimulate the economy. On the other hand it was also suggested that as labour
12
13 became more expensive this would lead to redundancies as demand for labour fell.
14
15

16 With regard to impacts on the hotel sector specifically, a number of concerns were raised. The
17
18 structure of the workforce was something frequently mentioned, whether in relation to the
19
20 increased use of apprentices or young employees in an attempt to reduce payroll costs, or more
21
22 indirectly through the increased use of migrants (the argument made was that more economic
23
24 migrants would be attracted to the UK given the increase in wages¹). Other employment-related
25
26 impacts included an increase in labour productivity, also allied to a reduction in staff, and an
27
28 increased use of casual contracts. The intensification of labour, as well as a more efficient
29
30 management of labour as a response to the introduction of a national minimum wage in the UK was
31
32 recognised by Ram et al. (2001) in an earlier study on small firms. It was also argued that the sector
33
34 would now be in a better position to compete with other sectors for talented individuals, and that
35
36 the increased pressures on business might lead to enhanced strategic thinking. In fact, one of the
37
38 hospitality association representatives mentioned directly his hope that these added pressures
39
40 would lead to a more strategic approach to business, specifically with regard to HRM. A certain
41
42 amount of frustration was evident in this participant's comments that the hospitality sector was still
43
44 not taking a strategic approach to HRM (e.g. in relation to recruitment, selection, training and career
45
46 progression). As was acknowledged previously, employee relations in hospitality generally tend to be
47
48 regarded as weak and there appears to be scope, certainly according to this participant, for a more
49
50 strategic approach to HRM in the sector.
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56 ¹ This argument has now been turned on its head given the, at the time of writing at least, substantial fall in
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58 the value of the pound and given the uncertainty as a result of the UK's BREXIT vote in June 2016.
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3 With respect to businesses' reaction to changes in wage legislation specifically, an earlier study on
4 the introduction of the minimum wage by Arrowsmith *et al.* (2003: 452) suggested that '...the NMW
5 did not provide a shock sufficient to jolt employers or workers out of their customary practices and
6 habits', hence businesses just reacted in a more ad-hoc manner. Traditional thinking has it that the
7 hospitality industry tends to be managed less strategically and in a more ad-hoc style (Gilman *et al.*,
8 2002; Lucas & Langlois, 2001) which might suggest reactions to the NLW are equally ad hoc.
9 However, some studies reveal more strategic behaviour particularly among hoteliers (Brown &
10 Crossman, 2000; Hoque, 1999) pointing to a more considered response to wage legislation. In the
11 main, businesses that participated in this study adopted what we term a 'half-way house' approach,
12 being neither entirely spontaneous in their responses, nor demonstrating significant longer term
13 shifts in strategic thinking with regard to employment. To an extent, because the majority of
14 businesses were part of hotel chains, or at least a small group of hotels, some strategic direction was
15 provided centrally. It is recognised that had the sample included smaller, independent
16 establishments the outcome in this regard may have been different. Specifically, it is generally
17 understood that levels of formality grow with firm size (Churchill and Lewis, 1983; Messeghem,
18 2003). Past studies examining the impact of the NMW on small firms found that the informality of
19 employee relations helped mediate the impact and created a general benign impact on these firms
20 (Arrowsmith *et al.*, 2003; Edwards *et al.* 2004). Given lower levels of formality, had the sample
21 included a greater proportion of small firms, we might have expected therefore to have seen greater
22 levels of ad-hoc arrangements governing the response to the NLW.
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45 Understandably, businesses were concerned how any price rise might affect demand and so a more
46 common stance was to offset the increase in salaries via an increase in sales volume:
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49 'At the moment we are just trying to find more business to cover that cost. We are not increasing or
50 passing that cost on to the customer neither decrease staff levels because of the increased costs. We
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3 are just looking for more volume at the moment, so increase covers at the restaurant, increase
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5 occupancy in the rooms, so to increase business level which helps absorb a little bit of that' (9NW).
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8 An additional theme raised by participants related to the potential to increase productivity, at the
9
10 same time as growing sales. This growth in sales would allow the maintenance of staffing levels,
11
12 rather than a reduction although some businesses mentioned the imposition of recruitment freezes.
13

14 The intensification of work in hospitality as a result of the introduction of the minimum wage has
15
16 also been identified previously (Ram et al. 2001).
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18
19 The measures businesses were taking to offset the impact of the NLW reflected the extent to which
20
21 they were concerned, or at least voiced concern, about it. Some managers were quite philosophical
22
23 in their outlook:
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25
26 'We all have increases [in costs] from time to time that might be unexpected and new. We all have
27
28 approved budgets for this year... So it wasn't a major surprise... Most people will find a clever way to
29
30 absorb the cost. I think owners now say that normally this time of the year we had 7% or 8% growth
31
32 but now... it will go 6 %. I think that's what most of the people have done' (8NW).
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34
35 Whereas for other businesses, the level of concern was arguably higher as demonstrated by
36
37 measures taken:
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40 '...we have been really deepening down on every single process review, so the micro details, so for
41
42 example we're taking the linen out of a couple of the fine dining restaurants, and it's not the linen
43
44 it's the fact that I've got people on a Saturday night spending half an hour ironing linen, I've got linen
45
46 porters carrying it from one point to another, and I'm physically getting down to how can I save a
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48 repetitive 10 minutes here, or a repetitive 16 minutes there' (4SE).
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51 Or, to provide another pertinent quote:
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3 'We do look at the efficiency for example how many hours you need for this task, and to be a bit
4 more efficient. But we don't want the service to suffer...you don't want to cut hours and this is why
5 we look at waste, energy, maintain the equipment. So, for example, last year we may have broken
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7 20 plates and we may not have enough to serve people. We have to buy new now. But now all these
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9 things matter and they didn't used to' (7NW).
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14 The reactions of these two firms should be seen in light of their trading outlook which was relatively
15 pessimistic (see Table 1). To conclude, we draw attention to the view of one of the representatives
16 of the hospitality associations in that in their opinion too many hotels are looking to minimise costs
17 as opposed to thinking about how HR strategies might be changed. Rather than seeing the
18 introduction of the NLW as an impetus to overhaul HR strategies, thereby tackling the perennial
19 issues of high levels of labour turnover and low levels of productivity with implications also for
20 quality, the sector is continuing to rely on staid employment practices:
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29 'Some of them are very proactively looking at how they do maximise the logistics and stuff, others
30 are just beginning to get their heads round in terms of what they might need, and then looking at
31 cost reductions rather than necessarily looking strategically to say "Ok, we might need to think of
32 this and therefore change our whole people strategy as a company"'.
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38 *The NLW and the employment relationship*

39 This section tackles the second question of the study, what responses to the introduction of the
40 NLW tell us about the status of the employment relationship in hospitality? The exchange of labour
41 for a wage lies at the heart of traditional conceptions of employment, and so how employers view
42 the introduction of the NLW should offer insights into the foundation of employment relations in the
43 sector. The starting point was the question as to whether participants agreed with the introduction
44 of the NLW. All participants answered in the affirmative. This arguably socially desirable response
45 might have been expected, and yet delving deeper it was clear that the extent of agreement varied.
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54 Further analysis pointed to a (moral) dilemma, or at least a conflict of interests between employees,
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3 the business and the manager. Participants, as agents of the firm, were caught between personal
4 values and acting on behalf of the firm. The need for higher salaries was recognised but
5 simultaneously profits should not be jeopardised (in part at least out of self-interest, also where
6 performance related to individual rewards), although interestingly very few participants
7 acknowledged this dilemma directly. Only one participant addressed the issue explicitly, conceding
8 that lower profits might need to be accepted to provide for more just rewards for employees:

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16 'I'd say this, if our company made, let's throw a number out there and say half a million pounds last
17 year, because of increasing everyone to the National Living Wage, if we only therefore made
18 £450,000, isn't that better?' (2SW)

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23 These results are at one aligned with Werner and Lim's (2017) study of SMEs in retail in relation to
24 owner/managers' agreement with paying a living wage, but they also differ for some in the sample
25 here, not owners but managers, who also had to consider corporate interests. Where at a personal
26 level participants appreciated the need for the NLW, its implications were not necessarily welcomed.
27 Participants were then also asked about hospitality's purportedly negative image as an employer.
28 While many agreed with this notion, citing the common themes of low pay, long, anti-social and
29 irregular hours, others argued that it was solely certain jobs that suffered from a poor image
30 (notably chefs). Sometimes the downsides of working in the sector were contrasted with the
31 benefits, suggesting a trade-off was taking place:

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43 'Ultimately the industry is hard work with long and unsociable hours however I think that what the
44 industry deals with is the celebration of the good things...There is a lot to celebrate but I think that
45 people focus very much on the narrow aspects of the hard work and the unsociable hours and
46 potentially of the low pay' (8NW).
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3 'It has an image problem because it's perceived as one of the lower paid service sectors, but I think
4 that what people don't balance out is the benefits people get working in the hospitality sector' (2SW
5 – benefits mentioned included free staff meals, use of gym facilities, discounts at sister properties).
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10 While this trade-off stance has some initial face validity, and indeed supports notions of positive
11 views of employment in the sector (Nickson 2013; Walmsley, 2015), some aspects of work (e.g.
12 worker organisation, holiday entitlements) are so important they are enshrined in law or at least
13 promoted by international bodies such as the International Labour Office's Declaration on
14 Fundamental Principles and Rights at Work. These are issues that cannot simply be 'traded in'. Akin
15 to reactions to the NLW, there was then acknowledgement of an employment problem in the sector
16 (low wages, poor working conditions), but then also some apologist language justifying the status
17 quo.
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22 Exchange forms the basis of traditional economics, in the market for goods as well as for labour.
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24 Reactions to the NLW will reflect how employers view this exchange; what they are providing in
25 exchange for what the employee is providing/should be providing. The final part of the interview
26 therefore asked about the responsibilities of employers to employees and vice versa.
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31 Answers to the question as to the responsibilities of an employer to employees varied considerably
32 indicating a lack of a common understanding to what is a fundamental question in discussions of
33 hospitality business practices. The overall impression gained, was that the question itself had never
34 been considered, certainly not in any depth. Responses to the question of the responsibility of
35 employers to employees varied. Some participants provided examples of actions undertaken, e.g.
36 providing training and career progression opportunities, avoiding employees having to do split shifts.
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38 One participant spoke about providing vouchers, free stays and special lunches. Others stated very
39 fundamental responsibilities such as providing a safe working environment and job security. Again,
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41 others took things a step further and commented on providing a decent working environment but
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43 also the need to consider the employee's future. The notion of work-life balance arose in four
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3 interviews. Overall the participants of this study did, judging by what they were saying, care about
4 and look after their employees. As mentioned in the methodology, by dint of the fact that they had
5 agreed to speak to us this is unlikely to be an entirely representative sample of hoteliers. Even more
6 telling is this general lack of philosophical consciousness surrounding the employment relationship
7 and by implication what role firms should play in society. One participant reflected very directly on
8 this:
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16 'The difficulty for me is that I work for an organization that values training and development, and
17 career growth is something that we have always done. But I'm mindful that there are a lot of
18 organizations out there who do not necessarily have the same philosophy that we have and don't
19 focus on fairness on pay, training and development and providing career opportunities,' (8NW).
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25 We conclude the discussion with an overview of responses to the question of an employee's
26 responsibility to the employer. Overall, there was greater conformity in the answers to this question
27 than to the previous one. Most respondents commented on loyalty, commitment and dedication to
28 the job. A selection of quotations serves to illustrate:
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34 'So, what do we expect from our employees? We want commitment, dedication, we don't want
35 them just turning up, we want the passion, a drive, we want to see them wishing to deliver the very
36 best service, and ensuring that our guests are always happy,' (1SW).
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41 'I think just giving 100%,' (5SW).
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44 'Work hard and be loyal and do your best every day. And that's as simple as that really,' (8NW).
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47 These views conform with Boella and Goss-Turner's position (2013:44) who point out: "Even
48 today...many employers and managers expect all employees, whatever their position and wage rate,
49 to be dedicated to their jobs, to have a vocational fervour towards their work and to sacrifice leisure
50 time for pay that is not high...". Some respondents highlighted the transactional nature of the
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3 employment relationship. Thus, one participant spoke of a contract between employer and
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5 employee, another participant talked about both sides needing to fulfil their side of the bargain:

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8 'We expect quite a lot from our employees. And they've got a good environment to work in, they've
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10 got the potential, a lot of opportunities are going forward. We expect a lot but we also give a lot,'
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12 (9NW).

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15 'A lot' was described here as: being professional, meeting standards (especially in relation to service
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17 quality), adopting a collaborative/team-working approach, along with the acknowledgement that all
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19 staff were subjected to rigorous performance appraisals. In relation to the employer 'giving a lot'
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21 this covered 'a good environment to work in' and 'a lot of opportunities'. We note though that
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23 fitting financial remuneration was not mentioned under the rubric of 'giving a lot'.
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26 We can summarise that the question of responsibility of employers to employees and vice versa
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28 produced a great variation in responses; more so in relation to the responsibility of the employer to
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30 the employee which appears to have been less considered than the question of the employees'
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32 responsibility to the employer. As has been outlined, these are issues of fundamental importance to
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34 the employment relationship, industrial relations and ultimately the relationship between hospitality
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36 businesses and society.
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41 **Conclusion**

42 This study has explored reactions to the introduction of a national living wage in the UK hospitality
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44 industry, a sector heavily reliant on low paid workers (D'Arcy, 2017; ONS, 2016), where working
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46 conditions are traditionally regarded as poor (Baum, 2007; Wood, 1997), and employment relations
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48 weak (Lucas, 2004). It reviewed responses of hospitality managers to the introduction of the NLW,
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50 and also what their response means for the employment relationship in hospitality more generally.
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53 All employers agreed that, in principle, the NLW was a good thing, but beyond this a range of
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55 positive and negative reactions were evident. Concerns were raised specifically about the ability of
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3 smaller and more labour intensive (high-end/boutique) businesses to deal with increases in the
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5 NLW. Furthermore, and possibly counter-intuitively, the NLW has the potential to decrease
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7 productivity where sudden changes to pay differentials that are regarded as unfair negatively affect
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9 staff morale. This may occur, for example, where younger staff (under 25s) are not entitled to the
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11 same wage, or where supervisors see the pay differential between their wages and those of
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13 subordinates narrow.
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16 The positive implications of the NLW largely circled around increases in disposable income, the
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18 negative on redundancies and increased use of flexible employment contracts. A greater
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20 employment of youth (i.e. younger than 25) was also suggested by some in a sector where youth
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22 employment, and the employment of marginalised groups more generally, is already very common
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24 (Walmsley, 2015). The potential substitution of young for older workers to exploit lower-level youth
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26 minimum wages has already been recognised by Croucher and White (2010) and Brown (2017), an
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28 issue mirrored in this study. In a pre-Brexit Referendum Britain, only one participant reflected on
29
30 the implications for the employment of migrant workers, arguing a higher minimum wage would
31
32 make the UK a more attractive destination for economic migrants. A possible outcome of the UK's
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34 withdrawal from the EU could be an improvement in working conditions in hospitality to make it
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36 more appealing to UK workers (D'Arcy, 2017).
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40 As is typical for the sector (Gilman *et al.*, 2002; Lucas & Langlois, 2001), businesses were neither
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42 particularly strategic, nor entirely reactive in their approaches to dealing with the NLW. Adaptive
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44 measures to the NLW varied from businesses taking a very detailed, labour process oriented
45
46 approach at reducing costs, to others that recognised the potential impact but did not appear too
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48 concerned by it. No common approach was discernible, and a range of adaptive measures were
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50 mentioned, such as price increases, increasing unit sales, cutting costs elsewhere including staff
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52 reductions/recruitment freezes as well as the subsequent increases in productivity. In light of the
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54 view that increases in the price of labour will result in a fall in demand for labour, this micro-level
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3 analysis offers some evidence to support this position in the short term. Rather than see an increase
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5 in wages akin to an investment in a capital asset (Wright *et al.*, 1994) and as recommended by one of
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7 the hotel association representatives, the broader response was to regard wage increases as an
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9 increase in the costs of labour.

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12 These responses, in particular the ambivalence expressed towards the NLW, raise questions about
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14 the employment relationship in hospitality, and indeed by extension into the business-society
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16 relationship as seen through the eyes of senior industry managers. While all participants were
17
18 certainly concerned about their employees' welfare, and supported the NLW in principle, it was also
19
20 clear that personal beliefs collided with business imperatives. The study confirms Wood's (1991)
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22 conceptualisation of CSR as occurring at three distinct levels: institutional, organizational and
23
24 individual: there is some evidence that personal beliefs conflicted with organisational values.

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27 This study sets the scene for further research, with implications for practice. Firstly, this study has
28
29 demonstrated that among hospitality employers confusion exists with regard to what the
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31 responsibilities of a business should be in relation to its employees. The exchange of wages for
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33 labour that lies at the heart of traditional economics is an exchange with 'fuzzy boundaries'. It is an
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35 issue that had received very little consideration at this fundamental level by participants, and yet is
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37 arguably one that is fundamental in shaping employment relations. A lack of consideration of this
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39 question explains how comments suggesting employees should 'just give 100 percent' or that they
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41 should 'be loyal and do their best every day' could be made within the context of the introduction of
42
43 a national living wage, a wage that allows employees and their families to just get by (or in fact is
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45 insufficient for these purposes as argued by the Living Wage Foundation).

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49 Secondly, further studies could explore if and how societal changes such as growing levels of
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51 inequality and concerns about globalisation are changing the way hospitality firms do business. For
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53 example, while it is interesting to note that an increasing number of prospective employees consider
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55 hospitality employers' corporate social performance when seeking employment (Kim *et al.*, 2017),
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3 the extent to which this applies to those at the lower end of the wage spectrum, which constitutes a
4 large proportion of hospitality employees, is questionable. Being able to choose one's employer is a
5 luxury many can ill afford (Colling & Terry, 2010), which leaves the opportunity for exploitation of an
6 unequal employment relationship open. It remains to be seen to what extent the coming decade
7 will see a 'business as usual' approach to employment in hospitality, or whether the introduction of
8 a NLW is the start of a wider debate on the nature of employment relations, and a revisit of the
9 question 'for whom should corporations be run?' (Blair, 1998).
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18 Finally, we acknowledge the limits to generalisability in the study given the small sample size.
19 Because of the sensitive nature of the topic a small number of participants, all at senior levels within
20 their respective organisations, was perhaps to be expected. Furthermore, in keeping with its
21 exploratory nature the study has been able to surface a diverse range of reactions to and
22 implications of the NLW upon which further research might usefully build. Future research could
23 extend this study by focussing on a broader range of sub-sectors of hospitality (e.g. restaurants,
24 cafes, contract caterers), for example, or gather insights from hospitality employees at various levels
25 within organisational hierarchies. While the introduction of the NLW has ameliorated pay for many
26 in hospitality, as D'Arcy (2017:8) acknowledges "much more will be needed to improve the
27 prospects and day-to-day work of those in low-paying jobs".
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Table 1: Participants and their Businesses

[A] Key (SW = South West; NW = North West; SE = South East)	[B] Position	[C] Organisation Size	[D] Business last 12 months (April 2015-April 2016)	[E] Business going forward (April 2016-April 2017)	[F] Ownership
1SW	GM	45 employees, 32 full time	10	8	Small chain of boutique hotels
2SW	GM	165; 100 people that are full or part time, then 65 on zero hour contracts;	9	8	Multinational
3SW	GM	60 FTE;	7-8	8-9	Multinational
4SE	CEO	750 FTE plus casuals across a number of hotels;	6	6	Small chain of boutique hotels
5SW	GM	80 FTE;	8	8-9	Independent
6NW	Ops and HR Manager	Between 100-200 staff (approx. 50% on zero hours contracts)	10	8	Multinational
7NW	Regional HR Manager	Over 200 staff (approximately 55% on zero hours contracts)	10	4	National chain
8NW	Regional HR Director	Between 100-200 staff in the hotel s/he is based in (approx. 40% on casual contracts)	9	7-8	Multinational
9NW	GM	120 full-timers and 30 part-timers, a lot of casuals on top.	6	4	Luxury hotel, independent
10SW	Director of HR	120 (85 full time)	8	8	Boutique/Luxury hotel part of a larger conglomerate

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Employee Relations