

# Britain: Top London hotel slashes wage rates

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A sign of the hard-times ahead for British service sector workers was indicated at the weekend. The *Guardian* newspaper, tipped off by prospective staff, revealed how the Sanderson Hotel in London is offering contracts with hourly rates almost half the national minimum wage of £4.10 for workers aged 22 years or older. From December the hotel is switching from a shift system paying an average £2.50 per hour, to an even lower rate of £2.15.

The Sanderson is also to cut the guaranteed minimum 38-hour week to 32 hours. The new contracts, however, will assert that employees must work a maximum of 48 hours per week if required by the management.

The Sanderson is one of a number of exclusive London hotels that cater to the music industry and media glitterati. The owner, Ian Schrager, describes the hotel as a “boutique” in order to delineate his establishment from the other common or garden luxury hotels. The hotel is one of a number, following the trend set by the United States, to be created by high profile interior designers—in this case Phillipe Stark. The Sanderson boasts a top price restaurant and has mixed Louis XIV furnishings with other contemporary expensive furnishings. Whether the historical irony of interior inspiration courtesy of the Palace of Versailles is intentional or not, the prices for a room are geared to a very definite clientele. Guests pay £2,000 per night to enjoy the sumptuous pleasures of the penthouse suite.

Responding to the *Guardian* article, Schrager, speaking on *Radio Four News*, protested that the staff should think themselves lucky to be paid an hourly wage at all. He and the hotel management had seriously toyed with the idea of paying the staff nothing because, they claim, the tips are so large. Schrager said that staff and waiters in certain New York hotels and restaurants pay the hotel a fee to work in the establishment in order to gain access to tips.

There was no need for Schrager to look across the

Atlantic for an example to justify his own Dickensian employment practices. The conditions he describes already exist in London. *Guardian* journalist Philip Inman highlights how several hotel and leisure business enterprises in London have scrapped wages totally and instead pass on just enough tips to workers to cover the legal minimum wage. This practice is actually enshrined in the rules governing the national minimum wage. The Low Pay Commission allowed employers in the hospitality industry crucial exemptions, through a clause stating that any tips paid directly to staff can be included as part of their wages. This exemption encouraged business to levy a service charge paid by customers, which is then used to either boost or wholly comprise staff wages.

The Sanderson operates a system like this to top up employees’ wages to the national minimum. Tips are paid into a shadowy system called a ‘Tronc’, administered by a Troncmaster and a committee that decides how much will be paid out each month. This arrangement, effectively run by the management, leaves open the question of what happens to tips over and above the wages paid to staff. Not only do some businesses not pay wages, but they also steal money paid to staff for services above the call of duty.

The payment of hourly rates beneath the measly national minimum wage is defended by hotels like the Sanderson with the claim that tips from the wealthy clientele are substantial. But the *Guardian* reports how tips at the Sanderson have already shrunk by a quarter in the wake of the events on September 11. This has resulted in some staff expecting a yearly income of just £16,000, having to revise this down to around £11,000—a figure all but impossible to live on in the capital.

Tipping is a degrading form of payment, which makes the recipient reliant for their livelihood on assuming a servile relationship towards another, rather

than being paid adequately for a specified job of work. It is a fact of life today, moreover, that many people do not simply pay tips in an acknowledgement of excellent service, but because a customer knows the recipient is badly paid and relies on gratuities. Tipping therefore becomes a form of charity towards the workforce and a hidden subsidy for the employer.

Contrary to government claims that it would benefit the lowest paid, the establishment of a national minimum wage has established a low benchmark to which many employers now peg wage rates. Research by the Low Pay Unit, an organisation which campaigns for a higher minimum wage, shows that the bottom 10 percent of earners in the service sector are paid an average of just £140 a week. Peter Gattidge, head of national minimum wage operations at the Inland Revenue, says he is currently snowed under with complaints about wages being paid beneath the national minimum.



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