

MANAGEMENT BEST PRACTICE
A Study of Small and Medium Sized Enterprises

Hospitality

This publication is aimed at the hospitality sector, one of the sectors most likely to be affected by the National Minimum Wage, and to small businesses generally. It gives practical help and advice on good business practice and deals with the key issues for the sector, such as the importance of training, customer service and quality, and illustrates these with case studies drawn from SMEs in the sector.

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Ministerial Foreword

The Government has fulfilled its pledge – the Minimum Wage is now a fact.

The purpose of this booklet, and its counterparts in the series, is to help firms prosper in the new business environment by encouraging them to adopt best practice.

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and Industry



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The Lord Donoughue
The Minister
for Farming
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Industry



The case studies in this booklet – all drawn from small and medium sized enterprises – show that, at a time when customers are better informed and ever more demanding, firms with a skilled, adaptable and motivated workforce are best able to respond to change and new challenges. Far from blunting their competitive edge, businesses whose strategies place more focus on the skills and well being of their workforces, can enhance their competitiveness and performance.

But it is also clear from the case studies that good management practice is not just about pay and skills. The business leaders in this booklet have displayed the vision and leadership to transform their businesses, and the ability to communicate effectively with customers and staff alike to develop teams which are customer focused. It has not been easy, but the results – the key business results – have certainly been worthwhile and, in some cases, spectacular.

I am grateful to the firms for the time and trouble they have taken to participate in this project, and to the representative bodies in the sector, particularly the Hospitality Training Foundation and British Hospitality Association, for working with us in the development and dissemination of this booklet.

Ian McCartney

Janet Anderson

The Lord Donoughue

Introduction TO HOSPITALITY

Businesses which are successful in the long term are those which demonstrate their commitment to their employees and view them as their most valued asset.

The hospitality industry, which incorporates both the business sector (including hotels, restaurants, pubs, clubs, bars and contract catering) and hospitality services (including for example medical, education and public administration caterers) is one of Britain's largest and fastest growing industries. The Hospitality Training Foundation, the National Training Organisation for the hospitality industry, estimates that in hospitality there are around 266,000 establishments, with a workforce of 1.88 million, producing an annual turnover of £43 billion. Over the past decade, the industry has experienced continual growth and much innovation, with the development of whole new sectors, such as the popular theme bars and coffee shops. These, together with our traditional pubs and fashionable restaurants, are important elements which underpin tourism in Britain. As the Government's recently published strategy, Tomorrow's Tourism, makes clear, this successful industry can become even more prosperous.

Forward thinking employers are not only identifying the opportunities, but also investing in the one asset that can ensure future business success – their staff. In today's environment, well trained skilled staff can provide a more effective service, increase productivity and reduce costs, which ultimately lead to higher profits. Businesses which are successful in the long term are those which demonstrate their commitment to their employees and view them as their most valued asset. HTF'S role is to help develop training and education in the sector and to advise employers on the right training for their staff in order to improve performance.

Meeting customers' needs

Over the past decade, consumers of hospitality services have demonstrated more discerning tastes. They are conscious of receiving a memorable experience as well as value for money, and the care and attention customers get from the people who serve them is as important as their main purchase. Therefore, the case for hospitality employees to receive training in customer care has never been so strong. Globalisation has not only intensified competition, but also educated consumers to expect a high quality and flexible service, which meets their specific needs. In response, hospitality businesses have recognised new trends and developments in eating habits and the public's increasing awareness of food safety. Vegetarianism, for example, is no longer a rarity – in fact, a number of businesses have a niche in this market. Similarly, people's exposure to a wide range of international

food has impacted dramatically on the industry – it is now just as easy to get a Thai curry in a city pub as it is in a specialised restaurant. To meet consumer demands, it is essential for educators, training providers and the industry to work together, to ensure that hospitality-related qualifications and in-house staff training are suitably developed.

In total, 85% of establishments in the hospitality industry employ between 1 and 10 people. Small businesses, therefore, play a critical role in the overall success of the industry. Developing specific skills in the small business sector is a priority particularly in the areas of:

- ◆ customer care
- ◆ business planning
- ◆ marketing
- ◆ knowledge of relevant legislation
- ◆ human resource development

Many small hospitality businesses are already proactive in these areas and research, by Leeds Metropolitan University, indicates that the majority of small tourism and hospitality firms undertake some form of market planning. More and more businesses recognise the importance of having an understanding of customers' needs, but awareness of the external business environment is sometimes limited. Anticipation of external opportunities, has presented many businesses with strategies for growth. For example, it is now more common to find hospitality businesses – of all sizes – using the internet to advertise and communicate with their target markets. While certain sectors, such as accommodation providers, are more inclined to embrace such marketing techniques, the use of information and communication technologies is becoming more universal. This marks a significant step forward in the development of an IT culture in the independent sector, but there is much more to be done to ensure the potential of IT is utilised into the future.

In summary

Hospitality remains one of the most important UK industries, employing a significant proportion of the UK workforce and making an increasing contribution to the national wealth. The minimum wage will help the industry shed any outdated perceptions of low pay and through initiatives, such as the industry's Education and Training Strategy, the HTF's work with small hospitality businesses together with the Government's tourism strategy, will develop a trained and motivated workforce that will ensure the industry continues to prosper.

Key Themes for Managing Change

Success goes to those firms that make the rules that others operate by, rather than responding to other people's rules.

Leadership during Change

The battle to survive and compete affects all companies today. Management, in particular, is under constant pressure to get the best out of current markets while preparing the business for new threats and novel opportunities. Success goes to those firms that make the rules that others operate by, rather than responding to other people's rules.

The hospitality sector in the UK has seen massive changes in its markets. One of the keys to success during a period of rapid change is that the owner/manager has a good understanding of how markets are developing and a clear vision of how and where the firm will be placed in the new and evolving market. All the case studies in this booklet display such leadership skills and the ability to communicate their vision – a vision based on quality and customer service – to customers and colleagues alike.

At the Beechfield Hotel, Blackpool, Clive Welch has a clear vision of what the modern holidaymaker expects and has invested in the hotel he bought in 1977, and in his staff, to meet the needs of the “senior citizen” market which accounts for 70% of turnover.

At the Greyhound Inn, Ray Hoare's vision is to offer food and service which are out of the ordinary: international dishes and new ideas constantly stimulate demand. No wonder the Greyhound has the largest barrelage, per square foot, in the Bass empire. Companies like Ray's have adapted to these shifts in customer attitudes, while fighting off increased competition and movements in market demand as alternative leisure pursuits have emerged to attract traditional buyers.

Few sectors are affected more than small, holiday hotels like The Seaview Hotel on the Isle of Wight. This type of hotel saw traditional customers attracted away by cheap flights, hot weather and low prices. Nicky Hayward, the owner of the Seaview,

knew that she could not compete against these and other rivals on similar terms. Her vision for success has been to support local suppliers wherever possible, build on her loyal local customer base and to focus on the needs of the yachting community.

Customer Satisfaction

Satisfied – even delighted – customers are the only guarantee of survival. The gap between the firm that listens and responds to its customers and the company that ignores their wishes, is often the gap between the profitable and the bankrupt business. Repeat custom is a critical element of success in the hospitality sector, whether you are a pub, a hotel, a fish and chip shop or a Michelin starred restaurant.

Christine Boylan, of the Dormy House Hotel in the Cotswolds, takes customer care and feedback very seriously with guest questionnaires scrutinised carefully by the Managing Director and the hotel's general manager, while the hotel's computerised database of 15,000 customers is updated and cleaned weekly.

Nicky Hayward's entire business strategy is built on the twin pillars of exceeding customer needs and being an outstanding employer. These policies reinforce each other. An important new customer group is yacht charter customers. They are an important group but their wish to spend the maximum time sailing means that they do not fit into normal catering hours. They are very demanding, premium customers who want high standards of service.

People as Assets

As Nicky Hayward knows, the key to customer satisfaction is everyone working as part of a team and focused on the customer's needs. The staff dealing with demanding customers can make or break the relationship. Nicky manages to get the best from her staff by an intensive involvement, training and development programme. Induction takes four weeks and everyone is involved in the company, not least through weekly staff meetings, and given a chance to realise his/her full potential. She readily acknowledges, “At least half our best ideas come from our staff”.

In the hospitality sector, exceeding customer expectations delivers massive returns.

At Charlie's Fish Shop, Joyce Willoughby's competitiveness strategy has been built on developing the potential of her staff to meet customers' needs. She seeks to establish the link between quality of service and training by proudly displaying the qualifications of her staff, and the firm's IIP plaque, to customers.

In Lincolnshire, Annie and Gervais Schwab, the owners of the Michelin starred Winteringham Fields Restaurant, achieve the same link between employee and customer satisfaction by sharing their passion for food and their search for perfection with all their staff. They invest very heavily in recruitment and selection because they need the best people. Having selected their staff – from large numbers of applicants – they train them to very high standards. After this level of investment they do not want people leaving because of avoidable problems. Indeed, to strengthen the sense of teamwork, meetings are held to tackle problems and the proprietors eat with the entire staff twice a day to foster informal discussion.

The Dormy House Hotel in Worcestershire adopts the same philosophy. The people who work at the hotel determine the response to the company of their different clients – from overnight stays to conference clients. The management team sees employee satisfaction and customer satisfaction as two sides of the one coin – building excellence. Their approach to bringing the best out of their staff ranges from the highly formal – building training around National Vocational Qualification in Hotel Management and Catering – to informal initiatives like the staff suggestion scheme.

But a team which is disgruntled by pay and conditions is unlikely to be flexible, obliging and customer focused. All of our case studies recognise this, which is why the National Minimum Wage will not present a problem to them. As Joyce Willoughby says, "It will deliver a level playing field which we welcome".

Resource Management

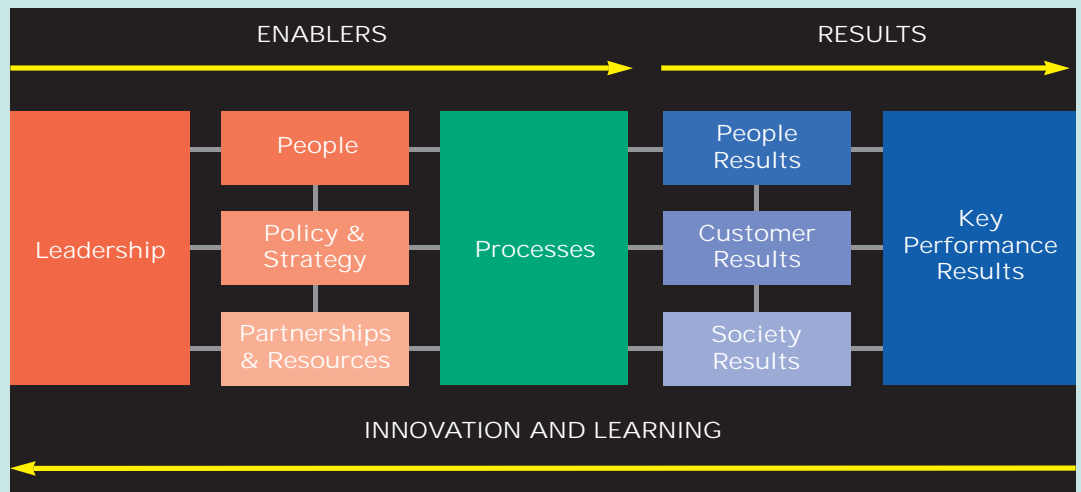
While it may be tempting to seek to change everything at once in response to the new business environment, a key to managing change effectively is the adoption of a measured and measurable approach. Although people are the key resource, all the case studies have invested steadily in their businesses and growing at a pace which they can handle, without jeopardising quality. For example, Clive Welch has expanded from a 22 roomed hotel to almost 60 en-suite rooms, while Charlie's Fish Shop moved from being a take-away to include a 26 seater licensed restaurant. The importance of careful resource management is exemplified well by the Dormy House hotel's evaluation of their advertising activities, for conversion not just response. It is all part of their systematic approach to management of "identifying the need, planning the solution, implementing it, then evaluating the outcome".

The Management Edge

In the hospitality sector, exceeding customer expectations delivers massive returns. The management edge of the firms in the case studies grows out of their clear sense of direction – the unique selling point for their firms – their customer focus, investment in people and the team spirit which prevails. Staff work to the highest standards, freeing management to focus on strategic issues. This delivers tangible benefits to the staff and the business.

Notwithstanding the growth of international competition in the tourist market, revenue and profitability have increased in our case studies. As a result of targeting the yachting and small conference business, occupancy rates at the Seaview Hotel have risen from 22% to 65% in January. Revenue has trebled over the past six years and profit margins have increased from 5% in 1980 to 20% today. Staff have shared the benefits with minimum hourly rates already at £4 by 1997. In Blackpool, where visitor numbers have declined in recent years, Clive Welch's management edge has produced a £500,000 turnover business with net profits of £165,000 and his staff were already paid above the National Minimum Wage. And at the Dormy House Hotel, turnover has increased while the minimum hourly rate was over £4 by 1998. It is no coincidence that these businesses have achieved good growth and excellent profits over the last few years despite the challenges facing their industry.

THE BUSINESS EXCELLENCE MODEL



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Readers who wish to strengthen their business performance would be advised to examine these key aspects of their business.

The firms in these case studies have all given a real focus to customers and to the development of their staff, but they have also adopted a comprehensive approach to improving the performance of their businesses. This is encapsulated in the Business Excellence Model, promoted in the UK by the British Quality Foundation and illustrated in the above table, which sets out

the key strategic areas upon which to focus attention. Readers who wish to strengthen their business performance would be advised to examine these key aspects of their business, if necessary, with the help and advice of those listed at the back of this booklet. In the meantime, the checklist below is a good starting point for action.

A CHECKLIST FOR ACTION

QUESTION	ACTION
What are we doing to make sure that we are ahead of the game and able to spot and react quickly to change?	Hold regular reviews to identify, list and draw up responses to changes, like the National Minimum Wage Act and market developments, ahead of competitors
Does everyone in the company provide information from customers and others about the business, its services, opportunities and threats?	Organise team meetings, conduct staff surveys, hold feedback sessions to gather information from staff and get them involved in tackling issues
Do all the staff appreciate how important they are to a service company's success and know that you play fair with them?	Find ways to recognise achievements and success, ask senior staff to mentor juniors and let them know how you are taking action
Do we know how well we are doing against our competitors and hospitality industry standards?	Identify the issues that really matter to our success, measure ourselves objectively against our nearest and toughest rivals
Is everyone in the company clearly focused on business and self-improvement – knowing their own strengths and weaknesses – and investing to improve themselves?	Draw up an action plan to use the implementation of the National Minimum Wage to encourage everyone to build up their skills and become more effective



CASE STUDY: The Seaview Hotel was established by Nicky Hayward and her husband in 1980, and consists of 16 bedrooms, two restaurants and two bars. Based in the high street of Seaview, it caters for a wide variety of local and visitor trade.

One of the key business issues for the hotel has been overcoming the island's short tourist season. It has meant growing and nurturing local trade, as well as maximising the potential of the mainland market. "I feel strongly about playing our full part in our community," says Mrs Hayward. "Our workforce is local, so we encourage their families to visit and feel connected to the hotel. We only buy local produce; although we could buy cheaper elsewhere, we capitalise on its quality. Being a caring employer and a good neighbour has been fundamental to our success."

To increase visitor trade, Mrs Hayward has instituted links with the local yacht club and developed a small conference business. A series of 1-, 2- and 3-day breaks have also been created to attract mainland trade. As a result, the hotel has increased bedroom occupancy from 22% to 65% in January – traditionally the quietest month in the year.

Regarding competition, Mrs Hayward says, "I don't see it as being other hotels in the area; our true competition is other holiday destinations like Majorca. In fact, we share information with other hotel businesses. Anything that attracts more visitors to the island is good for all of us."

Central to the hotel's success has been its staff policy. "We strongly believe that customer satisfaction is the outcome of staff satisfaction," says Mrs Hayward. The hotel runs four-week induction courses for new staff, with a regular six-month mutual appraisal programme – which extends to the owners themselves. Meal vouchers are provided for staff to learn from the experience of being a customer, and to provide feedback on any improvements that can be made. Staff also join Mrs Hayward on market research trips and conferences in London. "At least half our best ideas come from our staff," she says. "And the most frequent comments from guests are about just how nice our people are."

Weekly staff meetings are held, with everyone provided with financial details. "Because everyone feels part of the business, everyone wants to contribute to its success." Decisions on staffing for the Millennium celebrations were agreed within this open forum; once budgets were covered, it was agreed that the surplus would be divided among working staff.



Wages policy is an extension of the hotel's people-centred philosophy, with minimum hourly rates already at £4 by 1997.

Revenues at the Seaview have trebled over the last six years, with margins moving from 5% in 1980 to 20% today; turnover is up 23% on last year. Annual room occupancy averages 85%, and the January to April off-season is now a fully sustainable trading period.



We strongly believe that customer satisfaction is the outcome of staff satisfaction.



We pay well and the staff are loyal – it runs hand in hand with success.

Company Name	The Beechfield Hotel
Sector	Hospitality
Location	Blackpool

The hotel was bought by Midlands born, Clive Welch in 1977 and turned over £11,000 in its first year. Last year's turnover was £490,000 with net profits of £165,000. The hotel caters for all ages of customer although it specialises in holidays for the older market.

Clive Welch believes that the only way to thrive in a difficult market is to adapt as market trends change.

"When I bought The Beechfield it was a 22 bed-roomed hotel. Now we have 59 en-suite rooms and offer the kind of facilities that the 1990s holiday maker expects."

"I am continually looking at involving my staff in all aspects of customer communication," says Clive Welch. "However, I believe in personally training all the people who work with us. The customer is obviously all important in our business and we make sure that everyone who is involved with our guests is trained to respond to their needs."

Staff at The Beechfield are closely involved in the running of the business.

"You cannot run a successful business unless you work as a team. For instance, when we have our kitchens re-done, I wouldn't dream of moving a single pan before I discussed plans with my chef," says Clive Welch.



CASE STUDY: In a town where visitor numbers have fallen off in recent years, and where 2,500 hotels compete for business, The Beechfield Hotel, Blackpool has gone from strength to strength.

He offers a range of different holiday packages which have lengthened the traditional holiday season to ten months of the year. After the 'Illuminations' are over The Beechfield has special pre-Christmas breaks, 'Tinsel and Turkey Packages' which keep the business busy until Christmas when again the hotel is open for festive holidays over Christmas and New Year. Live entertainment is on offer each evening.

Special facilities for older guests include lifts, wheelchair ramps and ground floor bedrooms.

"I decided to concentrate on the 'senior citizen' market as a matter of sound business policy. Older people are much more active and some of our regular guests visit us four or five times a year. They now account for 70 per cent of turnover."

The hotel has eight full-time staff and takes on a mixture of more full and part-timers during the season. There are plans to increase the seasonal staff to five more full-timers and six part-timers for the 1999 season.

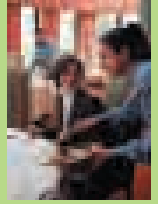
All Beechfield staff were already paid more than the National Minimum Wage. Mr Welch makes a point of checking average wages in the local job centre and he is shocked at some of the rates offered.

"Although I already pay above the minimum, I will be putting my rates up again for the new season. We pay well and the staff are loyal – it runs hand in hand with success."

A mixture of sheer hard work, a positive philosophy, adapting to changing needs, the recruitment of quality staff and sound investment have all contributed to the success of the business. "I think we have the edge on some of our competitors because I have kept such a careful eye on a changing market," says Clive Welch.

There will be around 90,000 beds available for visitors in Blackpool during 1999 and Clive Welch looks forward to another busy and successful year.

CASE STUDY: Located around a 17th century former farmhouse in the Cotswolds, **Dormy House** is a three-star 48-bedroom hotel and conference centre employing 110 staff including casuals. The split between leisure and business markets is approximately 50/50.



"Our philosophy is straightforward – our staff are the hotel," says Christine Boylan, Head of Personnel. "We've found that this policy translates into the high level of return visits we get, and that the majority of our new guests come from word-of-mouth recommendation."

Ms Boylan places great emphasis on training for employees. National Vocational Qualifications (NVQs) in Hotel Management and Catering are sponsored by government funding through South Warwickshire Council, and staff are encouraged to gain additional qualifications in First Aid, Fire, and Food Hygiene. "We help staff to increase their career potential, so they stay longer." This approach to staff welfare even extends to giving staff birthday cards. "There's a distinctive Dormy House culture, and we want everyone to feel they're part of the family."

The combination of multi-skilling and goodwill has led to a greater willingness of staff to take on different or additional responsibilities whenever needed.

Throughout the hotel, service orientation is paramount. Monthly think-tank meetings of senior management are held to isolate new business opportunities and solve any problems arising. Staff are encouraged to contribute ad hoc suggestions, with a £25 award for solutions adopted. And a bi-monthly staff consultative committee on health and safety also provides a vehicle for employees to raise any service issues or suggestions.

Ms Boylan also stresses the importance of marketing. "We've developed a number of packages that we can turn on quickly if occupancy rates look like declining, such as Champagne Weekends and inclusive table d'hôte dinners." New service offerings have also included a Summer Ball and a number of Jazz Brunches. A key component in advertising such packages has been 'Dormy Days', a magazine mailed twice yearly to the hotel's database of around 15,000 customers. The database is updated and cleaned every week, and all advertising activities are evaluated not only on response, but conversion.

Guest feedback is taken extremely seriously, with tabulated guest questionnaires scrutinised by both the hotel's Managing Director and its General Manager. "In all our processes, we operate on the looped model of identifying the need, planning the solution, implementing it, then evaluating the outcome," says Ms Boylan.

As long ago as 1994, Ms Boylan started laying plans for accommodating the National Minimum Wage. Gaps in differentials were gradually reduced, and by 1998 the hotel's hourly minimum was £4.12, plus a share of post-tax gratuities for all staff. "None of our senior staff suffered a cut," says Ms Boylan. "This year, they received an increase based on our estimate of inflation." Motivation has not suffered (the largest monthly tronc ever received was recently recorded), and the hotel's month-on-month turnover has steadily continued to increase.

Company Name	The Dormy House Hotel
Sector	Hospitality
Location	Worcestershire

The combination of multi-skilling and goodwill has led to a greater willingness of staff to take on different or additional responsibilities whenever needed.



CASE STUDY: Continuously striving to offer service out of the ordinary is the secret behind Ray Hoare's success as a publican. Over the past 30 years, Ray has taken on failing establishments and turned them into thriving businesses through a basic ingredient – food. Ray was one of the first publicans to offer a menu which – to put it lightly – is still a little out of the ordinary.

If staff make the customers happy then they'll return and that's good business for me!

As a manager in Leamington during the early 1970s with a reputation for getting on with people and sheer hard work, he was promoted by Bass to run a small pub in Coventry's city centre. His excursion into culinary delights started with the 'extraordinary ploughman's' – a completely British cheese-board served with home-made pickles and bread.

"During the miners' strike," Ray explains, "bread was scarce so we decided to make our own. Then after introducing filled, steamed rolls as big as your fist, we had to take on three extra staff to cope with demand – the incentive being that when we sold a roll we sold a pint!"

Moving on to his next pub, Ray turned a side room into a kitchen and began producing 'pies of the day'. Staff contributed recipes including 'Fidget Pie' – an old Coventry dish made from cheese, potato, bacon, onion and apple. The pub went from virtually zero turnover to being the largest barrelage of any pub per square foot in the Bass empire.

Another pub followed before he was offered the Greyhound Inn at Sutton Stop in 1986. Despite its remote location at the junction of the Oxford and Coventry canals, the pub enjoys a roaring trade based on repeat business from Ray's loyal followers over the years.

The menu has developed to offer more international dishes such as 'Whispering Smith' and 'Piscatorial' – a Provençal recipe full of seafood and topped with creamed potato – but the formula is still the same – exceptional hospitality and customer service.

Ray makes every effort to make sure his six full-time and seasonal part-time staff feel part of a valued team: "I pay above the National Minimum Wage – but it's based on results.

If staff make the customers happy then they'll return and that's good business for me! I need to have complete confidence in their abilities and in return I pay well and constantly look for ways in which to make their life easier.

"I'm very much a 'hands-on' manager and I train staff alongside me with the emphasis on consideration for others, flexibility and good communication. In the end I want premier, professional-looking staff but I'll only achieve that by trusting them to do a good job and helping them enjoy their work to the full."

Company Name

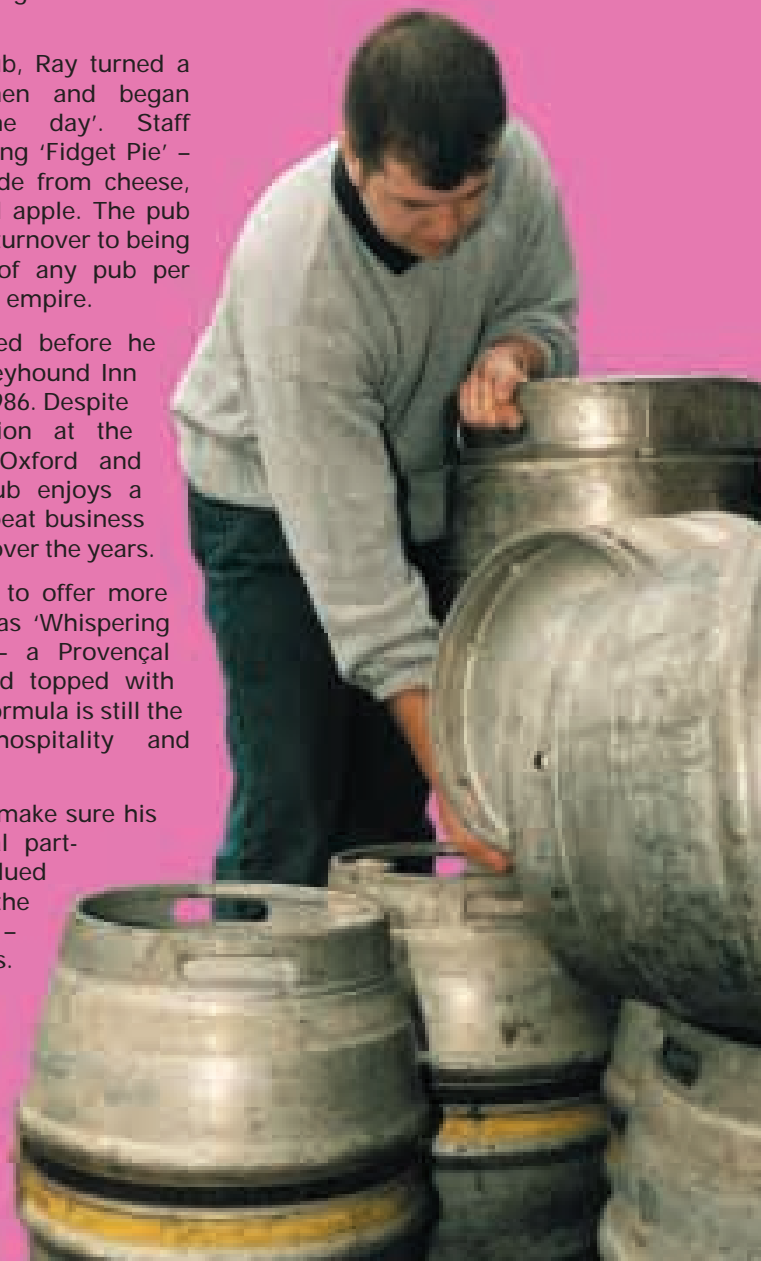
The Greyhound Inn

Sector

Hospitality

Location

Coventry



CASE STUDY: As businesses in holiday locations know – it's fun when the sun shines but profits tumble when there are grey skies above. So, in 1986, when special needs teacher Joyce Willoughby and her taxi-driver husband Charlie bought a fish and chip shop in the seaside town of Amble in Northumberland, they were determined that the weather was not going to beat them.



In a town with three other fish and chip shops and a resident population of less than 6,000, Charlie's Fish Shop has grown from a turnover of £18,000 to a thriving business worth approximately £200,000. The simple take-away has expanded to include a more varied and international menu and a traditional 26 seater licensed restaurant complete with waitress service.

Training Foundation, she threw herself behind a campaign to lobby the NVQ forum into reassessing the criteria for NVQ Level II staff working in catering establishments such as fish and chip shops. It has proved a turning point for the whole catering industry and students are now being reassessed nation-wide.



Our policy is to offer reasonable wages to employees and now others will have to do the same.

This competitive edge has been built from a strategy focused on developing the potential of four permanent employees, seasonal staff and one Modern Apprentice who is being primed to take over the management role from Joyce Willoughby.

"We wanted to grow the business and knew that the only way in which to promote and sustain a reputation for quality was to create a confident and efficient workforce," says Joyce Willoughby.

"The other vital component was to seek out and understand what customers want and this has been achieved through personal contact and feedback."

Joyce developed comprehensive training but it lacked formal assessment until she heard about the NVQ qualifications available through the local Training and Enterprise Council. Aided by the Hospitality

"Staff qualifications are displayed in the establishment including our Investors in People plaque. Customers see that we have high standards and staff are more aware of their achievements. They have confidence in their work roles and it's increased their self esteem resulting in high morale, excellent working relationships and a low turnover of staff. It's a benefit to the business which is reflected in our rate of growth despite dramatic fluctuations in trading conditions," says Joyce.

Pay for counter staff was below the National Minimum Wage level but as packages include free meals, flexible rotas and investment in personal development, Joyce Willoughby sees no problem in absorbing the shortfall and embraces the concept. "It will deliver a level playing field which we welcome. Our policy is to offer reasonable wages to employees and now others will have to do the same."

CASE STUDY:
Winteringham Fields is an uncompromisingly up-market restaurant, based in a converted farmhouse in a small village in North Lincolnshire.



The restaurant's exceptional rating for service is the outcome of its policy towards staff, many of whom have been with the restaurant from the beginning.

Founded in 1989 by Annie Schwab and her husband, chef Germain, the business employs 24 staff and has achieved a national (and increasingly, international) reputation for the quality of its cuisine, with two Michelin stars. This, in combination with four red knives and forks for service standards, places it as the fourth highest-rated restaurant in the country.

"Food is our passion," says Ms Schwab. "When Germain and I opened the restaurant 10 years ago, we shared a vision of total commitment to excellence." This sense of conviction saw the restaurant through some comparatively lean early years, where the Schwabs could have compromised and become a purely locally-orientated business. But the restaurant's national reputation steadily grew, and media interest increased.

"We had all the pieces in place to capitalise on it. There's a complete separation of roles between Germain and myself; he concentrates on the food, I'm entirely responsible for the business side. Since much of our trade is from well outside the area, we provide bedrooms for overnight stays. But our core competence is food, and we don't want anything to distract us from that."

The restaurant's exceptional rating for service is the outcome of its policy towards staff, many of whom have been with the restaurant from the beginning. "We've always taken enormous trouble to find the right staff, and train (or re-train) them to our standards. With that kind of investment, staff retention is important. Our reputation today means we have staff queuing up to join; ironically, we need only very few."

The restaurant closes for four weeks every year, two days a week and all bank holidays, which helps retain a consistent, cohesive team that knows each other's ways. Chef

Germain Schwab has never missed a service in ten years, though the restaurant would rather close for the day than compromise any part of its reputation.

Staff meetings are held whenever necessary, and always as an immediate response to a current problem.

"It's important never to let things fester," says Ms Schwab. Significantly, the proprietors eat with the entire staff twice a day, providing a round-table opportunity to raise any issues. "We can all chat together, share information, help with any personal-life problems, cement the team. Because when customers arrive, we want full concentration on the business at hand: the food, the service, the restaurant."

Staff were already brought up to National Minimum Wage levels some time ago, and a computerised tronc system (to deal with credit card additions) is in place. Although gratuities are not inclusive, tronc allocations are high.

From a turnover of well under £200,000 and a 60% gross profit in its first year, Winteringham Fields now has sales of £550,000, 72% gross profit and pre-tax profits of £110,000.

Company Name	Winteringham Fields
Sector	Hospitality
Location	Lincolnshire



Guidance

ON THE NATIONAL MINIMUM WAGE *What* the NMW rules say

What is the national minimum wage?

From 1 April 1999, the national minimum wage will come into force throughout the UK. In most cases, you will have to pay workers aged 22 or over at least £3.60 per hour, and workers aged from 18 to 21 at least £3.00 per hour. If you take on a new worker aged 22 or over and you are providing accredited training, you will have to pay him or her at least £3.20 per hour for the first six months. In this case, you will need to come to an agreement with the worker committing you to providing training on at least 26 days during that six-month period.

What counts as pay?

Not all the money you pay a worker will count as pay for the purposes of the national minimum wage. For example, incentives, bonuses and performance-related pay do count as pay, while allowances – such as regional allowances – which are not consolidated into an employee's basic pay do not. Extra money above a basic rate that is paid for overtime or for shift work does not count if both a basic rate and an overtime or shift rate are paid in the same pay reference period. Most benefits in kind such as uniforms, meals or private health insurance are also excluded. The only benefit in kind which can be counted is accommodation. There are special rules for calculating the value of the accommodation provided which counts towards the national minimum wage. (See section on accommodation below.)

What counts as hours?

The number of hours for which you have to pay your workers the national minimum wage is calculated differently according to the type of work they do. It is important to note that any one worker might do more than one of the different types of work for the same or (more usually) different employers. There are four distinct types of work:

- ◆ If you pay your workers for working a set number of hours or a set period of time, they are doing time work
- ◆ If your workers have a contract to work a set number of basic hours each year in return for an annual salary paid in equal instalments (weekly, monthly or over a quarter), they are doing salaried-hours work
- ◆ If you pay your workers according to the number of things they produce or the number of sales or deals they make, they are doing output work. In this case, there is an option for you to have a written agreement with a worker stating a 'fair estimate' of the number of hours he or she should work

◆ If you pay your workers to do specific tasks, but there are no set hours, they are doing unmeasured work. Again, there is an option for you to have a written agreement with a worker setting out the average number of hours he or she should work each day.

For people doing time work, the national minimum wage does not need to be paid for any period when they are absent from time work. This includes lunch and other rest breaks, holidays, sick leave, and maternity leave. However, the normal rules governing statutory paid holidays, sick pay and maternity pay apply.

What are my legal obligations?

You may be asked to prove that you are paying the national minimum wage. This means making sure you keep sufficient records (the detailed guidance gives some examples). Employers must keep a copy of any agreement with a worker being paid the £3.20 accredited training rate specifying that the worker will take part in a course of accredited training on at least 26 days during the first six months of employment. If a worker reasonably believes that he or she is not getting the national minimum wage and makes a written request for access to his or her own wage records, you must allow him or her to see them within 14 days. This deadline can be extended with the worker's agreement. If a dispute arises as to whether the national minimum wage has been paid, the burden will be on you to prove that it has been paid rather than on the worker to prove that it has not.

Refusing or wilfully neglecting to pay the national minimum wage is a criminal offence. If you fail to do so, you could face a fine of up to £5,000. Dismissing a worker because he or she becomes eligible for the national minimum wage or for a higher rate of the national minimum wage will count as unfair dismissal. Workers do not have to serve any qualifying period in order to gain protection against this form of unfair dismissal. All workers are also protected against victimisation as a result of asserting their right to the national minimum wage.

The enforcement body for the national minimum wage is the Inland Revenue.

Key Points

ABOUT THE NATIONAL MINIMUM WAGE FOR THE HOSPITALITY SECTOR

Employers are advised to consult the detailed guidance for full details of the national minimum wage rules.

What offset can be made against benefits in kind such as meals and accommodation?

No benefits in kind count towards national minimum wage pay, except accommodation. Meals do not count towards national minimum wage pay and an employer cannot offer meals as part of a package that makes up national minimum wage pay.

Accommodation is the single exception. When an employer provides accommodation for a worker, it is the only benefit in kind that can count towards national minimum wage pay. There is a limit on the amount that can be counted towards national minimum wage pay for the accommodation that is provided. The limit is calculated according to either an hourly or daily rate – whichever is the lower figure.

RATES FOR CALCULATING THE ACCOMMODATION OFFSET

A: Hourly rate: 50p for every hour of work in the pay reference period. The total must be reduced proportionately for each day in the pay period that accommodation is not provided.

B: Daily rate: £2.85 for every day accommodation was provided in the pay reference period.

Total applicable offset: The lower amount from A or B.

Maximum offset: £19.95 a week.

EXAMPLE: CALCULATING THE ACCOMMODATION OFFSET

A worker works 28 hours a week but accommodation is not provided for one day in that week.

A: Hourly-rate calculation

The amount that can be deducted from pay is: $28 \times 50\text{p} = £14$.

From this must be subtracted an amount for the one day on which accommodation was not provided.

The amount to be subtracted will be one seventh of £14, which is £2.

Under the hourly-rate calculation, the amount which may count towards national minimum wage pay is £12.00

B: Daily-rate calculation

The accommodation is provided for 6 days a week.

Under the daily-rate calculation, the amount which may count towards national minimum wage pay is $6 \times £2.85 = £17.10$.

For this worker, the total offset for accommodation which can count towards national minimum wage pay is the lower figure of £12 produced by the hourly-rate calculation.

The £3.20 rate for people doing accredited training

There is an accredited training rate of a minimum £3.20 an hour for workers aged 22 years and over who are starting a new job with a new employer and doing accredited training. This rate can be paid only for the first six months of the new job, after which the worker must get at least £3.60 an hour.

The employer and worker must have a written agreement which specifies that the worker will take part in a course of accredited training on at least 26 days within the six-month period. Generally speaking, accredited training is defined as:

- ◆ National Vocational Qualifications and General National Vocational Qualifications, or Scottish Vocational Qualifications and General Scottish Vocational Qualifications, and other specified vocational qualifications.
- ◆ In house training which has been certified as including at least 50% of the requirements in terms of whole units of one or more National Vocational Qualifications.
- ◆ Courses taken as part of the New Deal programme for 18-24 year olds.

Full details of what can be counted as accredited training in England, Wales, Scotland and Northern Ireland are set out in A detailed guide to the national minimum wage.

How to deal with unmeasured hours work

The hours for which the national minimum wage must be paid depend on the type of work that the worker is doing. There are four types of work and the rules and calculation of hours differ for each – these are outlined above.

Work is unmeasured work if it is not time work, salaried-hours work or output work but it includes, in particular, work where there are certain tasks to be done but no specified hours or times when they must be done. The employer requires the worker to work when needed or when work is available. They could be domestic staff or innkeepers without set hours or an annual salary.

There are two options for identifying the hours of unmeasured work to be done:

- ◆ paying the national minimum wage for every hour worked; or
- ◆ coming to a “daily average” agreement with the worker of the number of hours that the worker is likely to spend each day in doing the tasks assigned to him. The daily average agreement must: be agreed between the worker and the employer; be in writing; be made before the start of the pay reference period that it covers; set a “realistic” daily average number of hours which the worker is to work. One agreement may cover more than one pay reference period if there is no change in the average number of hours.

Salaried-hours work, including term-time and seasonal workers

The hours for which the national minimum wage must be paid depend on the type of work that the worker is doing. There are four types of work and the rules and calculation of hours differ for each – these are outlined above.

Salaried-hours work may be done by people who work for only part of the year but are paid in instalments all year round, such as school cleaning staff who work only in school terms and permanent hotel staff who work long hours in the summer and short hours in the winter but are paid in equal instalments all year round.

Salaried-hours work is where a worker is paid under his contract for a set basic number of minimum hours in a year and is entitled under his contract to an annual salary which is paid in equal instalments each week, month or over a quarter.

In summary, if an employer has workers who do salaried hours work, he will need to:

- ◆ ensure that there is a contract between the worker and the employer which sets out a basic number of hours for which the worker must be paid. It should be possible to calculate from this contract the basic annual number of hours;
- ◆ calculate the basic hours for each pay reference period, based on how frequently the worker is paid, and ensure the national minimum wage is paid for these hours;
- ◆ keep a check on actual hours worked in a year, to see if the workers are doing more salaried hours work over the year than is specified in the contract.

Employers will need to check the rules for times when: a worker works more than the hours in his contract; a worker leaves before the end of the year; the contract hours are changed; a worker is paid at less than normal pay.

Tips

Any tips, gratuities or service charges which are paid to the worker through the payroll (for example, which are paid by the employer with the worker's wages or by the same process after being collected or pooled centrally) count towards national minimum wage pay. Tips which are collected by a troncmaster (who may or may not be the employer), tronc committee or staff box, which are paid to the worker through the payroll count as national minimum wage pay.

But tips and gratuities that are paid directly to the worker by the customer and kept by the worker do not count. Tips which are collected by a troncmaster (who may or may not be the employer), tronc committee or staff box, but which are not paid through the payroll do not count. It does not make any difference to the rules if the tips are paid in cash or by cheque or credit card.

Bonus payments

Bonus payments count towards national minimum wage pay. However, employers will need to ensure that bonus payments are allocated to the correct pay reference period.

Most of an annual bonus received in a pay reference period, for example, will count only in that period. However, a proportion of the bonus can count towards pay allocated to the previous pay reference period. For example, if an annual bonus is paid in December and the pay reference period is one month, one twelfth of the bonus can be allocated towards national minimum wage in November. The rest of the bonus will count towards national minimum wage pay in December.

Zero hours contracts

If a worker who does time work or salaried-hours work is on standby or on-call at or near his place of work, he must be paid at least the national minimum wage for this time. For example, a worker may be told to wait at the place of work for when work is available. He would need to be paid at least the national minimum wage for this time. However, a worker who is on standby or on-call at home does not need to be paid the national minimum wage for that time.

Students

Students who are studying on higher education courses at a university or college may be placed, as part of their course, for up to one year with an employer. Such students need not be paid the national minimum wage for the period during which they are placed with the employer.

Other students who are studying for a post-graduate degree or diploma must be paid at least the national minimum wage even if they are placed or spend time with an employer as part of their course of study.

Students aged 18 and above who are taking a "Gap" year between school and higher education must be paid at least the national minimum wage. Likewise, students aged 18 and above who take holiday jobs must be paid the national minimum wage.

Workers and the self employed

Most workers in the UK, including agency workers, commission workers, part-time workers and casual workers will be entitled to the national minimum wage.

The national minimum wage does not apply to the genuinely self-employed. In deciding whether someone is self-employed, a tribunal or court may look at various questions including: whether he is paid on the basis of an invoice or something similar, rather than receiving wages; whether he controls his own time; whether he can decide whether or not to accept work and how to carry it out; whether he is free to work for more than one employer. Someone who describes himself as "self-employed" for tax purposes may not necessarily be self-employed under the national minimum wage.

For more detailed guidance, call the national minimum wage information line on 0845 8450 360 and ask for a free copy of A detailed guide to the national minimum wage.

If you have any enquiries about the national minimum wage, call the national minimum wage enquiries line on 0845 6000 678.

The information contained in this section is intended to provide general guidance only. It should not be regarded as a complete and authoritative statement of the law.

For further information and advice please contact:

Hospitality Training Foundation

Third Floor
International House
High Street
Ealing
London W5 5DB

Hospitality Training Helpline: 09068 443322
(Available Monday–Friday 9.30am–4.30pm.
Calls are charged at 60p per minute.)

Brewers and Licensed Retailers Association (BLRA)

42 Portman Square
London W1H 0BB
Tel: 0171 486 4831

British Hospitality Association (BHA)

Queens House
55-56 Lincoln's Inn Field
London WC2A 3EH
Tel: 0171 404 7744

British Institute of Inkeeping (BII)

Park House
24 Park Street
Camberley
Surrey GU15 3P
Tel: 01276 684449

Hotel and Catering International Management Association (HCIMA)

191 Trinity Road
London SW17 7HN
Tel: 0181 672 4251

Restaurant Association (RA)

105 The Strand
London WC2R 0AA
Tel: 0171 831 8727

Wine and Sprit Education Trust

Five Kings House
1 Queen Street Place
London EC4R 1QS
Tel: 0171 236 3551

Business in Sport and Leisure (BISL)

17a Chartfield Avenue
Putney
London SW15 6DX
Tel: 0181 780 2377

Tourist Boards

English Tourist Board – Tel: 0181 846 9000
Wales Tourist Board – Tel: 01222 499909
Scottish Tourist Board – Tel: 0131 332 2433

Business Link Signpost Line

Tel: 0345 567 765
Website: www.businesslink.co.uk

DTI Management Best Practice

Website: www.dti.gov.uk/mbp

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