

The Cairngorm hotel, non-payment of the minimum wage and exploitation in the tourist industry

Description

Reforestation Scotland's excellent Land Revival Study Tour to the Cairngorms in June 2018 – for the site visit to the Anagach community pine wood, [see here](#) – was based at the attractive looking Cairngorm Hotel in Aviemore ([here](#)). While enjoying a stimulating conversation over dinner the first evening, I doubt whether any of us present realised that some of the staff who made our evening possible were at the time probably not even being paid the statutory minimum wage. On 30th December the UK Government released a list ([see here](#)) of 139 named companies which had been served notice between September 2016 and July 2018 of failing to pay the statutory minimum wage “*in a flagrant breach of employment law*”. Included on the list was:

“WKW Partnership Limited, trading as Cairngorm Hotel, Highland KA21 failed to pay £4,057.00 to 7 workers”.

It is easy enough to be beguiled by outward appearances, a lovely looking hotel, without asking about the reality beneath, how the owners treated their workforce.

The WKW Partnership Ltd also operates the Garth Hotel at Grantown on Spey ([see here](#)). It's not possible to tell from the UK Government list whether both hotels were involved in failing to pay the minimum wage or over what period between September 2016 to July 2018. It is possible that by the time of the Study Tour dinner, WKW had back paid their staff and paid off their fines. Anyone visiting either hotel could ask.

WKW has, according to Companies House ([see here](#)), two directors responsible for the operation of the company, Raymond Welham and Jane Steinle, both of whom appear to live in Scotland. While Companies House reports that Mr Welham controls the company, the accounts states that Ms Steinle does so:

1 active person with significant control / 0 active statements

Mr Raymond Keith Welham ACTIVE

Correspondence address
32a Hamilton Street, Saltcoats, Ayrshire, KA21 5DS

Notified on	Date of birth	Nationality
12 March 2017	March 1945	British

Nature of control
Has significant influence or control

Extract from Companies House

7 Controlling party

The overall controlling party is J Steinle by virtue of her ownership of the majority of the issued share capital.

Extract from accounts

Both statements cannot be true but unfortunately Companies House employs far too few people to challenge such errors.

The accounts for WKW lodged at Companies House were prepared by the Directors on the basis that it is a small company ([see here](#)). They were able to do this because the company had turnover of less than £10.2m and assets of less then £5.1m, even though they employed more than 50 people, the third threshold which is used to determine whether a company is small.

2 Employees	2020	2019
	Number	Number
Average number of persons employed by the company	76	112
2019 figures represents a headcount, 2020 figure is a true average.		

Extract from accounts to April 2020

As long as a company doesn't exceed two out of three of these thresholds, its Directors don't have to have their business audited and can withhold profit and loss accounts. Unfortunately the amount of information small companies are required to publish is very little and certainly not enough to determine whether they are meeting their legal obligations, such as payment of the statutory minimum wage.

The fact that just seven workers at WKW out of a workforce of 70 plus were not paid the statutory minimum raises further questions. Were the seven, for example, migrant workers with poor English who were singled out for exploitation? Were the seven just discriminated against in terms of pay or did they suffer more generally from worse working conditions?

WKW also withheld from Companies House, as they are entitled to do under the existing law, their profit and loss account and just submitted their balance sheet. This makes it very difficult for anyone (including those responsible for enforcing the law on the minimum wage) to understand what was going on. WKW's balance sheet and "filleted accounts" do, however, provide some evidence that the company was not on its knees and could have afforded to pay the minimum wage:

7 Related party transactions

During the year consultancy fees of £8,000 (2018 : £13,600) were paid to Welham Business Consultants Limited, a company in which Mr R Welham is a director and shareholder. At the year end £NIL (2018 : £2,000) was owed to that company.

In 2017-18, the year in which the failure to pay £4,057 minimum wage is most likely to have occurred, Mr Welham paid his own company £13,600 in fees.

While there was a slight drop in net assets of the company in 2017-18, from £1,200,814 to £1,174,991, the following two years they increased significantly:

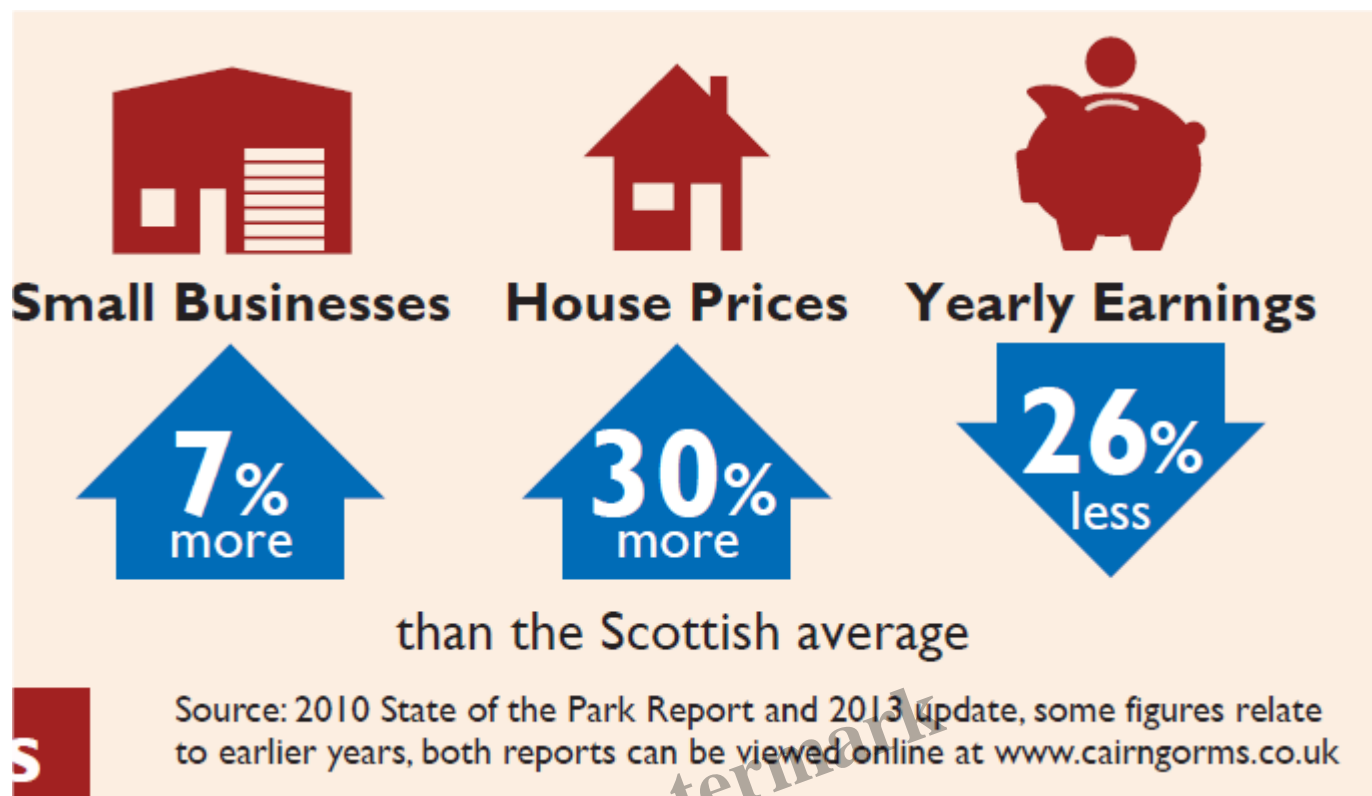
	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	3	1,363,432	1,350,832
Current assets			
Stocks		51,801	58,737
Debtors	4	8,426	15,757
Cash at bank and in hand		353,210	676,469
		<u>413,437</u>	<u>750,963</u>
Creditors: amounts falling due within one year	5	(375,230)	(883,993)
Net current assets/(liabilities)		<u>38,207</u>	<u>(133,030)</u>
Total assets less current liabilities		<u>1,401,639</u>	<u>1,217,802</u>

The accounts show the value of the company increased by over £45,000 in 2018-19 and £180,000 in 2019-20, considerably more than the £4,057 which had been "saved" by non-payment of the minimum wage.that had not been paid to staff a couple of years before

No doubt it was information like this which persuaded the UK Government to name and shame WKW along with 138 other companies, a number of whom were registered in Scotland.

What does the Cairngorm Hotel tell us about the tourism industry in our National Parks?

There are almost 6,000 employed in the tourism sector in the Cairngorms National Park ([see here](#)) and the seven workers employed by WKW will not be the only ones who have not been paid the statutory minimum wage. WKW just happened to be get caught. Research from the Cairngorms National Park Authority shows that the economy in the National Park has a "heavy reliance on low waged tourism sector":



Extract from the Cairngorms Economic Action Plan 2019-22

The graphic shows wages in the Cairngorms National Park are 26% below the Scottish average (despite the area being home to some of the richest people in the UK) and explains why the shortage of social housing is such a big issue. Unable to afford to pay for housing, employees often end up in accommodation provided by their employer, putting them even more at their employer's mercy. An example from earlier this year were the staff whom the Coylumbridge Hotel attempted to evict at the start of the Covid crisis ([see here](#)).

Criminally poor pay and working conditions is not all the fault of tourism businesses. Behind many lie the landowners and banks, who extract money from their businesses, making it very difficult to remain financially viable, let alone to invest. They have played a crucial role in driving pay in the tourism sector to the bottom while feathering their own nests. WKW's accounts don't show how much it had paid in interest on the £883,993 it was due to repay creditors in 2019-20, but it is likely to have been considerable. It is rents and loans that have been bankrupting tourism businesses during the Covid-19 crisis, not wages (which have mostly been covered by furlough).

The challenges our current banking system causes tourism and other businesses is also perhaps illustrated in WKW's case by Gladstone House, a property they own adjacent to the Garth Hotel in Grantown. Gladstone House, a C-listed property, was put on the buildings at risk register in 1997 but the explanation for its subsequent dereliction appears likely to be linked to the costs facing small businesses when they wish to invest. WKW's accounts show that after obtaining planning permission for the site they tried to sell it although the Registers of Scotland shows that no sale has, as yet, been concluded. All this suggests that while WKW appear to have had sufficient revenue to pay the minimum wage, this probably was sufficient to finance significant investment.

What needs to be done to address low wages in the tourism industry?

The Cairngorms Economic Action Plan 2019-22 ([see here](#)) committed the Cairngorms National Park Authority to “investigate and promote adoption of a living wage scheme for the Cairngorms”. While a worthy commitment, it is unlikely to prevent people being paid poverty wages. Even if the public sector in the Cairngorms committed not to do business with any company that failed to pay the Scottish Living Wage, how would they or the public know which businesses were complying with that requirement and which not?

That is why accounts are so important. Ultimately company law needs to change so that all companies have to report and provide evidence about the terms and conditions under which they employ their staff (and other important matters like their carbon emissions and impact on the natural environment). The UN Committee on Economic, Cultural and Social Rights said as much when it produced its report on the UK, including Scotland, in 2016 ([see here](#)):

Business and economic, social and cultural rights

11. The Committee welcomes the adoption of the National Action Plan on Business and Human Rights. However, Committee is concerned about the lack of a regulatory framework to ensure that companies operating in the State as well as companies domiciled under its jurisdiction acting abroad, fully respect economic, social and cultural rights (art. 2 (1)).

12. The Committee recommends that the State party:

(a) Establish a clear regulatory framework for companies operating in the State party to ensure that their activities do not negatively affect the enjoyment of economic, social and cultural human rights ;

While currently, under the Scotland Act, the Scottish Parliament has no powers to legislate on company matters, there is no reason it shouldn't develop proposals for reform and then either request the UK Parliament to legislate or include its proposals in the case for independence/further devolved powers. It could also, now we are out of the EU, incorporate much tougher provisions into Scottish procurement law, including the need for any companies that do business with government in Scotland to publish full accounts. Such initiatives would help strengthen the hand of the workforce who at present are extremely vulnerable and have almost no power.

The Scottish National Investment Bank, launched in November ([see here](#)), could also play a role by making it easier for tourism businesses to borrow at reasonable rates. At present, however, the SNIB doesn't seem to be going in that direction and appears more like a state run commercial bank.

WKW's two hotels are located in the constituencies of Kate Forbes, Cabinet Secretary for Finance, and Fergus Ewing, Cabinet Secretary for the Rural Economy,. They, along with Fiona Hyslop the Economy Minister, are the members of the Scottish Government who are best placed to address poverty pay in the rural tourism sector. Now that they have evidence from their own constituencies of how companies flout the law on the minimum wage, they should resolve to use every power at their disposal to put an end to poverty pay in the tourism industry.

Category

1. Cairngorms

Tags

1. Tourism

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