The New Going Rate

The impact of the National Living Wage on UK employers

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FOREWORD

UK employers have faced many challenges over recent years in responding to major regulatory reforms, and this is set to continue.

Following the recent introduction of pension auto-enrolment, businesses are now presented with yet another significant challenge: the implementation – and offsetting – of a new National Living Wage for workers aged 25+.

The introduction of a National Living Wage represents a real opportunity to reduce wage inequality and improve the lives of low-paid workers across the UK. However, for organisations to continue to grow and thrive, the real challenge will be in mitigating the impact of the new rate by boosting productivity.

As the world's leading provider of HR solutions, Adecco Group UK and Ireland prides itself on advising businesses on how to navigate the complexities of the regulatory landscape, thereby helping them to achieve higher productivity and sustainable growth.

This is why we recently hosted an insight-gathering roundtable that saw regulators, senior HR professionals, business leaders and other experts come together to discuss a long-term solution to the changes. However, in examining the wildly differing impact of the new legislation on businesses of varying sizes and industries, it became clear that a one-size-fits-all approach cannot be applied.

In an atmosphere of uncertainty – uncertainty concerning what will be expected of businesses, and when – this report sets out a number of potential pathways for employers to follow, depending on their unique needs and the markets in which they operate. From investing in skills and training to diversifying the workforce, there are viable ways to counteract the costs that will be incurred as a result of the new National Living Wage.

This report forms part of Adecco Group's wider Regulation and Recruitment campaign, and is the result of detailed data analysis and wider research conducted in partnership with the Social Market Foundation (SMF).

We hope that you find it to be an interesting and useful read.

Alex Fleming
Managing Director and member of the Board of Directors, Adecco Group UK & Ireland

EXECUTIVE SUMMARY

From April 2016, the National Living Wage (NLW) will push hourly wages on a course towards £9 by the end of the decade. By introducing the NLW, the Government has set an upward trajectory that it wishes the UK economy to pursue – away from low productivity and low wages and towards a future where productivity, skills and pay are higher. The ambition is immense, as will be the challenge and opportunity for UK employers.

The challenge and who will be affected

- The Low Pay Commission estimates that 3.3 million workers will be affected by the NLW by 2020, with the majority (1.8 million workers) affected in year 1 (2016) of the policy. Within this large group of workers, our analysis shows that the NLW will affect private sector employees much more severely than public sector workers.

- Looked at from an employer's perspective, the sectors most severely-affected include accommodation and food (hotels and restaurants); arts, entertainment and recreation; and wholesale and retail. In each of these sectors, more than half of the workplaces will be 'severely affected' (with half of their workers paid lower than the NLW). This is particularly marked in the accommodation and food industry where around nine in ten workplaces have half or more of their employees paid below the expected NLW rate for 2020.

- New data analysis illustrates the nature of the challenge for UK employers. Severely-affected workplaces have higher wage bills than other employers meaning that it will be difficult to absorb the costs of higher hourly wages. The

NLW also comes at a time when employers are facing other significant regulation and costs, including auto-enrolment of employees into workplace pensions and the Apprenticeships Levy.

Responding to the National Living Wage

The Government's intention is that the NLW drives productivity improvements as well as higher wages. This will be the path to sustainable growth and better living standards rather than artificially high wages that the market cannot afford.

However, there is as yet little certainty as to how employers will respond. International evidence, domestic UK evidence from the experiences of the National Minimum Wage and early polling suggest that employers will look not only to productivity improvements but also to a mix of tactical steps. Some employers may seek to absorb the higher wages by reducing profits – though this is unlikely to be a sustainable approach in the longer-term given the large wage bills and low profit levels of many organisations in low pay sectors. Raising prices remains an option in some sectors especially where businesses do not face international competition. But, not only would it be undesirable for the NLW simply to drive up higher prices for groceries and other essentials, many severely-affected workplaces operate in competitive domestic markets, whilst others (such as social care providers) may not be able to persuade their clients (local authorities) to pay more. Employers can also seek to minimise and avoid (legally) the costs of the NLW such as through employing younger workers, reducing hours, squeezing pay differentials for workers above the wage floor, lowering pay for higher earners or reducing other non-pay benefits to workers. Such tactics may help employers adjust in the short-term, but all come with downsides in the longer-term.

For these reasons, increasing productivity as wages rise is fundamentally important. Our report charts three broad behaviours that could drive efficiency and productivity improvements to 2020:

1. Higher levels of capital and business investment in technology and machinery are areas where the UK economy has historically underperformed, especially in low paid sectors. Given that domestic competitors will also face similar wage pressures, a benign scenario where organisations invest in tandem to raise productivity levels is not unforeseeable. However, access to finance (especially for smaller organisations) and certainty about the future costs of the NLW are prerequisites.

2. There are huge opportunities to address worryingly low skills levels among many parts of the affected workforce. Four in ten of directly-affected employees either have no qualifications at all or only GCSE-level qualifications. At the same time, workplaces that are severely affected by the NLW are less likely to have offered training in the past. High incidence of part-time work as well as a significant proportion (around a third) of affected workers aged over 50 means that the Government will have to look at its skills offer beyond apprenticeships for younger full-time staff.

3. The NLW presents an opportunity to address established shortcomings in human resource management. The consequence of higher wages will be to encourage employers to move away from the high churn, low-skills operating model, towards an approach that maximises the latent skills of workers and attaches greater value to career and skills development. Skills under-utilisation is widespread in UK workplaces but particularly so in low-

paying sectors such as retail. Greater focus on creative job design and better management could exploit existing skills better. Lowering the very high turnover rates among affected workplaces would also align incentives to invest in skills.

Next steps for government

Employers in low paid sectors face the prospect of increasing their wage bills substantially at the same time as they are seeking to invest in new processes, technology and better workplace skills. At an economy level, the speed of change may well present a once in a generation opportunity to drive innovation and new practices. The Government, therefore, should consider aiding investment between 2016 and 2020 via 'Transition Finance'. Through 'Transition Finance', the Government could bring forward financing commitments to assist organisations as they seek to invest to create more efficient working practices and processes as wages rise. This could include working with the British Business Bank to look at how to temporarily expand access to finance schemes such as the Enterprise Finance Guarantee (EFG). This is especially important given the coalescing of other pressures on businesses – such as pension auto-enrolment and the Apprenticeships Levy – during the same years.

Finally, employers need certainty about the future of the NLW. While the Government has provided information on the broad upward trajectory of the NLW during this parliament, greater clarity will be needed so that employers have the confidence to make strategic decisions to invest and adapt. In the remit set for the Low Pay Commission, the Government established two goals: an 'ambition' for the NLW to hit 60% of median wages in 2020; and, an 'objective' that the NLW should reach £9 at the same stage. To be achieved, these twin objectives rely on sustained wage growth during this parliament but it may be possible to achieve one of these targets without the other. Successive down-grading of forecast earnings inflation (in nominal terms) means that there is a high likelihood that hitting the 60% target would not mean reaching the £9 target. In July 2015, the OBR forecast that 60% of median earnings would equate to a cash target of £9.35 in 2020, but this was downgraded to £9.30 (November 2015), to £9.16 (January 2016) and then to £9.00 (March 2016).[1] The uncertainty over earnings growth in the future means that it is quite likely that 60% of median earnings will not equate to £9 in 2020. The Government should confirm whether the £9 NLW cash target remains an objective so that employers can plan effectively.

CHAPTER 1. THE NEW GOING RATE

The National Living Wage (NLW) will come into force in the UK in April 2016. It adds a premium (or supplement) to the National Minimum Wage (NMW) for all workers aged 25 and over. Workers under 25 will continue to be regulated by the NMW. It will be set initially at £7.20, but the Government has an ambition that it should reach 60% of median earnings by 2020. At the time of announcing the policy, the Government's objective was to have a NLW of over £9 by 2020.[2]

Both the NMW and the NLW will be set by the Low Pay Commission (LPC). However, the remit of the Low Pay Commission has been altered. Previously, the Low Pay Commission was tasked with setting NMW rates that 'helped as many low-paid workers as possible, while making sure that we do not damage their employment prospects'.[3] This brief remains the same for the NMW. However, in relation to the NLW, the new remit asks the LPC 'to consider the pace of the increase, taking into account the state of the economy, employment and unemployment levels, and relevant policy changes.' In other words, the Low Pay Commission must seek to balance these objectives in determining the level of the NLW.[4] As before, the LPC will set the NMW in April to come into effect in October, although the premiums for workers aged over 25 will come into effect in April.

Driving the government's goals

The UK's recent employment story has been a successful one, with more than 2 million new jobs created between 2010 and 2014.[5] Alongside the target to have the highest employment rate in the G7, the Government is focusing significant attention on increasing the productivity of the workforce. As the Government argued, 'rising employment has been a major source of growth, but over the longer term, productivity is the more essential ingredient.'[6] Higher productivity drives higher wages and better living standards.[7]

The UK has a higher incidence of low pay (as defined by two thirds of median pay) than most other countries. In response, the Chancellor announced in July 2015 that a 'National Living Wage' will be introduced as part of an attempt to 'move from a low wage, high tax, high welfare society to a higher wage, lower tax, lower welfare society.'[8] However, the UK's productivity per worker hour lags far behind many competitor countries: 30% behind the USA, 31% behind France and 36% behind Germany.[9] The ultimate goal of the NLW is, therefore, to drive not only higher earnings and higher household incomes but also better productivity and a more competitive economy.

Assessing the impact

This research report addresses the impact of the NLW on employers, to consider how organisations may respond and what this means for government and employers. While there has been much work assessing the impact on which workers will benefit,[10] there has been less analysis of the effect on employers.[11] But, how employers respond will affect whether employees get a pay rise (or simply lose their jobs), whether tax receipts grow and whether the UK economy becomes more productive and competitive. For instance, when the policy was announced, the Office for Budget Responsibility (OBR) estimated that forcing employers to pay higher wages could increase the risk of unemployment, citing a figure of 60,000.[12]

Our findings highlight the challenge for employers and identify the characteristics of employers affected by the NLW. We also consider the options for employers as they respond to the NLW, and describe in more detail what employers and government could do to improve efficiency and productivity.

Methods

The data we report focuses on employees that are affected directly by the NLW (i.e. paid below the wage floor in 2016 or 2020), recognising that how businesses respond to the NLW will determine the size of any indirect effects on other employees. Our quantitative analysis uses two government datasets.

The Workplace Employment Relations Survey (2011) (WERS) is an employment relations survey consisting of a representative sample of 2,680 British workplaces carried out in 2011. The interviews were conducted with managers, employees and union representatives. Only workplaces with five or more employees participated. In this survey we looked at the workplaces with high and low proportions of employees affected by the NLW by 2020, based on an estimate of what the NLW would have been had it been introduced at the time of the survey. We divide workplaces into two sets:

- those workplaces that have half or more of their employees directly affected by the NLW – "**severely affected**"
- those workplaces that have less than half of their employees directly affected by the NLW – "**weakly affected**"

The Labour Force Survey (2014) (LFS) provides information at an employee level and allows us to describe the characteristics of employees that will be directly affected by the NLW in 2016 and also in 2020. The LFS is a quarterly survey with approximately 41,000 responding households per quarter. Each respondent stays in the survey for five consecutive quarters. The respondents are asked about their hourly income in either the first or the last quarter. In order to get as large a sample as possible, including the information for peoples' income, we pool the four quarters for 2014 in the following manner: for each of them we keep all the respondents who are answering the questionnaire for the first, or the last time. This ensures that we capture all the relevant respondents from 2014 without having any of them twice in our dataset. We then divide employees into the following categories:

- Affected immediately when the new NLW comes in 2016
- Affected between 2016 and 2020
- Not directly affected

There are alternatives to using the LFS to look at employee pay data. The main alternative is the Annual Survey of Hours and Earnings (ASHE). ASHE is based on a 1% sample of employee jobs taken from HMRC PAYE records, with information on earnings and hours obtained from employers. The LFS is based on surveys of individuals, and so earnings data is self-reported. The Low Pay Commission uses both datasets in its analysis of low pay. While ASHE is generally seen as more reliable for obtaining high-level data on pay and total numbers affected by the NLW, it contains much less information than LFS on the characteristics and profile of employees and the types of work they do. As our goal is to better understand who is affected by the NLW, we base much of our analysis on LFS. However, we report findings from other studies that use ASHE when discussing the overall numbers of individuals affected.

As well as carrying out this analysis our report draws on an expert roundtable event discussion with employers and policymakers, at which we debated the potential responses.

CHAPTER 2. THE SCALE OF THE CHALLENGE FOR EMPLOYERS

Impact of NLW by employer type

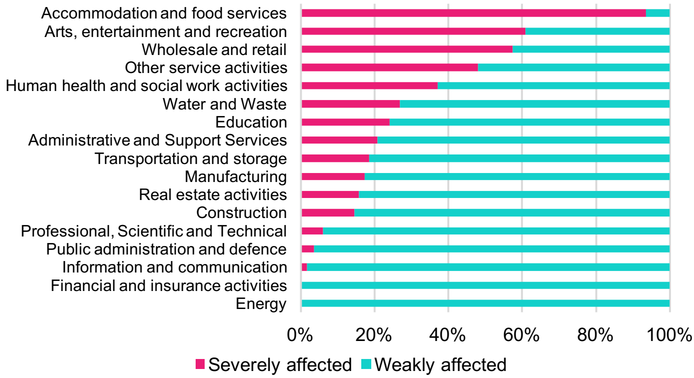
In its report published in March 2016, the Low Pay Commission estimates that 3.3 million workers will be affected by the NLW by 2020.[13] Because they are likely to be on lower pay, women are affected more than men.[14] However, as described below, the impact of the National Living Wage will be varied across different types of employers by sector, size and by other characteristics, and will be felt at different times.

Differences across sectors

The NLW will have a much more widespread impact in the private sector than the public sector. Private sector employers are more than twice as likely to be affected by the NLW through to 2020.[15]

Specific industrial sectors are also set to feel the impact most keenly. The workplaces facing the biggest challenges due to rising wage bills are: accommodation and food (hotels and restaurants); arts, entertainment and recreation; and wholesale and retail. In each of these sectors, more than half of the workplaces will be 'severely affected'. This is particularly marked in the accommodation and food industry where around nine in ten workplaces have half or more of their employees paid below the NLW rate for 2020. For employers in these sectors, the impact will be undeniable, and a number of measures will need to be considered in order to lessen the impact on wage bills, productivity and future workforce numbers.

Figure 1: Proportion of workplaces 'severely affected', by industrial sector



Source: Calculations based on WERS

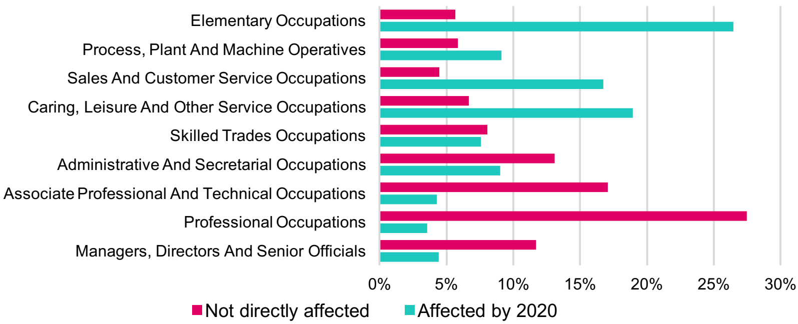
Analyses by the Low Pay Commission and Resolution Foundation have found that smaller employers will be affected more severely than larger employers both in terms of numbers of individuals directly affected and in terms of the average wage bill effect. The estimated increase in wage bills for small organisations was 1.5% compared to 0.6% for businesses employing 250-4,999 workers.[16]

Impact of NLW by occupational group

Unsurprisingly, the highest proportion of affected employees comes from the lowest occupational group. Elementary occupations – jobs requiring no formal educational qualifications – will be affected the most by the NLW. These include occupations such as labourers, cleaners, and shelf-fillers. Caring, leisure and other services and sales are also significantly affected. These three occupational groups account for six in ten of those affected by 2020.

However, it is not simply the case that the lower the occupation group, the higher the proportion of workers affected. For instance, 'Process, plant and machine operatives' are the second lowest occupational band (by skills needed), but are only the fourth most affected by the NLW by 2020.[17] It is possible that this is explained by more active trade unions in this part of the workforce (compared to elementary, and sales and customer services groups) and the impact of collective bargaining in the past.[18]

Figure 2: Distribution of workers affected by the NLW across occupational groups

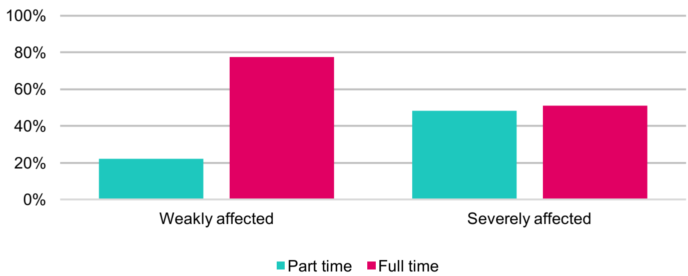


Source: Calculations based on LFS

The part-time divide

Looking from an employer perspective, part-time workers make up a significant proportion of the workers in those workplaces that are severely affected by the NLW. In fact, these workplaces have an almost even fifty-fifty split between part-time and full-time workers. This contrasts with an 80-20 (fulltime / part-time) split in those workplaces weakly affected by the NLW. The part-time nature of much of the employment in these workplaces and within the affected groups may present both opportunities and challenges: employers may have greater flexibility in managing the increases to the wage bills by altering part-time hours, but this comes with the downside of lower returns on any investment in skills for these workers.

Figure 3: Proportion of workforce that is part-time versus full-time



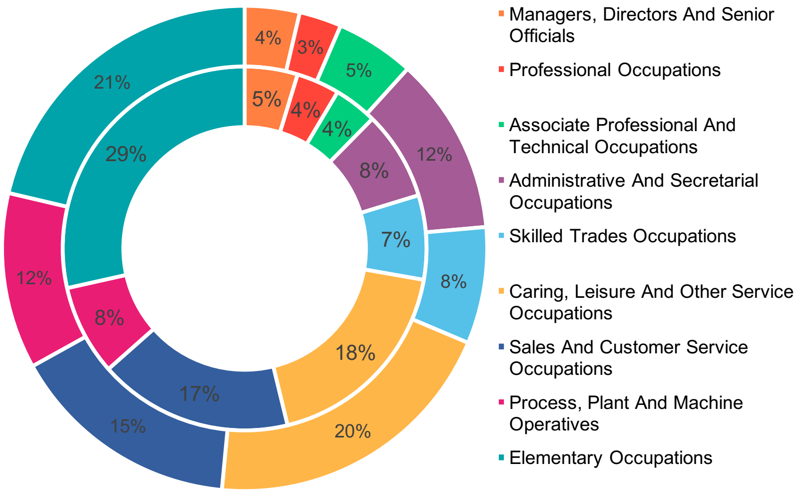
Source: Calculations based on WERS. Average part-time/full-time split in weakly affected workplaces and severely affected workplaces.

The timing effect: when the big change happens

Part of the story, as described previously, is of the diverse impact across different industrial sectors, occupations and types of workplaces. However, the effect over time is also pronounced and varied. In terms of employees affected, a significant part of the impact comes with the initial increase in 2016 and the effect is more modest between 2016 and 2020. This is important because if employers fail to respond effectively to the initial increase this is likely to have a knock-on effect on the impact of future incremental increases on their organisations.

This picture varies by different occupational groups and sectors. Some occupational groups feel the impact immediately in 2016 – where large portions of the workforce are currently on wages very close to the NMW. Figure 4 below shows that although 'Process, plant and machine operatives' form a modest part of the workforce affected by 2016 (8%), they represent a larger proportion of those affected between 2016 and 2020 (12%). The same is true for administrative and secretarial occupations, which make up only 8% of those initially affected and 12% of those affected between 2016 and 2020.

Figure 4: Proportion of all workers affected by the NLW by occupation (Outer ring = affected 2016-2020, Inner ring = affected 2016)



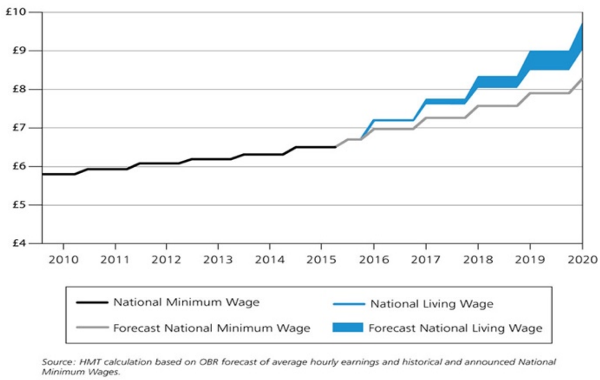
Source: Calculations based on LFS

Qualitative research by the Low Pay Commission also illustrates how the timing challenge affects different employers, with three groups emerging: a minority of employers that welcome the higher wage floor; a group that are concerned about the starting £7.20 wage (such as small retail and social care); and employers who are predominantly concerned about the 2020 target (such as bigger retailers, hotels and restaurants and hairdressing).[19]

The scale of the challenge for employers

As can be observed from the evidence above, the impact of the NLW is very significant. Figure 5 below illustrates the rapid increase in the projected rate of the NLW as compared with historic rises in the NMW.

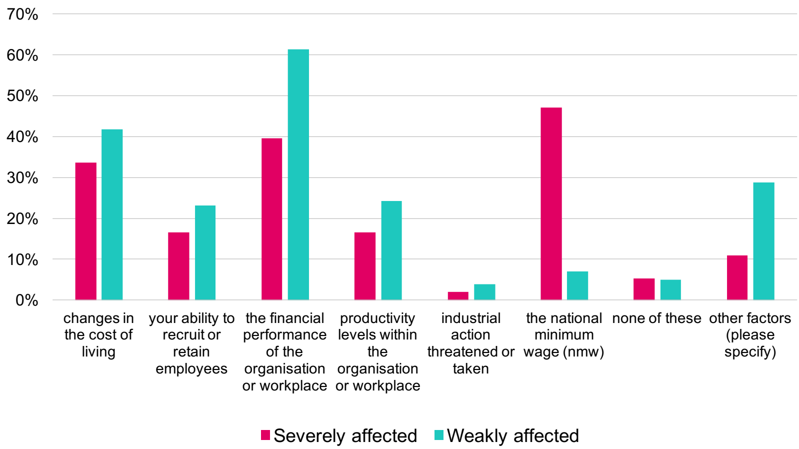
Figure 5: Projected rise of the National Minimum Wage and National Living Wage to 2020 (HM Treasury) [20]



Source: HM Treasury, Summer Budget 2015 (July 2015)

The context for employers also determines the scale of the challenge that many will face. Figure 6 sets out the factors cited by workplaces in determining their last pay settlement. The most common factor cited among severely-affected workplaces was the National Minimum Wage, with almost half of such organisations mentioning it. The next most common factor cited was the financial performance of the organisation or workplace. In other words, in many workplaces that will be affected, past pay settlements have been determined more by wage regulation and /or profitability than other factors such as productivity levels.

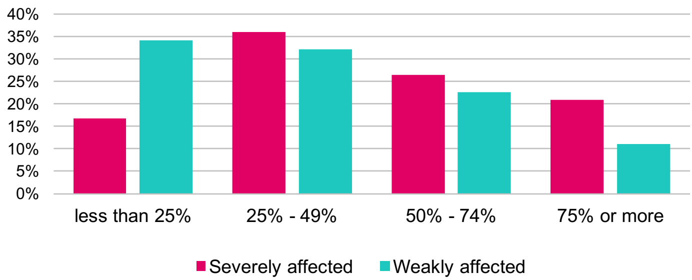
Figure 6: Factors influencing size of pay settlement (% of severely affected workplace managers and % of weakly affected workplace managers citing each factor)



Source: Calculations based on WERS

This picture is made starker still by the labour intensity of different workplaces. Figure 7 shows that severely-affected workplaces have higher average labour costs as a proportion of their overall costs of operation. This means that the ability to simply absorb these additional costs is likely to be harder for these workplaces. It may also have implications for their ability to switch to alternative modes of production. Therefore, it is imperative that employers in these areas consider how to increase productivity levels for the long-term.

Figure 7: Proportion of sales revenue/operating costs accounted for by labour costs (distribution of severely affected workplaces and weakly affected workplaces)



Source: Calculations based on WERS

Wider implications

Alongside the aforementioned factors, there are other wider implications of the NLW with which employers must wrestle. First, while the analysis above describes the 'direct' impact of the NLW, employers are also likely to feel pressure to increase the wages of workers paid above the new wage floor so as to maintain (or at least not eliminate) the differentials that exist between the lowest paid and those in job roles just above. Without acting in this way, higher skilled and more experienced staff will see their wages depressed relative to their less experienced colleagues.

Second, people costs are not just about the hourly rate. While much analysis has focused on the direct wage costs of the NLW, employers also face additional costs associated with higher pension contributions, National Insurance contributions and higher premiums for overtime. These associated labour costs mean that the costs of raising wages are much higher than the headline pay increase.

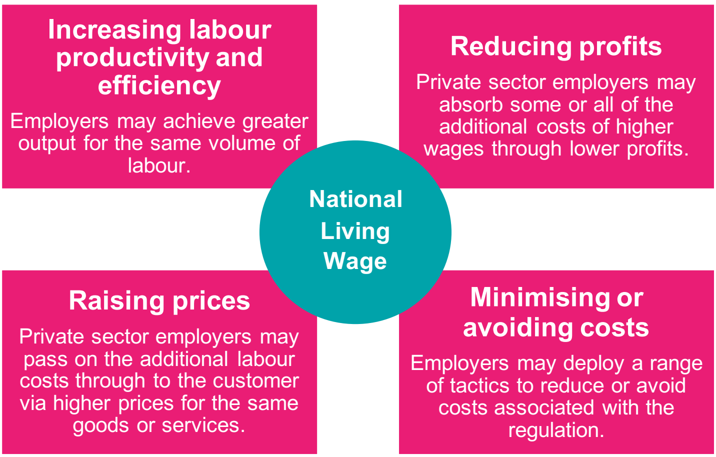
Third, the challenge of the NLW for employers is compounded by other additional costs of regulation. Auto-enrolment of employees into workplace pensions compels employers to make contributions to employees' pensions. Initial contribution levels are low. However, they will rise from 1% of salary in 2014 to 3% in 2019. This will mean that employers could go from paying in 1% of an employee's £6.70 wage per hour in 2015 to contributing 3% of an employee's £9 per hour in 2020. In addition, the higher wage will mean that a larger number of part-time workers will meet the starting threshold of £10,000 earnings per year to qualify for employer contributions. Larger employers will also face the Apprenticeship Levy from 2017, which will see employers with wage bills of over £3m pay a levy of 0.5% of their payroll costs to fund apprenticeships. On the positive side of the ledger, the NLW also coincides with a reduction in the headline rate of corporation tax. This will help mitigate some of the costs for some organisations. A survey by the Resolution Foundation and the CIPD found that of those private sector employers affected by the NLW nearly half would receive at least some benefit from this tax reduction.[21] More generally, however, the picture is of coalescing pressures on employers.

There is a fourth indirect implication for employers that already currently pay above the average market level for the purposes of recruitment and development. A number of businesses already pay the voluntary 'Living Wage' as a point of differentiation in the market. This advantage will be eroded as the regulated floor rises and reduces the difference between employers. Such employers, may, therefore feel compelled to increase their wage levels further. There is little doubt that many employers are heading for significant increases in their wage bills and will need to consider changes across their whole business in order to maintain profitability levels.

CHAPTER 3. THE EMPLOYER RESPONSE

The options for employers to respond to the new National Living Wage can be divided into four categories, as illustrated in Diagram 1.

Diagram 1: How employers can respond



1. Increasing labour productivity and efficiency

A principal objective of the NLW is to boost the productivity and move the country towards a higher value economy.[22] Employers can adopt a range of strategies to make the most of the talent in their workforce, including: investment in up-skilling the workforce; better utilising talent and existing skills among staff; investing in new technologies and machinery to improve efficiency of production or services; and, improving the efficiency of HR functions and deployment of labour.

Such strategies are the route to productivity improvements among UK employers and towards a more virtuous form of competition that relies on and drives innovation and high value output. In turn this will aid the UK economy.[23] Historically, in many sectors where low pay dominates, organisations have struggled to adopt such practices and break out of the prevailing low value equilibrium of these markets. Research from the Low Pay Commission has also suggested that many organisations have not yet thought strategically about how they will respond to successive increases in the NLW.[24] Meanwhile, as is described in Box 1, the evidence is mixed on the extent to which the NMW affected productivity improvements in the past. The challenge is therefore immense, but there are steps that employers and the Government can take (see Chapter 4).

2. Reducing profits

Evidence is mixed on the effect of past increases in regulated wages on profit levels. Some studies have reported that part of the costs associated with increases in the NMW has been borne by company profits.[25] However, a major study covering 1999 to 2011 found that there was little effect from the NMW on profit levels of low pay organisations (as compared to organisations with higher average wage costs), although there was significant variation.[26] Negative profit effects tended to be observed among low pay SME organisations.

Box 1. How did employers respond to the National Minimum Wage?

The evidence is mixed on how UK employers responded to the introduction and increases to the NMW. The overall consensus is that there has been no significant increase of productivity in the economy as a whole as a result of the NMW.[27] The most comprehensive longitudinal study found, however, that increases in labour costs may have been met with increases in labour productivity. Interestingly, these productivity improvements did not derive from reductions to employment but were associated with increases in Total Factor Productivity.[28] This confirms earlier analysis that indicated towards some elements of productivity improvements among low paying organisations.[29] Studies generally find it difficult to identify the channels through which these improvements arise, although recent research suggests that employers affected by the NMW tended to reduce their share of workers in unskilled routine occupations.[30]

Many studies report that the majority of UK organisations chose to focus on minimising costs rather than improving productivity in response to the NMW.[31] Where efficiency and productivity gains were not pursued or achieved, this was in part the consequence of coordination problems within the economy.
Historical experience of the NMW suggests that price increases induced by regulated wage increases have been small relative to the wage increase.[32]

Although we may expect some employers to manage costs in 2016 by reducing profits, the approach is unlikely to be a sustainable strategy for many organisations in responding to the NLW. The rate of increase is much sharper than under the NMW, and the NLW will increase year on year until it is anchored at 60% of median wages in 2020. This means that the volume of workers affected will be high. In addition, severely-affected workplaces have larger wage bills on average as well as being in comparatively low profit sectors.

Factors specific to the NLW and the organisations affected also matter. For example, a National Farmers' Union (NFU) review of the impact of the NLW on the horticultural industry estimates that by 2020 the cost of the minimum wage on their industry will be 129-158% of current profit margins.[33] Severely-affected workplaces are unlikely to be able to rely on paying for the NLW indefinitely by cutting profits. It is essential, therefore, that employers turn to alternative or complementary strategies when responding to the NLW.

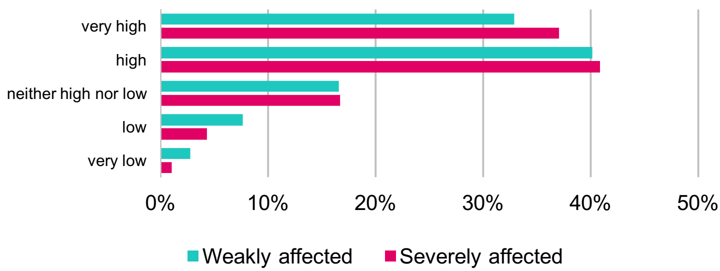
3. Raising prices

An alternative option for employers is to push the additional costs onto consumers through higher prices. This is socially undesirable, especially if these costs were to be borne principally by the beneficiaries of the National Living Wage (for instance in higher costs of groceries). Although there is evidence that some employers are intending to raise prices at least in the short-term,[34] experience of the NMW suggests that this may not play a huge part.

The market context is also likely to be very important in determining whether an organisation can increase the price of their current product without losing their market share. Organisations that compete internationally – such as in textiles – will have little or no scope to increase prices otherwise they will lose market share to competitors overseas (the latter who are unaffected by the NLW).[35] In contrast, businesses that compete in a domestic market may observe all their competitors facing similar costs pressures from the NLW, resulting in the market adjusting to higher prices. However, disruption from new competitors with different business models – say of the type of Airbnb in accommodation or new delivery methods in retail – may make this unsustainable in many sectors in the longer-term.

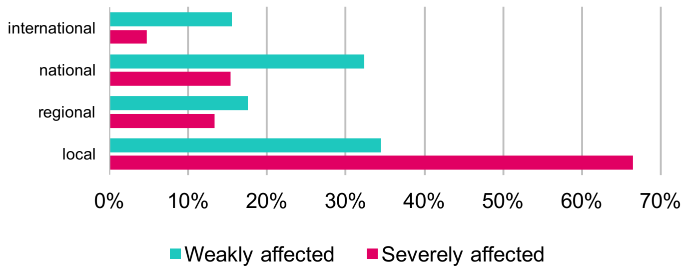
Our analysis suggests that many severely-affected workplaces compete predominantly in domestic and indeed in local markets but that they also operate in highly competitive markets that may be susceptible to disruptive technology. Raising prices may not work for the long-term so a variety of strategies need to be considered.

Figure 8: Managers' answers to the question: 'How would you assess the degree of competition in this market?' (Distribution of weakly affected workplaces and severely affected workplaces)



Source: Calculations based on WERS

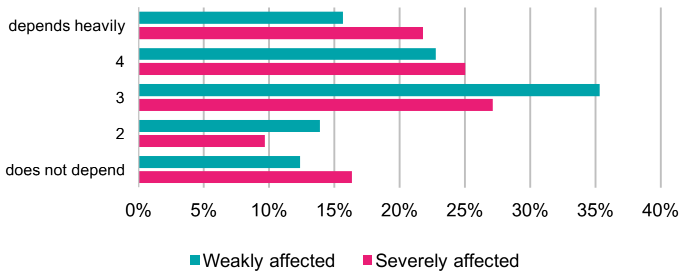
Figure 9: Managers' response to the question: 'Where is your market?' (Distribution of weakly affected workplaces and severely affected workplaces)



Source: Calculations based on WERS

A second market context is that organisations that compete predominantly on quality rather than on cost may be better-positioned to pass costs onto the consumer. For instance, businesses operating in sectors such as fine dining may face a very inelastic price demand, since service and food quality account for much of the competitiveness of the company as opposed to price.[36] This may allow them to increase the price of their current product and pass additional costs to the consumer. It is not evident that this phenomenon is common among employers affected by the NLW. Our analysis of WERS shows that severely-affected workplaces are more likely than weakly-affected workplaces to rate as low the 'Extent to which the demand for your product/service depends on quality'. Equally, they are more likely to report that demand for products/services depends heavily on lower prices.

Figure 10: Managers' response to the question: Extent to which the demand for your product/service depends on lower prices (Distribution of weakly affected workplaces and severely affected workplaces)



Source: Calculations based on WERS

A final contextual factor is important, namely, organisations in sectors where clients are unlikely or unable to increase expenditure on products or services would be unable to pass on price increases. Our research roundtable event suggested that this may be particularly pertinent to social care providers. Analysis by the Resolution Foundation has shown that the National Living Wage will increase payroll costs for frontline care workers by £2.3bn by 2020 on top of £1.7bn of costs associated with above inflation increases in the NMW. This is hugely problematic given that local government, which is the principal client of many care providers, faces major funding constraints. Councils may, therefore, be simply unable to contribute to higher wages among care providers.[37]

4. Reducing costs

Employers can use a wide range of possible tactics to help mitigate the effect of the NLW by reducing costs. In general, these responses may help employers adjust tactically and on the margins in the short-term, although many have potential downsides, or may prove unsustainable or indeed counterproductive in the longer-term.

a. **Switching to workers under the age of 25**

To avoid paying the premium associated with workers over the age of 25 employers could switch to workers under 25. Evidence from New Zealand, where the age threshold for higher regulated wages was changed from age 20 to age 18, suggests that employers may not make the switch. In New Zealand, the reform did not have a substantial effect on employment rates of teenage workers relative to young adults despite changes to the regulated wages across age groups.[38]

While employing younger workers may be possible in some sectors, the barriers are multiple. Concerns were voiced that this may contravene age discrimination law. It may mean having to rip up existing HR policy and employment contracts. For some of our research participants, there was also a moral or social dimension as well as a practical one around the undesirability of developing a two-tier workforce. Aside from the legal and practical difficulties, such tactics may mean higher costs associated with turnover and lower levels of experience and skills in the workforce. This dilemma will be less marked for employers that already have high levels of turnover in their business.

b. **Reducing jobs or hours.**

Historical evidence suggests that the NMW did not lead to higher levels of unemployment generally, although research shows that it contributed to lower employment retention levels of part-time female workers.[39] For two reasons past experience may not provide a good indication of future behaviours. First, the Low Pay Commission's remit historically was clearly defined so as to minimise and avoid any unemployment as a result of the NMW. This is no longer the case with the NLW. Moreover, the speed of increase of the NLW is much sharper than was the case for the NMW in the past. Given the vulnerability of part-time workers in the past and the high proportion of part-time staff within employers that are severely affected, reduction in hours worked may be a likely scenario. The OBR estimates that there is likely to be additional unemployment as a consequence of the NLW. More generally, in the absence of productivity improvements among the remaining workforce, redundancies will not enable the organisation to retain past levels of output.

c. **Squeezing pay differentials.**

An indirect or additional cost of the NLW arises where employers need to provide higher wages to workers above the wage floor who subsequently see colleagues who were previously paid less than them now paid the same. International evidence suggests that the indirect costs – or the spill-over effect for workers paid just above the regulated wage floor – are likely to affect a significant part of the workforce.[40] Passing the entire wage increase enjoyed by the lowest paid to workers in higher wage bands would be extremely costly. Employers could respond by reducing the differentials among wage bands at the lower end of the workforce as a means of reducing the indirect costs of the NLW on their wage bill. Survey evidence suggests that employers are very uncertain as to whether this will be a tactic they will pursue. These indirect costs may be particularly hard to manage down in sectors such as care, retail and hospitality where the financial incentives to progress from entry-level jobs are already often comparatively small.[41]

d. Squeezing pay for high earners.

Some employers may seek to contain their overall labour costs by reducing pay for higher earners in their organisation. This may be possible as a short-term tactic to manage increases. Unless approached strategically as a means of adopting flatter and more flexible working structures, this may lead to uncompetitive salaries for top staff. Such an approach may prove particularly difficult in sectors where there are already recruitment problems and in sectors where the number of higher earners compared to low earners is comparatively small. This is the case in some of the most affected industries, such as wholesale.[42]

e. Reducing other benefits.

Other benefits of low-paid workers could be reduced to offset the increases in wages. These may include: pay for overtime; use of overtime hours; holiday entitlements (where these are above the minimum); and, pension contributions (where these are above the statutory minimum).The scope for this is likely in many cases to be marginal: workers on low pay typically have few additional benefits above the minimum requirement.[43] Moreover, past research in the United States and United Kingdom suggest that employers do not often pursue this path of cost cutting.[44] However, a survey of employers in the wholesale industry found that 40% of the organisations in their sample envisaged decreasing non-wage benefits.[45]

Despite the fact that many of the tactics discussed here will come with downsides for many employers, our roundtable event discussion and other evidence suggest that employers may deploy a number of these approaches in response to the NLW. This is particularly foreseeable in the short-term as employers adjust to the significant change in 2016. But, these will have to sit within a broader longer-term strategy to boost productivity.

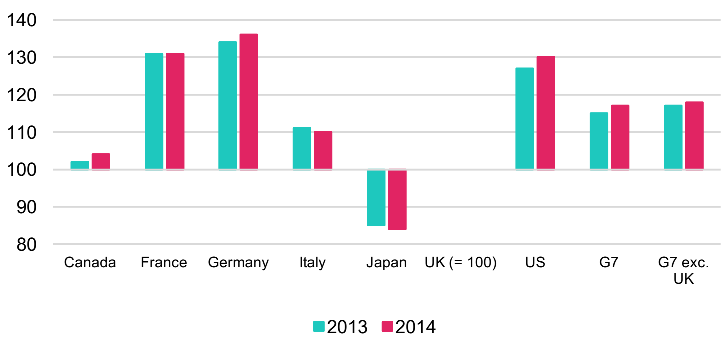
CHAPTER 4. THE QUEST FOR PRODUCTIVITY IMPROVEMENTS

The National Living Wage is part of a set of reforms intended to help the UK move from a high welfare, low wage economy to a low welfare, high wage economy. At the centre of this mission is the need to improve the productivity of the UK workforce, as a route to higher standards of living, further innovation and a more competitive economy. This chapter describes what could be done by employers and by the Government to enhance productivity.

The challenge of productivity

As noted earlier, the UK sits far behind many of its competitor economies in terms of output per hour worked. The latest data shows that the UK performs worst among the G7 with the sole exception of Japan.

Figure 11: The productivity gap: comparisons between the UK and G7 (2014)



Source: ONS, International Comparisons of Productivity - First Estimates: 2014 (2015)

Productivity enhancements may take many forms. One outcome would be for employers to switch to higher value products or services.[46] By producing higher quality goods the organisation would be able to push up the price of its products, thus moving the industry to a higher productivity, higher wage state.[47] Among severely-affected sectors, this may be more possible in some areas (such as manufacturing) than others (such as wholesale and distribution). Such a strategy is likely to entail significant investment in new machinery and in employees' skills and it may sometimes involve seeking to enter more specialist niche markets. While the barriers may be significant, countries such as Denmark have succeeded in adopting higher value, higher productivity economies by concentrating on niche markets, even when a cheaper labour option has been available.[48] Alternatively, businesses can make the same quality product for a lower price by adopting new processes and practices and relying on less labour input and more on capital (for instance machinery or technology). In some circumstances, this may mean reducing jobs or hours. For instance, the British Retail Consortium has predicted that the trend towards greater use of technology will be accelerated by the NLW and lead to higher productivity but also fewer employees in retail services.[49]

A survey of employers by the Resolution Foundation and CIPD found that the most common expected response to the NLW given was improving productivity and efficiency.[50] However, as their report acknowledged, such a response is easier said than done. This message echoes participant reaction at our roundtable event where the theoretical desire to improve efficiency came alongside scepticism that such steps could be taken quickly or easily. There were also concerns that HR functions had adapted significantly to reduce costs and improve efficiency during the economic downturn leaving limited room for further reform.

Therefore, alongside considering evidence from HR and employment disciplines and how employers have sought to reform their workforce management as a route to better paid more effective staff, the Government must acknowledge their own role in helping employers take the necessary steps.

Steps to improve productivity

1. Investing in capital

As described earlier, severely-affected workplaces are likely to have high wage bills relative to their overall costs. This means that these employers have relatively low levels of investment. Overall, the UK has worryingly low levels of business investment, lower than for other comparable countries.[51] Moreover, business investment was especially slow to recover after the crisis, and the low levels are thought to be at least partly responsible for the slow recovery in productivity in recent years.[52] Traditionally, it has been easier to measure investment in physical, tangible goods, such as equipment and new technology. However, just as important are intangible assets, such as intellectual property and brand recognition.

The most severely-affected sector in our analysis – accommodation and food – has below average levels of investment compared to other EU countries. The same is true for wholesale and retail.[53] However, despite some organisations being labour intensive, this does not mean that there is little room for additional capital investment, as the examples below demonstrate.

Box 2. Case studies: capital investment within low paying sectors

Accommodation and food: Investment in new technology ranges from the more prosaic, such as making it easier to book rooms and services (such as room services) online and through mobile devices rather than face-to-face; to check-in kiosks and mobile keys; to trials of robot butlers that might be programmed to deliver items such as toiletries to rooms.[54]

Retail and wholesale: The most obvious examples of greater capital investment include automation in distribution centres, in-store technology such as self-checkouts and investment in delivery services that enable online shopping. "Click and drive" or "click and collect" services have seen some success in countries such as France and Italy where labour costs are high.[55] Meanwhile, investment in data collection and processing could help increase efficiency in inventory purchases and improve the shopping experience for customers.[56]

Human health and social care: Improved access to easy-to-understand data can help patients to better manage their conditions, and improve communication between medical professionals and patients. This could, for example, potentially allow more individuals with long-term health conditions to live in their own homes and for visits to assist in specific tasks and emotional support in place of routine visits by carers. There is also potential for improvement in medical technology: in Sweden, for example, self-dialysis units have been introduced.[57]

The lesson from the examples above is not that these specific steps are the right ones for all employers, because the innovation, investment cycles and products and services differ markedly across and within markets. Some of these investments in capital unavoidably change the nature of the good or service that is being provided. For this, and other reasons, such as an organisation's particular customer demographic, not all employers will be able to successfully switch to more capital-intensive models of business. However, there is likely to be substantial scope for some organisations to do so in response to higher labour costs. In turn, this raises an important point for policy: whilst in the long-term, slower growth in jobs in some sectors may well be offset by growth in new sectors of the economy, this can take time. Provision of high-quality employment services and retraining opportunities will continue to be very important.

Further, there may be barriers to greater capital investment, which can entail high upfront costs. For SMEs in particular, access to finance (both debt and equity) is a long-standing problem.[58] Government will have to continue to make progress on ensuring that financial markets work well for smaller companies. However, even so, highly capital intensive business models with high fixed costs may favour larger companies. Smaller organisations may find it harder to take advantage of technological advances. In some cases, this could be ameliorated by the development of intermediaries or platforms that make the necessary investments in IT and data, and allow small companies to transact with each other and find customers. Whilst focused on individuals rather than small companies, Airbnb, might be seen as an example in the accommodation and hotel sector.

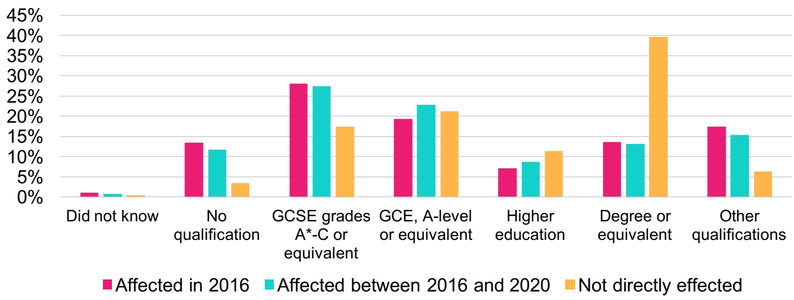
In sectors such as health and social care, the structure of the market itself may make capital investment more difficult. The separation of health and social care funding in the UK means that spending and investment decisions are distorted, because investments by social care providers largely benefit healthcare providers and vice-versa. This can result in a situation where there is under-investment in new technologies that could aid better care at home. The steps towards more integrated commissioning at a local level are therefore fundamental to enable innovation and investment.

More broadly, participants in our roundtable event cited concerns about the difficulty of switching to more capital intensive processes at the same time as paying out larger wages through the National Living Wage. For these reasons, the Government may wish to make more generous allowances for investment to ensure that finance is available to help employers smooth the costs of transition. Through 'Transition Finance', the Government could bring forward financing commitments to assist organisations as they seek to invest to create more efficient working practices and processes as wages rise. As part of such a move, the Government could work with the British Business Bank to look at how access to finance schemes such as the Enterprise Finance Guarantee (EFG) could be temporarily expanded. The EFG currently works by encouraging banks to increase lending, as part of the loan advanced is guaranteed by the Government. In return, Government charges a 2% annual premium. One option would be to temporarily increase the value of these guarantees, for example by reducing the premium paid back to Government. This increase in generosity during the phase when the NLW is being introduced and raised over time would be matched by a tightening in later years when organisations have had time to adapt to higher wage costs. This approach could also apply potentially to tax reliefs available for capital investment. Specifically, in terms of social care, there is a strong case for the Government to bring forward part of its pre-committed funding increases to help finance investment in new innovative technologies and adaptations as local areas pursue the integrated care agenda.[59]

2. Investing in skills and training

The evidence on the affected workforce and employers suggests that much could be done to improve the skills of the workforce. While it is unsurprising that those affected by the NLW have lower skills levels than workers on higher pay, the scale of the divergence is arresting. Four in ten of directly-affected employees either have no qualifications at all or only GCSE-level qualifications. Very few (around one in eight) have a degree or equivalent. In terms of skills levels, workers affected in 2016 and 2020 have similar characteristics. This suggests that a medium term response may be to increase the skills levels of these workers as the wage rises to 2020.

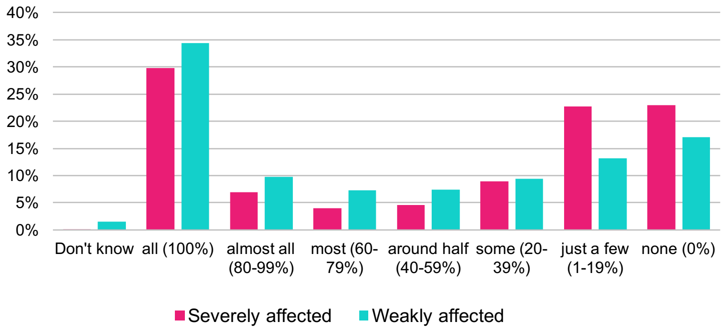
Figure 12: Distribution of affected employees by skill level



Source: Authors' calculations based on the LFS

The case for developing skills among affected workers is particularly strong given the fact that, despite low level of skills across this part of the UK's workforce, training opportunities are limited. A quarter of workplaces had offered training to none of their workers in the last six months. Almost half (46%) of all these workplaces had offered training to less than 20% of their staff in the last six months. Looked at in a positive light, this implies that there is significant scope for increasing skills levels.

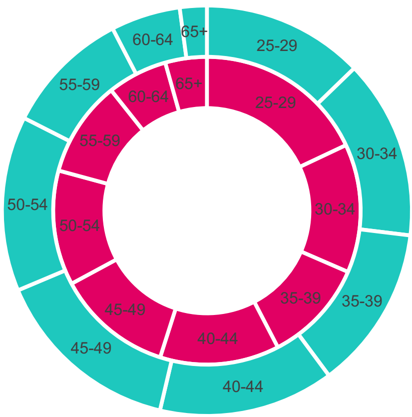
Figure 13: Proportion of experienced staff trained in last 6 months (Distribution of weakly affected workplaces and severely affected workplaces)



Source: Authors' calculations based on WERS

These insights should, however, also be viewed in the context of other characteristics of the workforce. First, as noted above, many affected employees work part-time. This may present challenges to organisations wanting to invest in skills because the business case for investment in part-time staff is weaker than for full-time staff because the payback takes longer. Second, the age profile of affected workers adds complexity to the question of up-skilling. Figure 14 below shows that a disproportionate number of these workers are aged 25 to 29. This is intuitive given the fact that a worker's earnings would be expected to grow with age and experience. For these young workers, there is a strong commercial rationale to invest (assuming that the worker does not leave the organisation). More surprising is the high proportion of workers who are aged 50 and over. These workers represent almost a third of all workers affected by the NLW, similar indeed to their prevalence in the wider workforce. Research shows that perceptions in the workplace can lead to stereotypes of older workers as less willing to engage in training and career development programmes and more resistant to change.[60] This challenge should also be viewed in the context of an ageing workforce and extended working lives.[61] The fact that older workers tend to stay in roles for longer than younger workers also provides an additional argument to invest in them.

Figure 14: Breakdown of affected workers by age group (Outer ring = not affected, Inner ring = affected by 2020)



Source: Authors' calculations based on the LFS

A third characteristic of affected workers is the high level of churn amongst them (see below for more detail). Employers may therefore be more reluctant to invest in training if the employee is likely to move on to a different workplace in the near future.[62] In many ways, low pay sectors react to the fear of poaching of talent that human capital theory would predict, namely by underinvestment.

The Government is playing a growing role in working-age skills policy through its expansion of apprenticeships. The Apprenticeships Levy may help reduce the coordination problem by forcing employers to contribute to skills investment. Other steps may be needed though. Perhaps most important will be to ensure that training opportunities are available for, and accessible to, the full range of workers affected by the NLW. The prevalence of part-time working means that constraints outside work – such as caring responsibilities – may impede training decisions. While the expansion of the apprenticeship programme will open opportunities for younger workers, re-training options for the many employees aged 50-plus affected by the NLW must be in place.

3. Making the most of talent

As the cost of labour increases, an important agenda alongside boosting skills will be ensuring that the skills within the workforce are properly utilised. Higher wages will also mean a greater emphasis on recruiting and retaining the right people. However, as it stands, low-paying sectors are marked by poor skills utilisation and high turnover rates. These factors interact and make it harder for employers to develop a more virtuous cycle where the skills of employees are maximised.

Under-utilisation of skills and job design

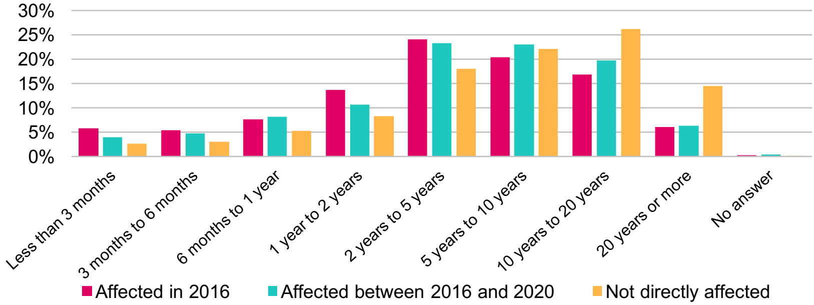
Skills under-utilisation is prevalent in the UK workforce, with more than a third of employees estimated to be over-qualified for their jobs. The problem is particularly acute in low pay sectors.[63] For instance, more than half (55%) of workers in the hotels and catering sector report being over skilled compared to one in five in finance. This is undoubtedly inefficient as well as meaning that the incentives are poor for workers to up-skill.

The NLW should give an incentive to employers to make more of the skills within their workforces. However, it is unlikely to emerge organically. Part of the challenge may lie in management practices, oversight and reward.[64] Shifting the focus from short-term profits to longer-term workforce management may allow greater space for managers to develop their workforce. For example, Whitbread, a large leisure and hospitality services provider has reported that evaluating managers based on people-related metrics as well as sales growth has led to higher engagement and retention thus providing a more fertile ground for better skills utilisation. Better utilisation of skills also relies on more creative job design and organisational structure that allows employees greater discretion and scope to deploy their specific skills.[65] For instance, companies such as Lidl have reported giving increasing attention to workers skills and their distribution through training programmes and policies aimed at increasing employee retention.[66] Such approaches in turn may enable employers to provide more varied and personalised opportunities for progression.

Switching to lower churn practices

The consequence of higher wages will be to encourage employers to move away from the high churn, low skills operating model. Turnover rates are higher among employers affected by the NLW.

Figure 15: Period spent with current employer (Distribution of weakly affected workplaces and severely affected workplaces)



Source: Authors' Calculations based on the LFS

Figure 15 shows around a third of workers that will be affected in 2016 by the NLW have been working for their employer for less than two years and almost one in five workers for less than one year. While there are benefits to flexible workforces, such high levels of turnover bring both direct and indirect effects on organisation performance. Direct consequences of turnover include higher HR costs from recruitment and induction training. Across the economy, it is estimated to cost an employer more than £4,000 to recruit an employee (management time, recruitment, selection and induction).[67] The indirect effects may be even larger including: a disincentive for the employer to invest in workplace training (because the worker may move on) and less incentive to expend energy on good job matching to ensure skills utilisation. Reducing turnover and building more established workforces will also provide the employer and the employee with a greater incentive to invest in skills in the workplace.

Well-being and productivity

There is increasing interest within the HR profession in the effect of workplace well-being.[68] Happy workers not only put in more effort, but show up for work more and stay at their jobs longer. Worker well-being can drive increased employee retention (with potential benefits as described above), as well as reduced absenteeism and sickness and their associated costs.[69] Research also shows that well-being at work can have direct positive effects on people's productivity.[70] While the evidence base on what works is still developing, positive steps could include:

- Providing greater clarity on how employees can progress at work.[71] In itself, this may also ensure that the organisation has processes in place to make the most of people's skills and incentivise development.
- Involving workers more in determining the hours they work to boost the work-life balance of employees.[72]
- Offering more flexible work arrangements to employees. Survey research by Adecco Group UK and Ireland has shown that aside from increases in salary, a quarter of workers cite 'a more supportive manager' and the same proportion report 'flexible working arrangements' as routes to a happier workplace.[73]
- Providing opportunities for workers to develop and progress and to make use of their skills.

At a macro level, the Government's introduction of the NWL provides the conditions to encourage employers to address these underlying failures in human resource management. Improving on these metrics is unlikely to be a short-term task. However, it is one with which sector organisations, business organisations, HR professionals and employee representatives must take a lead by illustrating how such practices can take shape and be implemented.

CONCLUSIONS AND RECOMMENDATIONS

By introducing the NLW, the Government has set out the trajectory that it wishes the UK economy to pursue – away from low productivity and low wages and towards higher productivity, greater innovation and a better-skilled and better-paid workforce. The ambition is huge.

Facilitating investment

Charting this course will be hugely challenging for many UK employers. The Government must resist the temptation to write the prescriptions for businesses as they respond to the NLW. But, policymakers should also accept that while a higher regulated wage will motivate change, the challenges that existed before will not disappear. They will require greater attention. Employers in low paid sectors face the prospect of increasing their wage bills substantially at the same time as they are seeking to invest in new processes and technology. The Government, therefore, should consider aiding investment between 2016 and 2020 via 'Transition Finance'. This is especially important given the coalescing of other pressures on businesses – such as pension auto-enrolment and the Apprenticeships Levy – during the same years.

Clarity and certainty

All investment decisions require the bedrock of certainty. The Government has already provided significant information on the broad upward trajectory of the NLW in its 2015 announcement. The Low Pay Commission has subsequently set out in greater detail its proposed methodology. However, greater clarity is needed as organisations make decisions on distribution of profits, employment and investment.

In the remit set for the Low Pay Commission, the Government set two goals: an 'ambition' for the NLW to hit 60% of median wages in 2020; and, an 'objective' that the NLW should reach £9 at the same stage (these both remain targets for the LPC although the 60% has been designated as the 'primary' target). At the time of being announced in summer 2015, these ambitions were mutually compatible. However, successive down-grading of forecast earnings inflation (in nominal terms) means that there is a high likelihood that hitting the 60% target would not mean reaching the £9 target. In July 2015, the OBR forecast that 60% of median earnings would equate to a cash target of £9.35, but this was downgraded to £9.30 (November 2015), to £9.16 (January 2016) and then to £9.00 (March 2016).[74] The uncertainty over earnings growth in the future means that it is quite likely that 60% of median earnings will not equate to £9 in 2020. The Government should confirm whether the £9 NLW cash target remains an objective so that employers know where policy is aiming.

ENDNOTES

[1] OBR, Supplementary forecast information release: Number of employees paid the National Living Wage (January 2016); OBR, Economic and fiscal outlook – March 2016 (2016); OBR, Economic and fiscal outlook – November 2015 (2015).
[2] BIS, Low Pay Commission Remit 2016 (July 2015). See also Low Pay Commission, National Minimum Wage Report Spring 2016 (2016)
[3] Low Pay Commission, National Minimum Wage Report 2015 (2015)
[4] The new remit for the NMW is to 'have NMW rates that help as many low-paid workers as possible without damaging their employment prospects.' BIS, Low Pay Commission Remit 2016 (July 2015)
[5] https://www.gov.uk/government/news/improving-economy-sees-2-million-more-private-sector-jobs
[6] HM Treasury, Fixing Foundations (2015)
[7] HM Treasury, Fixing Foundations (2015)
[8] HM Treasury, Summer Budget (July 2015)
[9] ONS, International Comparisons of Productivity - Final Estimates: 2014 (2016)
[10] See for instance, Conor D'Arcy, Adam Corlett, Laura Gardiner, Higher ground: Who gains from the National Living Wage? (Resolution Foundation, 2015)
[11] Exceptions include: Conor D'Arcy and Adam Corlett, Taking up the floor Exploring the impact of the National Living Wage on employers (Resolution Foundation, 2015); CIPD and Resolution Foundation, Weighing up the wage floor: Employers responses to the National Living Wage (2016)
[12] OBR, Economic Fiscal Outlook- November 2015 (2015)
[13] Low Pay Commission, National Minimum Wage Report Spring 2016 (2016)
[14] Conor D'Arcy and Adam Corlett, Taking up the floor Exploring the impact of the National Living Wage on employers (Resolution Foundation, 2015); Conor D'Arcy, Adam Corlett, Laura Gardiner, Higher ground: Who gains from the National Living Wage? (Resolution Foundation, 2015)
[15] This is based on analysis of the LFS. A similar conclusion emerges from the Low Pay Commission's analysis.
[16] Conor D'Arcy and Adam Corlett, Taking up the floor Exploring the impact of the National Living Wage on employers (Resolution Foundation, 2015); Low Pay Commission, National Minimum Wage Report Spring 2016 (2016)
[17] This is based on analysis of the LFS. The same conclusion emerges from the Resolution Foundation's research that looks at workers directly and indirectly affected. Conor D'Arcy and Adam Corlett, Taking up the floor Exploring the impact of the National Living Wage on employers (Resolution Foundation, 2015)
[18] BIS, Trade Union Membership 2014 (2015)
[19] Low Pay Commission, National Minimum Wage Report Spring 2016 (2016)
[20] HM Treasury, Summer Budget 2015 (July 2015)

[21] CIPD and Resolution Foundation, Weighing up the wage floor: Employers responses to the National Living Wage (2016)
[22] HM Treasury, Summer Budget 2015 (July 2015)
[23] M. Colm, 'The productivity-enhancing impacts of the minimum wage: lessons from Denmark and New Zealand', British Journal of Industrial Relations, 2009, 327-48.
[24] Low Pay Commission, National Minimum Wage Report Spring 2016 (2016)
[25] HM Treasury, Summer Budget 2015 (July 2015)
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