Report

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Impact of the National Living Wage

A report for the Low Pay Commission

by

Incomes Data Research

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This report has been prepared by Incomes Data Research for the Low Pay Commission.

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Key findings

- The proportion of employers regarding initial implementation of the NLW as difficult was 35%. This rises to 54% in respect of future increases in the new minimum.
- Most see employment levels remaining the same in the near future, though over a quarter intend to increase employment. A fifth thought that employment levels would decrease. Of those giving reasons for the likely decrease, just four cited pay as the main factor, with two of these specifically mentioning the NLW.
- Two-thirds (69%) of those who had already implemented the NLW had made no accompanying changes to pay or conditions, though this proportion falls to below a third among those who were still to implement the new minimum at the time of the survey.
- Among those making changes, the most common measure is alterations to grading structures, for both those who had implemented and were yet to implement. Among the former, the next most popular measures were reducing/removing unsocial hours premiums, ending paid breaks and introducing age-related pay for workers aged below 25.
- Among those still yet to implement, the next most popular measures (after changes to grading structures) were changes to location pay, followed by reducing/removing unsocial hours premiums and introducing age-related pay for workers aged below 25. Some respondents here mentioned making changes in working hours.
- The sector most likely to be making changes are childcare and social and housing care.
- Measures to off-set the cost impact of the new floor, such as changes to pay structures, premiums or working patterns, appear to be most likely in childcare and social care & housing, though they have occurred in other sectors as well, notably retail & distribution.
- The main pressure on pay differentials from the NLW arises in three sectors – childcare, hospitality and retail & distribution – all areas where pay structures are comparatively flat.
- While only a minority of employers (9%) plan on (re)introducing age-related pay, the proportion rises a little in each of hospitality, manufacturing and retail & distribution (13%) and in childcare (18%).
- Age-related pay is most prevalent in two sectors – childcare and hospitality. Looking at pay rates by age, the median rate for workers aged 21 to 24 years is £6.70 in these two sectors, but in retail & distribution it is £7.20, and in other sectors higher still.
- This indicates that retail & distribution employers are mostly applying the new floor to all employees, or at least those employees aged 18 and over.
- Just over a third of employers think their age profile will change following the advent of the NLW. This is least the case in retail & distribution, while in childcare the figure rises to 39%.

Meanwhile half of respondents in the business and financial services sector believe their age profile is likely to change.

- The impact of the NLW looks to have been significant in two sectors – childcare and hospitality. Here the gap between pre- and post-NLW rates of pay was greatest, and these sectors are where employers have had to implement the largest increases to basic rates in order to comply.
- In terms of the impact on paybills, the median increases was 6%, but the interquartile range was relatively wide, between 2% and 11%.
- Almost half (48%) of respondents thought that the NLW was likely to lead to a decrease in company profits, with all the remainder considering it would have little or no effect.
- Just above a third (34%) thought it highly likely or likely enough that their organisation could raise prices following implementation of the NLW, while 41% thought this unlikely or highly unlikely. Some 59% considered that price rises would be mostly or partly linked to the new higher minimum wage.
- On productivity, the most common approach is to re-organise roles and responsibilities, followed by investment in new technology. However most respondents reported that these measures would be taken anyway and are not necessarily linked to the NLW. (Childcare employers report a likely increase in the number of apprentices, something that may figure in other sectors not covered by our survey, such as local government.)

1. Introduction

This paper has been prepared for the Low Pay Commission (LPC) by Incomes Data Research (IDR). It contains the results of our research on the initial effects of the Government's new 'National Living Wage'. The research concentrated on employers' approaches to implementation of the new statutory floor for workers aged 25 and over. This report provides analysis of the results from a structured survey of employers and follow-up semi-structured telephone interviews conducted by IDR on behalf of the LPC.

1.1. Methodology

The data for analysis is drawn from a structured survey of employers which posed a range of questions regarding implementation of the National Living Wage (NLW).

The electronic survey was sent to potential participants in an email, which explained that the research was being conducted by IDR on behalf of the Low Pay Commission and examined employers' responses to the NLW. The survey contained a range of questions covering:

- the current and potential future effects of the new NLW on labour costs, profits and prices;
- impacts, now and in the future, of the new NLW on pay systems and other conditions of employment;
- whether workforce profiles might change as a result of the age threshold contained in the new provisions; and
- the extent of effects on the organisation of work and measures to enhance productivity.

The survey achieved 119 usable responses from employers across a range of low-paying sectors, as well as other lower-paying parts of the economy such as food manufacturing[1]. A small sample of nine survey participants were targeted for follow-up telephone interview to explore some of their responses in more detail. The summary survey results are analysed in Section 3 and the detailed tables are provided at Appendix 1. The telephone interviews are analysed in Section 4.

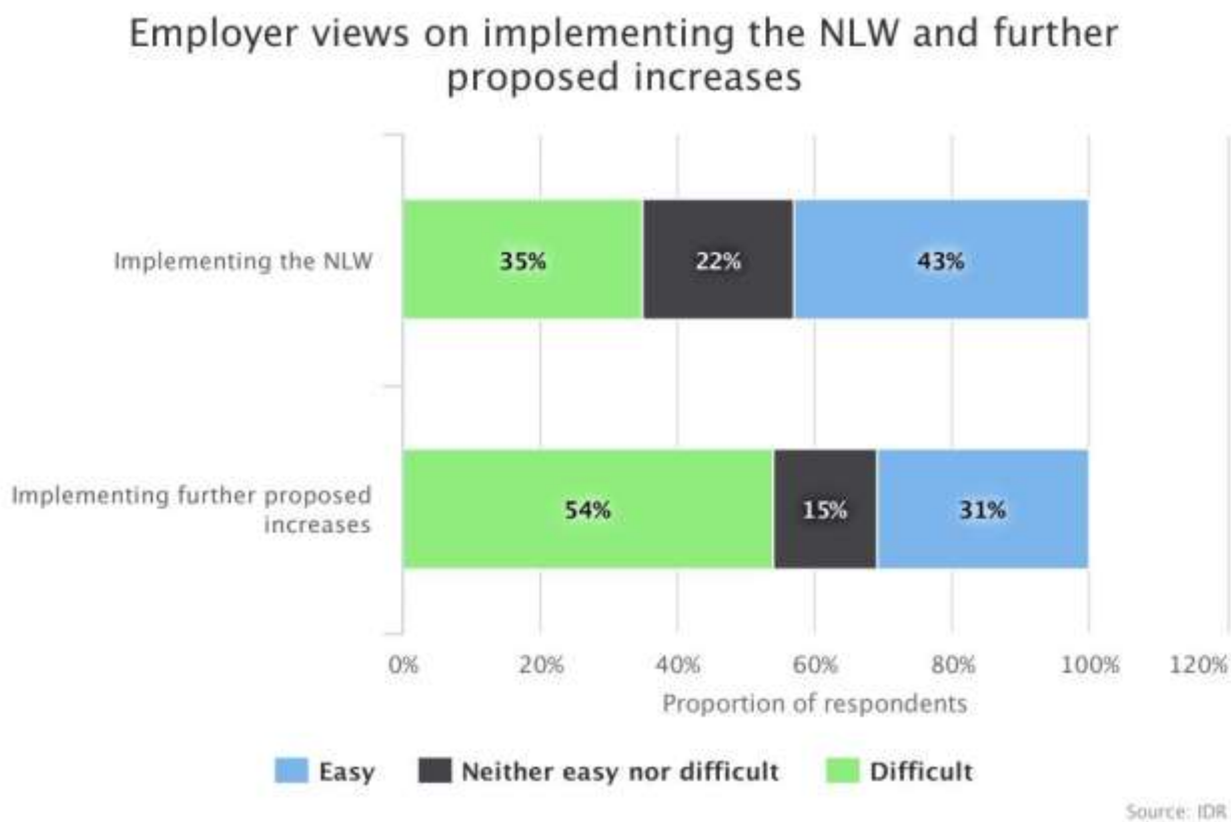
[1] See Appendix, section i for a breakdown of respondents by sector.

2. Survey findings

This section of the report contains the main findings from the survey.

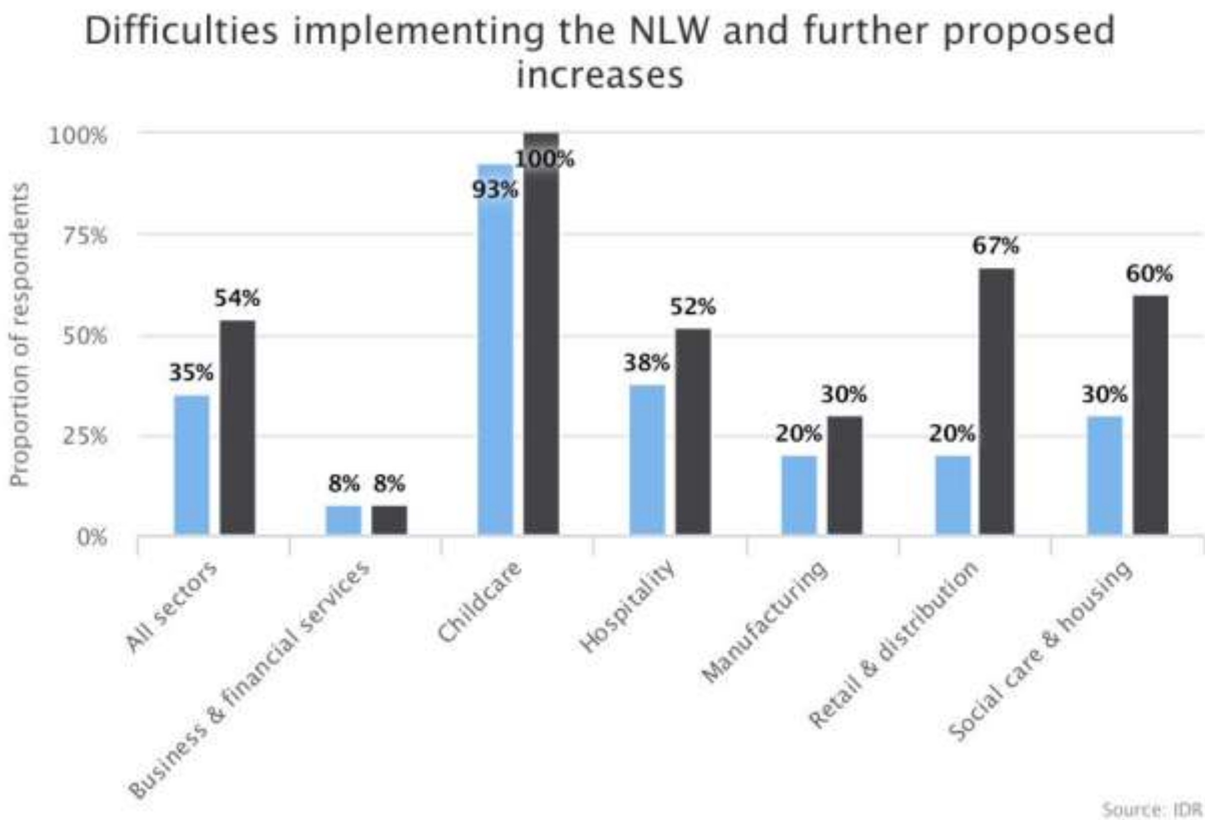
2.1. Difficulties implementing the NLW

More than a third (35%) of respondents found implementing the NLW was either difficult or very difficult. When it comes to implementing future increases in the NLW, however, well over half (54%) of the sample anticipate difficulties.



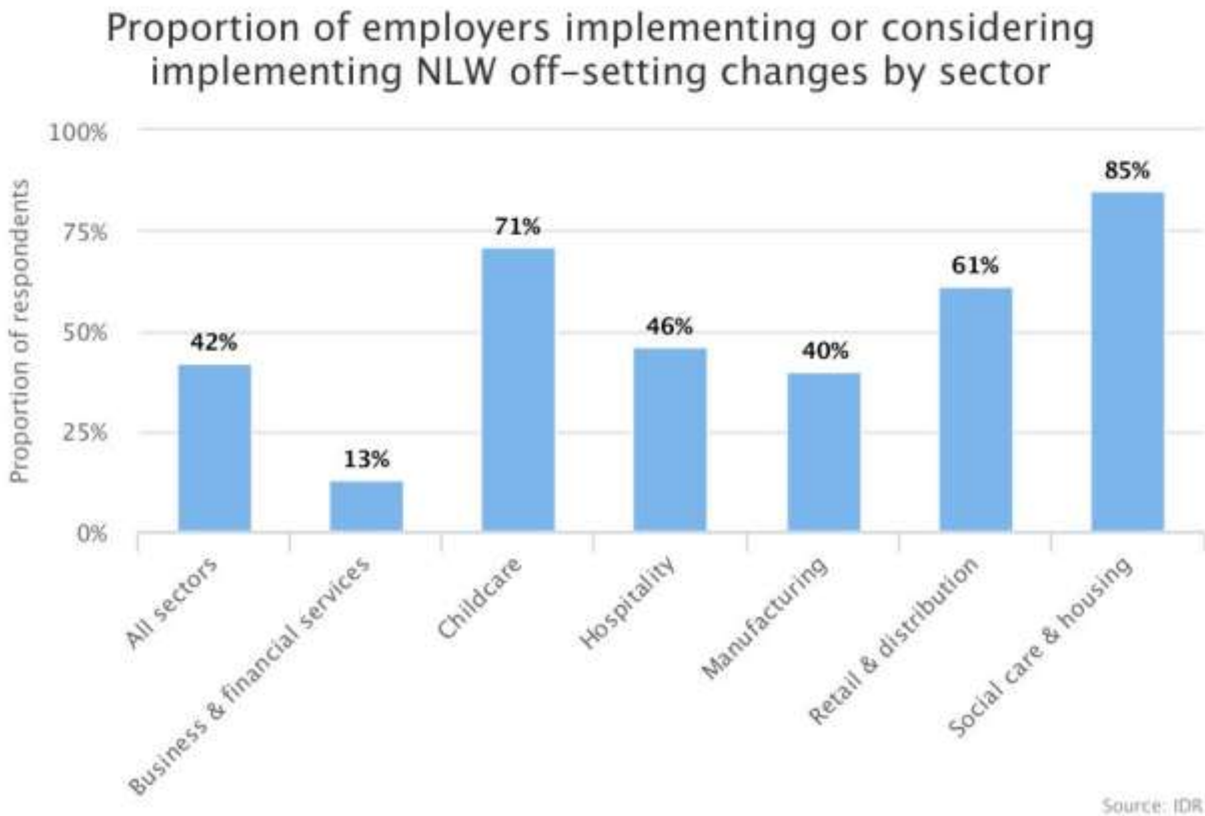
A closer look at responses from firms indicates significant differences by sector. Childcare employers have been particularly affected, with almost all (93%) finding the initial implementation difficult or very difficult. Respondents in hospitality also appeared to find implementing the NLW harder than others, with 38% of respondents in this sector reporting difficult or very difficult implementation, compared with 35% for the sample as a whole. By contrast, more than four-fifths of those in business & financial services described implementation as 'very easy', with just 8% experiencing difficulties.

In respect of managing further proposed increases in the NLW, once again, childcare is the most affected sector, with all respondents stating that future increases are likely to be difficult to manage. Employers in retail & distribution (67%) and social care and housing (60%) also report they are likely to experience difficulties with future rises in the NLW. Virtually all business & financial services employers (92%), meanwhile, say that implementing future increases should be easy or very easy.



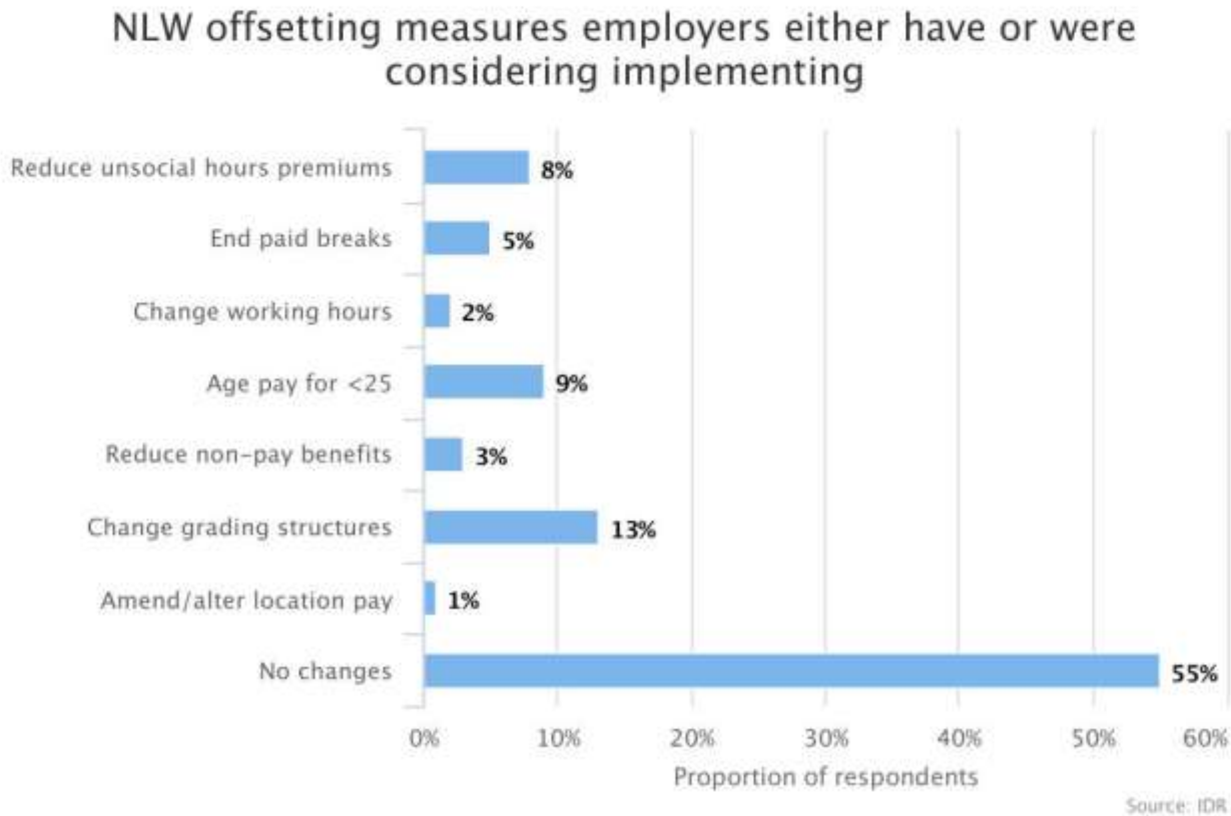
2.2. Offsetting measures

Overall almost half of responding firms (42%) have either implemented or were considering implementing changes to off-set the impact of the NLW. Offsetting measures are most likely in social care & housing and childcare, where 85% and 71% of responding firms have either implemented or are considering implementing changes to offset costs associated with the NLW. Offsetting measures are least common in business & financial services firms, where just 13% of respondents have either made or plan to make such changes.



A narrow majority of employers across the whole sample (55%) had made no offsetting changes. Of those that had made changes, the largest proportion (13%) had altered grading structures. This makes sense since, as the statutory minimum has risen, many employers will have merged grades or deleted defunct pay points at the bottom of their pay structures.

The next most common response – taken by 9% of respondents – is to introduce or contemplate re-introducing age-related pay for employees aged below 25. Again, this is a reaction to the rise in wage costs represented by the new NLW. This was closely followed by moves to reduce or remove unsocial hours premiums, something referred to by 8% of respondents. Many employers do not pay unsocial hours premiums so this is only an issue at a minority of the sample as a whole, and this partly accounts for the low incidence of those making or contemplating this change. However it is important to point out that a number of those making this change include retailers employing relatively large numbers of staff.



If we analyse the responses to the question on offsetting changes by sector, we find that some measures are more popular in some sectors than others. For example, while across the sample as a whole just 9% of employers are considering introducing age-related rates for staff under 25, 18% of childcare respondents and 13% of those in hospitality, manufacturing and retail & distribution are planning such a move. A number of respondents in retail & distribution and childcare (13% and 12%) are looking at ending paid breaks. And while few employers within the sample intend to amend location premiums (1% overall), retail & distribution is a notable exception (19% of employers here said they had done or planned to do so).

Table 1: Changes implemented or considered following implementation of the NLW by sector

	All sectors (119)	Childcare (17)	Hospitality (24)	Retail & distribution (16)	Social care & housing (24)	Manufact-uring (15)
Reduce unsocial hours payments	8%	0%	4%	13%	8%	20%
End paid breaks	5%	12%	0%	13%	4%	7%
Change working hours	2%	12%	4%	0%	4%	13%
Age pay for <25	9%	18%	13%	13%	8%	13%
Reduce non-pay benefits	3%	18%	4%	0%	12%	0%
Change grading structures	13%	0%	8%	13%	8%	33%
Amend/alter location payments	1%	0%	4%	19%	0%	7%
No changes	55%	29%	54%	44%	15%	60%

Some 13% of the total number of responses overall came from manufacturing. Although three-fifths of manufacturers said they would not implement any off-setting measures, a third have made changes to grading structures as a result or plan to do this – the figure for all respondents is 13%. A fifth of manufacturing respondents, meanwhile, are considering reducing or removing unsocial hours premiums (compared with 8% across the sample). Manufacturers are also among the most likely to amend working hours (13% compared with 12% for retail & distribution and 2% overall).

As well as the main measures being taken in response to the NLW by employers, other measures mentioned with much less frequency included pay and recruitment freezes, the restructuring of bonus schemes, the introduction of new spot rates and pay bands, and changes to the link between performance and pay. Some employers have also changed their overtime payments.

2.3. Impact on differentials

The pressure on pay differentials brought about by the introduction of the NLW is particularly marked in low-paying sectors such as hospitality, retail & distribution and childcare, with 38%, 25% and 24% of respondents in these sectors respectively stating that they have had to take steps to maintain or restore differentials – compared with an overall sample figure of 13%.

2.4. Impact on age profiles

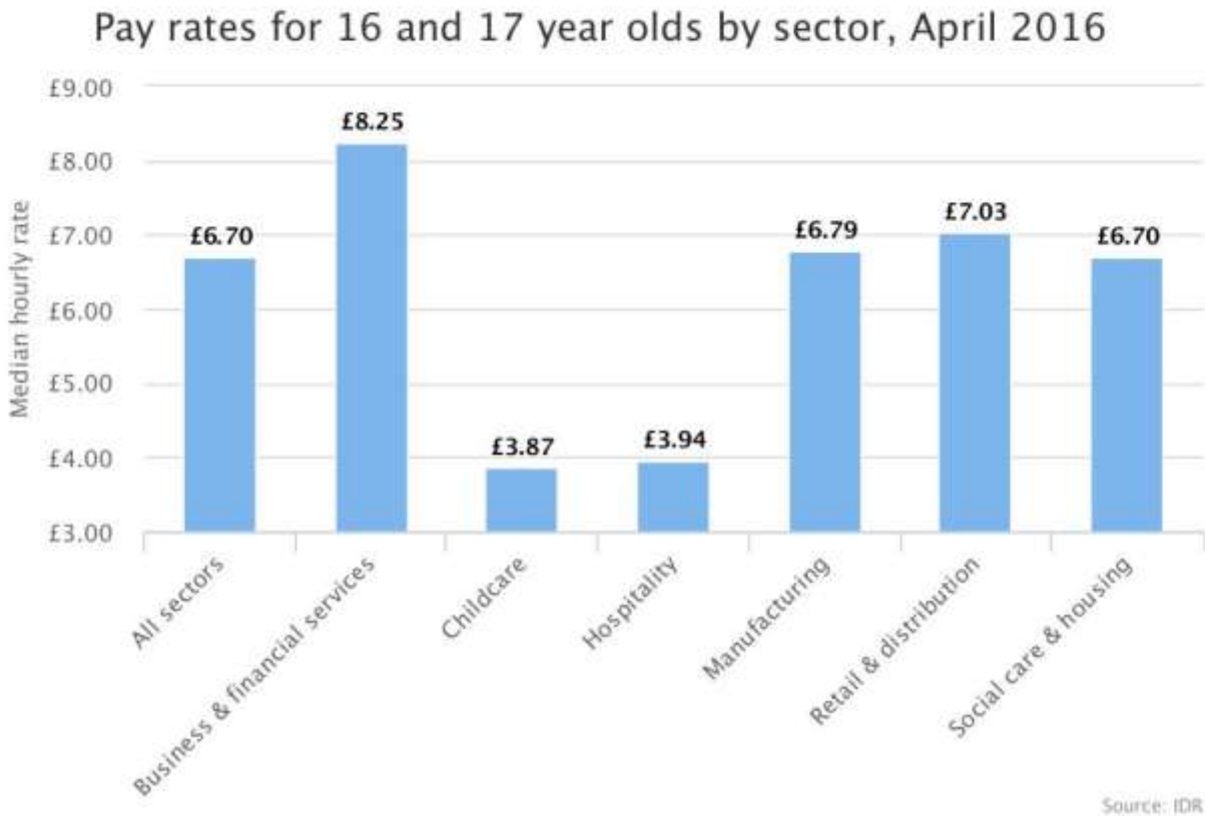
Just over a third (35%) of respondents believe the age profile of their workforce is likely to change following the implementation of the NLW, while slightly more (38%) feel it will remain the same as it is now (28% are undecided). Retail & distribution respondents (67%) are least likely to expect much change in this regard, while slightly more childcare employers (39%) than the rest of the sample anticipate change. Although half of business & financial services employers anticipate a change in their workforce age profile, only slightly fewer (43%) believe the opposite.

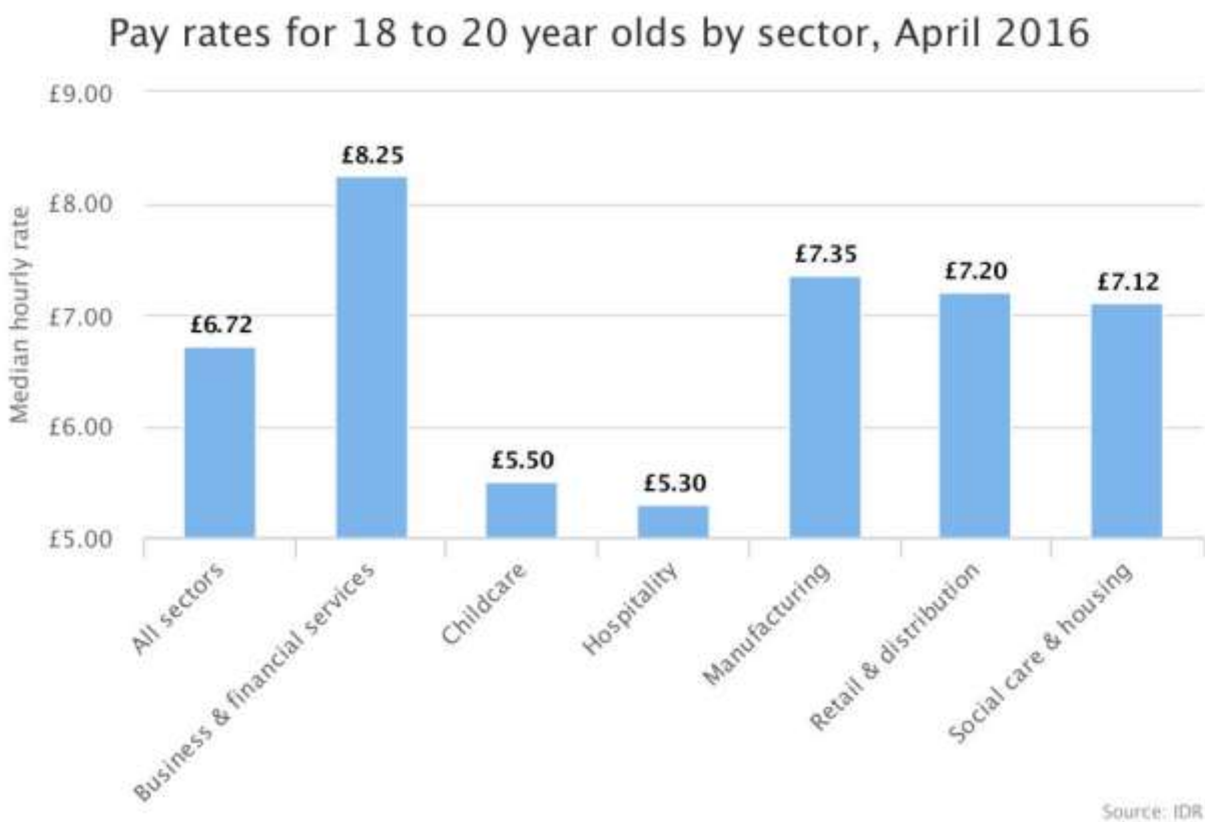
Few respondents anticipate changing their use of variable-hours contracts following the introduction of the NLW. Just 13% feel this will increase though fewer still (5%) think their use of such contracts will decrease.

2.5. Pay rates

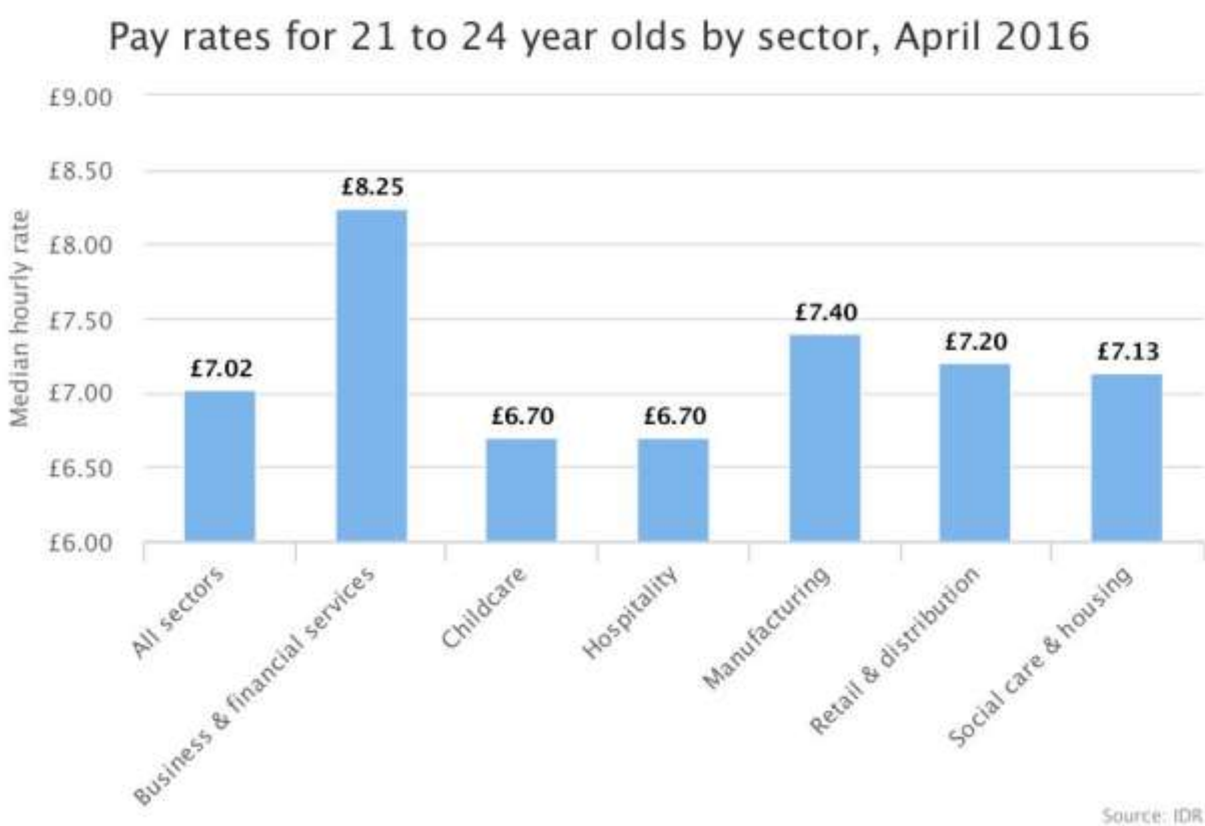
The survey shows that the median pay rate for 16 and 17 year olds is £6.70 an hour across the whole sample. This is equal to the adult rate of the NMW for 21 to 24 year olds, whereas the statutory minimum rate for 16 and 17 year olds was £3.87 at the time of the survey. However, as the chart shows, there are significant differences in pay rates by sector, linked to the use of age-related pay rates.

Pay rates for 18 to 20 year olds show a similar pattern, with a greater use of age-related pay rates in childcare and hospitality than in other sectors. The median for the latter is the same as the 'youth development rate' for 18 to 20 years olds of £5.30.

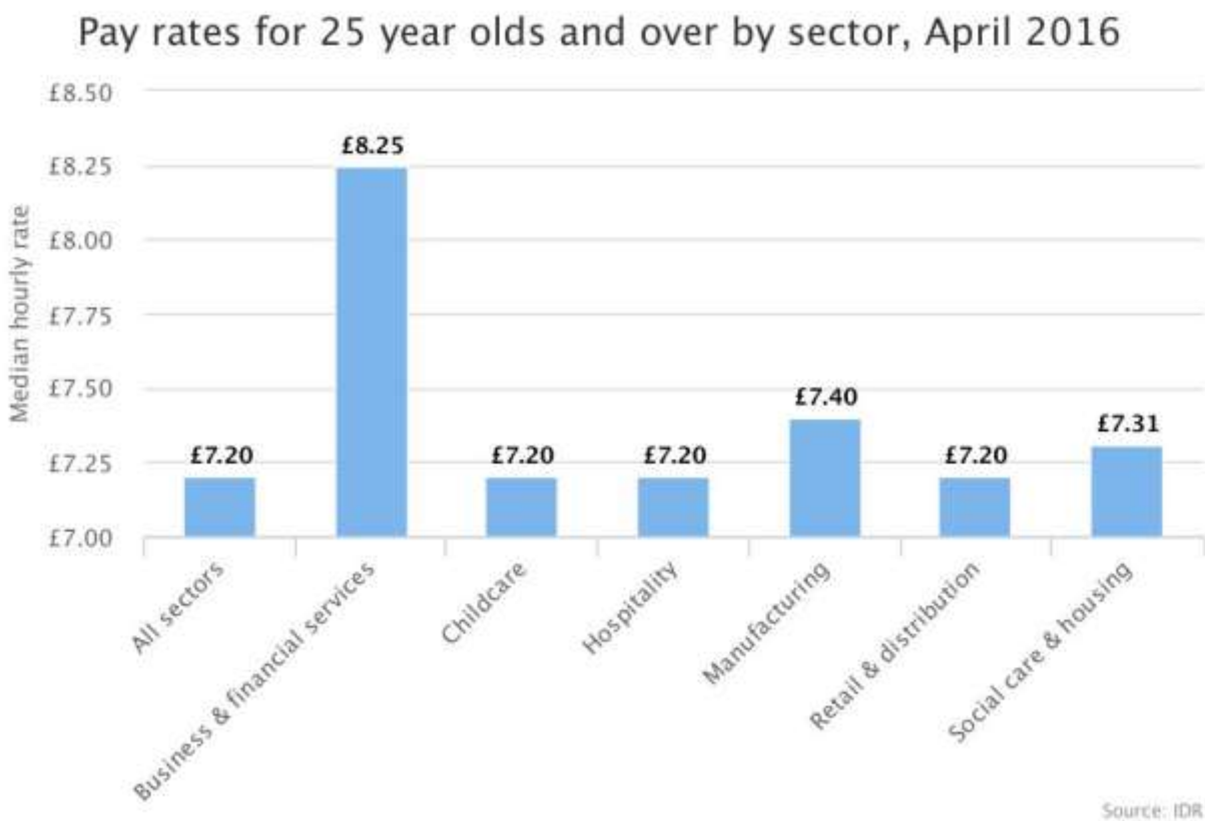

Pay rates for 16 and 17 year olds by sector, April 2016
Median hourly rate
£9.00
£8.00
£7.00
£6.00
£5.00
£4.00
£3.00
£6.70
£8.25
£3.87
£3.94
£6.79
£7.03
£6.70
All sectors
Business & financial services
Childcare
Hospitality
Manufacturing
Retail & distribution
Social care & housing
Source: IDR


Pay rates for 18 to 20 year olds by sector, April 2016
Median hourly rate
£9.00
£8.00
£7.00
£6.00
£5.00
£6.72
£8.25
£5.50
£5.30
£7.35
£7.20
£7.12
All sectors
Business & financial services
Childcare
Hospitality
Manufacturing
Retail & distribution
Social care & housing
Source: IDR

For 21 to 24 year olds, the median for all sectors is £7.02. This reflects the fact that while the adult NMW for this age band (£6.70) is the median in both childcare and hospitality, in other sectors the median is higher. In retail & distribution, the median is £7.20, the same as the new NLW – reflecting the fact that many employers in this sector are applying the new floor for those aged 25 and over to their entire workforces. And in manufacturing, and business & financial services, the medians are higher still. However in social care and housing the median pay rate for 21 to 24 year olds is £7.13.



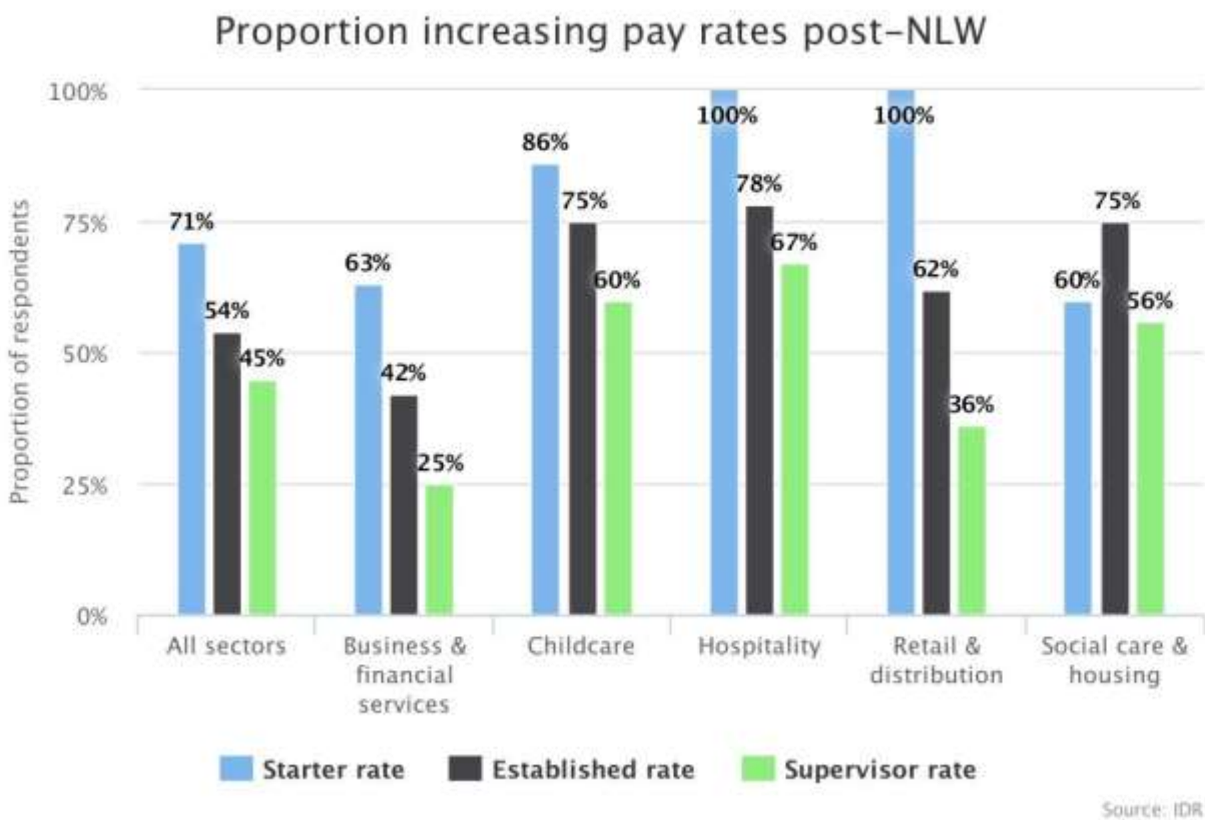
For workers aged 25 and over, the median pay rate for all pay sectors is £7.20, the same as the new NLW. It is exactly this level in three sectors – childcare, hospitality and retail & distribution. It is higher in social care & housing (£7.31), manufacturing (£7.40), and much higher in business & financial services (£8.25).



In our sample, the new NLW appears to have had a significant impact in retail & distribution, where the statutory minimum of £7.20 has been applied to all staff aged 18 and over, and not just to those aged 25 and over. However, among respondents in childcare and hospitality, age-related differentials appear to have been retained.

Following the introduction of the NLW, some 71% of respondents across all sectors increased their starter rates. Looking at the variations by sector, all (100%) of the respondents in both hospitality and retail & distribution increased their starter rates, while a comparatively high proportion (86%) did so in childcare. Smaller proportions in business & financial services on the one hand, and social care & housing on the other, had to increase starter rates.

Generally smaller proportions increased rates for established staff and supervisors following the introduction of the NLW. The pattern for established staff was slightly different to that for starter rates. Once again, the largest proportion raising established rates was in hospitality (78%). And the proportion in childcare was only a little way behind, at 75%. However, the same proportion of social care respondents (75%) also raised established rates. (A similar pattern was shown for supervisors, though overall, far fewer respondents reported raising supervisors' rates following the introduction of the NLW.)



The following charts show the median pay rates for starters, established staff and supervisors pre- and post-NLW. They indicate that the impact of the NLW has been greatest in two sectors – childcare and hospitality. These are the sectors where the gap between pre- and post-NLW rates was greatest, and where employers have had to implement the largest increases to basic rates. In other sectors, by contrast, there appears to have been less difference before and after the introduction of the new minimum. This is most likely the result of comparatively higher rates to begin with, perhaps combined with a minor effect from early moves to implement the NLW.


Starter pay rates pre- and post-NLW
£8.50
£8.00
£7.50
£7.00
£6.50
Median hourly rate
£7.21
£6.70
£8.29
£8.13
£7.20
£6.50
£7.20
£6.50
£7.50
£7.50
£7.50
£7.36
£7.50
£7.39
All sectors
Business & financial services
Childcare
Hospitality
Manufacturing
Retail & distribution
Social care & housing
Source: IDR


Established pay rates pre- and post-NLW
£9.50
£9.00
£8.50
£8.00
£7.50
£7.00
£6.50
Median hourly rate
£7.74
£7.66
£8.99
£8.94
£7.20
£6.96
£7.20
£6.70
£9.23
£9.23
£8.51
£8.44
£8.25
£7.92
All sectors
Business & financial services
Childcare
Hospitality
Manufacturing
Retail & distribution
Social care & housing
Source: IDR

The table below shows the proportion of employees in each of the NMW/MLW age bands that are on their employers' lowest rates, regardless of whether these employers have an age-related pay structure or not. We also enquired about the use of age-related pay and found that 25 companies (around a fifth of the total sample) operated a formal system of age-related pay, with younger people on lower pay rates than their older colleagues.

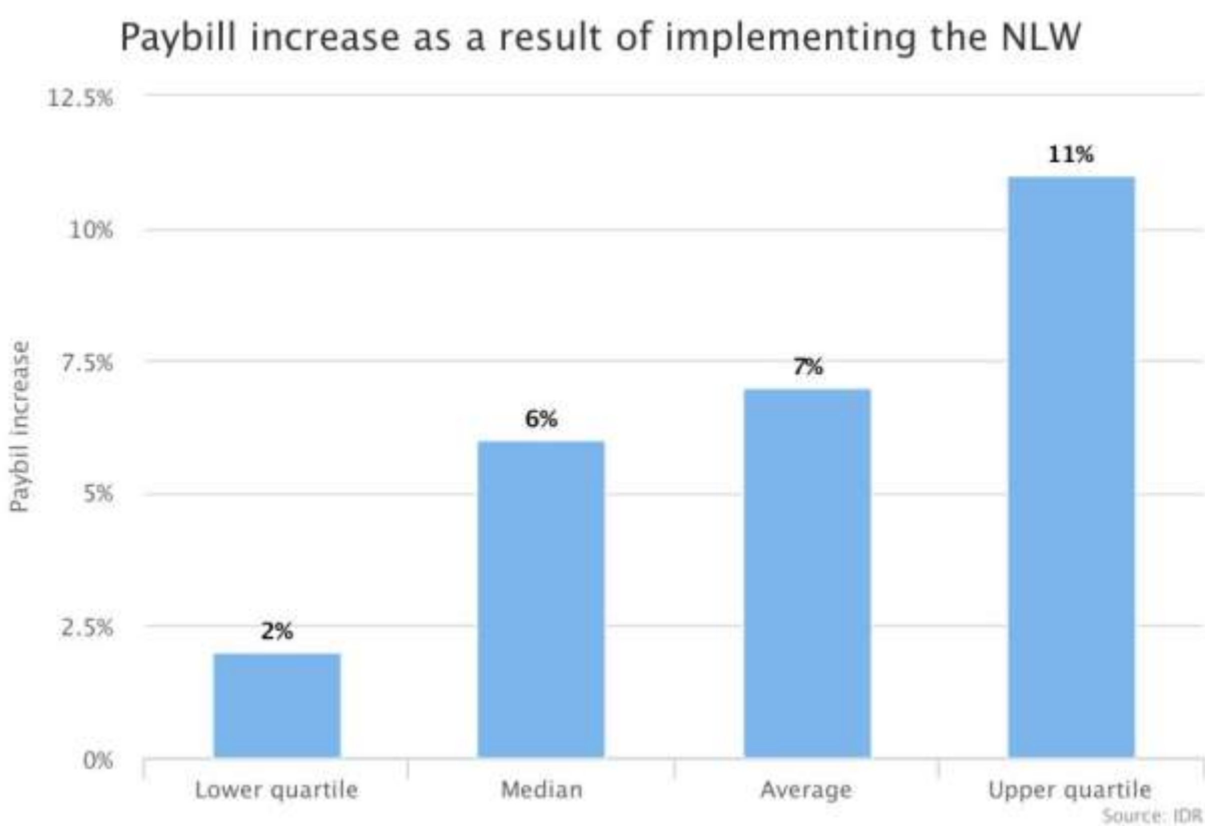
Table 2: Proportion of workers on their employers' lowest rates, by age

	Median	Average	Count
16-17 years	99%	77%	22
18-20 years	100%	71%	35
21-24 years	48%	52%	38
25+ years	50%	49%	42

Employers were asked by how much, in percentage terms, the organisation's paybill increased as a result of implementing the NLW for eligible staff. Many employers either found it difficult to supply this information or were unwilling to do so. However of the 34 employers who supplied a figure the median increase was 6%. Paybill increases ranged from 0.03% to 15% overall, with an interquartile range of between 2% and 11%. The figures by sector indicate a more significant effect on paybill for employers in the childcare and social care and housing sectors.

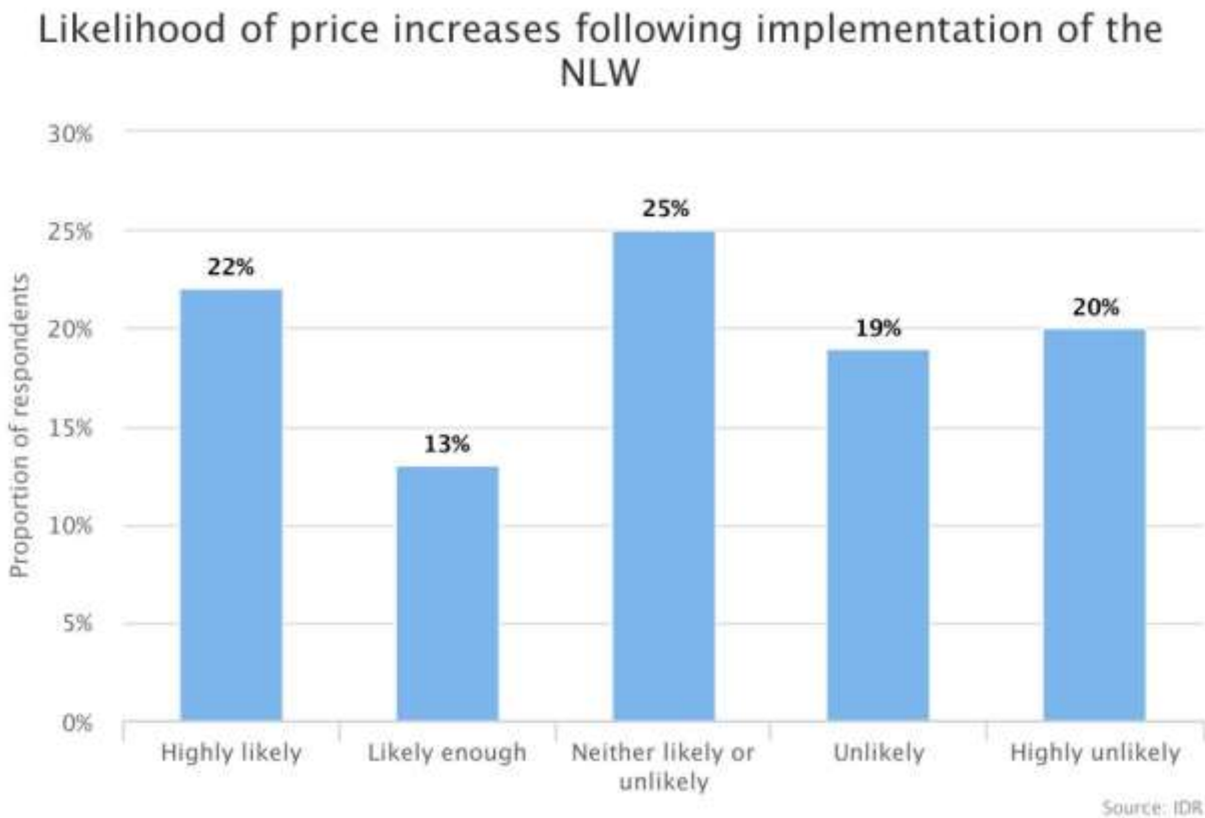
Table 3: Paybill increases as a result of implementing the NLW

	Median	Average
All sectors (34)	6.0%	7.0%
Business & financial services (1)	2.0%	2.0%
Childcare (11)	11.0%	11.0%
Hospitality (9)	3.0%	5.0%
Manufacturing (1)	1.5%	1.5%
Retail & distribution (5)	3.0%	3.0%
Social care & housing (5)	11.0%	8.0%

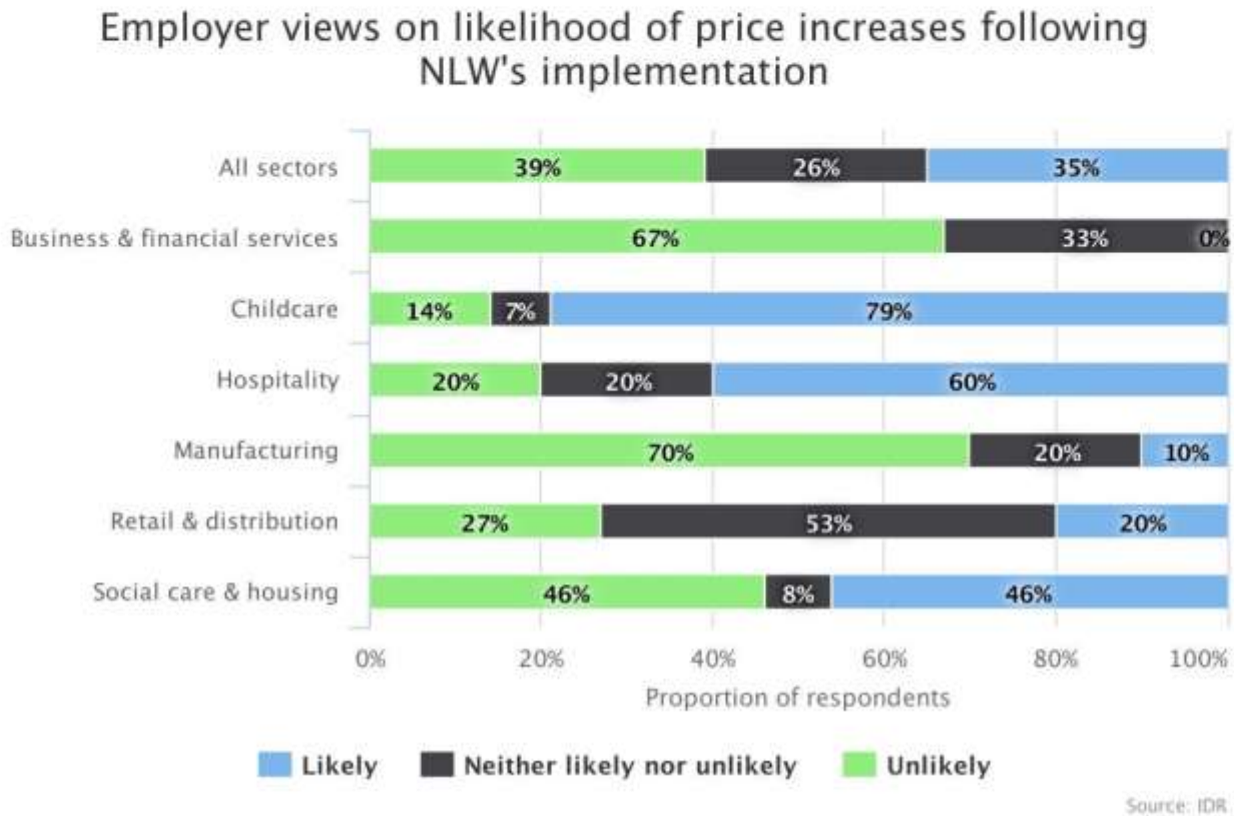


2.6. Prices, profits and productivity

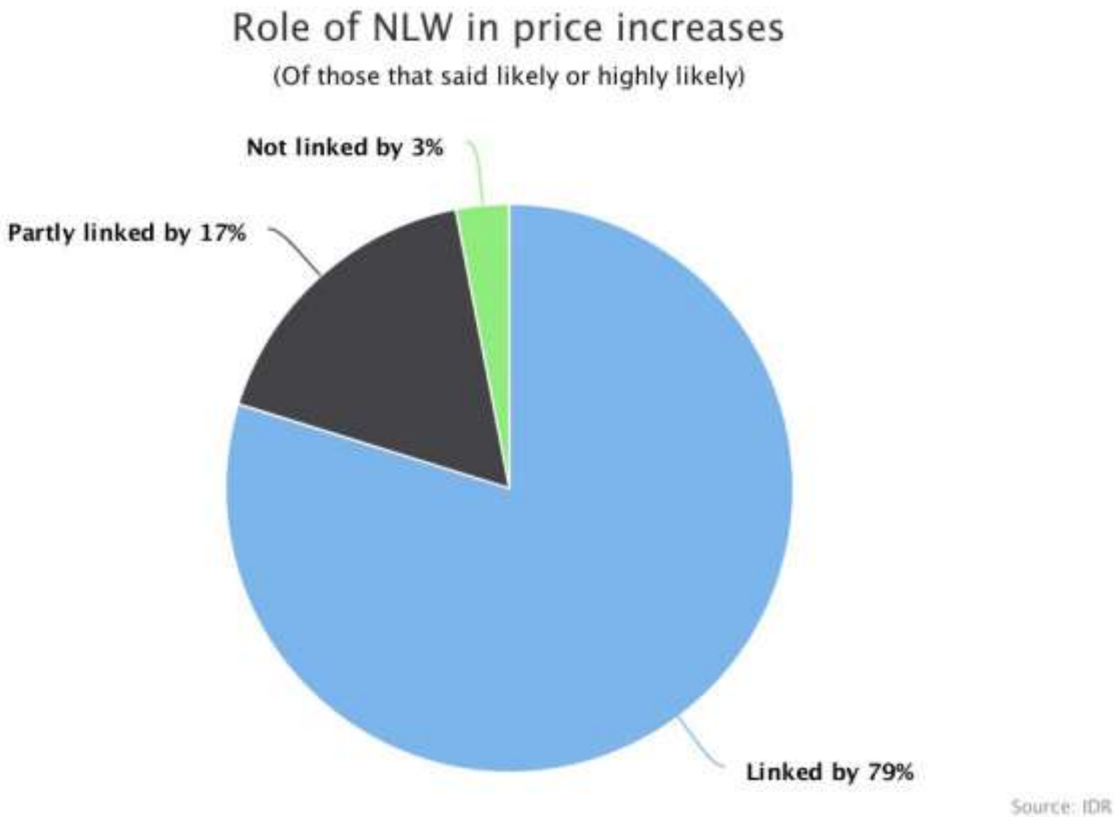
Employer views on the likelihood of price increases following implementation of the NLW are varied with similar proportions rating it as likely and unlikely. Overall 33% of respondents think price increases are likely, while 39% think price increases are unlikely.



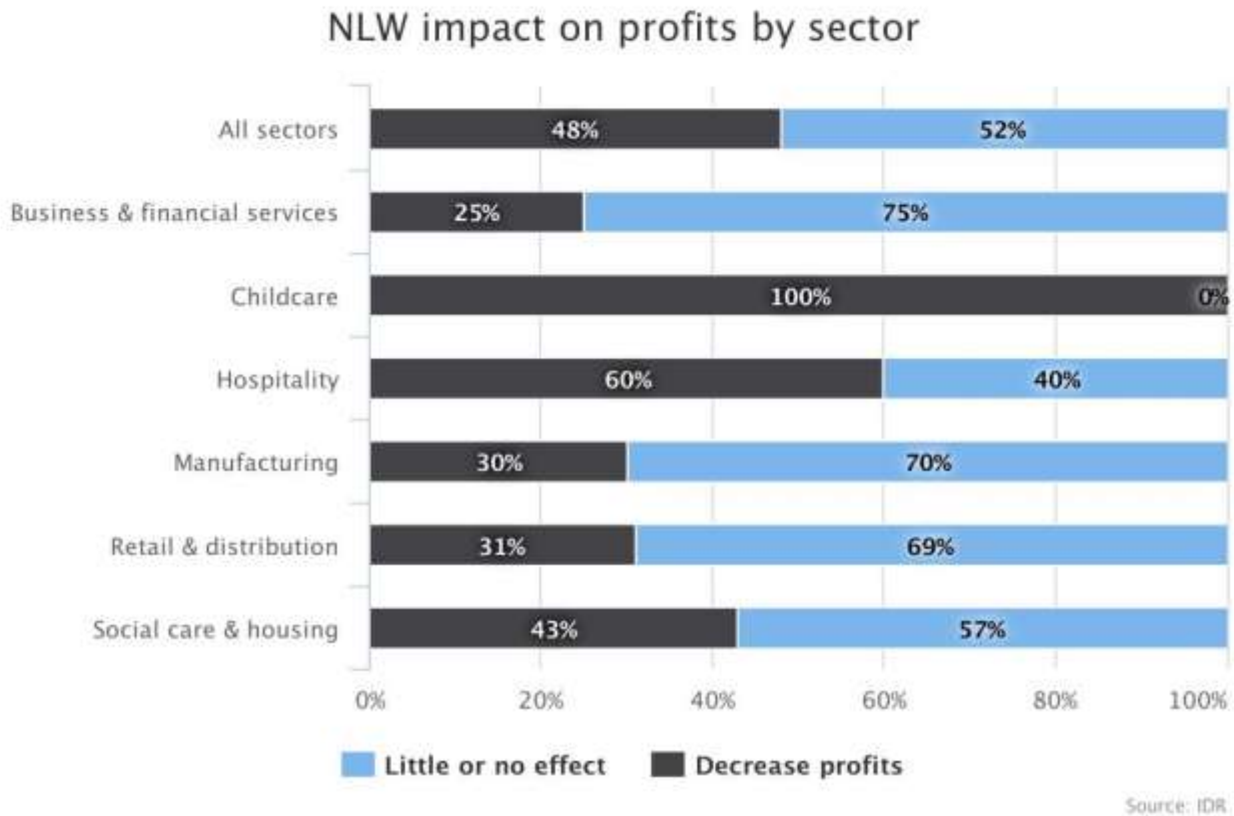
By sector, employers in childcare and hospitality are more likely to raise prices at 78% and 60% respectively. At the other end of the spectrum, just 20% of retailers expect to raise prices, while 10% of manufacturers and none of those from business and financial services indicate price increases following introduction of the NLW.



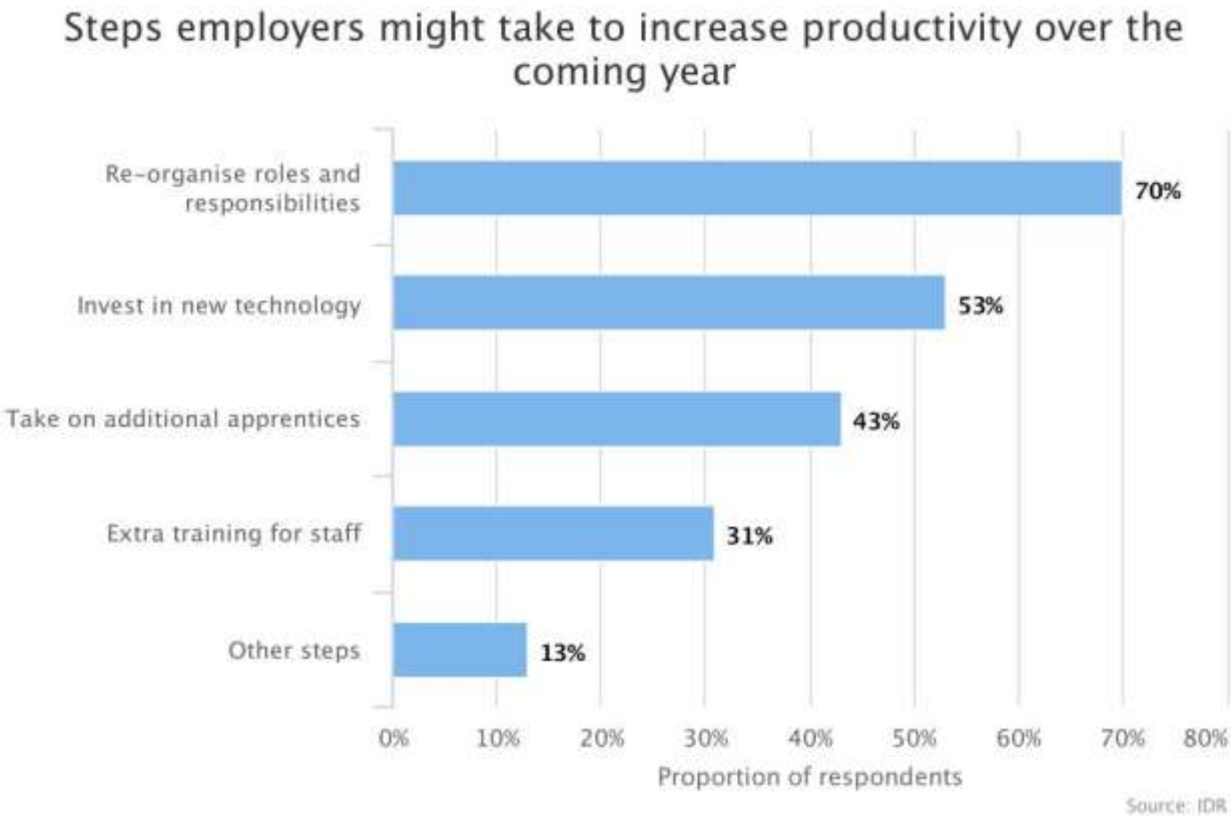
Looking more closely at those who predict price increases, the majority (79%) state that this is linked to the advent of the NLW. A further 17% said that it was partly linked to the new minimum.



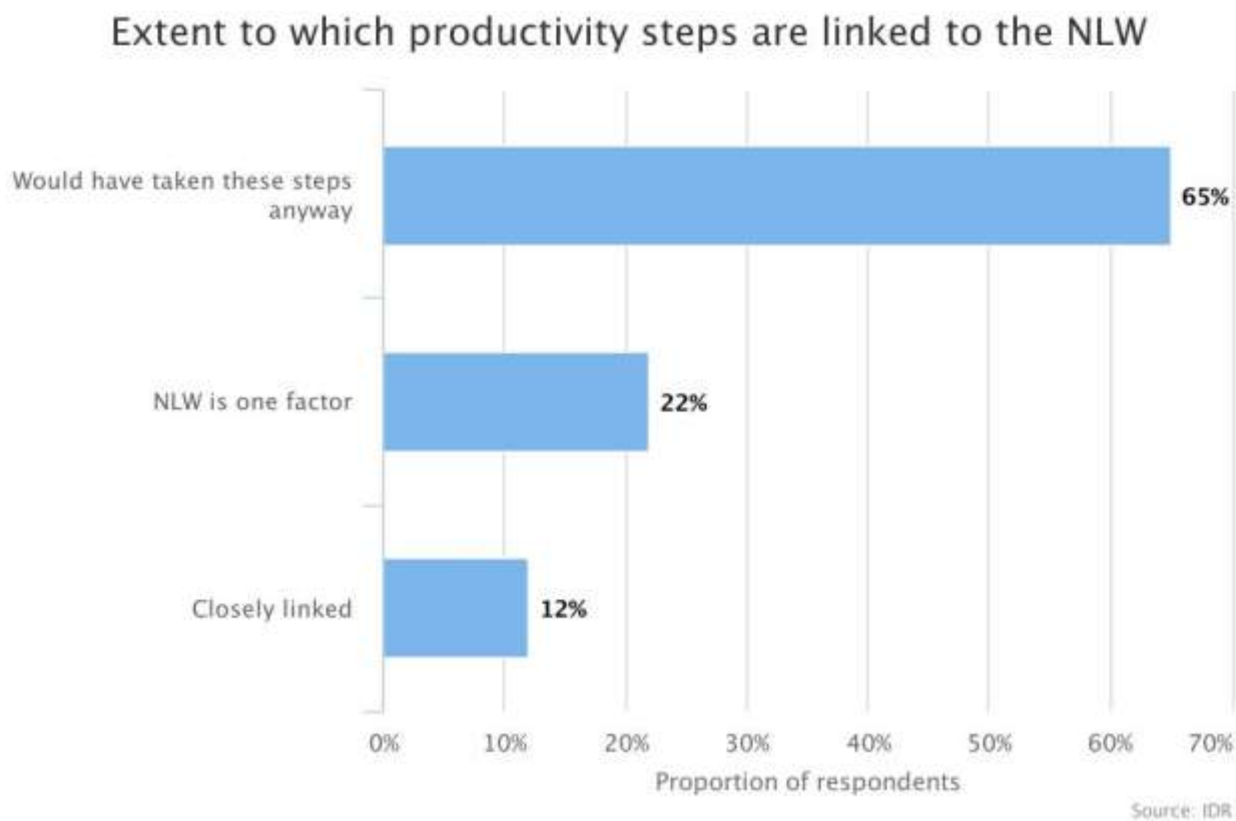
Overall employers do not anticipate a significant impact on profits, with 52% predicting little or no impact of the NLW on company profits. There are however significant differences by sector with employers in childcare and hospitality expecting more of an impact on profits than those in other sectors: all respondents from the childcare sector and 60% of those in hospitality predict that the NLW will lead to a reduction in company profits. At the other end of the scale only around a quarter of those respondents in business and financial services, retail and distribution, and manufacturing expect the NLW to have a negative impact on company profits.



Employers were asked whether they were planning on implementing any productivity measures over the coming year as a means of managing increased wage costs. The most common approach is to re-organise roles and responsibilities, cited by almost two-thirds of respondents. Investing in new technology also featured as a key way of improving productivity, with half of all respondents planning this step. Analysis by sector shows a broadly similar pattern except for childcare where the most commonly citing means of increasing productivity over the coming year will be to increase the number of apprentices.

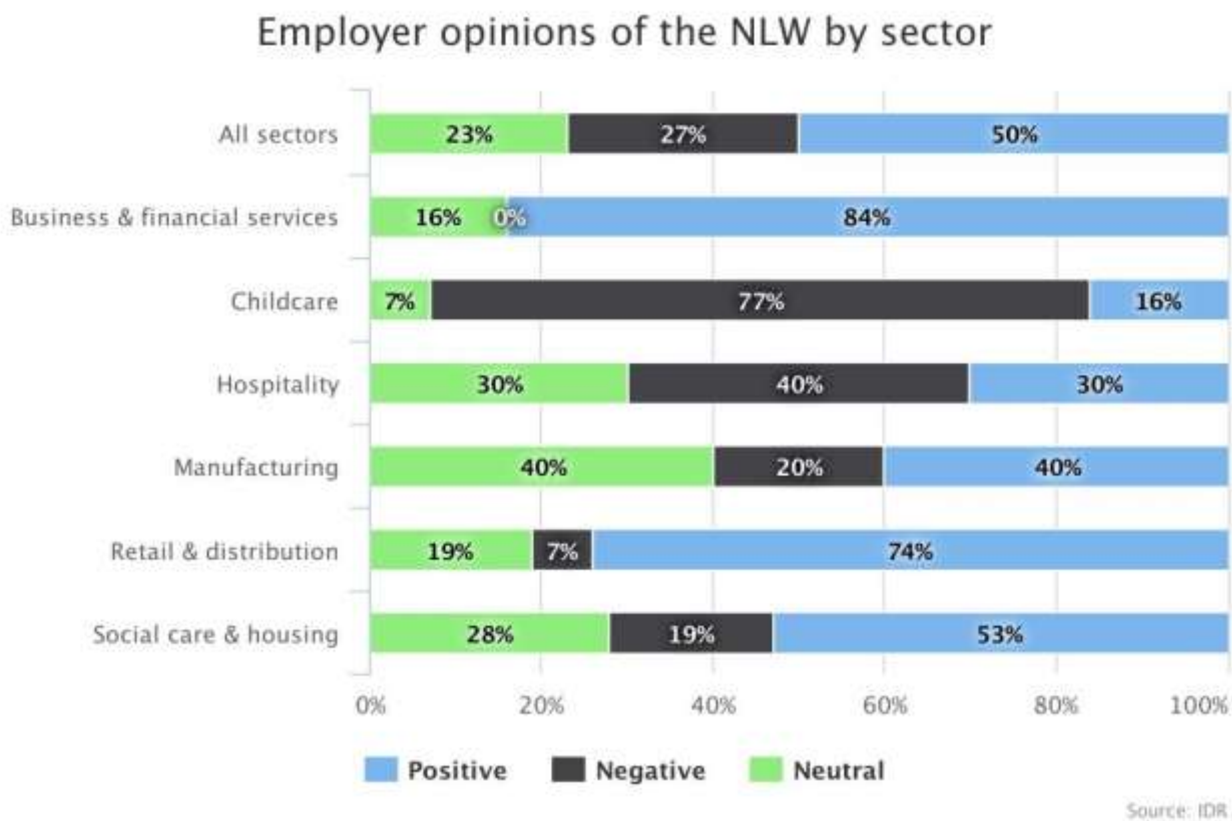


While the survey indicates that the majority of employers are planning productivity measures over the coming year, only a minority state that this is a direct consequence of the NLW at just 13% of respondents. A further 22% reported that the NLW is one factor, while 65% said they would have taken these steps anyway. The only sector contrary to this is childcare, where half say the productivity measures are closely linked to the advent of the NLW.



2.7. Opinions of the NLW

We asked employers about their overall opinion of the new NLW and overall 50% of respondents are positive about the new statutory minimum. Just over a quarter are neutral on the issue and a similar proportion are negative. A closer look at responses by sector shows that business and financial services employers and retailers are the most positive about the NLW, while employers in the childcare sector are least likely to view the NLW as positive.



A number of employers who had negative opinions of the NLW provided reasons for their response. These centered on difficulties managing wage costs, a lack of consultation and what they felt was the rapid implementation of the NLW. Extracts of comments from respondents are provided in the table below.

Table 4: Reasons for overall views on the new National Living Wage

Extracts of comments from respondents
Mostly positive
I think childcare workers should earn more than they do but as a small business I think it is very difficult for us to achieve (along with pensions, rates, VAT) without charging really high fees to customers and then potentially losing them.
We think people who are in work should be able to make a decent living.
Allows staff to be able to better provide for their family and good for [the organisation] in that it encourages recruitment and retention.
From a social responsibility perspective, we support the Government's desire to move away from a low-pay high-welfare state. However, we know that employees who work in retail are more concerned about flexible working than they are about pay and therefore the return on investment of introducing higher wages is hard to gauge.

The introduction of NLW has given us the opportunity to simplify our pay and grading structure which has indirect benefits on the company from an operational efficiency perspective. However, if other macro factors do not improve, we are concerned that the introduction of higher pay levels will have a negative impact overall, in that it could result in job losses and/or minimal growth in order to maintain margin at a level that shareholders have come to expect. From an operational perspective, announcing the new rates of pay and confirming whether NMW and NLW cycles will be aligned in October 16 with an effective date of April 17 is a short lead time and gives large organisations very limited time to make decisions and implement changes.
Fully supportive of all measures to bring fair pay to people.
Work should pay decent wages; however, it is appreciated that it could have a downside for some businesses with very tight margins. We serve retail and hospitality and if these industries decline this could have an effect on our business in the medium and long term.
Social responsibility and concern about the economic and social effects of growing inequality in the UK.
Quality staff and the cost of living; socially responsible.
Working in an industry that is historically very low paid the NLW can only be good news for staff. My staff also live and work in one of the most expensive areas in the country, housing and rental costs are astronomical.
People should be paid a wage that means they are not dependent on the state and the taxpayer.
Partially positive
Because it is so difficult to find the money to pay it. I would like to maintain more differentials based on reward for performance. Until the Government funds nurseries with an effective amount per hour taking these changes into account then no progress can be made.
My personal opinion is that it is a positive step for employees, however for not-for-profit organisations it will have a big negative impact, especially if commissioners do not increase their funding.
Creates equality amongst employers.
Positive for the employees to bring them to a level where they can live comfortably.
Positive from a colleague perspective, but some concerns based on NLW levelling the playing field on pay and how do we ensure we continue to attract colleagues if competitors pay same. We know little more on future increases to NLW ie how we get to £9 by 2020.
[We are] fully supportive of the concept of both a National Minimum Wage and a National Living Wage. We remain absolutely committed to rewarding our colleagues with a pay and benefits package that they really value, including pensions and other benefits. We believe that the initial NLW rate of £7.20 is affordable and the extra cost of this in 2016/17 will be relatively modest. However, [this] is a labour-intensive organisation and suggests that the costs of meeting the target of the NLW being 60% of the median pay by 2020 will be very challenging. [We do] have concerns around the affordability and sustainability of this policy. We believe that the NLW proposal as it stands may adversely affect staffing levels in the future. We would welcome moves to extend this

target date to 2024. This would give organisations sufficient time to adopt its income structure and phase in productivity increases required to cover the costs of the NLW.
A good idea in theory across the economy but some sectors, such as social care, will need additional help to implement it. We have not seen any impact from the social care precept yet.
No London weighting and difficult to justify the age differential.
Great to have a more realistic minimum wage but charities can't increase prices to pay for them so unless the Government instructs local authorities to increase payments to us for services we provide under contract to them we may have to use reserves or charitable funds to supplement, especially if we have to adjust salaries to retain differentials for supervisory posts.
It can drive down attrition, however in a global economy we are not seeing a level playing field where all leaders are signed up to a similar initiative, therefore we could lose out on business opportunities.
Neither positive or negative
Agree that it's right to pay a fair rate for a fair day's pay but organisations were given very little time to assess the impact of NLW and implement.
I agree with set pay standards that enable individuals to meet the costs of living in the UK. I do not agree the government approach with what is essentially age discrimination, combined with the fact that the NLW is clearly a tactic to remove lower paid individuals' ability to get top up benefits such as tax credits.
The principle is correct, but naming it NLW causes confusion between NMW and voluntary living wage.
Positive to set a minimum pay level. Negative because of the impact on role and skills level differentials.
The National Living Wage Foundation sets the living wage as £8.25 for England (£9.40 for London) and as such the Government's living wage isn't really an accurate statement, more of a step in the right direction.
Good news for staff but unrealistic for service industries - not been thought through. Okay for companies that can afford it. Government needs to increase Nursery Grant if they expect nurseries to implement it.
While it is good to see the minimum wage go up, it has not been set at the living wage level and no amount of branding will make it so.
Other changes are impacting on our business due to current government and this is something else to consider.
Partially negative
Increased cost to the business in a very competitive market means cost passed onto customers, this risks our customers looking to source meat supplies from abroad.
Timing of the NLW, makes it difficult to communicate in line with NMW. Employees finding it difficult to understand timeline. Given the difference in pay, when profits are being squeezed there is a real risk of managers only employing younger people.
Like the concept but difficult when our industry is very dependent on lots of staff and parents paying the fees. Everything has increased the costs with no additional income. Feel we should have been consulted more.

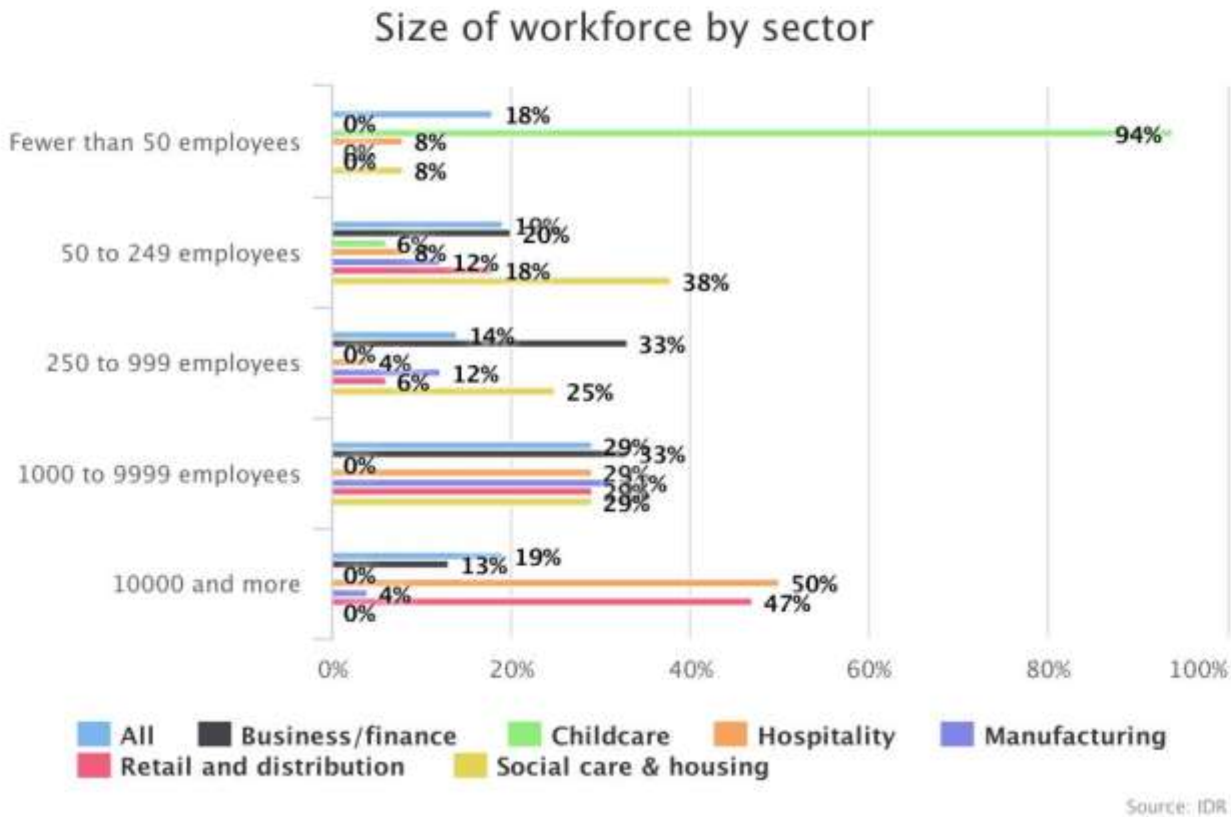
I agree with the principle to improve earnings but the government cannot give so little with one hand and take so much with the other, this is what the Government are doing in this sector. We cannot pay staff more and receive less whilst trying to invest and grow to support the childcare system. So overall I am deeply disappointed that the application of NLW has not been thought out effectively for the low-paid sectors which are heavily Government-controlled in their earning capacity.
This appears to have been poorly thought through and very quickly implemented.
There is some confusion about what the living wage is (national living wage vs the living wage). We would like everyone to receive a living wage for the work that they do and are concerned that the NLW doesn't apply to individuals under the age of 25.
It is difficult to maintain fair differentials, i.e. we would like to pay best employees more but can't.
The impact on our wage cost and the knock-on effect on our parents through higher fees.
It doesn't link properly with local authority funding, working in the care industry is hard enough funding-wise and this is added pressure.
Clever scheme to boost inflation.
Mostly negative
The government is just forcing the small business to suffer. Forcing the national minimum wages and this leads to us paying more Ni and tax. If you haven't got plan to help small business for the increase of NLW, then don't start it. It is unfair scheme to small business!
Every single one of my staff deserves the NLW, however, in this current financial climate businesses cannot afford to pay it. Some will hit survive.
I don't see a need for it and market conditions were causing wages to rise slowly anyway.
It has made it difficult to employ casual staff in the nursery due to the increase in minimum wage.
Introduced for self-interest reasons and without any consultation or thought as to its implications for employers.
Because of the way it is calculated and we are not allowed to include guaranteed shift premia in the calculation such that we are hit twice by any increase and unfair against our competitors who do not pay shift premia in the way we do. Very difficult to reduce shift premia because of Union resistance - as with the current Junior Dr. dispute.
increase in cost to the business. We feel we pay a fair wage to those who are capable. Merit increments are awarded to those who benefit the business. By implementing the NLW this erodes the opportunity for my staff to earn merit increases.
I understand the reasons for it being done, however, there is a boomerang effect, more so for small businesses who simply cannot afford this. As a result, they will increase their prices to compensate for the NLW eg little corner shop, will just have to increase the cost of stock so they can pay their staff the NLW

2.8. Organisation profile

Most of the organisations we surveyed have multi-site operations, with the exception of those in the childcare sector. Childcare employers in our sample typically operate from just a single site (72% of respondents in this sector). By contrast, the proportion of employers that have multi-site operations in other sectors ranges from 73% (manufacturing) to 96% (social care & housing) compared with a median across all sectors of 75%. Across all respondents, the median number of sites operated is five. Companies in retail & distribution and hospitality tended to operate the largest number of sites (with medians of 217 and 293 sites respectively).

The survey asked respondents how many staff they employed in total. Across the sample, respondents are roughly evenly spread across the following five categories: fewer than 50 employees; 50 to 249; 250 to 999; 1,000 to 9,999 and 10,000+ employees. (The main exception to this distribution is the 1,000 to 9,999-employee bracket, which accounts for 29% of respondents. Respondents with between 250 and 999 staff, meanwhile, account for a slightly smaller proportion of the sample than the rest, at 14%.)

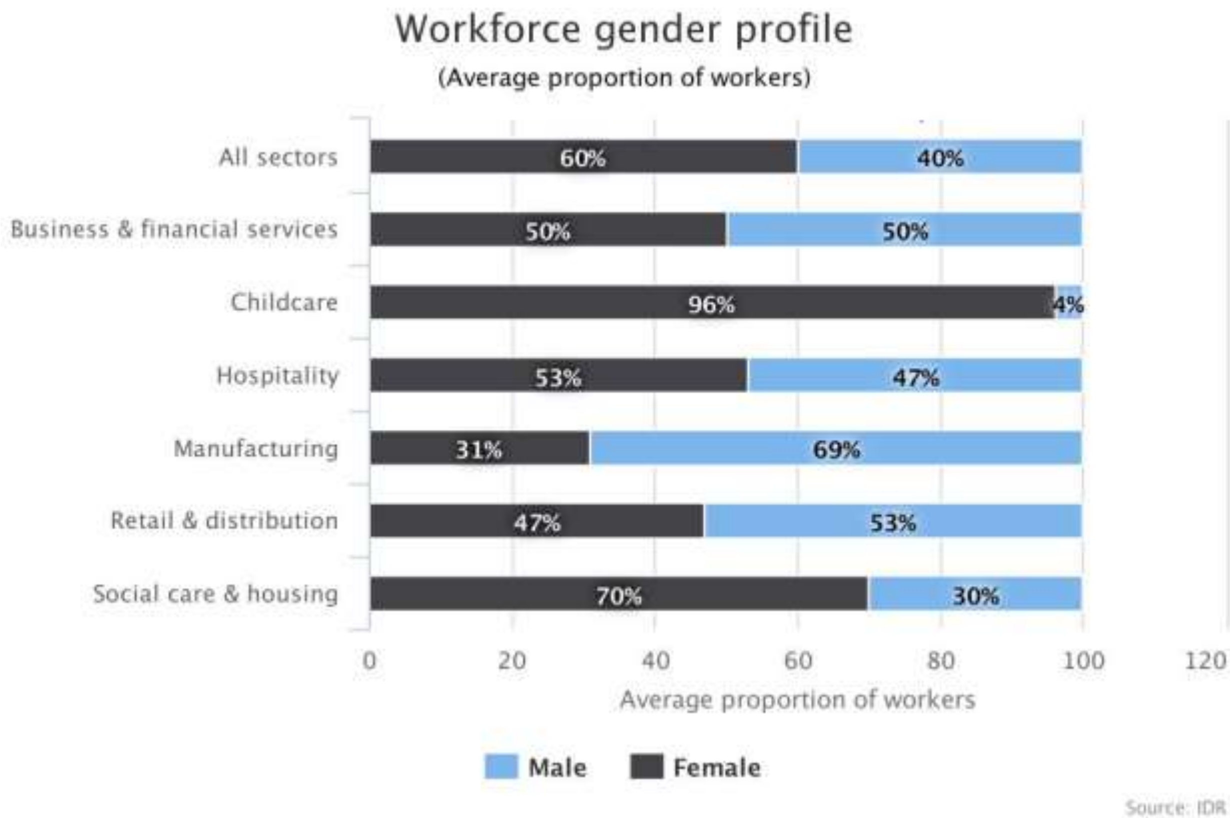
Some sectoral differences can be observed: chief among them, as illustrated by the chart below, is that the childcare sector predominantly employs small workforces of 50 employees or fewer (94% of these respondents). The largest employers, with more than 10,000 staff, are most commonly found in hospitality or retail & distribution (50% and 47% respectively).

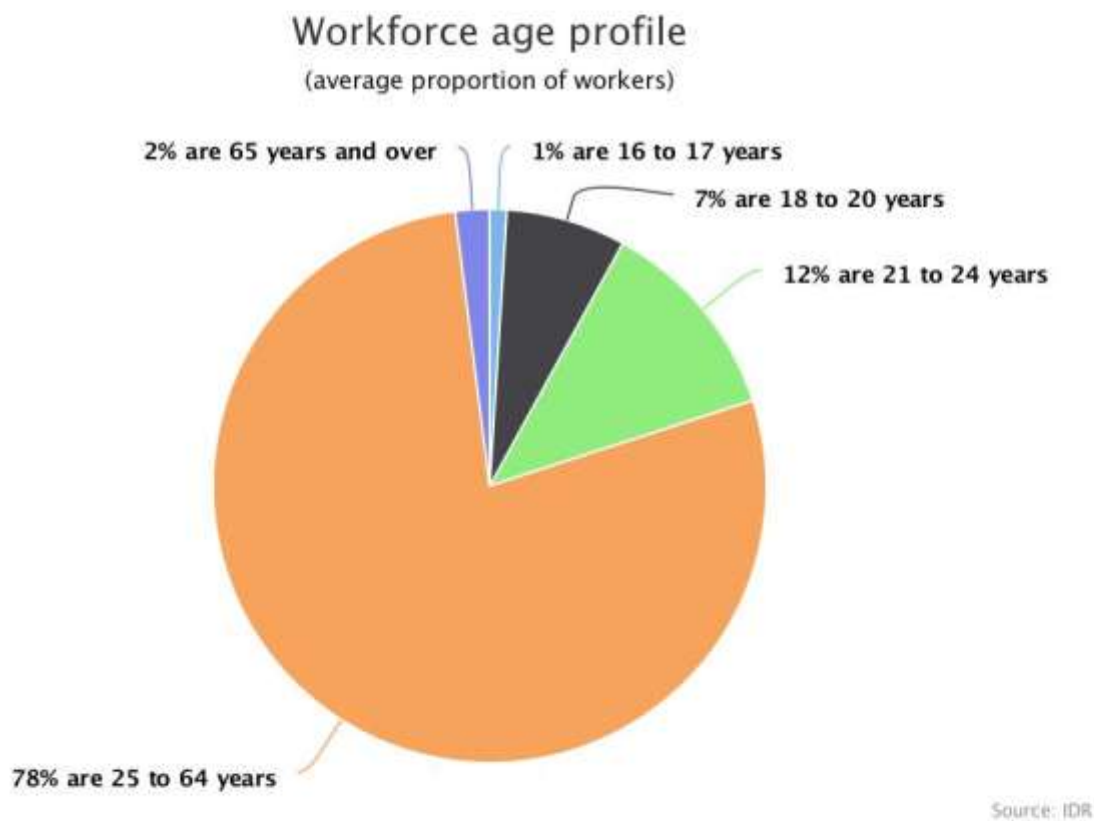


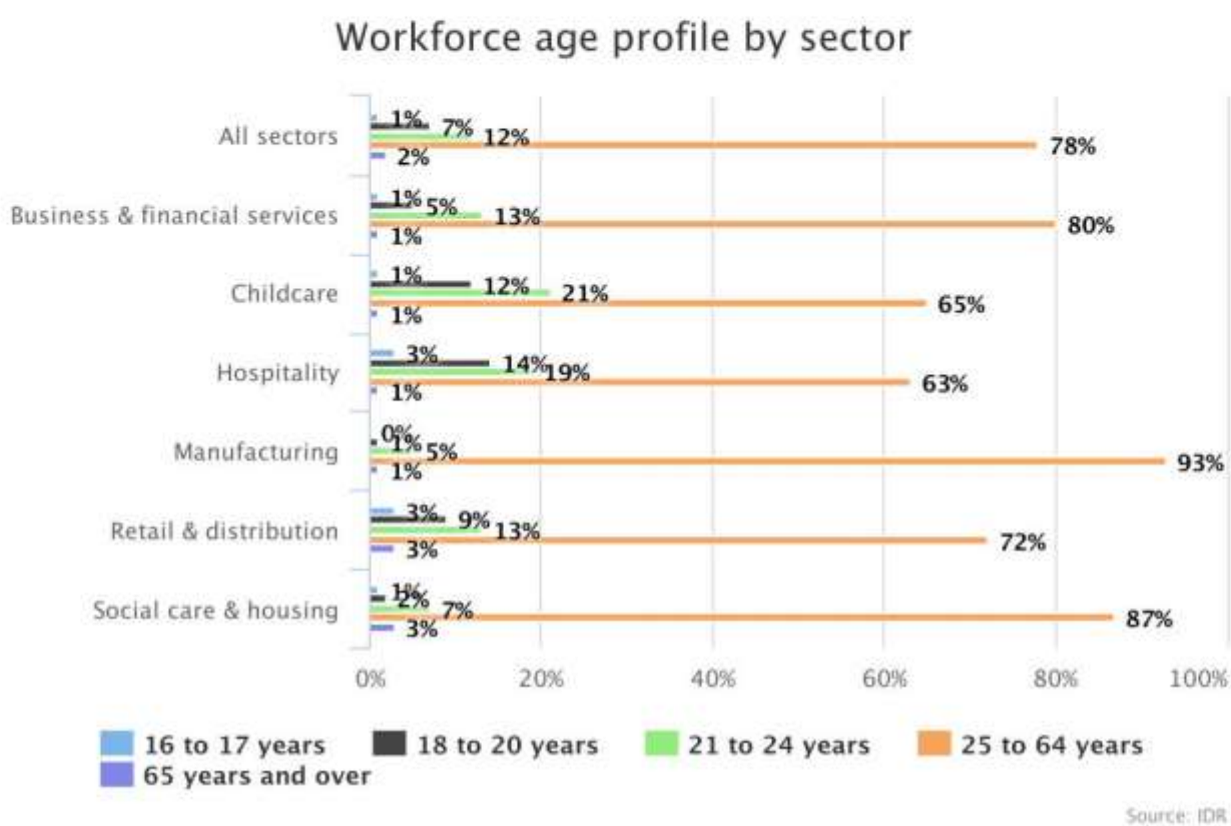
2.9. Workforce profile

Across all sectors, just over two-thirds (68% on average) of employees work full-time. There is wide sectoral variation, however. Within manufacturing and business & financial services, full-time working patterns are far more prevalent than elsewhere (an average of 88% and 86% of workers in these sectors respectively). Within hospitality, by contrast, part-time workers outnumber their full-time colleagues (52% compared with 48%), while the childcare and retail & distribution sectors also employ a comparatively high proportion of part-time workers (43% and 40% of the workforce in these sectors respectively).

Taking the sample as a whole, the average proportion of male workers is 40% however there are significant differences by sector. As the chart shows, there is a broadly even gender split within sectors such as business & financial services, hospitality and retail & distribution. Starker differences can be found in social care & housing (70% female) and manufacturing (69% male), while the childcare sector employs a predominantly female workforce (96%). Four-fifths of employees (80%) across the sample as a whole are aged 25 or over and therefore eligible for the NLW.

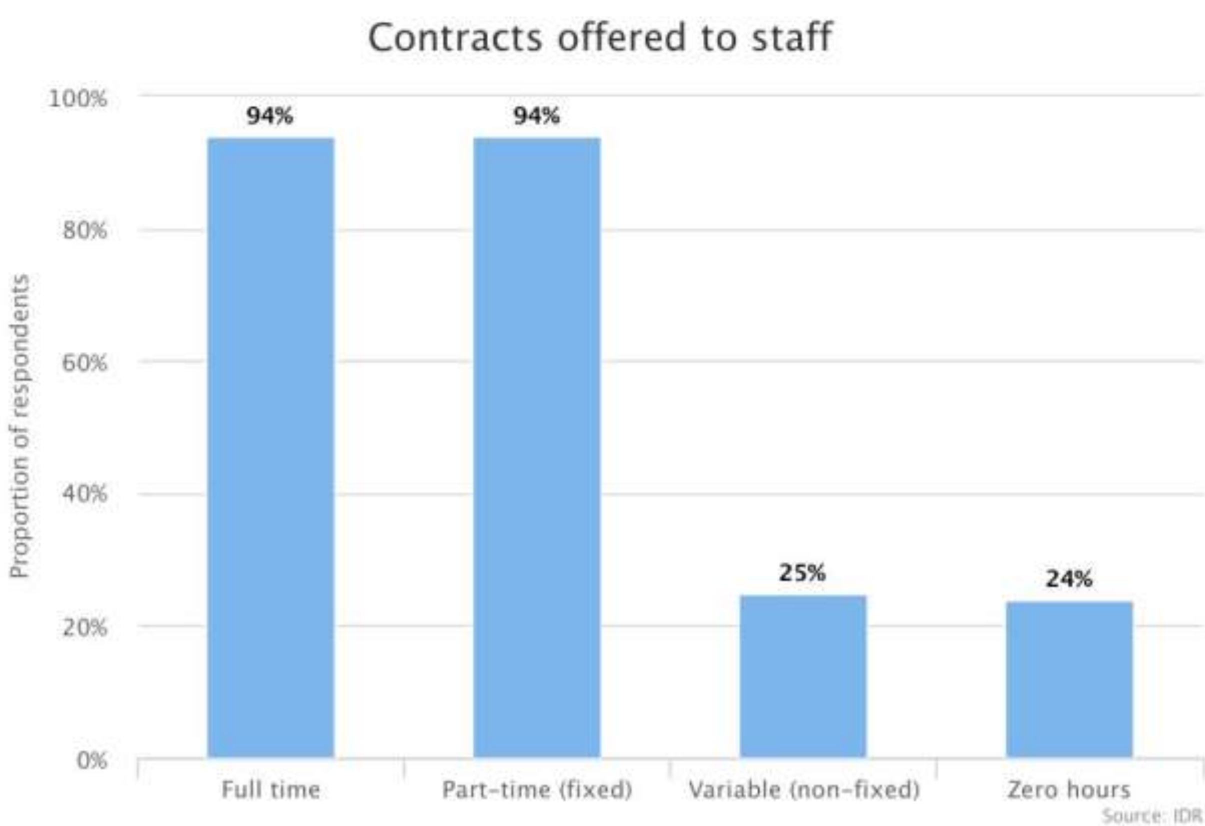

Workforce gender profile
(Average proportion of workers)
All sectors
60%
40%
Business & financial services
50%
50%
Childcare
96%
4%
Hospitality
53%
47%
Manufacturing
31%
69%
Retail & distribution
47%
53%
Social care & housing
70%
30%
0
20
40
60
80
100
120
Average proportion of workers
Male
Female
Source: IDR


Workforce age profile
(average proportion of workers)
2% are 65 years and over
1% are 16 to 17 years
7% are 18 to 20 years
12% are 21 to 24 years
78% are 25 to 64 years
Source: IDR


Workforce age profile by sector
All sectors
Business & financial services
Childcare
Hospitality
Manufacturing
Retail & distribution
Social care & housing
0%
20%
40%
60%
80%
100%
16 to 17 years
18 to 20 years
21 to 24 years
25 to 64 years
65 years and over
Source: IDR

Virtually all respondents (94%) offer both full-time and part-time contracts. Across the sample, a quarter offer minimum-hours contracts (variable hours, with the minimum set by the employer) and a similar proportion (24%) offer zero-hours contracts with no guaranteed hours.

There is wide sectoral variation in the use of variable-hours contracts, however. In business & financial services (8%), manufacturing (10%) and retail & distribution (13%), the prevalence of minimum-hours contracts is well below that of other sectors, whereas half of hospitality respondents and 43% of childcare employers offer such contracts. Zero-hours contracts, meanwhile, are non-existent among manufacturing respondents and relatively uncommon within retail & distribution (7%) and business & financial services (8%). However, almost half (45%) of social care & housing respondents and around a third (36%) of childcare employers employ some staff on zero-hours contracts.



3. Case Studies

We followed up nine employers with in-depth telephone interviews in order to obtain further detail of their responses to the NLW and to better understand the issues they face as a result of the new minimum. These were a small nursery chain, a childcare and domiciliary care provider, three non-food retailers, three large retailers and a food manufacturer.

Table 5: Case study profile summary

Case study	Region	No. of staff	% part-time	% under 25
Small nursery chain	South West	86	40%	41%
Childcare & domiciliary provider	East Midlands	33	97%	9%
Non-food retailer (1)	UK	1,700	70%	75%
Non-food retailer (2)	UK	22,666	70%	38%
Non-food retailer (3)	UK	14,000	74%	37%
Large retailer (1)	UK	89,812	55%	30%
Large retailer (2)	UK	163,000	70%	26%
Large retailer (3)	UK	310,000	82%	25%
Food manufacturer	Scotland & South East	455	11%	6%

3.1. Small nursery chain

This organisation runs three nurseries in the South West of England, employing 86 staff. The majority (80) of staff are employed as nursery practitioners, with six staff in management roles. Around 60% of staff work full-time, with the remaining 40% working on a part-time basis. All are employed on permanent contracts and there is no weekend or evening working.

A majority (59%) of the nursery's employees are aged 25 or over, which reflects the fact that the nursery places a high priority on retaining staff with both qualifications and life skills, who tend to stay for at least five to 10 years. The nursery says that it is not particularly typical of other local nursery providers in this respect, some of which use a high proportion of young apprentices and have a higher staff turnover.

Pay rates and grading structure

Table 6 shows the pay rates effective prior to 1 April 2016, following the uprating of the National Minimum Wage (NMW) on 1 October 2015. Established nursery practitioners were earning £7.06 on average prior to the 1 April 2016.

The nursery has never used age as a criterion to differentiate pay rates. It has not previously made use of the lower NMW youth rates. Starting rates are not paid for a set period but until an employee's pay is reviewed via performance appraisals, which take place every six or 12 months. It may then be increased according to qualifications, skills, performance and length of service, with the greatest emphasis on rewarding and motivating high performance.

Table 6: Nursery 1 job roles and pay rates, as at 1 October 2015

Job role	Hourly pay rate
Cleaner	£6.70
Unqualified nursery practitioner	£6.70
Nursery practitioner level 2	£6.70 (starting rate) £7.00 (typical rate for established staff)
Nursery practitioner level 3	£6.90 (starting rate) £7.21 (typical rate for established staff)
Team leader	£8.74 (starting rate) £9.04 (typical rate for established staff)
Nursery manager	£9.61

Annual pay review

An annual pay review is held in September, with the most recent review awarding a 12-month basic pay increase of 2.4%. This brought the lowest pay rate (for cleaners and unqualified nursery practitioners) in line with the NMW but also maintained differentials higher up the pay scale. Some individual pay increases were also made to reflect the annual review process.

Implementing the National Living Wage

The nursery is adjusting its pay rates in two phases to comply with the National Living Wage (NLW). From 1 April 2016 it increased the basic pay of any employee over the age of 25 and earning less than £7.20 per hour in order to comply. A total of 26 (out of 80) staff came into this category, namely any cleaners, unqualified nursery practitioners and those below nursery practitioner level 3 who were aged 25 or above, although a few nursery practitioners at level three who were earning just over £7.00 per hour also had their pay increased to £7.20 per hour. However, this is seen as a temporary measure and the decision to apply different rates by age was taken reluctantly. The pay of those earning more than £7.20 was left unchanged, therefore removing almost all differentials between all levels of nursery practitioners over the age of 25.

From 1 September 2016, the nursery intends to increase rates as follows in order to reinstate differentials to some extent:

- For unqualified nursery practitioners, the nursery will continue to only pay the NLW where the employee is 25 years of age or above – with the minimum for those under 25 increased to the new NMW rate of £6.95 per hour;
- For all level two nursery practitioners, the minimum rate will be £7.20 per hour, regardless of whether the employee is aged above or below 25;
- The minimum for Level 3 (regardless of age) has been set at £7.30 per hour, 10p above the NLW; and
- The minimum rate for team leaders will be set at £9.24 an hour

From 1 April 2017, the nursery will then implement the second uprating to the NLW (using the provisional figure of £7.64). The age-differentiated approach will no longer be used, effectively merging the pay grades for unqualified and level two staff to the level of the NLW. The Level 3 differential will be maintained relative to the provisional level of the NLW from April 2017, with the minimum increasing to £7.80 per hour. The minimum rate for team leaders will be increased to £9.50, eroding the differential between a team leader and Level 3 to £1.70 per hour (Table 7).

Table 7: Differential between level 3 nursery practitioner and team leader minimum pay rates, 2015 to 2017

	Level 3 nursery practitioner minimum £ph	Team leader minimum £ph	Difference (£)	Difference (%)
1 October 2015	£6.90	£8.74	£1.84	27%
1 April 2016	£7.20	£8.74	£1.54	21%
1 September 2016 (planned)	£7.30	£9.24	£1.94	26%
1 April 2017 (planned)	£7.80	£9.50	£1.70	22%

The usual September pay review will not take place in 2017, so rates will remain unchanged for the 12 months to 1 April 2018. There may still be some individual increases for staff based on qualifications and performance but the budget for these will be much reduced.

Overall, these changes will decrease the nursery's ability to reward performance and the attainment of qualifications. The differential between unqualified/level two nursery practitioners and level three practitioners will be narrowed but a priority has been placed on maintaining an acceptable differential between the pay of nursery practitioners and team leaders. As well as starting rates, pressures on paybill will make it much harder to reward the attainment of qualifications, skill or to reward performance in future, which was previously the nursery's main objective in how paybill was spent. It is also concerned about the recruitment outlook for qualified nursery practitioners, which it says is already very difficult.

Employee benefits and hours

Nursery employees are eligible for a range of employee benefits and incentives, including a discount of up to 40% on nursery fees for their own children, a maternity returners' bonus, free drinks, a bonus for Ofsted recognition of childcare setting, additional holidays in line with service, a cash award for attaining qualifications, on-site training days and other benefits. The nursery does not plan to remove or reduce spending on any of these benefits, seeing them as essential to staff retention and engagement. It thinks that any benefit of making savings of a few thousand pounds a year in this way from a paybill of around £1 million a year would be greatly outweighed by any negative impact on recruitment and retention, which is a major concern for the nursery. Increased problems with recruitment would necessitate greater use of agency staff, at the cost of £15 per hour.

No changes are planned to either the age profile of the workforce or working hours. The nursery states that its allocation of working hours is efficiently planned around statutory childcare ratios and it would not be possible to reduce staff hours by much even if this was desired (see *Productivity* below).

Costs

The nursery has calculated that from 1 September 2016 to 30 March 2017 the cost of adjusting pay differentials and complying with the October 2016 NMW increase will be 6.12% of the paybill for their largest location, 5.04% for the next largest and 3.26% for the smallest. This does not include the initial adjustments the nursery made to comply with the NLW between 1 April and 31 August 2016.

For the 12 months from 1 April 2017, the nursery calculates that compliance with the (provisional) NLW uprating and maintaining some differentials will add 3.8% to the pay bill at the largest site, 3.5% at the middle site and 4% at the smallest.

The nursery notes that the costs of using agency staff to cover staff absence will also increase, with agency fees up by 5% from 1 April 2016.

Funding the increases

The nursery states that, while adjusting pay in line with the NLW from April 2016 was not difficult, absorbing the costs of adjusting differentials and implementing the higher minimum in future years will be extremely challenging. An 8% increase in fees to parents is planned to take effect from August 2016, but the nursery says that will not cover the full paybill costs of implementing the NLW, decreasing the nursery's profits.

Half of the nursery's total income is from the grant paid by the local council to support the nursery to offer 15 hours a week free childcare in term time, which the nursery says has been cut by 5% from 1 April 2016. It is also absorbing the costs of implementing pension auto-enrolment, with the costs increasing over 2016 and 2017 because of the NLW and planned increase to contributions. It predicts that increases in fees to parents of at least 5% to 8% a year will be necessary to fund increases to 2020 and to "stand still".

Productivity

The nursery is planning an all-staff meeting in June 2016 to discuss the adjustments to pay and seek staff input into a wider discussion about how other savings or economies might be made.

One option would be to adopt the lower child-staff ratios (13 to one) that are now permitted for pre-school children where staff with early years teaching status are employed (the nursery has a small number of staff qualified to this level). But nursery managers have no plans to do this as they feel very strongly that this would compromise the quality of provision on which the nursery has built its reputation. It would also be difficult to do this without increasing pay for those staff members.

3.2. Childcare and domiciliary care provider

This business runs two daycare nurseries (one term-time, one 52 weeks a year) both providing early learning for children from babies to pre-school age. It also has a small home care support agency in the East Midlands. It employs 25 staff in the two nurseries and 8 staff providing domiciliary care to private clients.

Most employees (29) are not full-time; 13 work term-time only but are paid equally across 12 months. All except one are female. Out of 33 staff, 30 are aged 25 or above, with only three employees below the age of 25. All home care staff are aged over 25 and on variable hours contracts.

The home care business has been unaffected by the National Living Wage (NLW) because pay rates are already higher than £7.20 per hour. The minimum starting salary for a home care practitioner is currently £8.00 per hour, but current practitioners earn between £8.50 and £12.00 per hour depending on qualifications and responsibilities. These rates reflect the fact that homecare practitioners routinely do evening and weekend work with no additional unsocial hours premiums paid. They also reflect the fact that the business has some flexibility in what it can charge private clients.

Pay and grading (nurseries)

The two nurseries have one manager between them based at one of the nurseries then a supervisor based at the other. All staff work on fixed hours contracts except for cleaners, cover staff, and lunchtime supervisors who are on variable hours contracts.

For all nursery employees there is a single 12-point pay spine, with position decided according to qualifications and responsibilities (see table overleaf). The roles and responsibilities of staff are reviewed on an individual basis and some will be moved up a point on the pay scale to reflect this, with no formal link to performance (although the nursery says that performance is acknowledged where possible). Reviews are usually held in June or July and implemented on 1 September with any pay or role adjustments made from that date.

Table 8: Example nursery pay points for established staff, before and after 1 April 2016

Pay point	Job role examples	Prior to 1.4.16	From 1.4.16 onwards
1	Cleaners, lunchtime supervisors (roles requiring no qualifications)	£6.70	£6.70 (under 25) £7.20 (25 and over)
2	Nursery practitioner (level 2)	£6.90	£6.90 (new staff under 25) £7.20 (25 and over)[1]
3	Nursery practitioner (level 3) – standard nursery practitioner rate	£7.15	£7.20
4	Nursery practitioner (level 4)	£7.35	£7.35
5	Nursery practitioner (level 5); financial administrator	£7.65	£7.65
6	Nursery supervisor	£7.98	£7.98
10	Nursery supervisor	£8.35	£8.35
12	Nursery manager	£10.05	£10.05

[1] All employees already employed on grade 2 prior to 1.4.16 were moved up to grade 3 after this date.

The nursery decided to apply the NLW rate to all existing nursery practitioner staff, including some under the age of 25. For any new staff recruited however, the NLW will not apply for level two nursery practitioners under the age of 25. The age differentiation will not be applied for level three practitioners, who will all be employed on the NLW rate (which is only 5p more than the previous rate for that role). Two current members of staff were under the age of 25 but have been progressed to level 3 to ensure parity and will therefore receive the NLW rate.

The nursery would prefer not to differentiate on grounds of age for any new staff, but feels that they will need to do so for any new recruits for budget reasons. The nursery owner notes that the wage uplifts have caused some dissatisfaction amongst level three nursery practitioners as cleaning and other unqualified employees are now earning the same as them and there is no scope within the staffing budget to maintain the differential payments higher up the pay scale.

The nursery is currently recruiting for two new apprentices. The owner reports that this is not related to the National Living Wage but in order to backfill vacancies higher up due to two staff members leaving and others being promoted into their roles. The nursery has taken on a small number of apprentices over the past few years: these have moved up through the pay structure as they have gained qualifications or moved on to other employment if no vacant posts are available at the end of their training.

Annual pay review

For the past few years staff at both nurseries (and the home care agency detailed above) have had an annual, across-the-board pay increase on 1 September. This was worth 1.3% of basic pay from 1 September 2016.

Other changes

When the nursery completed the survey in mid-March 2016, it stated that it was currently unable to afford to implement the NLW. However, it has decided to do so by cutting the hours of those staff on variable hours contracts, which make up around 6% of the workforce. Some of the cleaning and mealtime tasks of these staff have been shared amongst the most junior nursery practitioners.

There has been no impact on employee benefits because the nursery does not offer any benefits for cost reasons. No changes to the age profile of the workforce are planned. The nursery tries to help staff with the costs of ad hoc training, especially where this is part-funded by the local authority, but has not been able to set aside a formal training budget.

Costs and funding

By cutting the hours of variable hours staff, the cost of implementing the NLW has been done in a cost-neutral way to the business. The nursery is not currently making a profit and would not have been able to fund pay increases from a working surplus. The nursery says that its profits have been decreasing because of the increases in the NMW over the past few years combined with reductions in the real-terms value of the nursery grant (to fund the 15 weeks' free childcare allowance for parents) in recent years, meaning that the nursery subsidises the free childcare hours using the income from parental fees.

There is usually a modest increase in fees to parents effective from September each year, but the nursery will be looking to increase fees by a slightly higher amount than usual in September 2016. The nursery is very reluctant to increase fees as it feels that parents cannot afford any further increases.

Future increases, productivity and costs

At present, the nursery owner does not know how future NLW increases will be funded, stating that it is not possible to increase pay further without receiving a substantial increase in the nursery grant from the council. The increase to staff costs as a result of pension auto-enrolment are also a concern.

Having already reduced the hours of some variable hours staff, the owner cannot see other ways of reducing costs or increasing productivity in some way, as the majority of other overheads (such as rent, rates and heating) are increasing in cost. The owner has the option of increasing staff ratios in line with the statutory maximum for pre-school children from 1:8 to 1:13, but strongly believes that this would not just decrease quality but decrease the safety and adequacy of care. The owner sees no scope for funding future increases through profits, believes that significant fee increases will be unaffordable for parents and cannot see any areas where efficiencies can be made. The only other option identified is to diversify, by moving into training and development, for example, or finding other ways to improve or widen the income stream.

3.3. Non-food retailer (1)

This retail company employs 1,700 staff in its UK stores, comprising of 1,300 sales assistants and 400 managers. Around 70% of staff work part-time and 30% on a full-time basis, with no staff employed on variable or zero hours contracts. A majority of part-time employees are students, some of whom join at the beginning of their studies and stay for three to four years. The workforce is around 45% female and 55% male. Approximately 75% of the workforce is below the age of 25, with 5% aged 16 to 17, 30% aged 18 to 20 and 40% aged 21 to 24.

Pay and grading structure

Most stores (depending on size) have a store manager, assistant store manager, two or three department supervisors and two or three team leaders managing teams of sales assistants. Around 80 to 100 staff across the company's stores are in team leader roles. Outside London, salaries for the 400 managerial staff are approximately as follows:

- Team leader: £17,500 minimum
- Department supervisor: £18,000 to £25,000
- Assistant store manager: £26,000 to £30,000
- Store manager: £30,000 to £45,000

For sales assistants, the company operated three minimum pay rates prior to 1 April 2016, with no differentiation on grounds of age:

- £6.95 for sales assistants in factory stores outside London;
- £7.14 an hour for sales assistants in high street stores outside London; and
- £7.86 an hour for sales assistants in London stores.

While some sales assistants receive higher rates as a result of performance-based reviews (see below), the majority are on the minimum rates above.

There are no higher rates or allowances for Saturday, Sunday or bank holiday working. Sales assistants are eligible for a range of benefits, including a company sick pay scheme, free uniform and discounts of up to 40% (factory store staff) or 30% (high street stores). Sales assistants are also eligible for a bonus of up to 10% of base salary if monthly store targets are met.

Annual pay review

Pay progression for sales assistants is on the basis of performance, with a 12-month annual performance-based pay review effective from 1 August each year. Sales assistants rated as unsuccessful are not eligible for an increase. Increases paid to good or excellent performers were typically 3% to 5% from 1 August 2015. Unless there is any requirement to uprate minimum rates in line with the NMW each October there are not usually any general adjustments to pay outside of the August review.

NLW implementation: basic rates and differentials

When the National Living Wage was implemented on 1 April 2016, the majority of sales assistants outside London saw their pay increase as most were on the minimum rates described above (all London pay rates were unaffected). Those working in high street stores outside London only saw a very slight adjustment to their pay, by below 1% from £7.14 to £7.20. However, those working in factory stores outside London received a 3.6% basic increase on the £6.95 minimum they had received since 1 October 2015, when it was increased from £6.65 (an increase of 8.3% on the rate in effect prior to 1 October 2015).

This means that there is now one single rate for sales assistants outside London, which the company describes as a welcome development as there was no real logic for paying these staff, doing the same job, different rates.

The company have made no adjustments to team leader salaries to maintain the differential with sales assistants, which will now be smaller (although only very slightly for high street store staff). The team leader salary of £17,500 is equivalent to £8.41 an hour (based on a 40-hour week) - £1.21 per hour higher than the new NLW sales assistant rate outside London.

The main issue for the company was whether to pay the National Living Wage to the 75% of the firms' workforce that is below the age of 25, which it has decided to do. It has a Europe-wide policy not to differentiate pay on grounds of age, but considered the decision carefully in view of the fact that it would cost around £100,000 over 2016/17 to implement the NLW for all staff, compared to £20,000 if only the pay of those aged 25 and over was adjusted. It was felt that introducing a higher minimum only for those aged 25 and over would have a negative impact on staff engagement but would also raise implementation difficulties over the practicalities of increasing individuals' pay once they hit the age of 25. It is unlikely that this commitment to paying the same minimum regardless of age will change in future years.

Impact on other elements of pay and benefits

The company has made no changes to employee benefits, hours of work or any other aspect of staff terms and conditions as a result of the NLW. The bonus arrangements for sales assistants will also continue.

The performance-based annual pay review due in August 2016 will be carried out as normal and award similar increases to the 2015 review, although the pay pot will be larger to account for higher salaries.

Approach to NLW in future years

The company thinks that implementing further increases to the NLW from April 2017 will be difficult and become increasingly so, with particular concern over the implications for differentials of the possible £9.00 an hour rate by 2020.

The firm does not yet have a clear picture of what the full costs will be or made any decisions about how future increases will be implemented, which means that it is impossible to state as yet whether any future increases will have any impact on either prices or profits. It is concerned about budgeting correctly for future years given that the value of future increases is unclear. The main concern is the overall increase in paybill that will result from year-on-year increases to what is now the minimum pay rate for the majority of their employees. The company wants to continue to apply the same minimum to the pay of all employees, regardless of age. It is also committed to continuing with the current performance-based approach to annual pay reviews as important, particularly as this is a global approach.

Future plans

While the company has plans to make changes to roles and responsibilities over the coming year, these are not directly related to the NLW and will not directly affect sales assistants. The company has grown rapidly in the UK over the past ten years, which has led to inconsistencies in management roles and pay between stores. Over the coming 12 months it plans to introduce a standard management structure in stores, which will require some spending on both paybill and training.

Views on the NLW

There have been positive and negative aspects of the implementation of the NLW from April 2016. On the positive side, the prompt to align minimum rates outside London has been welcome, with the company keen to maintain higher pay rates for staff based in London but pay all other sales assistants the same minimum. However, two issues are already of concern:

- **The differential between sales assistants and team leaders.** Some concerns have already been raised by team leaders about this, particularly those who manage sales assistants in factory stores who have seen their pay increase three times over the past 12 months. While differentials have been squeezed a little this year, this will need to be addressed as the NLW moves towards £9 an hour.
- **The performance-based approach to pay being undermined.** Some staff who worked to achieve a top performance rating, receiving a pay increase in August 2015 on this basis, will then have seen other colleagues catch up with them as the result of the NLW implementation from April 2016. The company is keen not to undermine the incentives for high performance, but the basic increases required by the NLW - especially in future years - will inevitably diminish the role of performance in determining pay progression.

Over the longer term, the main concern is the affordability of the year-on-year increases to paybill that the NLW will require, particularly given that the company wishes to maintain its strong commitment to paying the same rate regardless of age. These increases will come alongside the costs of implementing the planned changes to management roles and structures but also the probable need to fund changes to the way holiday pay is calculated as the result of recent case law, which the company anticipates will have very significant costs.

3.4. Non-food retailer (2)

This retail company employs 22,666 staff in its UK stores, comprising 19,810 non-management employees and 2,856 managers. Around 70% of staff work part-time hours and 30% on a full-time basis, with 1.3% of staff engaged on zero hours contracts. The workforce is around 76% female and 24% male. Approximately 38% of the workforce is below the age of 25, with 6% aged 16-17, 15% aged 18-20 and 16% aged 21-24. There are no expectations that this age profile will change over the coming period.

Annual salary review

An annual pay review is held 1 April, with the most recent review (2016) resulting in an average increase of 2%. On 1 April 2016 employees received a pay increase if they were paid below the new minimum for their grade and location. 68% of retail non-management employees received an increase.

Implementing the National Living Wage

In response to the introduction of the NLW, the company made significant changes to its pay and grading structures on 1 April 2016.

- Prior to 1 April 2016 there were 22 retail non-management grades with small pay differentials between each grade, e.g. 25p between sales advisers and supervisors. Effective 1 April 2016, the company reduced their grades to three, and introduced significant pay differentials between the grades, e.g. there is now a minimum of a 60p differential between Sales Advisers and Supervisors.
- All current retail non-management jobs were mapped to these three grades. Age-related pay applies to the roles in grade 1 (Sales Advisers) and there is now a spot rate for this grade. There is no age-related pay for the roles in grade 2 and 3 and the pay bands apply to these grades.
- Prior to 1 April 2016 a retail non-management employee's performance rating determined whether they were eligible for a flat percentage increase. With effect from 1 April 2016 the company removed the link between performance and pay, so that all non-management employees will now receive a flat annual increase regardless of performance.

Impact on other elements of pay and benefits

The company has also made changes to age-related pay in response to the NLW. Prior to 1 April 2016 the company operated three age categories: under-18, 18-20 years, and 21 and above. On 1 April 2016 the company moved to two age categories: under-21 and 21 years and above.

These age differentials only apply to grade 1 roles (sales advisors). The under-21 rate is £6 an hour. This is the midpoint of the NMW rate for 18-20 years and 21-24 years. The 21 and above rate is £7.20 an hour.

The company's approach to location pay has remained the same: there are four location categories and the location premium is built into the hourly rate for employees in premium, outer London and inner London stores. The location premiums were adjusted on 1 April 2016. There have been no other changes to terms and conditions and benefits.

Approach to NLW in future years

The company does not yet have a clear picture of what the full cost of future increases will be, and has not yet made any decisions about how future increases will be implemented. They are considering a number of initiatives but nothing has yet been communicated to the business. Given that the company made significant changes to the pay and grading structure in April, they are unlikely to make any other substantial changes in the near future. They are, however, considering the consolidation of two job roles in the next two years.

Views on the NLW

The company's views on the new NLW are mixed, although more positive than negative. From a social responsibility perspective, the company supports the government's desire to move away from a low-pay economy. However, the firm is of the opinion that employees who work in retail are more concerned about flexible working than they are about pay, and feels it is therefore hard to gauge the return on investment of introducing higher wages.

The introduction of the NLW has given the company the opportunity to simplify its pay and grading structure which has had indirect benefits on the company from an operational efficiency perspective. However, if other macro factors do not improve, the company is concerned that the introduction of higher pay levels will have a negative impact overall, in that it could result in job losses and/or minimal growth in order to maintain margins at the level shareholders have come to expect. From an operational perspective, the company is keen that the NMW and NLW cycles are aligned in order to give companies sufficient time to make decisions and implement changes.

3.5. Non-food retailer (3)

This retailer employs around 14,000 staff in 1,000 UK stores, three distribution centres and two head offices. Around one in four (24%) of its staff are aged between 16 and 20, with a further 13% aged between 21 and 24 years and the remaining 63% aged 25 or above. The workforce is around 65% female and the majority (74%) of employees work on a part-time basis. Variable or zero-hours working arrangements are not used by the company.

Pay and grading structures

Across the company as a whole, there are around 12,500 non-management staff and 1,500 managers. The company's two head offices employ colleagues on nine different job grades, from cleaners to senior managers. In the three distribution centres there are up to seven job grades, with the majority of colleagues working as distribution operatives. In the stores, colleagues work as sales assistants (by far the largest colleague group across the Company), supervisors/team leaders or store managers.

In general (with some exceptions) a broad-banded approach is taken to pay rates for staff employed on a salaried basis, while for those employed on hourly rates of pay, such as sales assistants, there are spot rates. There are a number of different variables that influence pay, including age and location. Starter rates are not used, but the company has used age-related minimum pay rates for a long time, prior to the introduction of the National Minimum Wage (NMW). The main geographical distinction is between pay rates within and outside London, although some higher rates are paid at locations considered to be recruitment and retention hotspots.

Pay rates and implementation of the National Living Wage

Sales assistants are the main colleague group directly affected by the National Living Wage (NLW), but some distribution operatives and other colleagues such as cleaners were also earning below the NLW prior to 1 April 2016. On the retail side, many supervisors were also earning below the NLW, while a very small number of managers in the very smallest outlets (around 20 to 30 across the company) were also earning around this level.

Prior to 1 April 2016, the spot rate for sales assistants aged 21 and over was the same as the NMW, £6.70 from 1 October 2015. Despite this, the majority of colleagues (59%) earned more than this, due to annual basic pay increases and/or long service or location. The Company notes that, in order to progress further, sales assistants need to be on a career path to promotion to a supervisory or management role. For sales assistants below the age of 21, lower rates apply, but these are higher than the minimum wage rates for these age groups. The rates prior to 1 April 2016 were 4.46 per hour for 16-17 year olds and £5.45 for 18-20 year olds. As with older staff, the majority of employees earn slightly more than these minimum rates.

From 1 April 2016, all staff aged 25 or above but earning less than £7.20 per hour saw their hourly pay rate uprated to £7.20. All other sales assistants received a basic pay increase of 2% from 1 April 2016. This 2% increase was also applied to the pay rates of all other staff across the company that were not directly affected by the NLW.

For supervisors or team leaders, however, a range of pay adjustments were made depending on where individuals' pay sat in relation to the NLW. A small group were earning more than the NMW but less than the NLW at that date, while some were earning at or just above the NLW and a further group were earning well in excess of £7.20 an hour (for example £10-£11 per hour). The company took the approach of seeking to maintain 80% of the previous differential between the supervisor's hourly rate and the sales assistant rate. This resulted in average basic pay increases of 4% for supervisors, although some received much higher increases than this.

There were no changes to employee benefits or hours of work linked to the implementation of the NLW. The Company says that due to years of tough trading conditions the Company does not offer some of the benefits or premium rates that some other retailers do. For example, flat rates are already paid for weekend working.

Prior to 2016, the company's approach was to have an annual pay review on 1 March, in order to take into account an assessment of affordability following on from the Christmas trading period. In the meantime it made any alignments needed as a result of changes to the NMW when necessary. It views the differing implementation dates for the NMW and NLW as highly challenging both for practical and planning reasons so is keen that the timing of the two rates is aligned.

Future plans

While the Company has chosen to take steps to maintain most of the differential between sales assistants and supervisors in 2016/17, it has told supervisory staff that it cannot presently make a commitment to maintaining the same differential with sales assistants in future years. This differential between supervisors and their teams is of key importance to the company, both in reflecting the difference in responsibility and workload that the role entails and to encourage progression and recruitment into this role.

In general the Company thinks that there is too much uncertainty about future rates to have a clear view as to how future increases will be implemented, although it is confident that it will find ways to do so. To date, increases have not been funded either via profits or from passing on increases to customers, although the company states that, alongside the costs of pension auto-enrolment and particularly the apprenticeship levy taking effect from April 2017, the costs of the NLW may make it harder for the firm to grow profits.

It sees increased productivity as essential in adapting to the NLW. It plans to increase the use of new technology and increase training and development for staff. It is looking at the organisation of staff roles and responsibilities in view of the fact that by 2020, increases in the NLW will mean that the minimum sales assistant salary will match what some of the company's store managers currently earn. The company believes that this means that sales assistants will need to be doing a very different job by this point, which will require more from them. In the longer term, however, the company raises the issue that productivity gains may mean that fewer employees are needed.

The retailer is also looking at how it might increase its intake of apprentices, reflecting both the NLW and the apprenticeship levy. To date, the company has mainly used apprentices in its distribution centres and has found that the model has not worked so well in the store environment. However it is not yet in a position to say what its approach to this, or any changes to the roles and responsibilities of staff, will be.

3.6. Large retailer (1)

This retail company employs 89,812 staff in its UK stores, comprising 77,028 non-management staff and 12,784 managers. Around 55% of staff work part-time and 45% on a full-time basis, with no staff employed on variable or zero-hours contracts. The workforce is around 58% female and 42% male. Approximately 30% of the workforce is below the age of 25, with 6% aged 16-17, 13% aged 18-20 and 11% aged 21-24.

Pay and grading structure

The table below shows the pay rates effective prior to 1 April 2016, following the pay review implemented on 1 April 2015. Established retail assistants were earning £6.92 on average prior to 1 April 2016. These rates apply to staff based outside London and other 'hotspot' locations, which attract a higher premium. Annual increases for individual staff are based in part on performance.

Table 9: Retail pay rates, as at 1 April 2015

Job role	Minimum pay rate
Retail assistant	£6.73ph (starting rate) £6.92ph (typical rate for established staff)
Team leader	£8.35ph

Annual salary review

An annual salary review takes place on 1 April, with the most recent review awarding a combined general and merit increase of 2.5% to head office and management staff, and higher increases to those closest to the NLW rate. A clear distinction was made between shop-floor roles where the NLW would necessitate a higher increase, and head office and management roles where a more 'normal' uplift would be expected. The total increase to the pay bill was 4.36%, with increases of up to 8.5% on the lowest rates of pay. This brought the lowest pay rate (for new retail assistants) above the NLW but also maintained some differentials higher up the pay scale.

NLW implementation: basic rates and differentials

On 1 April 2016 the lowest starter rate for hourly-paid employees was increased by 8.5% to £7.30 an hour. The average established rate of pay saw a similar percentage uplift, taking it from £6.92 an hour to £7.50, thus retaining the differential between the two grades. The uplift for supervisors was 2.2%, taking it to £8.53 an hour.

Approximately 30% of staff required uplifts in order to meet the new NLW rate, although this figure does not take account of the uplift those employees would have received in a 'normal' year. It is also influenced by the company's decision not to differentiate pay by age.

Impact on other elements of pay and benefits

The company has removed premiums for Sundays, bank holidays and overtime for new starters, although this was not in response to the NLW.

The company has made no other changes to employee benefits, hours of work or any other aspect of staff terms and conditions as a result of the NLW. It is considering changes to location pay, but any alterations will be informed by the market.

Approach to NLW in future years

The company is looking at re-organising roles and responsibilities in the organisation with a view to providing better jobs to match increasing levels of pay. However, no concrete plans have been made as yet.

The firm is determined not to move away from performance-related pay following the introduction of the NLW. However, it does foresee a growing pressure on the company's ability to provide scope for performance to improve. In view of this, the company is likely to place greater emphasis on addressing poor performance, in addition to rewarding good performance.

Future plans

The organisation is considering a number of steps to improve productivity over the coming year, including investment in new technology, re-organising roles and responsibilities, and taking on additional apprentices. However, any steps that are taken to boost productivity will involve all levels of the organisation, rather than focusing solely on those staff closest to the NLW.

3.7. Large retailer (2)

This retail company employs 163,000 staff in its UK stores, comprising 151,000 non-management staff and 12,000 managers. Around 70% of staff work part-time and 30% on a full-time basis, with no staff engaged on variable or zero hours contracts. The workforce is around 56% female and 44% male. Approximately 26% of the workforce is below the age of 25, 21% are aged 18 to 24 and just 5% are aged under 18.

Pay and grading structure

The table below shows the pay rates effective prior to 1 April 2016, following the pay review implemented on 30 August 2015. Established retail assistants were earning £7.36 an hour prior to the introduction of the NLW on 1 April 2016.

The company pays a separate recruitment rate to 'junior' colleagues aged under-18. This rate of £5.50 an hour typically applies for the first 26 weeks of service, after which employees are transferred to the 'competent' rate, which does not vary by age.

The company also operates five levels of location-based store premiums which are incorporated into the basic hourly wage to give five pay scales. The figures in the table below represent the lowest pay scale.

Table 10: Minimum retail pay rates, as at 30 August 2015

Job role	Pay rate
Retail assistant	£7.36ph (competent rate)
Team leader	£8.17ph

Annual pay review

An annual pay review for retail staff is held in late August, with the most recent review awarding a 12-month basic pay increase of 4%.

Implementation of the National Living Wage

The company did not make any changes to pay rates on 1 April 2016 as all eligible staff were already being paid above the new NLW rate.

Impact on other elements of pay and benefits

The company has made no changes to employee benefits, hours of work or any other aspect of staff terms and conditions as a result of the NLW. Nor are there currently any plans to make changes in future.

Approach to NLW in future years

The firm does not foresee any particular difficulties in implementing further increases in the NLW, owing to the fact that all eligible staff are already paid above the level of the NLW. The company does not yet have a clear picture of how differentials may be affected in future. Salary bands for all staff will continue to be reviewed each year as part of the annual pay review process.

Views on the NLW

The company's overall opinion of the new NLW is partially positive as it provides employees with appropriate pay rates for their roles. At present the company does not foresee any significant difficulties in applying the NLW as pay rates are already ahead of this statutory minimum.

3.8. Large retailer (3)

This retail company employs 310,000 staff in its UK stores, comprising 235,000 non-management staff and 17,000 managers. Approximately 82% of staff work part-time and 18% on a full-time basis, with no staff engaged on variable or zero hours contracts. The workforce is 57% female and 43% male. Around 25% of employees are below the age of 25, with 9.1% aged 16-19 and 15.6% aged 20-24.

Pay and grading structure

The table below shows the pay rates effective prior to 1 April 2016, following the pay review implemented on 1 July 2014. Established customer assistants on grades B and C (the most populous grades) were earning £7.39 an hour prior to the introduction of the NLW on 1 April 2016.

The company does not use age as a criterion to differentiate pay rates. Starter rates are paid to customer assistants and team leaders with less than nine months' service. The company operates five location-based pay bands, with staff in four of those bands receiving additional location-based allowances, dependent on where their store is based.

Table 11: Retail pay rates, as at 1 July 2014

Job role	Minimum pay rate
Customer assistant	£7.02ph (starting rate) £7.39ph (rate for established staff)
Team leader	£21,274pa (established rate)

Annual pay review

An annual pay review is held in late June/early July, with the most recent review (2015) resulting in a 12-month pay freeze. No individual increases were necessary on 1 October 2015 as all staff were already being paid above the level of the National Minimum Wage.

Implementing the National Living Wage

When the National Living Wage was implemented on 1 April 2016, the lowest starter rate for retail staff was increased from £7.02 to £7.20 an hour. This affected approximately 10% of staff - those on the two lowest grades, with less than nine months' service, and based in stores not eligible for location-based allowances. The overall cost to the business was approximately £1 million. No other changes to pay were implemented as the majority of staff were already receiving a minimum established rate of £7.39 an hour. The impact of this uplift on the company was minimal. The firm is, however, concerned that future increases will have a greater effect.

Impact on unsocial hours premiums

Following the introduction of the NLW, unsocial hours payments for Sunday and bank holiday working will be streamlined from July 2016. Currently, staff who joined the organisation prior to 4 September 2000 receive higher premiums for Sunday and bank holiday working. From July there will be one approach for all staff, regardless of length of service. This change will affect around 15% of current employees. The company is planning to use the money saved from this change to invest in the basic rate of pay, which is due to increase by 3.1% in July for staff in B/C grades (the majority of hourly-paid staff).

Impact on other elements of pay and benefits

Staff are eligible for a range of employee benefits and incentives, including staff discount, childcare vouchers, share schemes and a CARE pension scheme. As part of its July 2016 pay review, the company is investing a further £50 million in benefits. The key changes are to staff discounts and holiday pay:

- The staff discount card is currently available to all staff with six months' service and entitles them to 10% discount on their shopping with the company, up to a limit of £8,000 a year. With effect from July 2016, employees will be entitled to a second discount card for use by any member of their household, and the annual cap (across both cards) will rise to £10,000.
- With effect from April 2016, the company changed the way it calculated holiday pay, in excess of what is required by legislation. Previously holiday pay was only calculated on basic pay. With effect from April, holiday pay calculations were adjusted to take account of all variable pay (e.g. first aid payments). This also applies to holiday entitlement in excess of the statutory minimum.
- The company is also looking at introducing third-party deals and discounts for staff from June 2016, although this has not yet been announced.

Approach to NLW in future years

The company does not yet have a clear picture of what the full cost of future increases will be, and has not yet made any decisions about how future increases will be implemented. They have, however, modelled a range of options. The most likely scenario at the moment is that starter rates (paid to those with less than nine months' service) will be removed entirely, although this will depend on future increases to the NLW. The company does not want to compress differentials between grades, so the removal of the starter rate will be their first consideration.

Uncertainty about future increases in the NLW mean the company is now keeping all options under review. For example, it is has long been company policy that age-related pay would never be re-introduced, but it is now possible this will be considered again in future if uplifts in the NLW necessitate.

Views on the NLW

The company believes that the introduction of the NLW is positive from an employee perspective. However, having traditionally paid towards the top end of basic pay rates within the sector, the firm is concerned about how it will continue to attract and retain staff as the NLW erodes this competitive advantage.

3.9. Food manufacturer

This company employs 455 staff across four sites in Scotland and the South East, comprising 370 non-management staff and 85 managers. Approximately 11% of staff work part-time and 89% on a full-time basis, with no staff engaged on variable or zero hours contracts. The workforce is 42% female and 58% male. Around 6% of employees are below the age of 25, with 1% aged 16-20 and 5% aged 21-24.

Pay and grading structure

The table below shows the pay rates effective prior to 1 April 2016, following the pay review implemented on 1 April 2015.

Table 12: Pay rates, prior to 1 April 2016

Job role	Minimum pay rate
Production operator	£6.70ph (starting rate) £6.79ph (established rate)
Supervisor	£7.56ph

Annual salary review

An annual pay review is held in April, with the most recent review (2 April 2016) resulting in variable increases for staff and management, in light of changes to the company's pay and grading structure. The rate for the lowest grade increased by 7.5% to £7.20 an hour, in line with the new NLW. The established rate of pay for the firm's main non-management grade also rose by 7.5%, taking it to £7.30 an hour. Rates for supervisors increased by 3.8% to £7.85 an hour.

Implementation of the National Living Wage

The company introduced a new pay and grading structure on 1 April 2016 in order to balance out costs as a result of the introduction of the NLW. The total number of grades in the structure increased, while differentials between grades were reduced. The paybill cost as a result of implementing the NLW was 4.5%.

Impact on other elements of pay and benefits

Working hours for all staff were reduced from 40 to 37.5 per week, with effect from 1 April 2016. Overtime rates have also been changed for the majority of employees, reducing from T+1/2 to T+1/4. There have been no changes to unsocial hours premiums or any other employee benefits.

Approach to NLW in future years

The company intends to maintain differentials between grades in the period between now and 2020. In order to achieve this the firm will use the NLW as the base rate, and increase rates for higher grades by the monetary (rather than percentage) uplift in the NLW each year. The company also intends to streamline roles and responsibilities, although there is currently no intention to make any substantive changes.

Views on the NLW

The company is concerned that future increases to the NLW will be difficult to implement and will have a negative effect on company profits. However, the firm appreciates the benefits of raising pay to a level where its employees can live comfortably.

Appendix 1 – Detailed survey findings

i. Survey sample

Organisation size	Count	Percent
Less than 50 employees	22	18%
50 to 249 employees	23	19%
250 to 999 employees	17	14%
1,000 to 9,999 employees	34	29%
10,000 and more	23	19%
Sample	*119*	

Breakdown of respondents by sector

Sector	Count	Percent
Retail & distribution	17	14%
Fast food, pubs & restaurants	20	17%
Hotels & leisure	4	3%
Manufacturing	15	13%
Business or financial services	15	13%
Social care & housing	24	20%
Childcare	18	15%
Public sector & other voluntary	6	5%
Sample	*119*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	750	421	100
Average	10,209	8,116	1,210
Total	1,214,847	827,836	124,625
Sample	*119*	*102*	*103*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	2%	10%	85%	1%
Average	1%	7%	12%	78%	2%
Sample	*100*	*101*	*102*	*102*	*102*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	75%	25%	43%	57%
Average	68%	32%	40%	60%
Sample	*103*	*103*	*105*	*105*

Employment contracts

	Count	Percent
Full-time	80	94%
Part-time (fixed hours)	80	94%
Minimum hours (variable, with minimum set by employer)	21	25%
Zero hours (variable, with no guaranteed hours)	20	24%
Sample	*85*	

Potential change in the use of variable or zero hours contracts after 1 April 2016?

	Count	Percent
Decrease	4	5%
Stay the same	61	81%
Increase	10	13%
Sample	*75*	

ii. Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£3.96	£5.30	£6.70	£7.20
Median	£6.70	£6.72	£7.02	£7.20
Average	£6.17	£6.69	£7.30	£7.59
Upper quartile	£7.67	£7.50	£7.76	£8.00
Sample	*74*	*89*	*96*	*99*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Yes	**33**	**38%**
No	**54**	**62%**
Sample	*87*	

Duration of starter rate

	Weeks
Median	26
Average	27
Sample	*27*

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£6.70	£7.20
Median	£7.07	£7.21
Average	£7.37	£7.70
Upper quartile	£7.60	£7.90
Sample	56	56

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£6.86	£7.20
Median	£7.66	£7.74
Average	£8.66	£8.88
Upper quartile	£9.65	£9.65
Sample	69	69

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£8.17	£8.23
Median	£9.54	£9.59
Average	£10.68	£10.86
Upper quartile	£13.28	£13.28
Sample	*66*	*66*

Proportion of employers increasing rate post 1 April 2016

	Count	Percent
Starter rate	40	71%
Established rate	37	54%
Supervisor rate	30	45%

iii. Implementing the NLW

Proportion of employers implementing the NLW ahead of the statutory implementation date of 1 April 2016

	Count	Percent
Yes	30	55%
No	25	45%
Sample	*55*	

Note: based on those completing survey before 1st April 2016.

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	10	8%
Ending paid breaks	6	5%
Changes in working hours	2	2%
Introduction of age-related rates for workers under 25	11	9%
Reduction in non-pay benefits, eg pensions	3	3%
Changes to grading structures	16	13%
Maintaining/restoring differentials	16	13%
Amendments/alterations to location pay or premiums	1	1%
No changes	66	55%
Sample	*119*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	30	32%
Fairly easy	10	11%
Neither easy nor difficult	21	22%
Difficult	19	20%
Very difficult	14	15%
Sample	94	

Difficulties anticipated implementing further proposed levels of the NLW

	Count	Percent
Very easy	12	13%
Fairly easy	17	18%
Neither easy nor difficult	14	15%
Difficult	19	20%
Very difficult	32	34%
Sample	*94*	

iv. Impact of the NLW

Impact of the NLW on paybills

Paybill increase	
Lower quartile	2%
Median	6%
Average	7%
Upper quartile	11%
Sample	*34*

Potential impact of the NLW on the age profile

	Count	Percent
Yes, the age profile might change over the coming period	35	35%
Haven't decided yet	28	28%
No, the age profile will not change over the coming period	38	38%
Sample	*101*	

Direction of impact on age profile

	Count	Percent
Fewer employees aged 25 or over	3	10%
More employees aged below 25	15	50%
Both	12	40%
Sample	*30*	

Possible impact on the use of variable or zero hours contracts after 1 April 2016

	Count	Percent
Decrease	1	3%
Stay the same	25	83%
Increase	4	13%
Sample	*30*	

Note: of those that offer variable or zero hours contracts.

v. Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	25	31%
Invest in new technology	42	53%
Re-organise roles and responsibilities	56	70%
Take on additional apprentices	34	43%
Other (please specify)	10	13%
Sample	80	

Role of NLW in these steps

	Count	Percent
Closely linked	10	13%
NLW is one factor	17	22%
Would have taken these steps anyway	51	65%
Sample	*78*	

Possible impact of the new NLW on company profits

	Count	Percent
Little or no effect	42	52%
Decrease profits	39	48%
Sample	*81*	

Likelihood of price increases following implementation of the NLW

	Count	Percent
Highly likely	18	22%
Likely enough	11	13%
Neither likely or unlikely	21	25%
Unlikely	16	19%
Highly unlikely	17	20%
Sample	*83*	

Likelihood of price increases based on the advent of the NLW

	Count	Percent
Yes	23	79%
Partly	5	17%
No	1	3%
Sample	*29*	

Note: based on those that said price increases are 'likely' or 'highly likely'.

vi. Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	23	28%
Partially positive	18	22%
Neither positive nor negative	19	23%
Partially negative	12	15%
Mostly negative	10	12%
Sample	82	

vii. Business or financial services

Survey sample

Organisation size	Count	Percent
Less than 50 employees	0	0%
50 to 249 employees	3	20%
250 to 999 employees	5	33%
1,000 to 9,999 employees	5	33%
10,000 and more	2	13%
Sample	*15*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	750	685	150
Average	9,556	7,091	2,464
Total	143,334	106,370	36,954
Sample	*15*	*15*	*15*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	2%	7%	89%	1%
Average	1%	5%	13%	80%	1%
Sample	*14*	*14*	*14*	*14*	*14*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	86%	14%	50%	50%
Average	86%	14%	50%	50%
Sample	*15*	*15*	*15*	*15*

Employment contracts

	Count	Percent
Full-time	13	100%
Part-time (fixed hours)	13	100%
Minimum hours (variable, with minimum set by employer)	1	8%
Zero hours (variable, with no guaranteed hours)	1	8%
Sample	*13*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£8.20	£7.70	£8.15	£8.22
Median	£8.25	£8.25	£8.25	£8.25
Average	£7.97	£7.72	£8.11	£8.26
Upper quartile	£8.34	£8.32	£8.32	£8.32
Sample	*11*	*13*	*13*	*14*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Yes	8	57%
No	6	43%
Sample	*14*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£8.13	£8.29
Average	£8.09	£8.35
Sample	*8*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£7.96	£8.23
Median	£8.94	£8.99
Average	£8.98	£9.18
Upper quartile	£9.92	£9.92
Sample	*12*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£12.09	£12.09
Average	£12.57	£12.75
Sample	*8*	*8*

Proportion of employers increasing rate post 1 April 2016

	Count	Percent
Starter rate	5	63%
Established rate	5	42%
Supervisor rate	2	25%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	0	0%
Ending paid breaks	0	0%
Changes in working hours	1	7%
Introduction of age-related rates for workers under 25	0	0%
Reduction in non-pay benefits, eg pensions	0	0%
Changes to grading structures	0	0%
Maintaining/restoring differentials	1	7%
Amendments/alterations to location pay or premiums	0	0%
No changes	13	87%
Sample	*15*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	10	83%
Fairly easy	1	8%
Neither easy nor difficult	0	0%
Difficult	1	8%
Very difficult	0	0%
Sample	*12*	

Difficulties anticipated implementing further proposed levels of the NLW

	Count	Percent
Very easy	6	50%
Fairly easy	5	42%
Neither easy nor difficult	0	0%
Difficult	0	0%
Very difficult	1	8%
Sample	*12*	

Impact of the NLW

Potential impact of the NLW on the age profile

	Count	Percent
No	6	43%
Yes	7	50%
Haven't decided	1	7%
Sample	*14*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	7	54%
Invest in new technology	9	69%
Re-organise roles and responsibilities	7	54%
Take on additional apprentices	6	46%
Other (please specify)	0	0%
Sample	*13*	

Role of NLW on these steps

	Count	Percent
Closely linked	0	0%
NLW is one factor	1	8%
Would have taken these steps anyway	11	92%
Sample	*12*	

Possible impact of the new NLW on company profits

	Count	Percent
Little or no effect	9	75%
Decrease profits	3	25%
Sample	12	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	0	0%
Likely enough	0	0%
Neither likely or unlikely	4	33%
Unlikely	4	33%
Highly unlikely	4	33%
Sample	*12*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	8	67%
Partially positive	2	17%
Neither positive nor negative	2	17%
Partially negative	0	0%
Mostly negative	0	0%
Sample	*12*	

viii. Childcare

Survey sample

Organisation size	Count	Percent
Less than 50 employees	17	94%
50 to 249 employees	1	6%
250 to 999 employees	0	0%
1,000 to 9,999 employees	0	0%
10,000 and more	0	0%
Sample	*18*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	19	15	3
Average	23	20	3
Total	417	352	47
Sample	*17*	*17*	*17*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	10%	20%	69%	0%
Average	1%	12%	21%	65%	1%
Sample	*18*	*18*	*18*	*18*	*18*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	59%	41%	0%	100%
Average	56%	43%	4%	96%
Sample	*18*	*18*	*18*	*18*

Employment contracts

	Count	Percent
Full-time	11	79%
Part-time (fixed hours)	12	86%
Minimum hours (variable, with minimum set by employer)	6	43%
Zero hours (variable, with no guaranteed hours)	5	36%
Sample	*14*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	-	£5.30	£6.70	£7.20
Median	£3.87	£5.50	£6.70	£7.20
Average	£4.58	£5.77	£6.77	£7.28
Upper quartile	-	£6.03	£6.70	£7.20
Sample	*4*	*11*	*13*	*13*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Yes	5	36%
No	9	64%
Sample	*14*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£6.50	£7.20
Average	£6.72	£7.20
Sample	*7*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£6.96	£7.20
Average	£7.01	£7.26
Sample	*8*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£7.50	£8.00
Average	£7.85	£8.03
Sample	*10*	

Proportion of employers increasing rate post 1 April 2016

	Count	**Percent**
Starter rate	6	86%
Established rate	6	75%
Supervisor rate	6	60%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	**Percent**
Reduction/removal of unsocial hours premiums	0	0%
Ending paid breaks	2	12%
Changes in working hours	2	12%
Introduction of age-related rates for workers under 25	3	18%
Reduction in non-pay benefits, eg pensions	3	18%
Changes to grading structures	0	0%
Maintaining/restoring differentials	4	24%
Amendments/alterations to location pay or premiums	0	0%
No changes	5	29%
Sample	*17*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	0	0%
Fairly easy	0	0%
Neither easy nor difficult	1	7%
Difficult	4	29%
Very difficult	9	64%
Sample	*14*	

Difficulties anticipated implementing further proposed levels of the NLW

	Count	Percent
Very easy	0	0%
Fairly easy	0	0%
Neither easy nor difficult	0	0%
Difficult	0	0%
Very difficult	14	100%
Sample	*14*	

Impact of the NLW

Potential impact of the NLW on the age profile

	Count	Percent
No	3	17%
Yes	7	39%
Haven't decided	8	44%
Sample	*18*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	2	17%
Invest in new technology	2	17%
Re-organise roles and responsibilities	7	58%
Take on additional apprentices	8	67%
Other (please specify)	0	0%
Sample	*12*	

Role of NLW on these steps

	Count	Percent
Closely linked	6	50%
NLW is one factor	3	25%
Would have taken these steps anyway	3	25%
Sample	*12*	

Possible impact of the new NLW on company profits

	Count	Percent
Decrease profits	14	100%
Little or no effect	0	0%
Sample	*14*	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	9	64%
Likely enough	2	14%
Neither likely nor unlikely	1	7%
Unlikely	0	0%
Highly unlikely	2	14%
Sample	*14*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	1	8%
Partially positive	1	8%
Neither positive nor negative	1	8%
Partially negative	4	31%
Mostly negative	6	46%
Sample	*13*	

ix. Hospitality

Survey sample

Organisation size	Count	Percent
Less than 50 employees	2	8%
50 to 249 employees	2	8%
250 to 999 employees	1	4%
1,000 to 9,999 employees	7	29%
10,000 and more	12	50%
Sample	*24*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	9,500	4,300	400
Average	12,126	7,435	1,151
Total	291,019	81,790	12,663
Sample	24	11	11

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	14%	20%	63%	0%
Average	3%	14%	19%	63%	1%
Sample	*12*	*12*	*12*	*12*	*12*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	46%	55%	47%	53%
Average	48%	52%	47%	53%
Sample	*10*	*10*	*12*	*12*

Employment contracts

	Count	Percent
Full-time	9	90%
Part-time (fixed hours)	8	80%
Minimum hours (variable, with minimum set by employer)	5	50%
Zero hours (variable, with no guaranteed hours)	2	20%

Sample	*10*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£3.87	£5.30	£6.70	£7.20
Median	£3.94	£5.30	£6.70	£7.20
Average	£4.75	£5.90	£6.96	£7.44
Upper quartile	£5.30	£5.90	£7.00	£7.20
Sample	18	20	21	21

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Starter rates yes	3	27%
No	8	73%
Sample	*11*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£6.50	£7.20
Average	£6.62	£7.35
Sample	*7*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£6.70	£7.20
Average	£8.95	£9.38
Sample	*9*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£7.30	£7.70
Average	£8.84	£9.05
Sample	*9*	

Proportion of employers increasing rate post 1 April 2016

	Count	Percent
Starter rate	7	100%
Established rate	7	78%
Supervisor rate	6	67%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	1	4%
Ending paid breaks	0	0%
Changes in working hours	1	4%
Introduction of age-related rates for workers under 25	3	13%
Reduction in non-pay benefits, eg pensions	1	4%
Changes to grading structures	2	8%
Maintaining/restoring differentials	9	38%
Amendments/alterations to location pay or premiums	1	4%
No changes	13	54%
Sample	*24*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	3	14%
Fairly easy	1	5%
Neither easy nor difficult	9	43%
Difficult	6	29%
Very difficult	2	10%
Sample	*21*	

Difficulties anticipated implementing further proposes levels of the NLW

	Count	Percent
Very easy	1	5%
Fairly easy	2	10%
Neither easy nor difficult	7	33%
Difficult	5	24%
Very difficult	6	29%
Sample	*21*	

Impact of the NLW

Potential impact of the NLW on the age profile

	Count	Percent
No	5	45%
Yes	4	36%
Haven't decided	2	18%
Sample	*11*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	**1**	**10%**
Invest in new technology	**6**	**60%**
Re-organise roles and responsibilities	**5**	**50%**
Take on additional apprentices	**4**	**40%**
Other (please specify)	**0**	**0%**
Sample	*10*	

Role of NLW on these steps

	Count	Percent
Closely linked	2	20%
NLW is one factor	3	30%
Would have taken these steps anyway	5	50%
Sample	*10*	

Possible impact of the new NLW on company profits

	Count	Percent
Decrease profits	6	60%
Little or no effect	4	40%
Sample	*10*	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	3	30%
Likely enough	3	30%
Neither likely nor unlikely	2	20%
Unlikely	1	10%
Highly unlikely	1	10%
Sample	*10*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	0	0%
Partially positive	3	30%
Neither positive nor negative	3	30%
Partially negative	2	20%
Mostly negative	2	20%
Sample	*10*	

x. Manufacturing

Survey sample

Organisation size	Count	Percent
Less than 50 employees	0	0%
50 to 249 employees	3	12%
250 to 999 employees	3	12%
1,000 to 9,999 employees	8	31%
10,000 and more	1	4%
Sample	*15*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	1,200	800	310
Average	2,118	1,732	520
Total	31,763	24,253	7,285
Sample	*15*	*14*	*14*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	1%	4%	94%	1%
Average	0%	1%	5%	93%	1%
Sample	*13*	*14*	*14*	*14*	*14*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	95%	5%	69%	31%
Average	88%	11%	69%	31%
Sample	*14*	*14*	*14*	*14*

Employment contracts

	Count	Percent
Full-time	10	100%
Part-time (fixed hours)	10	100%
Minimum hours (variable, with minimum set by employer)	1	10%
Zero hours (variable, with no guaranteed hours)	0	0%
Sample	*10*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£6.35	£6.77	£6.89	£7.20
Median	£6.79	£7.35	£7.40	£7.40
Average	£6.77	£7.19	£7.52	£7.66
Upper quartile	£7.89	£7.74	£8.24	£8.24
Sample	*7*	*8*	*10*	*10*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Starter rates yes	1	11%
No	8	89%
Sample	*9*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£7.50	£7.50
Average	£7.54	£7.66
Sample	*8*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£9.23	£9.23
Average	£8.75	£8.85
Sample	*7*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Median	£12.65	£12.65
Average	£13.20	£13.24
Sample	*6*	

Proportion of employers increasing rate post 1 April 2016

	Count	Percent
Starter rate	2	25%
Established rate	2	29%
Supervisor rate	1	17%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	3	20%
Ending paid breaks	1	7%
Changes in working hours	2	13%
Introduction of age-related rates for workers under 25	2	13%
Reduction in non-pay benefits, eg pensions	0	0%
Changes to grading structures	5	33%
Maintaining/restoring differentials	1	7%
Amendments/alterations to location pay or premiums	1	7%
No changes	9	60%
Sample	*15*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	4	40%
Fairly easy	1	10%
Neither easy nor difficult	3	30%
Difficult	1	10%
Very difficult	1	10%
Sample	*10*	

Difficulties anticipated implementing further proposes levels of the NLW

	Count	Percent
Very easy	1	10%
Fairly easy	4	40%
Neither easy nor difficult	2	20%
Difficult	2	20%
Very difficult	1	10%
Sample	*10*	

Impact of the NLW

Potential impact of the NLW on the age profile

	Count	Percent
No	4	29%
Yes	5	36%
Haven't decided	5	36%
Sample	*14*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	5	50%
Invest in new technology	6	60%
Re-organise roles and responsibilities	7	70%
Take on additional apprentices	4	40%
Other (please specify)	0	0%
Sample	*10*	

Role of NLW on these steps

	Count	Percent
Closely linked	0	0%
NLW is one factor	4	40%
Would have taken these steps anyway	6	60%
Sample	*10*	

Possible impact of the new NLW on company profits

	Count	Percent
Decrease profits	3	30%
Little or no effect	7	70%
Sample	*10*	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	0	0%
Likely enough	1	10%
Neither likely nor unlikely	2	20%
Unlikely	4	40%
Highly unlikely	3	30%
Sample	*10*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	4	40%
Partially positive	0	0%
Neither positive nor negative	4	40%
Partially negative	1	10%
Mostly negative	1	10%
Sample	*10*	

xi. Retail & distribution

Survey sample

Organisation size	Count	Percent
Less than 50 employees	0	0%
50 to 249 employees	3	18%
250 to 999 employees	1	6%
1,000 to 9,999 employees	5	29%
10,000 and more	8	47%
Sample	*17*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	7,666	6,958	1,075
Average	42,740	37,334	4,055
Total	726,588	597,337	64,875
Sample	*17*	*16*	*16*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	5%	12%	72%	2%
Average	3%	9%	13%	72%	3%
Sample	*15*	*15*	*16*	*16*	*16*

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	74%	26%	52%	48%
Average	60%	40%	53%	47%
Sample	17	17	17	17

Employment contracts

	Count	Percent
Full-time	15	100%
Part-time (fixed hours)	15	100%
Minimum hours (variable, with minimum set by employer)	2	13%
Zero hours (variable, with no guaranteed hours)	1	7%
Sample	*15*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£6.00	£6.72	£6.73	£7.20
Median	£7.03	£7.20	£7.20	£7.20
Average	£6.65	£6.90	£7.16	£7.33
Upper quartile	£7.21	£7.26	£7.30	£7.30
Sample	*16*	*16*	*17*	*17*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Starter rates yes	8	53%
No	7	47%
Sample	*15*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£6.79	£7.20
Median	£7.00	£7.20
Average	£6.99	£7.30
Upper quartile	£7.06	£7.30
Sample	*10*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£6.92	£7.20
Median	£7.36	£7.50
Average	£7.90	£8.12
Upper quartile	£8.31	£8.51
Sample	*13*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£8.17	£8.17
Median	£8.44	£8.51
Average	£9.24	£9.39
Upper quartile	£9.22	£9.22
Sample	*14*	

Proportion of employers increasing rate post 1 April 2016

	Count	**Percent**
Starter rate	10	100%
Established rate	8	62%
Supervisor rate	5	36%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	2	13%
Ending paid breaks	2	13%
Changes in working hours	0	0%
Introduction of age-related rates for workers under 25	2	13%
Reduction in non-pay benefits, eg pensions	0	0%
Changes to grading structures	2	13%
Maintaining/restoring differentials	4	25%
Amendments/alterations to location pay or premiums	3	19%
No changes	7	44%
Sample	*16*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	3	20%
Fairly easy	3	20%
Neither easy nor difficult	6	40%
Difficult	3	20%
Very difficult	0	0%
Sample	*15*	

Difficulties anticipated implementing further proposed levels of the NLW

	Count	Percent
Very easy	0	0%
Fairly easy	1	7%
Neither easy nor difficult	4	27%
Difficult	8	53%
Very difficult	2	13%
Sample	*15*	

Impact of the NLW

Potential impact of the NLW on the age-profile

	Count	Percent
No	10	67%
Yes	1	7%
Haven't decided	4	27%
Sample	*15*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	4	29%
Invest in new technology	6	43%
Re-organise roles and responsibilities	13	93%
Take on additional apprentices	5	36%
Other (please specify)	0	0%
Sample	*14*	

Role of NLW on these steps

	Count	Percent
Closely linked	0	0%
NLW is one factor	5	33%
Would have taken these steps anyway	10	67%
Sample	*15*	

Possible impact of the new NLW on company profits

	Count	Percent
Decrease profits	4	31%
Little or no effect	9	69%
Sample	*13*	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	0	0%
Likely enough	3	20%
Neither likely nor unlikely	8	53%
Unlikely	1	7%
Highly unlikely	3	20%
Sample	*15*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	4	27%
Partially positive	7	47%
Neither positive nor negative	3	20%
Partially negative	1	7%
Mostly negative	0	0%
Sample	*15*	

xii. Social care & housing

Survey sample

Organisation size	Count	Percent
Less than 50 employees	2	8%
50 to 249 employees	9	38%
250 to 999 employees	6	25%
1,000 to 9,999 employees	7	29%
10,000 and more	0	0%
Sample	*24*	

Employees covered by the survey

	All employees	Non-management staff	Managers
Median	340	319	33
Average	651	558	87
Total	15,616	12,842	2,090
Sample	*24*	*23*	*24*

Workforce profile by age (proportion of employees)

	16 to 17 years	18 to 20 years	21 to 24 years	25 to 64 years	65 years and over
Median	0%	1%	5%	90%	2%
Average	1%	2%	7%	87%	3%
Sample	23	23	23	23	23

Workforce profile by hours and gender (proportion of employees)

	Full-time	Part-time	Male	Female
Median	70%	30%	30%	71%
Average	66%	34%	30%	70%
Sample	24	24	24	24

Employment contracts

	Count	Percent
Full-time	20	100%
Part-time (fixed hours)	19	95%
Minimum hours (variable, with minimum set by employer)	5	25%
Zero hours (variable, with no guaranteed hours)	9	45%
Sample	*20*	

Pay

Rates of pay by age

	16 to 17 years	18 to 20 years	21 to 24 years	25 years and over
Lower quartile	£3.94	£5.65	£6.71	£7.20
Median	£6.70	£7.12	£7.13	£7.31
Average	£6.09	£6.87	£7.31	£7.53
Upper quartile	£7.62	£7.68	£7.79	£7.79
Sample	*15*	*18*	*18*	*20*

Use of starter rates for new recruits (non-management staff)

	Count	Percent
Starter rates yes	7	33%
No	14	67%
Sample	*21*	

Starter rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£6.87	£7.20
Median	£7.39	£7.50
Average	£7.82	£8.08
Upper quartile	£7.72	£7.77
Sample	*15*	

Established rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£7.50	£7.50
Median	£7.92	£8.25
Average	£9.01	£9.17
Upper quartile	£9.44	£9.44
Sample	*12*	

Supervisor rate of pay pre- and post-NLW

	Before 1st April 2016	On 1st April 2016
Lower quartile	£9.43	£9.60
Median	£11.52	£11.63
Average	£12.15	£12.36
Upper quartile	£14.00	£14.11
Sample	*18*	

Proportion of employers increasing rate post 1 April 2016

	Count	**Percent**
Starter rate	9	60%
Established rate	9	75%
Supervisor rate	10	56%

Implementing the NLW

Changes implementing/planned following the NLW (combined)

	Count	Percent
Reduction/removal of unsocial hours premiums	2	8%
Ending paid breaks	1	4%
Changes in working hours	1	4%
Introduction of age-related rates for workers under 25	2	8%
Reduction in non-pay benefits, eg pensions	3	12%
Changes to grading structures	2	8%
Maintaining/restoring differentials	3	12%
Amendments/alterations to location pay or premiums	0	0%
No changes	4	15%
Sample	*24*	

Note: responses to two separate questions have been combined.

Difficulties implementing the NLW

	Count	Percent
Very easy	9	45%
Fairly easy	3	15%
Neither easy nor difficult	2	10%
Difficult	4	20%
Very difficult	2	10%
Sample	*20*	

Difficulties anticipated implementing further proposes levels of the NLW

	Count	Percent
Very easy	4	20%
Fairly easy	4	20%
Neither easy nor difficult	0	0%
Difficult	4	20%
Very difficult	8	40%
Sample	*20*	

Impact of the NLW

Potential impact of the NLW on the age-profile

	Count	Percent
No	10	43%
Yes	7	30%
Haven't decided	7	30%
Sample	*24*	

Productivity, prices and profits

Steps employers might take to increase productivity over the coming year

	Count	Percent
Extra training for staff	3	18%
Invest in new technology	10	59%
Re-organise roles and responsibilities	14	82%
Take on additional apprentices	4	24%
Other (please specify)	6	35%
Sample	*17*	

Role of NLW on these steps

	Count	Percent
Closely linked	2	13%
NLW is one factor	1	6%
Would have taken these steps anyway	13	81%
Sample	*16*	

Possible impact of the new NLW on company profits

	Count	Percent
Decrease profits	9	43%
Little or no effect	12	57%
Sample	*21*	

Likelihood of price increase following implementation of the NLW

	Count	Percent
Highly likely	6	25%
Likely enough	5	21%
Neither likely nor unlikely	2	8%
Unlikely	6	25%
Highly unlikely	5	21%
Sample	*24*	

Opinion of the NLW

Overall opinion of the NLW

	Count	Percent
Mostly positive	5	24%
Partially positive	6	29%
Neither positive nor negative	6	29%
Partially negative	3	14%
Mostly negative	1	5%
Sample	*21*	