

Non-Compliance and the National Living Wage: Case Study Evidence from Ethnic Minority and Migrant-Owned Businesses

Research Team

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EXECUTIVE SUMMARY

Aims and objectives

This study examines how small firms respond to the National Living Wage (NLW), focusing in particular on the issue of non-compliance. We investigate the concrete ways in which small firms in the ‘informal economy’¹ operate, particularly in respect of non-compliance with the NLW and other employment legislation. The study has two components: a) long established firms in low paying sectors, and b) business owners and workers from new migrant communities. We focus on the experiences of small firms in four low paying sectors: clothing, food manufacture/processing, restaurants, and food retailers. We examine the characteristics of small firms in relation to the composition of the labour force, the pay structures in place, and key features of work organisation.

Insights from previous research on minimum wage legislation

Previous research on the impact of legislation suggests that informality – in relation to the way business is run rather than participation in the informal economy - is deeply embedded in the day-to-day operations of many small firms. It encompasses features like the employment of family and kin, diffuseness over who exactly is a worker in the firm, imprecise recording of hours and discretionary approaches to pay and rewards. We can expect the NLW to arrive in a context of continuing informality and a considerable amount of ambiguity as to whether the existing National Minimum Wage was or was not being paid. It is likely that just what constitutes an hourly wage will be inexact. The flexibility of small firms that arises from informality means that they may be able to absorb some costs of the NLW; but labour-saving innovation and long-term cost reduction seems unlikely.

Researching the NLW in non-compliant (and compliant) small firms

We conducted a total of 24 case studies of small businesses and their workers, split evenly between a) long established firms in low paying sectors (clothing, food manufacture, and restaurants), and b) businesses owned by new migrant communities (primarily in retailing).

Part One: Compliance and non-compliance in depth and over time

The 12 case studies of long established small firms: are drawn from clothing, food manufacture/processing, and restaurants; occupy different competitive positions within these sectors; comprise non-compliant (eight) and compliant (four) firms. Five of the 12 case study firms were investigated by members of the research team in previous studies on the impact of minimum wage and other employment legislation on small firms.

¹ We define the informal economy as paid activity that is legal in all respects other than it is declared to the authorities for tax, social security or labour law purposes (See Williams, 2014, *Confronting the Shadow Economy*, Cheltenham :Edward Elgar)

Part Two: New migrant business owners and workers

The second element of the research comprises 12 case studies of migrant business owners and workers. These firms were studied in 2010 by members of the research team as part of a broader study of the business practices of recently arrived migrant employers and their workers. All firms were non-compliant with the NMW in 2010; but we find that three firms are now complying with the NLW. This element of the study is therefore also longitudinal; and it features firms that are compliant and non-compliant with the NLW too.

Detailed qualitative interviews were conducted with the owner and a worker in each firm for both phases of the study, amounting to 48 interviews. The interviews established the competitive position of the firm and covered issues such as the impact of the NLW on pricing, profits, productivity, and staffing decisions. Workers were interviewed to obtain a complementary perspective on the impact of the NLW on working practices.

Patterns of response to NLW

Our findings are necessarily inconclusive because many firms are still grappling with ways in which they can absorb the costs of the NLW and the impact it is having on different aspects of the business (for example, recruitment and retention). Economic uncertainty further compounds the competitive position for many firms, with Brexit identified as a cause for concern by many business owners. Nonetheless, we can indicate three broad patterns of response.

Firstly, we find that firms that complied with the NMW continue to pay the NLW. Compliance for these firms is often seen as a necessary feature of operating in a particular market niche; and it is also instructive that the owners of such firms are often intent on pursuing strategies of firm growth rather than steady-state survival. But it appears that the NLW is proving more difficult to accommodate than the NMW because of the rate of the increases and the tough competitive environment.

We also find firms that are struggling to comply and are having to make changes to recoup the cost of the NLW by finding savings elsewhere in the business. There are instances of firms that have removed overtime payments, reduced staff and cut training budgets. Owners in this group find few benefits in paying the NLW and are uncertain of how they will cope with upratings in the future.

Thirdly, many firms in both parts of the study do not comply with the NLW. The boundary between compliance and non-compliance is blurred. One factor is the ambiguity over the status of workers in many firms. Firms appear to employ some workers at the NLW; but many also engage 'helpers' at below the NLW as and when the firm requires them. These helpers are integral to the operation of these firms. This structure of employment is one reason why non-compliance continues to exist. A second reason is that the risks of being penalized are felt to be low, not least because employers have little fear of complaints from

workers. None of the business owners were aware of the measures that HMRC have taken recently to step up enforcement and deter non-compliers. A third factor is the reluctance of workers to report non-compliance, largely because of the nature of their relationship with the businesses. These relationships are often based on strong personal ties, which serve to militate against overt resistance by workers. Acceptance and accommodation therefore characterise employment relationships in these firms, rather than overt exploitation. Fourthly, there continues to be a supply of labour, of illegal or undocumented workers, and such supply may become increasingly important if the pool of legal migrant labour is restricted after Brexit.

1. INTRODUCTION

This study examines how small firms respond to the National Living Wage (NLW), focusing in particular on the issue of non-compliance. We examine long established firms in low paying sectors and more recently formed businesses owned by new migrants. Analysis by the Low Pay Commission (LPC) ‘broadly supports the view that the NLW is a substantial change for the labour market, business and workers’ (LPC, 2016).

Early evidence (D’Arcy, 2016) of employer responses takes the form of a broad-brush coverage of sectors, with little attention to the concrete experiences of owners and workers in small firms. Studies have yet to address the particular issue of non-compliance with the NLW.

We investigate the concrete ways in which small firms in the ‘informal economy’² operate, particularly in respect of non-compliance with the NLW and other employment legislation. The study has two components: a) long established firms in low paying sectors, and b) business owners and workers from new migrant communities.

There are four main objectives. First, we assess the actual experiences of small firms in low paying sectors: clothing, food manufacture/processing and restaurants. We examine the characteristics of small firms in relation to the composition of the labour force, the pay structures in place, and key features of work organisation. We consider sector-specific practices of pay and leave, as well as other fringe benefits and paths of progression for workers within the firm.

Second, we investigate the relationship between the level of the NLW and informal/illegal working. We examine reasons for non-compliance, awareness of NLW, changes in management practices (if any), and recruitment practices (for example, shifts in the age composition of the workforce.).

Third, we assess both employer and worker experiences in the context of broader work relationships and conditions. The extent to which the NLW has an impact on firms in the informal economy requires an understanding of the context of the firms and their particular product and labour market circumstances. To this end, it will be important to compare employers’ views of the NLW with the actual operation of the business.

Fourth, we compare ‘compliant’ and non-complaint firms (in both components of the project). It is important to note that there is no sharp demarcation between the ‘formal’ and the ‘informal’ economy. A key task will be to assess how firms operating informally are ‘connected’ to the NLW. We examine the extent to which considerations of the NLW filter through to the actual practices of employers. Non-compliance can be a subtle process rather than a deliberate strategy. It reflects the market context, trajectory of the firm, labour market and the nature of the employment relationship.

² We define the informal economy as paid activity that is legal in all respects other than it is declared to the authorities for tax, social security or labour law purposes (See Williams, 2014, *Confronting the Shadow Economy*, Cheltenham :Edward Elgar)

Report Structure

In the next chapter, we review prior research on non-compliance and the NMW to provide an indication of the likely context in which NLW has been introduced. A key theme is the notion of ‘informality’ as it has been applied to small firms. We then present the methods and provide a profile of the 24 case studies investigated in the research. The following chapter on findings is split into two: part one focuses on the experiences of 12 long established firms, five of which we have studied in previous work; part two comprises case studies of 12 migrant business owners and workers, whom we also investigated in 2010. We offer some conclusions in the final chapter.

2. NON-COMPLIANCE AND THE NMW

As noted in the Introduction, this study has a very specific remit: to look at compliance or non-compliance among small firms in competitive sectors, and to relate practice to the context of the firm. In this chapter, we briefly survey what is known from prior research. We do this by first providing a composite picture of a firm, then explaining variations on the theme and finally summarising what we might expect about the context of firms in the present study.

The Informal Firm

There is of course no such thing as a typical small firm. But it is useful to identify an ‘ideal type’, that is a representation of some central features. We derive this type primarily from our own prior research (e.g. Ram *et al.* 2001; Arrowsmith *et al.*, 2003; Tsai *et al.*, 2007) but also some related studies (notably Moule, 1998). Of firms in the present study, SajCo in the years around 2000 would come close to exemplifying the pattern.

The fundamental point concerns the informality of firms – not in the sense of whether they are in the informal sector, but in relation to the ways in which the firm is run. This theme runs through many parts of the operation. Firstly, there may be no sharp divide between owner and employee, with many workers being family members who carry out tasks as and when they are needed. Non-family workers may also be hired on a casual basis to perform specific tasks, and they come and go as demand for their work fluctuates rather than having any permanent status with the firm. Secondly, work organisation tends to be fluid, with few or no formal job descriptions and little by way of computerised systems of process control or output measurement. An analysis of the 2004 Workplace Employment Relations Survey found, for example, that only 5 per cent of small (5-49 employees) firms had a job evaluation system, as against 22 per cent of large ones; and in sectors including restaurants the figure was zero (Edwards, 2012: 155).

Thirdly, informality carries over to the employment contract. Although written terms and conditions of employment have been a legal requirement since 1963, many marginal firms do not see the need for these. As for wages, these may be expressed in terms of a daily rate or a payment for a particular task rather than pay per hour. Hours tend not to be recorded at all, or recorded very incompletely. Thus it was found in relation to the NMW that actual hours are likely to exceed those recorded, with the result that a worker was in fact being paid less than the legal minimum though the worker might not be aware of this fact (Ram *et al.*, 2007).

There is one element of simplicity in this complex picture: bonuses, merit pay and other forms of incentive pay are very rare. Thus what is paid for a day or week is likely to represent actual earnings, so that one would not need to factor in bonuses to compute total pay.

A key question when the NMW was introduced concerned differentials: would raising the floor of pay mean that wages further up the pay structure be raised to compensate? Our evidence in small firms suggested in general not (Gilman *et al.*, 2002). This was because

there were few formal pay structures and hence no specific mechanism through which differentials might rise; in addition, of course, the lack of collective bargaining meant that there was no channel from the workers' side. This fact, together with the wider informality of roles, meant that firms had some capacity to absorb the NMW, as long as its level was not seriously disruptive.

Workers tend to accept the world in which they live. They generally have few skills and qualifications, and they may be recent migrants to the country. They know that they are working in low-wage jobs and that they can be readily replaced. They also recognize the position in which employers find themselves so that the relationship with the employer is often one of 'shared misery' rather than subjugation. The employer is likely to be seen on a regular basis, so that there is none of the distance between 'manager' and 'worker' that characterizes the large firm. As for the organization of work, they value the day-to-day discretion that they are given together with an absence of rigid start and finish times. As a result of all of this, they do not necessarily or even normally see themselves as low-paid, and they may not articulate demands for better pay. They will accept such that workers in other settings might question. We studied for example a relatively large firm (100-plus employees) and found that even here workers did not question how pay was set or think that there might be a system of job grades, performance reviews, and other standard personnel practices (Edwards *et al.*, 2009). Employee acquiescence in small businesses and in particular in ethnic minority ones has been particularly relevant on the NMW because, until 2015, enforcement has been almost entirely complaint-driven. An important research question, therefore, is whether the shift towards targeted, risk-assessment based investigations (from 5,247 investigated workers, 20 per cent of total, in 2014-15 to 68,290, 70 per cent of total, in 2016-17 (BEIS, 2017) is promoting different responses in these businesses.

Research on the small firms sector as a whole (Forth *et al.*, 2006; Storey *et al.*, 2010) underlines an apparent paradox of low wages, limited promotion opportunities and few formal employment rights (e.g. collective bargaining is virtually absent) but also high levels of commitment and job satisfaction. The resolution of this paradox lies in two things. The first comprises the familiar themes of low expectations and self-selection. Low expectations would mean that workers lack education and thus have narrow views of what they can achieve. Self-selection means that workers have some kind of preference for small-firm jobs, with satisfaction being the result of this effect rather than something that would arise if a random sample of workers went to such firms. These ideas provide some purchase, though they can be mechanical in implying, respectively, that expectations are a fixed aspect of people's psyches and that people actively choose jobs rather than being constrained by circumstance. Research on low-wage jobs in fact finds that people generally do not find out about wages and the conditions of work until they have begun work (Toynbee, 2003). The second resolution of the paradox is the set of personal relationships that characterise the small firm. These offer some real benefits, as indicated above.

A final key issue concerns drivers for change. Much discussion of minimum wages, reflected strongly in the reports of the LPC since its inception, concerns their 'shock effects' such as productivity improvement. The overall evidence is mixed, and in the context of the small

firm in competitive industries the effect may be unusual. Firms lack the time and resources to seek out new strategic opportunities, and they may prefer to rely on tested methods. Shock effects can certainly occur, but they tend to work when there are ‘elective affinities’ (Edwards *et al.*, 2003) between what a firm is doing in any event and the arrival of the shock, as at PatCo. Research on SMEs and regulations have pointed at the varied effects, in terms of both threats and opportunities, and specifically at the role of external support networks to alleviate the former and maximise the latter (Kitching *et al.*, 2015; Kitching, 2016). With specific regard to minimum wage regulations, in the US, where there are longer time series and there is regulatory variation among states, some research has detected correlation between the strictness of regulations and actual enforcement (Galvin, 2016), which raises research questions on the possible effects of recent reinforced implementation in the UK.

One feature of the market context is key. Firms tend to be in very competitive markets and they thus lack the ability to raise prices to meet cost increases. This is clearly true in much of a sector such as restaurants, but it is also commonly the case in the manufacturing sector. Food producers, for example, often depend on supermarkets and they can find themselves under intense pressures on prices and also quality and delivery times.

Variations

Small firms are not fixed in their characteristics. Several have evolved into relatively large and successful businesses. Of the present sample, PatCo exemplifies this most strongly. It has grown in size and also formalised its employment arrangements, with a standard suite of its employment practices including formal job descriptions. It is commonly argued that moves towards high value-added products, together with expectations from large customers, drive such developments. Forces of this kind certainly exist, but they are not always determinant. We found for example in a study of food manufacturers almost no overall association between product market situation and employment practices (Edwards *et al.*, 2010). In one telling contrast, two firms that were not only in similar markets but were also geographically close and run by people of the same ethnic background had very different employment practices. Such differences reflect managerial choice, which is possible because the links from external context to internal practice are weak. We have for example found firms that have a large part of their business with supermarkets, but which are under very little pressure in terms of how they run their firms; indeed much pressure is in terms of price, which, in companies with limited capital and research and development resources, tends to encourage cost containment rather than modernization.

An important, and rarely noted, implication here concerns the trajectories of firms. A common story is one of growth and modernisation. This may characterise specific firms, but many will choose to stay small for lack of ambition or out of choice. And those that grow will be replaced as new firms are created. We cannot, then, assume any overall tendency to modernization. The evidence is that new firms emerge to populate the market niches left by old ones (Ram *et al.*, 2016), so that informality continues to characterise the sector at any one point in time.

Firms can also evolve ‘downwards’ as well as ‘upwards’. In our research on the impact of the first National Minimum Wage, we found some firms moving towards the ‘grey market’, in that they could not afford the NMW and thus chose to move further from the formal economy than they had been initially (Arrowsmith *et al.*, 2003). Such moves are likely to occur where product markets offer few alternatives and where owners lack the skills to reposition the firm.

Economic variation of small businesses is complemented by variation in their workforces. Research by the Joseph Rowntree Foundation (JRF) has shown that exploitative labour conditions are more likely in businesses with concentration of migrant labour (such as the ethnic businesses covered by this research) and high use of agency and subcontracted labour (JRF, 2014). Gender is also relevant: not only do women make up a large majority of minimum wage earners, but research shows that even if the UK minimum wage has had little or no negative effects on employment, it has caused employment losses for one particularly vulnerable group, women working part-time (Dickens *et al.*, 2015). This may cause part-time women, similarly to migrant workers, to be more acquiescent in case of minimum wage violations. Previous research has also shown that the role of women in the ethnic economy is one of the main pillars of these labour intensive sectors. The higher vulnerability in the market of these firms makes businesses more reliant on family support, which blurs the boundaries between work and household dynamics (Ram, 1994; Villares-Varela, Ram and Jones 2017). Ethnic minority firms tend to be male dominated and rely on the cheap or free use of female labour force of female family members (*ibid*).

Conclusions

We can expect the NLW to arrive in a context of continuing informality and a considerable amount of ambiguity as to whether the existing NMW was or was not being paid. To the extent that hours are not recorded accurately, work requirements are unspecified, and workers are employed as-and-when, just what constitutes an hourly wage will be inexact. We can also expect that firms will in general not be sensitised to productivity improvements that may offset the costs of the NLW. They tend to lack the necessary resources. Past evidence suggests that many survive as best as they can, by absorbing costs and perhaps changing their business model to cut costs. Some may move towards the grey market. Few will have the scope to raise prices.

The context is the scale of the NLW. As the LPC has shown, the ‘bite’ of the NMW (the minimum rate as a proportion of median earnings) in 1999 was 45.7 per cent, rising to 52.4 per cent in 2013. That of the NLW is estimated at 56 per cent. The proportion of small firms as a whole affected by the NMW was also twice that in the economy at large, and the impact in highly competitive sectors will have been even greater. We might thus expect a considerable effect on our firms in terms of costs. Their flexibility means that they may be able to absorb some costs but at the same time a push towards labour-saving innovation and long-term cost reduction seems unlikely.

3. RESEARCH METHODS AND DATA SOURCES

We adopt a case study approach to examine the concrete ways in which small business owners respond to, or evade, the NLW. Case study analysis often faces the issue of ‘typicality’ or ‘representativeness’. Yet all particular situations possess idiosyncrasy, which potentially compromises the transferability of findings (Schofield, 2000); and the notion of the ‘typical’ small firm is chimerical (Edwards *et al.*, 2002). Nonetheless it is possible to select cases that strengthen the basis upon which wider claims are being made. First, we locate the firm in its context, so the NLW is examined in relation to the myriad other pressures that shape employer practices and responses. The findings contain thick descriptions and illustrations of contextual influences in operation. Second, we examine the impact of the NLW in a range of market and business contexts, in line with ‘multiple case logic’ (Eisenhardt, 1991) often advocated in qualitative research. Finally, we generalise about *processes* involving small business, rather than about all small businesses *per se*. We elaborate below upon the implementation of these principles in the two elements of the research.

Part One: Compliance and non-compliance in depth and over time

The first element of the research includes 12 case studies of small firms in four low-paying sectors: clothing, food manufacture/processing, food retailing, and restaurants (See Table 1).

Eight of the firms fail to comply with the NLW, whilst four respect the regulation. A number of factors informed the selection of the case firms.

Age

The extent to which responses to the NLW are qualitatively different to the NMW is an objective of the present research. Part One of the project addresses this question in two ways. First, we focus on small firms that have operated for a minimum of ten years, which enables us to explore how owners responded to the different waves of minimum wage legislation. Second, we have investigated five firms in the sample of 12 on a number of occasions over the last 20 years (See Table 1) as part of research on the impact of the NMW and other employment regulations. DodgeCo, PatCo, SajCo and SweatCo were interviewed before and just after the introduction of the NMW in 1998, and again in 2004; MoonCo was studied in 2004. Each of these studies involved intensive research with repeat visits to the firm. This longitudinal dimension allows us to investigate how the NMW and the NLW have influenced firm behaviour over a period of time. It also offers insights into whether the NLW is viewed differently to the NMW, and how firms might respond to further upratings.

Table 1: Profile of longstanding firms

Firm	Sector	Year Established	Employees 2017	NLW Status	Previously researched
DodgeCo	Clothing mfg	1980	2	Non-compliant	ESRC 1998; LPC 2004
SweatCo	Clothing mfg	1982	10	Non-compliant	ESRC 1998; LPC 2004
PatCo	Food mfg	1993	68	Compliant	ESRC 1998; Dep't Trade and Industry (DTI) 2002
MoonCo	Food mfg	1968	20	Compliant	DTI 2002
SajCo	Restaurant	1970	6	(recently) Compliant	ESRC 1998; LPC 2004
BalCo	Clothing mfg	1985	7	Non-compliant	N/A
CromCo	Restaurant	2005	6	Non-compliant	N/A
HaCo	Restaurant	1998	12	Non-compliant	N/A
ItCo	Restaurant	2002	20	Non-compliant	N/A
Supmkt 1	Supermarket	1992	97	Compliant	N/A
Supmkt 2	Supermarket	1985	30	Non-compliant	N/A
Supmkt 3	Supermarket	2000	18	Non-compliant	N/A

Sector

Previous research shows that sector shapes the scope for informality in the workplace as well as determining the overall conditions faced by the firm (Arrowsmith *et al.*, 2001). It is likely therefore that NLW effects will vary across sectors. We chose four sectors where the NLW might be expected to be salient: clothing, food manufacture, food retailing and restaurants. Clothing is a manufacturing sector undergoing intense overseas competition. The emerging 'Fast Fashion' industry is characterised by: asymmetric power relations between buyers and

manufacturers, a shift of a considerable part of manufacturing into the informal, non-compliant, economy, and weak enforcement of regulations (Hammer and Plugor, 2015). Hospitality (including restaurants) is traditionally a low-paying service sector with issues including avoidance of the NMW by under-recording the hours actually worked (Ram *et al.*, 2001). More ‘positive’ implications may be an encouragement to more efficient use of labour, particularly in the relatively up-market parts of these sectors. The food manufacturing/process sector faces cost pressures from supply-chain relationships in addition to the perennial challenges of competition and low pay. Recent LPC research (D’Arcy, 2016) shows that the wage bill in food processing rose more as a result of the NMW than other low paying sector like cleaning or retail. Food retailing is another classic low-paying sector in which many ethnic minority and migrant communities operate as owners and workers (Ram and Jones 2008)

Market Conditions

We also sought variation within sectors to examine how common conditions are mediated differently within firms. Research suggests that product market conditions and links with customers shape the type of employment relations to be found within small firms (Arrowsmith *et al.* 2001). But it also shows that the connections are far from automatic. For example, we studied SajCo at the time of the first NMW (Ram *et al.*, 2001) and it appeared to be an ‘up-market’ restaurant. The owner described his business as ‘leading edge’ in terms of ‘quality’, ‘service’ and the nature of the clientele. Yet further investigation revealed considerable ‘informal’ working practices, including ‘cash in hand’ payment, non-existent recording of hours, and wages below the NMW. It is possible to explain such patterns but they emerge only through the research process: the nature of the employment relations in a given small firm may differ sharply from first appearances. We revisit SajCo in the present research. Our four restaurants, SajCo, ItCo, CromCo and HaCo are specialists in ethnic cuisine; but their product market circumstances are different in important respects. SajCo and ItCo are high-end city centre based restaurants. CromCo is located in a semi-rural market town and insulated from city centre competition. HaCo is a mid-range eatery and operates from a run-down inner-city area with numerous fast food outlets. The three clothing firms – BalCo, DodgeCo and SweatCo – are non-compliant, but they operate in different market niches: BalCo is an importer and exporter and uses comparatively sophisticated marketing methods. DodgeCo wholesales garments to local market traders; and SweatCo produces small runs of promotional wear. The two food manufacturers, PatCo and MoonCo, supply ethnic food to supermarkets. PatCo is a longstanding market leader run by an entrepreneur intent on growth and technological investment. MoonCo’s products are mid-range, and the owner’s approach is more reactive and survival-oriented. The three supermarkets in the study are located in deprived areas; one (Supmkt1) complies with the NLW, whilst the other two are non-compliant. The three supermarkets are each part of retail chains with other branches in the city and wider region.

Gaining access into small firms to undertake potentially sensitive research of this kind can be challenging. We used three individuals, each with their own myriad contacts, to conduct the interviews. They included a member of the research team and two freelance researchers with

experience of working with the University. This is a form of ‘chain referral sampling’ (Penrod *et al.*, 2003), which is an approach that draws respondents from a variety of networks rather than just one (as in the case of snowball sampling). Detailed qualitative interviews were conducted with the owner and a worker in each firm, amounting to 24 interviews. The interviews established the competitive position of the firm and covered issues such as the impact of the NLW on pricing, profits, productivity and staffing decisions. Workers were interviewed to obtain a complementary perspective on the impact of the NLW on working practices. This is important since our previous work has shown that exclusive reliance on owner-manager accounts of working practices is likely to be problematic. We have found that the owner-managers' views on the effect of legislation may not always be shared by employees, nor consistent with actual practices in the workplace (Edward *et al.*, 2002).

Part Two: New migrant business owners and workers

This element of the research focuses on migrant business owners and workers (see Table 2). We concentrate on this group because a) extant studies tend to focus on migrant workers in large firms, rather than migrants who work in enterprises run by fellow migrants; b) large (Centre for Entrepreneurs/DueDil, 2015) and small (Hall *et al.*, 2017) migrant-owned businesses are a growing presence in the UK, yet few studies have examined the actual working practices of such firms (Edwards *et al.*, 2016 is an exception).

We chose to revisit a sample of firms from a broader study of the business practices of recently arrived migrant employers and their workers conducted in 2010 (Edwards *et al.*, 2016). That study examined 49 business owners and 60 workers (more than one worker was interviewed in some of the firms). About 60 per cent of our sample of workers (37 respondents) claimed to be in receipt of the National Minimum Wage. At the time of interview, this was set at £5.80 per hour. Even this return could be exaggerated since our workers could have claimed to be in receipt of their legal dues so as to protect their employer. Assessing compliance is rendered even more difficult because of the imprecise ways in which hours worked were calculated. Working time was expected to correspond with customer demand rather than pre-set times. In line with other evidence on low-paid work in small firms (Edwards *et al.*, 2009), there were no bonuses or incentive payments. Overtime, moreover, was rarely paid for extra work, with additional working hours seen as an accepted part of working life.

Table 2: Profile of New Migrant Businesses

Firm	Sector	Year Established	NLW Status	Employees
LO1	Retail (food)	2005	Non-compliant	25 (15 FT and 10 PT)
LO2	Retail (clothes)	2005	Non-compliant	2 FT and 1 PT
LO3	Retail (food)	2006	Non-compliant	4
LO4	Retail& Money transfer	2006	Non-compliant	4
LO5	Retail (food)	2005	Compliant	4
LO6	Retail& Money transfer	2006	Compliant	4 employees and 3 helpers*
LO7	Retail (IT)	2006	Non-compliant	2 employees and 2 helpers
LO8	Retail (IT)	2006	Non-compliant	2 employees and 2 helpers
LO9	Retail (food) & Restaurant	2005	Compliant	13employees (7FT, 3PT and 3 casual)
LO10	Retail (food)	2005	Non-compliant	6 (4FT and 2PT)
LO11	Retail (food& clothes)	2009	Non-compliant	1 FT
LO12	Restaurant	2006	Non-compliant	127

*Helpers are workers who are engaged, often on a regular basis, without contracts when the need arises. They are usually paid below the NLW and cash in hand.

Given the focus on non-compliance in the present research, we chose to examine 12 firms that failed to pay the NMW in 2010. The interviews with business owners revealed that three firms (LO5, LO6, LO9) were now complying with the NLW, which allows us to examine the processes that facilitated this transition. We classified the firms according to four competitive market positions in 2010, and we drew on each category to complete our present sample of 12. The four classifications were 1) Fast track 2) Thriving 3) Satisfactory 4) Struggling. These terms were chosen to capture the essence of the firms' condition rather than a prescribed formula. Thus 'thriving' indicates a living standard ample but falling short of the self-enrichment achieved by the fast trackers and described by the owners themselves in such terms as 'very happy with the revenue', 'very comfortable living standard'. 'Satisfactory'

conveys the notion of entrepreneurs 'making enough to get by' but often at the cost of long working hours. As might be expected, 'struggling' describes those in a constant battle for survival, with 'difficult to make ends meet' a frequent refrain. Of the 12 chosen firms, four were struggling in 2010 (LO1, LO2, LO4 and LO5), six were in the satisfactory category (LO3, LO6, LO7, LO8, LO10, LO11) one was thriving (LO9), and one was experiencing fast growth (LO12). The present research is able to assess the extent to which there has been a change in the performance of the 12 firms between 2010 and 2017.

FINDINGS

PART ONE: THE NLW IN LONG ESTABLISHED FIRMS

1. BUSINESS STRUCTURE AND PERFORMANCE

Although the four restaurants in our sample of long established firms specialise in ethnic cuisine, their geographic location, market position and ownership structure shape the performance of the business in a variety of ways. Two restaurants, SajCo and ItCo, are strategically located in the city centre so they can attract customers prepared to pay premium prices for distinctive cuisine. *It's that fine dining experience in the city centre so we can attract the city folk who are happy to pay more*³ (Owner, ItCo). The owner of SajCo – a firm followed by the researchers since the late 1990s (see extended case description, Box 1) – laments the increase in competitors from *two of us in our niche* in the early 1990s to the *lots of other places* in the environs in 2017. The momentum has increased since the late 2000s, as the owner of ItCo, established in 2005, notes, *a lot more restaurants are opening up ... in the city centre* and one of the biggest challenges is *getting customers in, because there are so many restaurants to choose from in the city centre*.

Box 1. SajCo: Competition and Decline 1998-2017

SajCo, first investigated in 1998, operates in the 'quality' end of the market and prides itself on culinary distinctiveness. It is nearly 50 years old and had few direct rivals up until the mid-2000s, when there was a rapid increase in competition. The period between 1998 and the mid-2000s was marked by expansion and a change of ownership. The restaurant had been bought out by the manager (who had effectively run the business for the last 20 years). He made a number of changes, including relocating the restaurant, and was in the process of negotiating the purchase of another business. Turnover had grown by a third, and the number of staff increased from five to ten full-time workers, and three to six part timers. Growing market competition since the 2000s has resulted in a reduction of full-time workers to six.

The owner identified three main developments since the last interview in 2004.

1. From growth to retrenchment

In 2004, SajCo had undergone significant growth in the previous five years and had ambitious plans for further expansion. The owner consciously distinguished his restaurant from the proliferating, price-sensitive 'Balti' end of the market. His focus was on *food, service and ambience*. This was particularly important since *customers are more discerning now. Anything that's new, people want to go to* (Interview 2004). But competitors entered the market,

... There's obviously been a lot of competition for us because everybody has caught up with what we were doing ... At one stage there were only two of us in our niche and now there's [lots of] other places ... We were ahead of time at one stage (Interview 2017).

The owner claims that allowing *skilled* workers into the country was a major factor behind the growth in competition,

³ Short quotations from interviewees are italicised. Longer quotations are indented in the text

The government made it a lot easier with work permits, bringing skilled people from abroad. It was in everybody's scope then to open new places. So, a lot of people invested their money and opened restaurants because the biggest problem opening restaurants before was getting proper staff, skilled staff (Interview 2017).

2. Increasing cost of raw ingredients

The cost of food ingredients has increased dramatically whilst the capacity to increase prices is severely constrained. *Since 2004, they've more than doubled. And you can't double your prices. We've just had 4 to 5 per cent increase across the board in the last six years.* (Interview 2017).

The increase had reduced profits which could only be tolerated by the owner being in the fortunate position of owning the restaurant premises rather than paying rent,

We're obviously not making as much profit as we used and secondly, we compare our prices to a lot of the competitors, so, we need to keep in line with them. It's because I own my own building, otherwise I think I wouldn't be surviving because we don't have to pay rent. That's our biggest saving (Interview 2017).

3. Payment of NLW

The owner claims that the NLW is a *big thing* because workers cannot be relied on to work hard or stay with the business,

The permanent staff are fine because they're all above [the NLW] ... Part time waiters [are] not worth the money. It might take you a couple of months to train them then they're worth the £7.20/£7.50 an hour. You have to teach them but once you've taught them, they bugger off anyway, so you haven't had your money's worth so that has been a problem. You can pay somebody £7.50 an hour if they're worth it but if they can't even pick up a plate and you spend six weeks teaching them, and you're still paying them ... Obviously, they want a minimum number of hours as well ... (Interview 2017).

Steep increases in the price of raw materials – noted by food manufacturers, supermarket owners and restaurateurs - exacerbate competitive pressures. HaCo and CromCo are both well-established mid-range **restaurants** located in markedly different areas. CromCo, in existence for a decade, operates in a remote, semi-rural village and relies on family members to manage and sustain the business,

My wife and son don't have set salaries, we put everything into the business and we don't really need to take much out. This is our livelihood, they can't expect a salary otherwise there wouldn't be a business (CromCo, Interview 2017).

Several other family members and friends provide casual help during busier periods,

Around Christmas maybe, we might ask a family [member] or friend ... to join for that period. They come in for a short period, maybe a day or a week and that's it. They get paid for the day or week (CromCo, Interview 2017).

CromCo's location means it relies heavily on a loyal group of customers, *we're in a local village area so people from [the surrounding areas] will have to drive at least 15-20 minutes to get to us. Loyalty!* Some rival restaurants had appeared in recent years, but not sufficient to dent the firm's customer base or profitability, *there isn't much competition around here so we*

can charge slightly higher.

HaCo too is family-owned and run. The owner's *brother is the cook, cousin is in charge of operations and nephew is in charge of waiters.* But its market position contrasts sharply with CromCo because of its inner-city location, which is a fertile territory for competitors; *previously, we were the 'go to' place in the area if people didn't want fish and chips, now you can pick 10 different things.* HaCo also relies on a loyal band of customers accumulated since it opened in 1998, *we've just hung on to our loyal customers ... we're hoping our customers tell others too.* The owner's use of *cash in hand, using helpers, under/not recording of hours, no contracts and no benefits* is also crucial to its survival.

The two **food processing** firms from the sample – PatCo and MoonCo - manufacture ethnic foods for supermarkets. But a number of key differences influence their capacity to operate in a highly competitive market dominated by powerful supermarket chains. First, PatCo (see Box 2 for extended case description) has a clear and distributed management structure which allows the owner, Lloyd, to pursue a strategy for growth and market leadership. MoonCo has much less managerial capacity. The owner has some administrative support, but comparatively little other assistance in the management of the firm. He spends much of this time on the shopfloor and assembly-line. Second, Lloyd's ambition to be the market leader was articulated to the researchers when he was first interviewed in 1998. He has always regarded the company as 'leading edge' in term of the uniqueness of the product, 'authenticity', technology, and training. These qualities helped him to establish a foothold in supermarket supply-chains at an early stage of the firm's development. In contrast, MoonCo's approach to the market is more reactive and its product range is not particularly distinctive. MoonCo began supplying supermarkets by accident when one firm's original supplier went out of business and it was approached to take on the contract. It moved from catering for small independent shops to its current position of supplying 85 per cent of its production to main supermarkets.

Box 2. Patco: Market Strategy and Competitive Position

Established in 1993, the company is a specialist producer of a particular ethnic food product (curry patties). It operates in a profitable (in 2002), up-market niche supplying a number of major supermarket chains. In 2002, 'Lloyd', the owner, had a management team of five employees; the rest of the 34-strong workforce largely comprised of assembly workers. In 2002, annual turnover was £1.6 million, an increase of £400,000 from the previous year. The company was in the top 100 inner city firms measured on growth in turnover (Financial Times 18/11/01). Employment in 2017 has increased to 68 staff and turnover is approaching £4 million a year. Production has also increased. *In the early days, we used to produce around about 1000 patties an hour and now our production is about 5000 products an hour* (Interview 2017).

The owner has always regarded the company as 'leading edge' in term of the uniqueness of the product, 'authenticity', technology and training. Lloyd elaborated on the meaning of leading edge in relation to the management of people:

Leading edge in terms of people means trying to get a highly motivated [and] highly trained workforce which work in an environment that will enable us to produce more efficiently. And incorporated in that is the training aspect and the contract of employment. If you have got a bad contract of employment you are not going to retain staff to move forward to leading edge employment. And they need a reasonable contract in which to work for you but they also need a reasonable working environment ... (Interview 2002).

Lloyd believes that PatCo still occupies this market leading position,

We still are number one in the industry for making patties ... We're number one in terms of making volume, staffing and we class ourselves as having a high volume delivery structure. We can turn the volume on at very short notice and deliver and increased volume ... Less so with my competitors ... I guess that's what gives us the edge on most people. So, the strategy that I've always put in is barrier to entry, so I'm trying to put a barrier all the time so that basically if a competitor wants to come in, then ... they'll have to put all the infrastructure in to just take me on as it is (Interview 2017).

Continual change is a feature of the business (Interview 2002). The impetus for this was twofold: the owner had a goal of being the largest supplier in his field and the pressure for change in the market place:

We're also driven by the market. Once you get into one supermarket, it's easier to get into others ... It's like being on a treadmill, you can't get off. As you grow, you are forced to employ more specialist people and the pressure grows ... The rapid growth at the start was quite easy ... Now we have to work harder. We need to employ a sales force, we need to become more cost-conscious; we need to look at equipment and people to see if we can cut costs (Interview 2002).

Eighty-five per cent of the company's turnover is accounted for by the major supermarkets, 13 per cent is with van sales, and 2 per cent per sales direct to the public. The company has consistently invested in new plant and machinery to save on labour costs, and in the words of the owner manager, *to get the volumes to supply the supermarkets* (Interview 2002). It invested £50,000 in 2001, and £550,000 in 2007.

PatCo's main challenge is trying to secure price increases from the major supermarkets,

The main challenge I face is dealing with the multiples. They don't want price increases, they want everyday low prices ... We've had increases in the wages in successive years ... The last time we had a price increase was 2012 (Interview 2017).

Lloyd copes by investing

£100,000 a year in capital equipment and that's to make us smarter, better and more efficient ... Next 12 months, we're committed to around about £300,000 investment. New oven, new wrapper, a new mixer ... But you get to a certain level where you can't do any more investment and you are where you are. And I think it's all about negotiating a price increase on a more regular basis. (Interview 2017)

Both owners remark on steep increases in the price of raw materials (nearly 25 per cent last year in MoonCo's case) and the reluctance of supermarkets to agree price rises,

The supermarkets have a lot of power and it has been increasing over the last few years ... The problem that we have is, it once took us three years to negotiate a price increase with Asda, that was in 2008. We negotiated another in 2012 and we haven't been able to negotiate one since. We've been supplying Tesco for 10 years and we haven't had a price increase. With Sainsbury's, we've not had a price increase ... (MoonCo, Interview 2017).

PatCo's response involves continual investment and an aggressive growth strategy (see Box 2). But MoonCo has *had to look at cost cuttings so we had to invest in some machinery to reduce our workforce, we're down to 20 now from about 25.*

The three (non-compliant) **clothing** firms in the sample – BalCo, DodgeCo and SweatCo – operate in a similar manner despite different market niches. BalCo is an importer and exporter; DodgeCo wholesales cheap fashion items to market traders; and SweatCo (see Box 3 for extended case description) makes small batches of promotional wear. All are family-owned and run, non-compliant with the NLW, and in prolonged decline.

Box 3. SweatCo: Still Surviving Underground

SweatCo is a family-run business that first opened in the early 1970s. The current owner assumed control of the firm after the death of his father in the late 1980s. Other members of the family, including a brother, sister, brother-in-law, and cousin are amongst the firm's 10 employees. The figure is down from 50 in 2000 (and 30 at the time of second interview in 2004). This sharp reduction was largely attributed to foreign competition, which prompted a switch in the firm's operations from manufacture to importing.

Manufacturing is steadily dying in this country. Although we are selling more jackets, the majority have been bought from abroad and imported here. We buy them from agents. Therefore, there has been a move from manufacturing to importing. For example, a garment made in the Far East may cost £6; the labour costs alone here would be in excess of £5. As a consequence it's prohibitive to make them here on a large scale. The Far East is supplying good garments very cheaply (Interview 2000).

When SweatCo was first investigated, it had resorted to *grey market* practices in a desperate attempt to accommodate an increasingly difficult market environment. This included below NMW pay rates and cash-in-hand payments. The company relies heavily on family members (as managers and homeworkers) to sustain this way of operating. Market developments at the time of the second interview accentuated the firm's reliance on family workers, *it's an obvious advantage because it's family. It's a matter of trust. You won't get conned by anyone- you're working for a common goal* (Interview 2000).

The firm's modus operandi is much the same in 2017. It operates in largely the same niche and is non-compliant with the NLW and other regulations. Family labour (immediate and extended) remains prominent and is central to accommodating the vagaries of the market and evading the NLW. As the owner of this third generation family business remarks,

The advantages [of family] are you trust them, they're blood. They do as they're told and they don't cost you anything (Interview 2017).

But succession is an issue because the sons of the proprietor – the third generation – are engaged on an ad hoc basis and are pursuing their own careers. The owner questions their commitment: *The disadvantage is they don't really care, they just follow an order and do it, rather than thinking about the bigger picture* (Interview 2017).

The manufacture of garments comprised 60 per cent of the firm's output in the late 1990s; the figure dropped to 10 per cent in 2004, and remains at the same level in 2017. The owner observed in 2004, *it's been drastic. We've changed from being manufacturers to selling a few promotional items ... Manufacturing businesses are winding down now* (Interview 2004). The firm's primary customer base of market traders had been severely eroded as a consequence of competitive pressures arising from a variety of sources.

At an international level ... it's mostly China, and national level ... it's all from chain stores like Matalan. They've come and wiped out the market traders. Market traders have been priced out by Matalan and Primark who sell cheaper than them (Interview 2004).

Cheap imports from Eastern Europe were the principal competitive threat in the late 1990s, but this was replaced by low cost merchandise from China in the early 2000s. The company responded *by reducing the number of machinists because the garments are too dear to make here* (Interview 2004)

It survives today by concentrating on a narrow range of promotional wear, *whereas our competitors focus on wider retail clothing* (Interview 2017). Brexit is a matter of concern:

The financial climate [is an issue]. This will affect the cost of our raw materials and with more consumers worried about their income, they will have less to spend on clothing (Interview 2017).

DodgeCo started as a father and son operation in the mid-80s, with the son assuming full control in the late 1990s. The firm wholesales a wide-range of clothing wear. Its fortunes have waxed and waned. The 1980s were profitable, and staff numbers grew rapidly from one to ten; turnover doubled in a matter of a few years. This growth led to the development of the business into market trading and the opening of two retail outlets. However, during the course of the 1990s, the company experienced intense competition from a combination of cheap imports and the proliferation of wholesalers located in adjacent areas. The market trading operation was wound down, and by the late 1990s the two retail shops were closed. One part-time and one full-time worker remain. This was the number reported in 2004 and remains the same in 2017. Casual workers are often employed to load and unload merchandise. *We employ them all the time. If we have a big container coming in, we'll find an immigrant and pay him £10/15 for to unload 100 boxes or whatever needs to be done.* The company survives by offering cut-price clothing, primarily to market traders. It was very difficult to cope with this type of competition. The owner was attempting to diversify into property as a means of securing an additional source of income. He has focused on adding to his property portfolio since 2004 rather than developing the business. He complained that *our margins have got smaller and smaller. Customers have become even more demanding ... Costs of importing and taxes are rocketing.*

BalCo has operated since the 1980s as a family business and is now in its third generation. Younger family members are full-time employees and *focus on the website, social media and sales.* Manual work is undertaken from co-ethnic workers or recent migrants because, *immigrants ... have a good attitude, they're here for the money.* The firm operates in a shrinking market dominated by small local and national firms. Coping strategies include the use of cheap migrant labour, and family control of management and technical positions like social media. The company has used PR agencies and social media to promote its merchandise. SweatCo is not active on social media, and employs a small number of sewing machinists on piece-rate basis (below the NLW). It also utilises casual workers in a similar vein to BalCo.

The three **supermarkets** in the study are parts of different retail food chains with multiple stores. Family members play a crucial role in the management of the businesses, as the case of Supmkt 1 demonstrates,

The first cousin of the company manager is the key person in charge of the business and is responsible for the day to day running of this branch ... The rest of the family are in charge of other sectors within the business. For example, some are responsible for the groceries department, by making sure that the shelves are well stocked ... ,

Others are responsible for overseeing the employees in the butcher shop are up to their responsibilities; to observe health and safety in the business in the dairy products/juice products and in the alley ways, whilst others are helping customers with their queries to locate products and helping to escort them to the whereabouts of the products (Supmkt 1, Interview 2017).

The *commitment and accountability* (Supmkt 2) of family members is important, which in the case of Supmkt 3, means that they are trusted to travel *to the continent to procure goods, make orders and recruit workers*.

The three supermarkets operate in deprived areas and often compete for the same customers, largely on price,

Our competition ... has greatly intensified and has become ... and aggressive [because] of the growing number of migrants and concentration of migrants in and around ... densely populated part of the [City]. This has resulted in many small, medium and large size businesses being established to serve the needs of migrants, and so many of these businesses compete ... customers etc. So low income customers and those unemployed and on benefits are always on the lookout for cheaper prices from shops (Supmkt 3, Interview 2017).

The supermarkets cope by operating on small profit margins, employment of family members, and supplementing core employees with a flexible cadre of helpers. The latter are paid sub-NLW wages, cash in hand, despite being central to the operating of the firms,

We use a lot of casual workers and helpers to help out in the business, ranging from those stacking goods in the shelves, cleaners, porters, waiters at the car park to issue parking tickets to customers etc. They are very important to the business for it to achieve its goal. The employees are paid staff and who work either on shift from 8.00am-8.00 pm Mondays to Sundays; whilst the helpers or casual workers are people on standby and could be called at any time to help in the business (Supmkt 2, Interview 2017).

Conclusion

A notable pattern of contrast between one sector or branch and another is evident from these case studies. Profitability (and hence capability for NLW compliance) is strongly depressed for many migrant-owned businesses by the intensity of competition in market sectors where the number of supply outlets tends to outrun potential demand. Better business performance often depends on an entrepreneur's ability to devise some sort of protective buffering against this and in the present sample such niche markets are best exemplified by firms like SajCo at the 'fine dining' end of the restaurant trade where a unique culinary identity can be created; and by some of those enjoying the protection of an out of town location. Even in the case of

SajCo, however, the shift to compliance needed an external shock to trigger it. We need also to take account of constantly changing market conditions, where even the most secure protected niches can be eroded by intensifying competition. Worst placed of these firms are those in the clothing trade exposed to the full blast of global competition; and the large retailers, acutely handicapped as they are by dependence upon low income local markets, where their only perceived strategy is one of price competition, a self-destructive race to the bottom (Jones and Ram 2007).

2. PAY AND THE NATIONAL LIVING WAGE

Pay rates

Average pay in the three non-compliant **restaurants** – ItCo, HaCo and CromCo - is well below the NLW; and in the latter two, even the highest paid workers fail to meet the legal threshold. Workers in these restaurants believe they are unlikely to secure better employment elsewhere. ItCo's worker receives £200 cash in hand for a 45 hour week. He claims he is *comfortable with this at the moment* and believes he is unlikely to *earn the same* elsewhere. Options for HaCo's worker, who receives £320 for a 48 hour week, are limited too, *I don't have a choice, no other opportunities to go elsewhere ... I don't want to be unemployed. I need to have a regular wage coming in.* CromCo's worker is paid £6.50 per hour and takes home £250 for a 35 hour week. He refers to his employer as a *good family* and on the subject of his pay, *it doesn't matter to me really. I quite like this method, I get paid every week and I know what I get. No taxes or other costs get taken out.*

Table 3: Pay Rates in Long Established Firms

Company	Pay rates			Breaches of regulations
	Lowest	Average	Highest	
CROMCO	£20/ day (casual workers)	£6.75	£7.00	Non-compliant with the NLW, no formal employment contracts, cash in hand, under/not recording of hours
DODGECO	£5.00	£5.00	£5.00	Under declared working hours, cash in hand, tax avoidance
SWEATCO	£3.00		£6.00	Under declared working hours, cash in hand, tax avoidance
PATCO	£5.00/hr (apprentices)	7.50/ hr (factory workers)	£40k-£45k/ year + benefits	None
ITCO	£5.00	£7.00	£8.50	Cash in hand, under recording of hours, frequent use of casual staff, no pensions, discouragement of union membership, no staff benefits or healthcare
MOONCO	N/A	£7.50	N/A	None
SAJCO	below NLW	£7.50	N/A	None

BALCO	£30/ day (casual workers)	£7.00	£7.20	Non-compliant with the NLW, no contracts, under/not recording of hours, cash in hand
HACO	£30/ day (casual workers)	£6.00	£7.00	Cash in hand, using helpers, under/not recording of hours, no contracts, no benefits
Supmkt 1	£7.20 hr (casual workers and under 18s)	£7.40	£7.50	None
Supmkt 2	£5.00/ hr (casual workers)	£7.30	below £7.50/ hr	Cash in hand, no employment contracts for helpers and casual workers and under-recorded or unrecorded hours. Unpaid sickness leave and holidays.
Supmkt 3	£5.00/ hr (casual workers)	£7.30	below £7.50/ hr	Cash in hand, no employment contracts for helpers and casual workers and under-recorded or unrecorded hours, no benefits.

Although the approach to pay is now compliant, SajCo used to be similar to the other three restaurants until a disgruntled employee reported the firm to the HMRC (see Box4).

Box 4. SajCo: Shocked into Compliance

Up until the late 2000s pay had been below the NMW. In 2004, the owner maintained that he was aware of the NMW, but claimed *it is difficult to do NMW in the catering trade*. He knew from his contacts in the trade that his pay was in line with competitors; but he maintained that working conditions and fringe benefits were much better in his restaurant. For example, workers were allowed to keep tips; the travel and accommodation costs of many employees were paid for; and meals were free. The owner also believed the restaurant was overstaffed, *I've got too many people here; they know it and I know it*. Hence employees do not have to work as hard as they do in other places, *they're on to a good thing* (Interview 2004). This echoed a comment made by the owner (who was then the manager of the restaurant) when first interviewed in 1999,

It's not so much that we pay the best wages ... I don't think that we do ... The working conditions are very good ... The hours are not long ... In other restaurants, they work until two or three o'clock in the morning ... We don't have that ... The client that we get is quite sophisticated ... There's no hassle, there's no drunks coming in ... I think I'm quite liberal, lenient with them all ... They eat what they want, they drink what they want ... There's no sort of military regime ... They've got their own job; we just leave them to it (Interview 1999).

The *liberal* workplace culture changed and a key catalyst was an employment dispute with an employee who contacted HMRC in 2008 to complain that he wasn't paid for the hours he had worked. Describing a visit from the HMRC inspector:

He came in ... and said 'do you have his work hours or the staff rota?' I said, we don't have a staff rota but we know who comes in and when, this is a full time guy and these are the hours. This guy was claiming he was doing 50-60 hours a week. I said that I find that very difficult to believe, the restaurant is only open 43 hours in a week ... He said, oh, what are your opening hours and I gave them the facts, and that's a maximum and everybody gets a day off as well. I said, they get meals while they're on the job. I said [staff] ... come in at 10am and then cook their breakfast and ... live in staff accommodation. He said 'you give them accommodation?' I said 'yes'. They have their breakfast, this is the time we open the restaurant and they have their breakfast while they're opening, they're supposed to be working. Then, I say, we all finish at 11pm and some of them have to wait for a lift home; they can either catch a bus or wait for a lift but they're happy to wait for the rest of the staff. If he's waiting around an hour so he can have a lift, I'm not paying him for that, they're welcome to sort their own transport but they don't spend a penny. So anyway, as soon as [the HMRC official],

worked that out, he closed his book and said I don't think you'll be hearing from me anymore, I said "that's fine, thank you very much". It's obviously not what the worker had declared (Interview 2017).

The owner then hired a freelance HR consultant to introduce employment contracts for all staff. All staff are now on the NLW, with chefs being paid more than the waiters. The owner maintains that the *give and take* approach of earlier years had gone because staff had become much more aware that there was a shortage of labour and had a greater awareness of their rights.

We used to do that before, we can't do that now. We have seven staff on today and we don't have a single customer come in. All this is negative at the moment, and the worst thing is the chef has just asked, can we have a drink? Nothing gone to till and you want me to take out money? He said, oh the other boss used to be very generous, my boss very tight. I said, "If you're that generous, why don't you pay? All you've done is you've had your lunch, cooked for the staff and you're ready to go home but have you thought that there's nothing gone into my pocket?" That's how bad they are (Interview 2017).

The owner responded to competitive pressures and the NLW by cutting the number of staff and reducing opening hours (now closing at 10.30pm rather than 11.30pm). He was also considering staggering working hours,

In the old days, we used to have permanent staff, they knew it was swings and roundabouts. They knew if they worked a couple of hours extra today, tomorrow, if it was quiet, they could go home early. Automatically, they knew it. But now with the part-timers, they're not bothered, they count their hours so if they've done half an hour extra, they want their half an hour extra money. If it happens a couple of times a week, it could be an extra couple of hundred pounds. To earn that extra couple of hundred a week, we have to do another £400-500 in turnover. The way I try and work is I say now, look we just try and stagger it (Interview 2017)

The two **food manufacturers** struggled with the introduction of the NLW, which in PatCo's case, contrasted with the ease with which the firm accommodated the NMW when it was introduced in 1998 (see Box 5). MoonCo had to increase pay rates when the NMW was introduced in 1998, and again with advent of the NLW. Most of the shopfloor workers saw their pay increase to £7.20 in 2016 and £7.50 in 2017. This was a challenging figure for the firm, and the owner was critical of the notion of 'minimum':

When people use the term 'national minimum wage', it's used in a derogatory sense but we must remember when it was introduced in 1997 to today, it has more than doubled. It's not a figure to be sniffed at (MoonCo, Interview 2017).

The wage bill increased by nearly 30 per cent in the last year because of the NLW and subsequent upratings,

You asked me what are my increases? I can show you here now [passes paperwork to researcher], you can see that's my material costs, and I'm only comparing 2016 to 2015 and that's the increase in material costs, they've gone up 23.6 per cent. Production wages 27 per cent, the highest increase of the lot, drivers' wages and packaging (MoonCo, Interview 2017).

The company has responded by:

- Reducing staff from around 25 to 20

- Eliminating staff overtime payments (*we were still doing time and a quarter, time and a half and double time [when NLW was introduced], so we scrapped that because it was costing a fortune*)
- Cutting staff training

Box 5. PatCo: Comparing the NMW and the NLW

Pay levels, although regarded as ‘low’ by workers (when interviewed in 2002 and 2017), were nonetheless above the NMW in 2002 and NLW in 2017. According to the owner, the NMW had little effect when it was introduced because,

We had prepared 18 months before it actually came in so we had introduced rates above the minimum wage and we made enough inroads financially so there wasn’t going to be any financial impact on our overheads (Owner, 2002).

The introduction of the NLW was much more challenging and had an immediate impact on the wage bill, *80 per cent of the staff are all on the minimum rate of pay, £7.50, that’s gone up. So what it means for us is, we have £3,000 a week on cost in just wage bill.*

Lloyd had wanted to pay his workers £7.70 but was unable to do so without securing a price increase from the supermarkets.

We sat round the table and wanted to pay the staff £7.70 but the accountant said look, you can’t really pay them that because until price increase has gone through, we’re going to wipe the profits out for the next 12 months (Owner, 2017).

- Assembly workers – who comprise the bulk of the work force – are paid £7.50 per hour
- The highest paid staff are the salesforce, who are paid between £40k-45k plus benefits (including company cars)
- The senior management team are paid between £25k to £30k
- The two apprentices employed are paid £5 per hour

Two of the three **clothing** firms (DodgeCo and SweatCo) were first interviewed in 1998. The sub-NMW pay rates that pertained in the late 1990s and mid-2000s are evident with the NLW too. For example, pay at SweatCo varies between £3 per hour paid to packers and £6 for the most highly skilled worker, the cutter. Sewing machinists are paid on a piece-rate basis. The firm employs full-time workers and ‘helpers’.

When we are short staffed or somebody goes on holiday, we get in short term staff or helpers. There are two differences, pay and work duration. Helpers are for a short term or a job at a time. Full time staff or employees have that security of being at the firm until they choose to leave or get sacked (SweatCo owner, 2017).

Helpers, engaged on activities like loading and unloading vans, are paid £20 per day (around 8 hours). Neither full-time workers nor helpers have any form of contract, and there are no bonus or overtime payments.

Hours worked vary, often at short notice and without compensation, *it all depends when we have orders in* (SweatCo worker, 2017). Workers appear not to see variation of hours as a problem *since we're here to work hard and do a job* (SweatCo worker, 2017).

Supmkt 1 is the only **food retailer** that pays the NLW, and even in this case the worker is not sure that everyone in the firm receives this rate. One reason for this ambiguity may be the lack of precision regarding the number of hours worked, since the employee claims that she is paid for a 37 hour week although, *I don't even count some of my hours worked*. She, like workers in the other two supermarkets, had her hours varied on a regular basis and with little notice. Helpers in the three supermarkets are paid around £5 per hour.

Pay determination

Pay determination is firmly in the hands of the owners, particularly in restaurants, supermarkets and clothing firms. The owner's subjective assessment of affordability and his/her experience of the sector are paramount. For HaCo's owner, pay rates are determined by *guesstimate, what I can get away and I've been doing this for a while. I will try to use as much cash in hand as possible, this means people will get more to take home*. He does not keep formal records of the number of hours worked. In a similar vein, CromCo's owner bases his judgment on *what we can afford and how the business performs ... Staff get paid in cash, it's nothing fancy here, you come and work and get paid, this isn't a city job!* ItCo's proprietor speaks to his competitors and relies on his *experience and understanding* of the business. The now compliant SajCo also stresses affordability, but workers do expect an increase if the business performs well,

We expect it. We think we've done a good six months and there should be a little of incentive. If we haven't, we just wait to see what happens, if management does anything. If we had a good six months, you think maybe not even an increase in wage, a bonus to say thank you (SajCo, Interview 2017).

DodgeCo's owner also refers to his own experience as the key factor in determining pay, *I've spent all my life in this industry so I'm qualified. I know how much to pay people to do manual labour*.

He can't imagine other people are paying much more ... It's manual labour isn't it? You use your common sense, you're not gonna pay somebody a lot to move stuff around are you? (DodgeCo, Interview 2017).

Experience is SweatCo's succinct response to a question on pay determination; and *in my head* is his method of recording hours. DodgeCo's approach is similar. *Whatever the lowest figure they accept and using my experience, I've been working in this industry for over 30 years so I know how much they should be getting*. BalCo's proprietor is equally bullish,

Affordability, we're a business, not a charity case. Our workers understand that if they have higher wages that this will impact the business overall. We can also pay them less, if they don't want to be paid that little, they know where the door is

(BalCo, Interview 2017).

The owners of the three supermarkets solely determine pay rates and increases. Workers interviewed claimed to have no influence in negotiating pay rises.

MoonCo's pay rates are *based on profitability* and the NLW, and even in the leading edge case of PatCo, the owner's whip hand is unfettered. *It's cost. It's purely on profitability. If we're more profitable, I'll pay the staff more.* Both food producers use a clocking in system to record hours.

Influence of NLW

The NLW influences the four **compliant** firms because it is a statutory obligation,

We have no choice, it's a statutory requirement so we have to abide whether we can afford it or not ... We've got nobody else to follow ... We just do what's required of us for the NLW (MoonCo, Interview 2017).

PatCo's desire to run a *socially responsible* business means that NLW and other regulations are observed,

We have to pay the NLW; we can't not pay the NLW ... I think one of the things is with the new HMRC Portal stuff, it's quite easy for HMRC to work out, they can work out what you pay per hour because you only have to upload your tax and national insurance at the end of each week (PatCo, Interview 2017).

PatCo's owner is concerned about the NLW's year-on-year upratings despite his commitment to growth, investment and strategic planning,

Well, the problem is that we're going to have to put that in as a long term plan to actually get there but I don't know how we're going to get there because the main problem we have is basically, to negotiate price increases with the supermarkets every year going forward. If we don't get the increase, the business is not sustainable, because once you go into making losses you can't keep pumping in money (PatCo, Interview 2017).

The firm has coped by accepting lower levels of profitability, *but as your profitability falls, there's less investment, less capital investment.*

For MoonCo's owner, the NLW exacerbates a difficult market environment,

When you have a situation where we are having to absorb increases, prices, material and the overheads and the NLW on a yearly basis and if you cannot pass that on and you get to a stage where you can no longer absorb it, then you're out of business. There's a lot of who aren't far from that at the moment (MoonCo, Interview 2017).

He fears the year-on-year upratings of the NLW, *if it goes up much further, I'm not quite sure that we could absorb much more of it because if you can't pass it on and you need to pass it*

on every time it increases.

The NLW has no influence on the **non-compliant** firms (and neither did the NMW in the cases of DodgeCo and SweatCo). *I don't know anything about the NLW* claims the owner of CromCo. *No chance!* was SweatCo's response to a question on payment of the NLW. He elaborates,

Their work doesn't need them to be paid more that's why! Also, I'm the one doing the work that requires significant pay, meeting new people, building relationships across the world. I should be the one getting paid more (SweatCo, Interview 2017).

SweatCo's owner, like most other non-compliant firms, sees no disadvantages of paying below the NLW, *if people leave for whatever reason, I can get somebody to replace them within the hour*. DodgeCo's owner echoes others when asked about the possible advantages of paying the NLW,

No, are you mad? The workers wouldn't do anything, they'd sit on their arses because they know they'll get more money for something that isn't hard ... Absolutely nothing [could persuade me to pay the NLW]. You must be joking ... It's dog eat dog out there and if we pay our workers the NLW, it would threaten our business. Most of them don't know what the NLW is and they prefer the cash in hand work which would mean that they take home more than through the official route (DodgeCo, Interview 2017).

Enforcement and Deterrence

Non-compliant business owners are unperturbed about being caught for evading the NLW. Most are unaware of HMRC's fines and measures to deter non-payment. And neither compliant nor non-compliant firms knew of recent highly publicised HMRC initiatives, notably, the 'naming and shaming' campaigns. The quotations below are illustrative,

I don't know anything about it [NLW non-payment measures]. I'm hoping I won't be caught ... I pay my staff what I can afford to, we're just a small restaurant in the middle of nowhere, not a massive restaurant chain (CromCo, Interview 2017).

No, I don't know anything about the penalties or how they operate, do you? I'll be fine. We're small enough here (ItCo, Interview 2017).

I don't want to pay the NLW, why should I? Because the government said so? They can f**k off ... I don't think I will be caught, I'm a small firm, not a multinational firm exploiting thousands of workers (BalCo, Interview 2017).

SweatCo had had contact with the HMRC and is the only employer aware of the increased penalties for non-compliance. But he is confident that his workers will not complain.

Yes, I've heard about [increased penalties] but I'm small enough really and our

workforce understand the industry. They wouldn't complain because some of them aren't even legal! (SweatCo, Interview 2017).

The proprietors of two long-term **compliant** firms, MoonCo and PatCo, are surprisingly uncritical of non-compliant competitors. PatCo's owner sees himself in a different market to non-compliant rivals.

I pride myself on being number one at what we do, and if our competitors doing it, fair play to them ... But my competitors would not be my industry. They would be a smaller shop doing it. The only reason that can take place is if they're paying cash in hand.

MoonCo's owner has mixed feelings.

From a competitive point of view, it's a bit irksome that they're getting away with it but at the same time, and this might be a little bit controversial, it's about survival today. If they need to do that to survive then respect to them because they need to do it.

The owner of the other compliant firm, Supmkt 1, has *no problem* with the NLW but claims,

It doesn't go further enough to punish those businesses or employment agencies that are not complying with it. The NLW is a political slogan for politicians and political parties to seek votes from the hardworking taxpayers during election times, and once they are in power the NLW is forgotten and the hardworking low income earners will continue to suffer under the hands of unscrupulous/dodgy employers.

Conclusion

Once again inter-sector contrasts are in evidence and this time the connections between sector, profitability and the NLW's affordability are noteworthy. Tellingly, three of the four compliant firms are positioned in relatively profitable protected niches where affordability is less of a burden than for the more run-of-the-mill enterprises. Even these relatively well placed operators face challenges, however, with the food manufacturers squeezed by corporate buyers, and the up-market restaurant facing recently rising competition in a formerly uncontested space. Yet the most acute problems with compliance affordability are suffered by down market restaurants, retailers and clothing firms, where owners tend to justify their non-compliance on the grounds that their employees are already satisfied with their informal pay bargain and that official enforcement is unlikely.

3. RECRUITMENT AND RETENTION

Recruitment in virtually all the firms is undertaken informally, often utilising the networks of current staff, *[recruitment is] through my existing staff or old staff. They just tell me if somebody is looking for a job or if we need people, then I'll ask them to find me some* (ItCo owner). Few employees in the **non-compliant** firms have written contracts, *it's all quite unofficial really but we're a small family run restaurant* (HaCo owner). This is usually made clear at the outset:

We classify everybody as employees but nobody has a contract. We tell people what the terms are, i.e. you will be paid this much and these are the hours you're working, that's it (ComCo owner).

ComCo faces little competition because of its remote location. Further, the owner believes that his (few) competitors have minimal impact on pay rates in the company, *there aren't so many Indian restaurants around the area, staff can't move around or demand better wages*'. Non-compliant firms rarely experience labour shortages. For SweatCo, this is a change from the situation in the 1990s (see Box 6 for case description).

Box 6. SweatCo: From labour shortage to labour surplus

Workers have always been recruited by word of mouth, usually through family and friends. There was a shortage of sewing machinists in the late 1990s, but this ended a few years later. There were no recruitment difficulties because *all the manufacturing firms are closing down. There are loads of workers. I can get machinists left, right and centre*. Since the first interview in 1999, it had become much easier to recruit, *of course it's changed. The best machinists are on the market. I have 10 calls a day asking for work* (Owner, 2004)

Initial wariness of the NMW had subsided, to be replaced with apparent disdain, *before, we were very worried about the NMW, but now, it means Jack-Shit. We can employ who we want, when we want and for however long* (Owner, 2004).

The situation in 2017 is unchanged. The owner maintains the impact of the NLW on recruitment is ... *none, we're in a good position because most [workers] would prefer cash in hand work to coincide with their own benefits or whatever other incomes they have* (Owner, 2017). Further, *we prefer what we get, people who work hard for the money they get. It's manual work*. Labour turnover is not a problem because *if somebody leaves, we'll get somebody else in just like that*. Workers tend to leave because of *family problems or they've been caught by the police/border control* (Owner, 2017).

Three out of the four **compliant** (PatCo, SajCo and MoonCo) firms face recruitment challenges. PatCo's owner uses a specialist website to recruit staff and has an HR function to manage the process. He claims that the market had got *tighter* because,

What's happening now is that the younger people who are starting the job market, graduates, are looking at companies and asking what your corporate social responsibility is as well, because it's not all about money. So, they've got more...savvy, they want to know exactly what you're doing, what your company is doing in which to join the organisation. They do a lot more research ... We've changed our format because we've struggled to recruit people (PatCo owner, Interview 2017).

The Food and Drink Federation (2016) reports that its members find it increasingly difficult to recruit food engineers and scientists. A shortage of engineering talent is argued to be a barrier to technical innovation and productivity improvements in the industry (Hogarth and Kispeter, 2016).

MoonCo's owner claims that the NLW affects recruitment because *you have to be paying for them regardless of what value they're bringing to the business*. SajCo's proprietor believes part-time workers have become more instrumental and unwilling to accept the flexible approach to working hours adopted by firm's small group of long serving full-time staff. SajCo enlisted the services of an HR consultant after he was reported to the HMRC for alleged underpayment of the NMW. The consultant's advice was to issue employment contracts for all staff.

Recruitment was not affected by the NLW in the other compliant firm, Supmkt 1; but there were consequences,

The NLW did not ... impact on recruitment in our business, although I must admit that we did put prices up on a few of our goods, and are employing only skilled people with substantial experience in customer care, and cut some unnecessary jobs such as casual workers to save some money to pay NLW.

4. SOURCES OF ADVICE

All **non-compliant** firms cite 'friends and family' as their principal source of advice. Many are sceptical of more formal sources of business support. BalCo's sentiments are typical,

Friends and family because I trust them. Who else is going to give you better advice? They know what they're talking about and they understand the business ... I've never joined [a business association]. How do they know what's best for my business? It's fine sitting and telling somebody else what to do without the consequences isn't it? Try and run a business first!

PatCo's owner is a member of the local Chamber, Business in the Community, and a peer mentoring network. The owner of MoonCo joined the Federation of Small Business (FSB) recently because he wanted legal and business advice, particularly in relation to weekend and bank holiday pay rates (both of which were in excess of normal pay rates),

She [the FSB representative] never heard of time and a quarter and time and a half. So, she had to look into it and got back to me and her advice was that we can issue letters to the staff, implement [a flat rate]; but if there's a widespread objection then we might have to withdraw all contracts and reissue new contracts ...It hasn't come to that. We've issued letters, there's been a few grumbles but I said, if you have a problem then you can come and see me and talk to me on an individual basis.

The owner of Supmkt 1, a **compliant** firm, also draws on a range of business support networks for guidance on the various parts of the enterprise,

We have well-established sources of business advisors and support, for example HMRC, the British Chamber of Commerce, Legal Business advisors, Personal bankers, business associates, Halal Meat compliant committee and many others. We use this source of support and advice to follow the legal and business ethics and to be on the right path.

Conclusion

As might be expected, awareness of the NLW creates recruitment problems for some, but not all, employers, several of whom note workers becoming more 'savvy' and discriminating about pay and conditions. Once again, however, differences between sectors make themselves felt and many of the lower end restaurateurs and clothiers report a continuing surfeit of immigrant workers who actually prefer the traditional system of cash-in-hand payments. From this we infer a small firm labour market undergoing changes – both actual and attitudinal – induced by wage regulations but with marked leads and lags. But the 'bottom end' of this market remains stubbornly resistant.

5. WORKER PERSPECTIVES IN LONG ESTABLISHED FIRMS

Table 4: Profile of Employees (Long established businesses)

NO	Workers	Ethnic background	Age	Gender	Education	Migrant Status
1	CromCo A	Nepalese	28	M	Secondary school	Economic migrant
2	DodgeCo A	India	57	M	No formal education	Economic migrant
3	SweatCo A	India	38	M	No formal education	Economic migrant
4	PatCo A	Jamaica	20	F	BSc International Business and Management (UK)	Student visa
5	ItCo A	India	25	M	No formal education	Economic migrant
6	MoonCo A	India	55	M	Secondary school	British
7	SajCo A	Bangladeshi	40	M	Secondary school	British
8	BalCo A	India	26	M	No formal education	Economic migrant
9	HaCo A	India	30	M	No formal education	Economic migrant

10	Supmkt 1	Pakistani	36	M	Practical adult education training and online courses, Health and safety and customer care training.	Economic migrant
11	Supmkt 2	Pakistani	39	F	NVQ trainings in leadership/management in business, team leading, first aid, Health and Safety and customer care.	Economic migrant
12	Supmkt 3	Pakistani	40	F	Business Management Diploma (UK college); NVQ in Human Resource and Team Leading, First Aid, Health and Safety and Customer Care.	Economic migrant

The earlier discussion on pay rates highlights endemic low and sub-NLW wages in the case study firms. Notable here are the workers employed by **clothing** firms, DodgeCo and SweatCo, where the classic migrant small firm labour process as outlined by Mitter (1986) is clearly visible. In the case of DodgeCo, the worker is a 57 year old clothing packer who joined the firm three years ago when *searching for a change of environment* "from taxi-driving ...I was sat in a car all day, it's pretty bad for you. Now It's much better for my health, I am active and on my feet. Typically this employment was flagged up through the informal grapevine, *word of mouth through family and friends*. Despite its apparent health benefits, this job pays him only £3.75 per hour and after a working week of 40 hours he collects £150. The NLW would pay him more than twice this, but he is unaware of its existence, *I don't know what the NLW is*; and evidently would not seek its protection even if he knew of it, *it doesn't matter to me really. I quite like this method, I get paid every week and I know what I get. No taxes or other costs get taken out*. He claims he is *very happy*, with a pay rate below half the NLW.

The lure of 'family' culture is cited as an important reason for remaining in the firm, *I stay here because I like the boss and we're family*. Later in the interview he reiterates, *I'm happy here, the boss is family to me*. DodgeCo's worker evaluates his present wage against his recent past life in India, to which he alludes on several occasions (a point of reference commonly noted in studies of migrant labour [Waldinger and Lichter, 2003]). Asked about his alternative employment options he replies, *Stay in India and work there but I would earn less*. He plans to stay in this job until *I get older and can't physically work*.

SweatCo's worker, a 38 year old clothing packer, is paid £5 per hour, but believes he is paid/remunerated *more than others*, and professes to be *happy*, largely because (of the) flexibility over working time,

If I need time off for important things like family commitments or hospital visits, I can easily get it ...I like the working environment and everything that comes with it ... [and will stay here] ... till whenever I have enough money to retire or want to return to India.

These two workers are typical first generation South Asian escapees from the lower material standards of the global South. According to accounts of the labour process in UK South Asian firms (e.g. Jones *et al.* 2006), entrepreneurs are now more preoccupied with accommodating the raised demands of a British-born work force.

Many similar considerations apply to HaCo's worker, a 30 year old waiter in an inner-city Balti **restaurant** struggling to cope with fierce local competition. He takes home £200 per 40-45 hour week. Like so many others he is trapped by a lack of labour market options, having previously worked for another curry house *but they closed down*. As well as low wages – *I'm not satisfied, I would like more money* - his future prospects are also bleak, *with no opportunities whatsoever for career advancement. I'd like to think of my own restaurant or becoming a manager here but I don't think it will happen*. But he benefits from the non-monetary perks often available in small face-to-face firms, *the owner gives me a lift to and from work and the food is free*. Against this there is little evidence of the negotiated consent that often typifies such firms, *we all think the pay is unfair and would like more but we have*

to take what the boss gives us. Nevertheless, he is resigned to staying with this firm because They pay me and I eat well.

Another respondent from the Indian first generation is a 25 year old waiter at ItCo, an upmarket restaurant located in the city centre. Once again the job search took place through the informal grapevine – *I got the job through a friend who works there ... no agencies or website stuff* - after the respondent escaped from his previous job with its *unpleasant manager and the boss not paying me on time*. His present job offers a *better environment and clientele, better tips and an improvement in health and safety and food hygiene, they comply with food standards*. His hourly pay of £7 (£320 per week) is also an improvement, *Where I last worked I was paid a lot less, I'm happy with the wage ... I feel I get a lot of money for my age*. Other aspects of the pay bargain are not so positive. In his three years in the job, there has been no increase in the pay rate and he also resents what he sees as an excessive workload, *too many hours*. When asked why the firm does not comply with NLW regulations, he replies *because they're tight ... and they don't consider their workers' opinions*. A lack of alternative options prevents him moving. *There aren't any jobs about that pay the NLW or above it.*

WellCo's worker is a 28 year old white British waiter in a Nepalese restaurant located in a semi-rural area. Both his job entry and present work satisfaction are based on personal sentimental bonds. *The boss's son asked me to work here ... I know the owner and his family, so it's nice*. Materially, however, this employment offers absolutely no opportunity for career advancement and pays only £6.50 per hour. Yet he is unconcerned by pay rates for similar work in the locality – *I don't know, I don't think about it really or care* – and the impression of non-militancy is confirmed by his response to a question about trade unions, *What are they?* He is *happy* with his sub-NLW pay rate and does not approve of his work mates' talk of money, *everybody wants more but that's because they're greedy*. He *doesn't know what the NLW is* and appears motivated mainly by the personal bond with his employers, *they're a good family and treat me well, why should I cause grief?* This case shows that the bonds of complicity between worker and boss are not confined to specific ethnicities; indeed the broad extent of such bonds helps to explain the lack of employee pressure for NLW compliance.

Qualified Workers in Senior Positions

As well as regulatory protection, wages are also influenced by the individual bargaining leverage afforded by the possession of recognised credentials. According to Nee and Sanders (2001), immigrant advancement in the workplace is heavily influenced by the human capital resources of qualifications and experience, with the native-born second generation more likely to enjoy recognition of their credentials (Jones and Ram, 2003). Illustrative is 'Tim', a second generation Indian graduate, the HR manager for food manufacturer PatCo. Departing from the low skill migrant model, Tim is,

Pretty much involved in the whole structure of HR ... looking at various things such as recruitment processes, HR policy and procedures ... training, job description, appraisals and also benchmarking and pay rewards and I'm looking at our benefits as well.

During more than a decade in this occupation, *I've worked my way up from HR Assistant to HR Manager* over a previous career with several companies *a mixture of manufacturing and media telecoms*. As the HR manager of a NLW-compliant firm, he is able to comment not simply on his own pay but more generally and with inside knowledge on the workforce as a whole. He believes the NLW was *long overdue* and, apart from contributing to employees' job satisfaction, it acts as a positive motivator. Although the NLW has added £35,000 to weekly wage costs, *we planned for it very early, we forecasted the costs in and looked at where we might achieve growth of sales*. This last point is important since Tim maintains the firm's growth strategy has helped the accommodation of the NLW.

Vijay is a senior manager in SajCo with previous experience as a restaurant owners and worker. He has worked for SajCo for 20 years, punctuated by a brief time running his own restaurants. *I opened my own business about 2005. I mean it was eye-opening, I got the owner's point of view*. Very shortly, this venture became unsustainable because the chosen staff *want to come back to the family, so we had to make trips every day to pick them up, I used to do roughly about £130 petrol a week*. His eventual exit was triggered by a serious fall out with his partner who *got a little greedy and decided to play up*. Vijay speaks at length about his personal relationship with the owner, and the bond between them was instrumental in his return to SajCo. As soon as SajCo's owner discovered Vijay was no longer self-employed, *he just dragged me back... and now I'm a manager, running the restaurant, running the staff, making sure of all deliveries, stocks*. Vijay is happy in his role. *It's reasonably good hours and when you become part of the furniture you can almost do it with your eyes closed*. He regards his wages as adequate, *I'm satisfied, otherwise I'd be looking over my shoulder ... because it's so early in my new promotion – we're still negotiating*.

Vijay's new role involves setting the pay rates of the other staff. In the first instance, SajCo's management has broken with the traditional curry house pattern of weekly lump sums in favour of calculating an hourly rate. This conforms with the NLW rate of £7.50 for all staff above 25 years old. It contrasts with an earlier interview with SajCo, when the owner was unconcerned with official wage regulation and paid cash in hand but as Vijay cautions, *we have to make sure everything is proper now ... you don't want to fall foul of the rules if you want to run a successful business*. Importantly this is driven by raised awareness on the part of South Asian workers themselves, *They're younger, they're more educated, all the information is available, everybody knows how things are run*. It might be argued that this is a consequence of the rise of British-born generations, a factor which might shed light on the attitudes of the Indian-born workers described earlier.

Clearly the new embrace of formality does not eliminate discretion. One traditional restaurant practice that does survive is the hierarchy of skill and experience which ranges from *the head chef, he's the main man, he's highest paid*, through various intermediate grades such as the manager himself and the waiters down to *the one who's bottom of the ladder, the kitchen porter*.

Among the lessons gleaned here are the lengths to which owners will go to maintain their paternalist bargain with employees. Vijay himself has benefitted from such close personal

ties, because, as noted above, he was re-employed after he made an unsuccessful attempt to start his own business

Replicating much of the two previous cases is the experience of Shiv of food manufacturer MoonCo. His present duties are *mainly admin, the accounts, sales, purchasers, deal with suppliers, payroll. Used to do Health and Safety but it's getting too much.* His previous experience was also in managing, mainly with various local clothing manufacturers, in a sector whose unpromising prospects – *The clothing trade is going down* – pushed him to search out better alternatives. Through an agency he was recruited by the present firm, one operating in a market sector which he believes has better potential, *the good thing is, the food industry is never going to go down.*

MoonCo is a NLW-compliant firm, which pays him around £16,000 per annum, a sum that he thinks is *fair* and is enough to incentivise him. Yet this must be heavily qualified since in recent years *the wage is not going up that much compared to inflation.* He has not had a rise since 2010 and his household budget depends crucially upon his wife's wage, without which finances would be *tight ... I can't go on like this.* Although there is evidently some scope for some personal bargaining – *I haven't had a chance to speak to [the boss] yet* – it appears that senior employees of the small firm are struggling to make ends meet.

Ellie of PatCo is currently engaged in a degree course, which she pursues in tandem with her job as a management trainee to fund her studies. This strategy was planned in advance and seems to have borne fruit,

My mum brought me here thinking we could get financial aid for my university ... that's £13,800 a year, so that is quite a lot, so we came in to get help and the secretary asked me if I was allowed to work and I said yes and so and behold.

Ellie contributes to both the product management and technical departments. Her contribution is evidently very wide ranging, often in what appear to be crucial areas of the firm's activity. From her own perspective the job is a mixed blessing, the work itself drawing praise, the remuneration rather less so. *The main benefits: you get an awesome boss, the culture is calm and relaxed, you don't see anybody getting nervous.* As well as this freedom from strict work discipline, there is also stimulating variety, *it's not just a set job, if I'm bored with paperwork, I can go down and pack and do actual work outside of labs.* By contrast her hourly pay rate is only £5.60 and *I'm sometimes discouraged, the wage is based on my age [20] ... Incentive? It's not like you're going to work hard to get an increase.* Disappointment with wages is partly offset by the satisfaction of *gaining knowledge and experience* towards her long term end of *branching off on my own, I want to own a business one day.*

Conclusions

These worker case studies point to leads and lags in a changing labour market. First there is a smallish vanguard of personally well-resourced employees enjoying satisfactory wages, sometimes courtesy of employers' NLW compliance, sometimes as a result of personal

leverage, often as a combination of both. But there is a sizeable number of employees lagging behind the NLW. These tend to be first generation South Asian migrants employed by clothing firms and Balti restaurants pressurised by hyper-competition and inability to comply with wage regulation. Even among this group of workers tolerance of underpayment is not universal.

FINDINGS

PART TWO: THE NLW AND NEW MIGRANT BUSINESSES

1. BUSINESS STRUCTURE AND PERFORMANCE

Box 7. LO2: Civil War, Recession and now ... Brexit

LO2's owner runs a small ethnic clothes shop with her husband and daughter. Three employees, paid below the NLW, and a number of helpers work in the business. The owner has business experience in her homeland of Somalia, but the ferocity of the civil war meant that she,

Lost a lot of my family members and relatives ... I lost my entire business and there was nothing left to sustain me with my family so we escape on foot to Kenya, and we were refugees in Kenya before we finally came to the UK for protection (Interview, 2010)

She made the Midlands her home in 2002 because of the presence of family members and significant Somali community,

I chose to settle in the ... Midlands because of our family connections, friends and because it ... a good place, cheap and where I can rear my family to live in peace ... The availability of many Somali community and the friendship and harmony between new migrants and people who settled here is good, that's why I choose to settle here. It is like home ... There are a lot of Somali businesses; internet Cafes, Restaurants, Mosques and all these are attractive for a person like me (Interview, 2010)

She realised her *ambition* of starting a business in 2005 with support from her family and her own experience as an entrepreneur. Her motivation was to earn a *decent quality of life and to earn a better standard of living with my family while here in England*. She aimed to *meet the dressing/fashion needs of our Muslim women, Asian and African women who are aspiring for long Islamic dresses*. Such merchandise is *not available in conventional big businesses such as Marks and Spencer* (Interview, 2010).

She overcame the initial challenges of an unfamiliar business environment – *how to deal with Council to acquire a business license, taxes ... high rents, and nobody would help you* – only to be hit by the recession in 2008. She survived the competition and downturn in demand by *reducing ... prices and bringing high quality products*. Many of her competitors went out of business, *migrated or transferred their businesses to Dubai or to other Middle East Countries*. *The reason being that the prices of goods were expensive as the rate of UK pound was very weak* (Interview, 2010)

And now Brexit,

Brexit is another challenge to our competitive position. We buy some of our goods from Europe, France, Italy, Holland, Turkey, Germany etc., and we don't know how our business is going to continue after Brexit. Our major market of goods/products is from the Middle East (Dubai, Egypt, Turkey, Kuwait, Abu Dhabi, Bahrain) and South East Asia, (Interview, 2017)

Brexit exacerbates a fierce environment which has seen a proliferation of competitors, *our competition with other businesses that sell almost the same products and brand like ours is ... intense and fierce, especially on prices and quality*. Import duties and taxes add to the strain, which the owners copes with by relying on family labour, a few longstanding employees and a pool of helpers. But Brexit is a particular worry,

The main issue for our business in the next 12 month is that I am worried like everyone else, as to how Brexit and the economy will affect my business and especially majority of our customers are EU citizens from Holland, Norway, Sweden, and Finland etc. We don't know what the future holds for our businesses of goods post Brexit. How and where will we get the goods needed by our customers?

Two factors need to be borne in mind in assessing the structure and performances of migrant businesses in the sample. First, when the migrants were first interviewed in 2010, their businesses were comparatively new (under five years); and many of the owners were recent arrivals to the UK, either fleeing persecution or economic migrants. They therefore faced the pressing challenges of often poor linguistic fluency, a complex regulatory and legal environment and a lack of access to important business gatekeepers. This common predicament was summed up by LO3 in his 2010 interview.

Starting a business venture from scratch was one of the biggest challenges I have ever faced or experienced. First, I do not know the business environment ..., who my competitors would be, who were my main customers and where was I to obtain our main suppliers and where was I to get the type of goods people want. All these questions were lingering up in my mind every time I think about setting up this business. I also faced the barrier of not knowing where to seek advice from and who were the best people to talk or speak to about setting up a business, and most importantly, the capital for setting up the business, where was I to get the money/capital from? I also had the barriers/challenges of paying the rents, bills and getting a convenient facility to cover for the first time, and above all, my English language and I lacked the knowledge or awareness of the business culture and environment in the UK' (LO3, Interview 2010)

The timing of the first interviews in 2010 is also significant because most of the business owners were preoccupied with survival following the great financial crash in 2008. Migrant firms are generally placed in segments of the markets characterised by high competition, low wages and low investment (Kloosterman 2010). This precariousness was reinforced by the effects of the financial crisis that situated that put these businesses in an even more difficult situation. The recession also placed these firms as crucial caterers for their communities of low priced goods and services. For example, LO5, a minimarket owner, survived by reducing his prices and resorting to unlawful practices such as the employment of undocumented workers and cash in hand payments, *[I] employ helpers and given them cash in hand pay ... no written contract ... which is an advantage in itself* (Interview 2010). Recession, financial difficulties and a lack of business experience nearly conspired to thwart LO7's fledging computer store. Support from friends and family helped him recover,

For the first two years when I started this business, I was really struggling and facing financial difficulties, and I thought this business was going to close as a result of lack of customers and the computer products were very expensive ... It made me feel demotivated and my business was nearly closing down ... I was able to get support from my other friends and my wife also helped me with some money and that help really stabilised the business (LO7, Interview 2010)

What Kloosterman (2010) calls *market segregation* – the exclusion of migrant firms from the highest earning sectors and their confinement at the low end – further shapes the context of the case studied firms. According to Kloosterman, most migrant firms are situated in one of two market spaces, *vacancy chain markets* or *post- industrial low skill markets*. The first of these types is characterised by declining or stagnant activities like low order retailing and clothing, where newcomers are picking up residual opportunities left behind by former incumbents, whereas the second – personal services, catering/hospitality, taxi-driving – exists to serve the needs of an expanding cash-rich time-poor professional clientele. Making relatively light demands on human and financial capital, both these areas are readily accessible to under-resourced migrants but, by the same token, they are also subject to excessive numbers of entrant firms and the resultant cutthroat competition (Jones *et al.*, 2014).

Kloosterman's formulation accurately depicts the market position of most of the case study firms (see Table 4). Food retailer LO3 spoke of intense competition in 2010 as numerous small and large competitors vied for customers in a limited and impoverished catchment area. The situation in 2017 is no less challenging,

The competition hasn't changed over the last five years or since the last interview. In fact, I would like to add that the competition between small, medium and large sized businesses in [the area] is very intense ... Everyone is fighting to capture the same customer, selling the same type of products/good (LO3, Interview 2017)

Money transfer is a popular market niche and a number of our respondents engage it as their sole business (LO4) or as an adjunct to another business (LO1, LO3 and LO10). This *bricolage* of activities has been utilised as a resourceful strategy to diversify the income generated by the firms and cushion the fluctuations in the market in a post-crisis scenario. LO4 was fortunate to survive the great recession of 2008; he faces a similar predicament today,

The competition hasn't changed that much ... Due to the high number of shops in the area and money transfer agencies, there are very few customers buying goods from the shops as everyone is competing for the same customer and for the same price. There are also a number of rival or similar transfer businesses agencies owned by Somali, Pakistanis, Indians, Bangladeshis etc. and this makes things hard (LO4, Interview 2017).

Competition in 2017 is fierce for LO1, who combines his money transfer business with a

supermarket. Situated in the heart of an inner-city area transformed by the presence of migrants, he explains:

The nature of the competition that we face is both local and national ... The market dominated by large firms, such as Asda, Morrison's, Lidl ... We are also dominated by small firms where there is fierce competition for prices/customer. There are so many small firms being established every year, and [this area] is the haven for small businesses owned by BME or Asian businesses ... These are shops or businesses where majority of customers from BME or migrants tend to shop quite a lot most of the time (LO1, Interview 2017).

Brexit is a major concern for our respondents and is the latest in a series of threats to their survival. For LO4 Brexit accentuates the difficult competitive environment and is a major source of uncertainty,

The main ... challenges in the market over the next 12 months is inflation, ... Brexit and the continuous drastic drop in the exchange rate of the UK pound to the US dollar. The unemployment of our immigrant communities as many of those who work in odd jobs such as security, retail, factory workers, cleaning jobs and in restaurants/shops etc. will be affected by Brexit and our businesses will be at the receiving end too as many of them are EU migrants. We depend mainly on our regular customers from the new migrant communities to buy our goods and send money home, but if they are going to be affected by ... Brexit, then our businesses will also be affected. The prices of basic essential commodities which used to cost less have all tripled and our unemployed/underemployed people will not afford them. It is very unpredictable what will happen in the future especially with Brexit... and so I don't know how we shall handle the changes or the challenges to the market ahead (LO4, Interview 2017).

Brexit is not only impacting on the business activity itself, but also on the status of business owners. Among the Somali community, migration to the UK has frequently taken place as a process of *stepwise migration* from other European countries where settled in (particularly Scandinavian countries and the Netherlands). These Somali migrants who acquired EU citizenship have generally decided to move the UK given the better opportunities to set up their firms and to be close to family and friends. The post-Brexit uncertainty about migrant's rights is therefore also affecting migrant entrepreneurs. For example, LO5's owner worries about his EU citizenship status in the UK in the wake of Brexit and claims his business is suffering as a consequence. Computer retailer LO8 concurs and points to the twin challenges of the precarious UK economy and Brexit,

The UK economy is negatively affecting the sale of our goods and also the current issue of Brexit and the rights and responsibilities of EU citizens, particularly those of us from Denmark. I don't know how Brexit will affect us (LO8, Interview 2017).

Table 5: Performance⁴, Employment and Turnover NMBs in 2010 and 2017

		Performance		Employment		Turnover per year	
Firm	Sector	2010	2017	2010	2017	2010	2017
LO1	Supermarket and Restaurant	Struggling	Fast Growth	8	25	£10K - £50K	350K
LO2	Ethnic Fashion and Accessories Shop	Struggling	Struggling	3	3	< £10K	<100K
LO3	Ethnic retailer/ Money Transfer	Satisfactory	Thriving	2	4	£10K - £50K	250K
LO4	Money transfer agency	Struggling	Struggling	2	4	£10K - £50K	100K
LO5	Ethnic retailer	Struggling	Thriving	3	4	£10K - £50K	250K
LO6	Ethnic retailer/ Restaurant and Café	Satisfactory	Fast Growth	2	4	£10K - £50K	230K
LO7	Computer and phone shop	Satisfactory	Satisfactory	2	2	£10K - £50K	<100K
LO8	Computer shop	Satisfactory	Satisfactory	1	2	£10K - £50K	<130K

⁴ We classified the firms according to four competitive market positions in 2010, and we selected businesses from each category to complete our present sample of 12. The four classifications were 1) Fast track 2) Thriving 3) Satisfactory 4) Struggling. These terms were chosen to capture the essence of the firms' condition rather than prescribed formula. Thus "thriving" indicates a living standard ample but falling short of the self-enrichment achieved by the fast trackers and described by the owners themselves in such terms as "very happy with the revenue", "very comfortable living standard". "Satisfactory" conveys the notion of entrepreneurs "making enough to get by" but often at the cost of long working hours. As might be expected, "struggling" describes those in a constant battle for survival, with "difficult to make ends meet" a frequent refrain.

LO9	Restaurant/ Ethnic retailer	Thriving	Fast Growth	4	13	£50K - £250K	300K
LO10	Supermarket/ Retail	Satisfactory	Thriving	2	6	£10K - £50K	200K
LO11	Ethnic retailer	Satisfactory	Struggling	1	1	£10K - £50K	< 100K
LO12	Fast food/ Take away	Fast Growth	Fast Growth	Over 100	120+	£250k - £1 Million	2 Million

LO11 is particularly concerned about Brexit's impact on his customers,

We are worried for our business as many of our customers are Danish Somali nationals and I don't know how Brexit will affect my business and [since the] majority of our customers are EU nationals such as Dutch, Italians, Spanish, and Danish (LO11, Interview 2017).

Conclusions

Though two of the interviewed firms are still struggling much as they were in 2010, there is in practice a great deal more variation in business performance than might be expected by their segregation in low value sectors (Kloosterman, 2010). At the top of the range is one exceptionally fast growing enterprise turning over more than £1 million annually and employing 120 people, its success mostly attributable to its owners' ability to transfer accumulated capital from the homeland (Edwards *et al.*, 2016) and hence to escape the severe under-capitalisation which thwarts most migrant firms in these sectors. Perhaps the most salient finding overall is that with increasing maturity several formerly precarious infant firms have achieved significant growth and stability since first interviewed in 2010, creating a situation whereby marginal businesses are now in an actual minority. On the other side, though, growth on its own does not automatically lead to compliance: segregation and embeddedness of informal practices act as main obstacle to it. It is interesting that of all our longitudinal companies, only one (SajCo) moved into compliance, and this only after an 'external shock'.

2. PAY AND THE NATIONAL MINIMUM WAGE

Pay rates

Painfully low pay is endemic amongst migrant businesses (see Table 2). Pay rates are well below the NLW, and even in the three fully compliant firms (LO5, LO6 and LO9) £7.50 is the highest rate of pay in the firm.

LO1 admits he did not comply with statutory requirements when he initially set up his business, but is now compliant with the NLW, *in the past we usually didn't take the minimum wage rates into consideration, but now it is a regulation and we must abide by it*. But compliance with the NLW does not extend to helpers,

Employees are those with contracts and paid either weekly or monthly and with payslips. They are paid by BACS system into their accounts. They are the backbone of the business; not only that they are on contracts but because they are qualified and were interviewed and got the job, but they are also qualified with previous experiences, which they either acquired from working with other restaurants or worked as helpers or apprenticeships etc. Helpers are those who can be called to fill in the absence of people employed, either they are on holiday or absent due to an unforeseen circumstance or they are sick etc. They are paid cash in hand, and can be called at any time when needed (LO1, Interview 2017).

Such a clear demarcation is not evident in the majority of non-compliant firms, where deductions are taken from full-time workers even though they are not paid the NLW, as in the case of LO7:

[Workers] are paid below £7.50 an hour, and this is calculated including the four weeks worked on a monthly basis ... Any deductions are taken, and they are paid a lump sum. The lump sum is more than £1000 for an average permanent employee (LO7, Interview 2017).

The challenging economic environment (see previous section) is the rationale owners often invoke for non-compliance, as computer retailer LO7 explains,

Our business has struggled quite significantly over the last few years, first, the recession and now the weak economy and the weak pound against the dollar, coupled with Brexit, and customers are not purchasing our products as they used to, and computer equipment is so expensive. That's why we pay our workers below the NLW

Table 6: Pay rates in New Migrant Businesses

Company	Pay rates			Breaches of regulations
	Lowest	Average	Highest	
LO1	N/A	N/A	£7.50	Non-compliant. Full-time workers compliant; but casual helpers with no contracts and paid cash in hand.
LO2	£5.00	£7.00	£12.00	Non-complaint with NLW. Casual workers have no employment contracts and are paid cash in hand.
LO3	N/A	£7.00	£7.00	Non-complaint with NLW. Helpers have no employment contracts and are paid cash in hand; unrecorded labour.
LO4	N/A	N/A	below £7.50	Non-complaint with NLW. Helpers have no employment contracts and are paid cash in hand; unrecorded labour.
LO5	N/A	£7.50	N/A	None
LO6	£7.20 (under 24yrs)	N/A	£7.50	None

LO7	N/A	N/A	below £7.50	Non-compliance with NLW. Helpers have no employment contracts and are paid cash in hand.
LO8	N/A	N/A	below £7.50	Non-compliance with NLW. Helpers have no employment contracts and are paid cash in hand.
LO9	below £7.00	below £7.20	£7.50	None
LO10	below £7.00	below £7.20	below £7.50	Non-compliant with NLW. Helpers have no employment contracts and are paid cash in hand.
LO11	below £7.20	below £7.50	below £7.50	Non-compliant with NLW.
LO12	below £5.00 (apprentices); below £7.20 (casual workers)	below £7.40	below £7.50	Non-compliant with NLW, cash in hand for helpers who are under 18 and sometimes to casual workers; no employment contracts for helpers.

Pay determination

Affordability, profitability and the NLW shape the determination of pay in the case of partially compliant LO1.

The rates of our pay are not only influenced by the NLW alone, but dictated by the cost of food, rents rates, transport etc. and that's how pay rates are influenced by the NLW ...I decided to increase our employees' pay based on the cost of living, but most importantly when there is an increase in profits of our sales of goods/products, profits in the restaurant business etc. The more profit we get the more pay rises in our employees (LO1, Interview 2017).

The employer's whip hand over pay determination is corroborated by LO7's worker, who laments the absence of solidarity in the workplace:

If we were to have a group or leaders with influential skills, we would have bargain over pay, however, at the moment we don't have a group or individuals with much influence, therefore, there's nothing we could do, but to take what the employer offers (2017 interview).

The rationale for pay determination is similar in fully compliant LO5 and LO6. For LO6, *it is all about experience, long service and hard work and commitment, reliability and trustworthiness*. Profitability is the main factor in determining whether he awards a pay rise, with little or no input from workers. LO7's subjective judgment, along with guidance from the company accountant (a surprisingly common feature in our sample) is also decisive:

I am fully aware of the current cost of living and our pay rates are determined by it This is an issue that I normally thoroughly discuss with our accountant ... Things that I take on board to discuss with our business accountant is the long service, experience and above all integrity of our employees, and also the cost of living as well as the profits generated from sales (LO7, Interview 2017).

Full compliance with the NLW has prompted the owner to reduce the number of helpers, reduce working hours of employees and cut prices, *so we could set our pay rates well*.

Pay rises are also at the discretion of owners in non-compliant firms (although accountants also appear to exert influence). Typically, LO2 asserts,

I decide how much to increase our employees' [wages] ... but this largely depends on the advice of our accountant or financial adviser ... Generally, we usually decide how much to increase our employees' pay when we have good sales, and more profit is generated from it.

LO2's worker confirms the lack of voice and bargaining power:

Employees here cannot influence how much they are paid as we are only a handful of people ... We take what the employer offers ... I am not satisfied at all with the level

of pay, but there's nothing you can do to change the situation. It depends on the manager and the sales in the business (LO2 worker).

Influence of the NMW

Compliant firms LO5, LO6, LO9 (and near compliant LO1) express mixed feelings about the NLW. LO9 claims that *without the NLW, we wouldn't have increased the pay rates of our employees, that's for sure*. He plans to reduce the number of casual workers he employs and is contemplating redundancies. Compliance for LO1 stems from a lack of options rather than a positive view on the merits of the NLW,

We have no choice but to follow the rates set lawfully by the government, otherwise our employees or potential employees will leave us and go to look for other opportunities elsewhere (LO1, Interview 2017).

He fears the negative effects that may result from compliance (see Box 8 for case description).

Box 8. LO1: Struggling to Comply

LO1 has developed from a struggling supermarket in 2010 to a thriving concern, with a butcher's shop operation and recently acquired restaurant added to the premises,

Yes the number [of employees] has significantly changed since the first interview in 2010. This is mainly because the business has grown and expanded so tremendously, in terms of goods, sale, products, buying power and variety of goods, as well as the butcher shop. Customers who come to the supermarket will also go to the butchery to buy meat, send money abroad through our money transfer etc. It is all connected with each one and if you are hungry and want to eat, the restaurant is next door (Interview 2017).

The owner now pays his full-time workers the NLW (although not to helpers). This has put a strain on the business,

The NLW ... has put our business under pressure. We may not have the money to comply with NLW. The NLW is bad for our business, as we used to pay our employees any amount but the minimum wage set by the government (Interview 2017).

He claims that the NLW has had a negative effect on recruitment, retention and staffing. Recruitment difficulties are getting worse since the company cannot afford to pay more than the NLW,

The difficulties we are always getting are in the recruitment of the trained/skilled and experienced people in the business, particularly those who have worked in the same business. We recently recruited three people in the shop to work in our restaurant and meat butchery, we even trained them in Hygiene, health and safety and they got certificates. However, after a few weeks/months in the business, they left to work for another business with better pay rates etc. and terms and conditions were attractive than ours (Interview 2017).

Retention is a problem because *if we don't pay them NLW, then they are forced to go somewhere else to get paid the NLW*. The owner has had to release workers because he did not believe that they had the skills to warrant payment of the NLW, *some of our employees don't have basic customer care skills and attitudes and we had to sack them to maintain the reputation of our businesses*. The owner believes it will be difficult to maintain current levels of staffing,

We will have to reduce staff hours and reduce their numbers, as we may not have money to pay them NLW. We may also have to increase prices of goods, food etc., we may have less/fewer jobs; we will make redundancies and reduce profits ... NLW is bad for our businesses, and if we implement it [fully] we'll have to reduce our staff hours and our business will not grow.

LO5 and LO6 are more positive in their motivations. LO6 speaks of the importance of *respecting the statutory pay rates*. For LO5, the trigger to comply was stimulated by a desire to retain key members of staff and his approach to the business,

We complied with NLW not only because of the rates that we pay to our employees, but our model of putting customers at the centre of our business is all that counts ... I think that is what makes our rates so attractive (LO5, Interview 2017)

But both owners see negative as well as positive effects:

NLW is good for our employees as we will pay them ... to meet the current cost of living. Its disadvantages are that we won't be able to recruit more staff, our profits will reduce and probably prices of our goods will increase ... and above all our employees might quit our business for better paying businesses elsewhere if we don't pay them minimum wage (LO6, Interview 2017).

For the rest of the firms, pay rates *are not influenced by the NLW as we are not complying with the NLW* (LO2). LO8 is emphatic, *we are not complying with NLW and our pay rates are not influenced by the NLW*. Lack of affordability is a common justification; and the response from LO2 is typical:

We pay them [the employees] below the NLW because the business is not generating enough profit, and we are heavily taxed, and we pay a lot in insurance, income tax, utilities etc., and the goods that we import are also heavily taxed and this puts our business in difficulties (LO2, Interview 2017).

LO10 offers a similar explanation despite running a *thriving* business,

Workers are paid below the NLW because our firm, despite being the only local thriving supermarket with a money transfer agency [and] green grocery, is not making a lot of profit ... Instead of complying with the NLW, we think it's best to invest in the few employees to make more profits. We paid them below NLW because we don't have extra income to meet the cost of NLW (LO10, Interview 2017)

Despite its lack of direct influence, the NLW cast a shadow over non-compliant firms in a more indirect fashion. Many non-compliant owners believe that recruitment will be difficult because potential workers will expect to be paid the NLW. In the case of LO4,

One of our employees was attracted to another firm nearby and sadly left us to work with them as their pay rates were good and working practices were better than ours as well. We also find recruitment a bit difficult as people are interested to know whether we could pay them the NLW (LO4, Interview 2017).

Non-compliance is making computer retailer LO7 *less attractive to potential employees because NLW is paid elsewhere*,

We are known for non-compliance with the NLW ... The disadvantage of paying wages below the NLW is that people whom we had asked to work as casual workers or employees have left ... We also find recruitment a bit difficult as people are interested to know whether we pay the NLW (LO7, Interview 2017).

Enforcement and Deterrence

Neither compliant nor non-compliant firms are aware of HMRC penalties or deterrence initiatives such as the ‘naming and shaming’ campaigns. The possibility of being exposed and penalised is not seen as a threat. *‘If we are caught we would not be the only people in the country not complying with NLW’* (LO7). Some do not see non-compliance as a crime.

I am not aware of the penalties and whether they are high or not. I haven’t even noticed any change in enforcement in recent years, and whether the chances of being caught have increased or not. Our head office will deal with these issues (LO12, Interview 2017).

Many see business growth and profitability as being more effective incentives for compliance,

I would be persuaded to pay the NLW if our business is trading well and import more goods from abroad with little tax, open up new stores in some other parts of the city or if the government enforces its policy for businesses or employers to comply with NLW. This will most likely persuade us to pay the NLW (LO2, Interview 2017).

Conclusions

At first sight, this sample of new migrant businesses comes across as enjoying fairly healthy margins of NLW affordability, especially those that have grown between 2010 and 2017. In practice, however, only three firms are fully compliant across the entire range of their employees, with the rest often using a mix of properly recorded NLW payments for the permanent core labour force and cash in hand under-payments for the temporary periphery. Despite evidence of quite widespread growth, employers typically claim to be generating inadequate profits and use this as a rationale for non-compliance. This rationale is reinforced in employers’ minds by unawareness of penalties.

3. RECRUITMENT AND RETENTION

All firms use informal methods for some or all of their recruitment needs. For example, LO5 relies exclusively on informal channels. *We get workers locally, self-referrals or through drop in at the shop, or recommendations from friends/family who have previously worked in similar businesses.* Such an approach is conducive to non-compliance with the NLW and other cost-cutting practices. LO5 explained why when he was first interviewed in 2010:

The people I employ informally are other [co-migrants] who are not even from my family. I do not check whether they are on Job Seekers Allowance or on benefits ... I pay them cash at hand either weekly or monthly. The reason I do this is because the business does not generate enough income or profits from the sales for me to employ them permanently. I do not have a written contract with them' (LO5, Interview 2010).

LO3 is also a small family-owned enterprise that relies on close social networks for enlisting workers. The owner believes that replacing workers might be difficult because of the NLW:

Since the introduction of the NLW, no one has ever quit our business because of being paid below the NLW, however, maybe if we want to recruit new employees, it will be difficult or hard for us to attract new employees given the compliance policy of NLW' (LO3, Interview 2017).

A surprising number of firms complement informal recruitment with more formal recruitment methods. It is often firms that have specialist roles in money transfer (LO1, LO4) and computing (LO7, LO8) business that use formal routes, for example Job Centres or online applications. LO7 used formal methods when he was interviewed in 2010, and continues to do so.

It depends on who you want to recruit; otherwise, we get skilled workers applying to us online, sometimes from the Job Centre, but also from computer companies. The workers we get must be highly skilled in the computer/IT in general to be able to answer customers' questions (LO7, Interview 2017).

For some, unwillingness to pay the NLW leads to recruitment difficulties.

When we recruit we often experience difficulties in recruiting workers, because people ... need to be paid well ... preferably the NLW ... But we are not complying with it, we recruit people who we can afford the pay we give them ... Non-compliance ... has a huge impact on recruitment in our firm. This is because jobs in our firm are unattractive because the NLW is paid elsewhere and not in our firm (LO4, Interview 2017).

Workers left the firm after the NLW was introduced because *we couldn't implement it, some of our loyal workers quit to look for opportunities that were/are paying the NLW* (LO4, Interview 2017).

4. SOURCES OF ADVICE

I turn for business advice to my ... immediate family members and other members of the business community ... They are highly experienced people and give you a good advice about your own business ... I don't use formal sources of advice ... I think I am comfortable enough with my informal advice that I get from friends, family or business associates (LO1, Interview 2010).

Small business owners, particularly migrant firms of the kind reported on here (Ram *et al.*, 2014) eschew formal sources of business support. This is well-documented. More surprising is the widespread tendency of firms in the present sample to seek external expertise. LO1 – *comfortable enough with ... informal advice* in 2010 – now looks to his bank advisor and accountant to guide him on the NLW and other business issues. The owner relied on friends and family in 2010 because he was new to the city and had little knowledge of the business environment in the UK before he migrated from Denmark. In 2017, he uses accountants and business bank advisors regularly because,

As the business grows financially, you need to show ... good practice to run a business as this one. I can't do it with the help of my family or friends, but with competent, highly skilled and professional advisors ... These sources will help me as they know the business environment, ... its regulations and policies (LO1, Interview 2017).

Accountants appear to be an important source of support in virtually all the cases (see Box 9 for detailed case description). LO2, for example, looks to his accountant *to be on the right track with government policies and regulations*.

Other diverse sources of support are also used. LO4 claims to belong to the

Association of Money Transfer Agents, as well as to Financial Services Authority, and Travel Agents and International Travel Operators. The reason we belong to trade association is to get acquainted with the policies/regulations protecting the industry (LO4, Interview 2017).

In 2010, LO4 received advice from (now defunct) Business Link and was awarded a business grant from the local authority. LO6 has also been supported by Business Link and spoke approvingly about the guidance provided by his Bank.

Box 9. LO4: The Ubiquity of the Accountant

A recurring theme in the case of LO4 (and many others) is the prominent role of the accountant in a number of the firm's activities. The accountant ...

- **advises on rates of pay**

We determine rates of pay by getting advice from our XXX headquarters in London. They tell us how much to pay and that's how we pay our workers. Our accountants are all based in London so; we get advice from them to determine rates of pay (Interview 2017).

- **calculates pay of individual workers**

[Working] hours are recorded daily on a sheet for employees. Any time an employee arrives to work, their time of arrival and leaving the office is recorded, and at the end of the month this is presented to the accountant or to our headquarters in London for payment. Each of our employees works an average of 7 hours a day from Monday to Sunday, and our accountants calculate that and pay them after deducting national insurance and other taxes (Interview, 2017).

- **facilitates non-compliance**

We are not the only one that are not complying with the NLW. It is unlikely we would be caught as we have a legal representative and our accountants are also aware of our non-compliance with NLW. Our problem is the financial services authority who one time wanted to close our international money transfer, and that was going to be problem for us (Interview, 2017).

- **provides business advice**

I get advice if we need it from our business associates, our business adviser, accountant, but most importantly from HMRC. I use these sources in order to know government policies and regulations concerning small and medium size businesses (Interview, 2017).

5. WORKER PERSPECTIVES IN NEW MIGRANT FIRMS

Table 7: Profile of Employees (New Migrant Businesses)

NO	Workers	Ethnic background	Age	Gender	Education
1	LO1A	Sudanese (Darfur)	34	M	N/A (no qualification)
2	LO2A	Somali	42	M	BSc Electrical and Electronic Engineering (Somalia) ESOL Entry 3 Level 3
3	LO3A	Somali origin (Finish citizen)	29	M	BSc International Business Management (UK)
4	LO4A	Somali Origin (Danish citizen)	43	M	MSc IT (UK)
5	LO5A	Somalia	40	M	ESOL Entry Level 1
6	LO6A	Congolese	33	M	ESOL (level 1&2), IT level (1& 2), Access to law college degree (ongoing)
7	LO7A	Somalia	54	M	ESOL (level 3)
8	LO8A	Algerian origin (French citizen)	38	M	MSc Computer Software Engineering (UK)
9	LO9A	Somali origin (Dutch citizen)	56	M	Diploma in Sales and Marketing, Holland
10	LO10A	Algerian	38	M	ESOL (Level1)
11	LO11A	Somalia	32	F	Business Management degree
12	LO12A	Iranian	32	M	ESOL (entry level 3& 4)

We expected to find recurring themes of restricted choice, confinement to low level work and heavy dependence on friend and family networks for job provision. Though such dependency was indeed widespread, we also found many assertive migrant workers with a degree of bargaining leverage. We have therefore sub-divided this section, firstly giving an account of those caught in the low-choice, low-wage trap; followed by those respondents whose personal resources allow them a certain relative autonomy. We conclude with a (tentative) assessment of how far pay satisfaction appears to be related to NLW compliance.

Low Choice Workers

The plight the migrant worker might be thought to be typified by such as Ethiopian worker LO1A, now in his seventh year of employment in a non-NLW-compliant retail business. As with many newly arrived migrants, the face-to-face job search was the only workable solution, *I came here and asked if they had any vacancies*. Currently he works two days per week for about £115 and complains that his wages have failed to match price inflation over the past five years, painting a graphic picture of personal hardship, *I am not at all satisfied with the level of pay. I have a wife, two children and a new baby and despite having child benefit and tax credits, it is not enough*. Even though he has a second job as a security guard, extra strain comes from sending money to my family and my wife's family for their survival back home in Ethiopia. Yet his attitude to his employer is contradictory: *I hesitate to complain because this was the first place to offer me a job and the owner is like a father figure to me*. As with many migrant workers, the firm acts in effect as a kind of quasi-family. An expression of this paternalism was a loan from this owner to enable LO1A to start his own firm. When this failed, *the shopkeeper welcomed me back with open arms. That's why I stay with this firm*.

Reproducing the general tenor of this is LO2A, a worker in a Somali- owned clothes shop, who escaped a *tedious, hard, tiresome and exhausting* factory job. Utilising his social network he was *directed to this job by a friend* and, in the complete absence of alternative options, he was relieved to be taken on. His chief sources of satisfaction are social rather than material: *“the people working here are very friendly, it's like a family atmosphere and the owner is a kind woman who looks after us well*. By contrast, wages are modest and there *hasn't been any pay increases in recent years*. In practice pay fluctuates in line with profits and *when there's not much work in the shop, the owner reduces the hours at short notice*”. This causes discontent; *it will affect my cost of living*. But he intends to remain at the firm because *the owner is close to me. She entrusts part of the business to me and to leave would be like stabbing her in the back*. Sentimental ties are reinforced by the stick of a labour market offering no alternatives: *no, I don't have options*.

These experiences are replicated by other low skilled migrant workers, the constricted narrowness of choice being squeezed most tightly for asylum seekers and refugees, as lamented by LO6A, an assistant in a general store. *Before this job, I was not allowed to work by the Home Office, as I was still an asylum seeker*. Such powerlessness exemplifies Hines and Sales' (2010) notion of 'enforced destitution as imposed by UK officialdom'. As for

many other respondents, it is the informal ethnic and kinship social network that provides a lifeline for LO6A- albeit one that comprises little more than survival. In this worker's case, *the shop owner is a friend of mine who speaks the same language. One day I stopped by to buy a phone card and he asked if I wanted work as a shop assistant.*

Yet, despite beginning from inauspicious circumstances LO6A has achieved a degree of job satisfaction mainly because *I am paid the NLW*, an important contribution to his job satisfaction. He expresses emotional attachment to the firm: *the people are good ... we are only few and we are closely attached to the business. But he also affirms that I am happy with our level of pay and I can't complain. I think our pay may be better to what other businesses are paying. I am able to pay my bills and feed myself.* Though he does not have a say in influencing pay and working hours, he claims that the owner *reviews the pay every year and discussed with us how it could be raised*, an approach ensuring that wages have at least kept pace with (the) cost of living rises. The owner encourages staff development, *this firm has offered me the opportunity to study for access to a Law Degree as I go to college at least twice a week.*

In the case of LO7A, assistant in a computer repair shop, the owner *is a long-time friend from our homeland. I personally came and asked him for a job, I told him I wanted to learn how to repair computers.* Although content to work in this struggling outfit which is non-compliant with the NLW, LO7A also drives a taxi to make ends meet.

Facing similar financial struggles is LO5A, an assistant in a Somali-owned mini market, who complains that his wage *is not enough to feed me and my family, pay my rent and send money home* and, like many others, must be topped up by wages from a second job. This respondent is handicapped not solely by lack of occupational skills but also by poor English language; *I don't think I will be able to progress further as my level of communication in English is low.* LO5A's earnings appear problematic even though his employer is one of the relatively few NLW-compliant owners.

For others with compliant owners, however, the NLW does seem to afford the intended worker satisfaction. Exemplifying this is LO9A who has worked as a waiter in a Somali-owned restaurant since 2009, a selectively compliant business paying the NLW to fulltime permanent employees but not to their part time or temporary counterparts. With a working regime of 40 hours or more per week, LO9A has been *paid the NLW rate since it was implemented*, a rate that in some respects exceeds his expectations, *the pay from the present job is very good indeed.* But he works long hours, *I am working many hours more than anyone because of my responsibilities but the issue of how many hours worked is not a problem to me.* As with LO6A, this respondent enjoys the chance of staff development, with *college training in Marketing which is what I want for my future.*

These responses highlight the importance of loyalty, trust and face-to-face interaction, as well as the cash nexus. The small immigrant workplace is repeatedly portrayed as a virtual family (Jones and Ram, 2010), where workers see themselves almost as stakeholders. These factors generate other non-tangible benefits of working within the migrant economy. As LO3A puts it, *we treat the business as our own*, a feeling by LO9A. It appears that the migrant-owned workplace provides a refuge from an even harsher mainstream labour market, and a means of

survival for many low skilled workers with virtually no alternatives.

Yet there is limited scope for workers to exert significant influence over the effort bargain. LO1A describes the weakness of the employee's bargaining position as a feature of the small workplace. *No, employees here cannot influence what we are paid as we are only a handful of people.* Even though workplace intimacy gives staff access to *discuss how much we are paid with the shopkeeper*, in the last instance, *we take what the employer offers.* This powerlessness is a refrain taken up by other unskilled workers in the sample, with LO5A also bemoaning the weakness that comes from small numbers. *We are few employees and we have got to take what we are paid.* Even those being paid at the NLW rate are usually aware of a lack of any kind of wage negotiation, as with LO10A, *Employees here have to take what the employer offers.*

Such worker passivity is related to the lack of any kind of formal collective organising. When we asked respondents about their knowledge and opinions of Trades Unions, answers varied from complete unawareness – *I don't have any opinions or knowledge* (LO10A, LO4A, LO5A) – to LO1A's considered verdict,

I do know that they can help to resolve problems you have with your employer but I have never sought help from them. My friend is registered with Unite Union and he told me they are very helpful (LO1A, Interview 2017).

It seems that trade unions are seen as irrelevant to a set of geographically and culturally displaced (often violently so) individuals who are often relieved to take refuge in the small co-migrant workplace. But equally important community trust and solidarity are shaping the lack of collective organising that could be seen as disloyalty to your own community. Certainly those like LO6A who have fled for their lives from war zones or despotism are likely to place a premium on the psychic as well as the material value of a job, a consideration applying quite widely throughout this sample of interviewees. LO3A's pledge is typical: *We are all happy here and we intend to stay here for the rest of our lives.*

Workers with Human Capital

There are cases of workers enjoying a marked degree of leverage based on their possession of vital technical skills. Prominent here is LO4A, an IT technician who was hired to install software for a retailer's money transfer system and was then retained as a fulltime staff member with the title of 'Assistant Manager'. Thanks to his recognised skills, this worker *had many options and I have worked in so many different firms.* He describes his present job approvingly as,

Challenging, requiring skills, abilities, knowledge and responsibilities because you are dealing with people's money ... you need that extra vigilance when transferring customers' money abroad (LO4A, Interview 2017).

This respondent's attitude departs from the informal economy model in his avowed approach to job searching, a highly formalised procedure based on adverts, websites, job centre and employment agencies.

His situation is broadly replicated by LO8A, another worker whose scarce expertise is valued in the labour market – *I had many options as an IT technician* and who has been well rewarded at a computer shop for the past 14 years. This firm is one of a minority of NLW-compliant operations and the worker enjoys a legal contract renewed annually. But the firm's own survival seems to be under some threat, yet another reminder of the insecurity of migrant-owned micro-business. Nevertheless, LO8A's is content with staying in the firm and again invokes the analogy of family,

I intend to stay in the job here because the pay is good and the owner likes what I am doing and I am learning a lot ... I have worked with this firm since 2003 and take it as my own business (LO8A, Interview 2017).

As noted in the last section, there is a tendency for long term workers in the small firm to develop a kind of personal stakeholder mentality and it is instructive to have it confirmed that this is not confined entirely to low paid workers. Thus, even while we have posited a clear distinction between high skilled, high choice and low skill, low choice workers, there are numerous overlaps.

A variation on this theme of well-resourced personal autonomy is offered by the case of LO11A, a buyer/shop assistant for a clothes and fabrics importer, a job she obtained in 2003 through a combination of social and human capital,

My mother is a friend of the owner and she thought I would be a perfect match for the job as I am fluent in both English and Arabic and I also studied business management (LO11A, Interview 2017).

Strongly equipped by the experience of working for several *quite massive* firms in the Gulf States, she *applied and was called for interview and that's how I am employed*. Since its inception, she has been paid at the NLW rate and is part of a contented workforce in an NLW-compliant firm. *Everyone is happy here and all of us intend to stay here as long as it takes*.

Conclusions

Wage regulations provide limited protection for many employees in the small workplace. The most emphatic complaints about the struggle for financial survival emanate from workers like LO1A, whose employer is non-compliant, and who has to hold down multiple jobs in order, as he says, to *feed my family*. Yet the pattern is complicated by the variations across the sample in qualifications and personal resources, with a sizeable minority at odds with the stereotype of low level migrant workers. This human capital gives them a scarcity value which is often reflected in better pay rates. As we have noted, any divide between the low and high skilled sections of the sample is not hard and fast, since several of the former are using staff development opportunities to move into the latter. It bears in mind the role of personal ties and other non-pecuniary elements in the informal migrant firm, a consideration which applies even to many of the much more formalised high skilled workers.

DISCUSSION

The research provides a rich, but open-ended picture of the impact of the NLW. The situation is open-ended for two sets of reasons. Firstly, the NLW is itself recent, and it has been introduced in a context of economic uncertainty, with several respondents citing Brexit in particular. Secondly, many firms have yet to work through how they can absorb or otherwise respond to the NLW. Consider for example those that are non-compliant. Some of these are finding recruitment more difficult than it was. This may in turn mean that in the medium term they have to go further down market, or change the business model, or perhaps go out of business. The NLW, then, interacts with other aspects of the business in complex and often unpredictable ways.

That said, we can indicate three broad patterns of response. Firstly, there are firms that have always complied with labour laws and continue to pay the NLW. What marks their response as compared to the past is the size of the difficulty that they face. PatCo for example welcomed the NMW in 1998 and saw it as consistent with the firm's overall direction. By 2017, further rationalization was proving difficult, and it was not clear how the costs of the NLW could be absorbed. Secondly, there are those that are struggling to comply even more and that have implemented cost-saving measures such as staffing cuts and reductions in overtime payments.

Thirdly, several firms do not comply with the NLW. This group includes some long-established firms and also several of the new businesses. As we have seen, the boundary between compliance and non-compliance is fluid, for firms can comply in respect of some workers and not others. In particular, the widely used category of 'helper' embraces people doing specific tasks for a limited time. The firms, and the helpers themselves, do not necessarily think that this work comes within the remit of the NLW, though it most probably generally does. This structure of employment is one reason why non-compliance continues to exist. A second reason is that the risks of being penalized are felt to be low, not least because employers have little fear of complaints from workers. Thirdly, therefore, there is workers' acceptance of the situation, which is important when employers perceive that enforcement is mostly compliant-based, as it has been until very recently. This is not a matter of perceived exploitation and silent resentment. We have seen that some workers appreciate the opportunities that they have, together with some give-and-take, while others are aware of the financial pressures under which firms work. There is thus acceptance and accommodation rather than resistance. Fourthly, there continues to be a supply of labour, of illegal or undocumented workers, and such supply may become increasingly important if the pool of legal migrant labour is restricted after Brexit.

These specific reasons operate in the context of the product market. Some long-established and many recent businesses operate in sectors of intense competition. As long as there continue to be market niches of this kind and a supply of people willing to fill them, employment practices on the borders of legality will also continue to exist. The longitudinal case studies indicate that these three patterns are not coincidental or occasional, but rooted in different patterns of development and forms of management, and they hardly change over time in the absence of external shocks in terms of either support, or hard constraints.

CONCLSUION

In many key respects the evidence from our interviews confirms the conclusions of prior research in the field (Section 2), though such is the changing complexity of the small firm labour market that we caution against unconditional conclusions. Certainly one of the main recurring themes derived both from workers and owners is the self-perpetuating inertia of the informal labour process; from employers come repeated assertions of the entrepreneur's superior knowledge of what a worker is worth, from workers come expressions of job satisfaction, where the sociability and security of the small workplace cancel out the privations of a penurious wage. Time and again we hear that the firm acts as a kind of surrogate family, with the employee more a personal stakeholder than a worker.

At the same time, change is most definitely afoot. It is propelled by several forces, one of which is an increasingly educated and qualified working population whose awareness, in the case of South Asians, has been profoundly heightened with the demographic shift from an immigrant to a British-born population. Workers with raised expectations and improved personal resources form a significant component of the present sample, in many cases gravitating towards the growing minority of compliant firms. Perhaps this process of change is best seen as a kind of uneven development, progressing most rapidly in protected market niches where adequate profitability underpins NLW affordability. Food processing is one such profitable sector as is the kind of upmarket restaurant which can compete on quality and creativity rather than price. Indeed, it is precisely the price-competitive sectors where the momentum towards NLW meets with resistance, notably impervious being sectors like retail, down-market catering and clothing, all trapped in the segregated exclusion zone noted by Kloosterman (2010). Here hyper-competition (from abroad, from the informal sector, and from labour-replacing operators) means poor earnings leaving firms short of NLW affordability. Bolstering their non-compliance is owners' refusal to acknowledge either the threat of enforcement or their own legal/moral culpability. Complementing this is a tendency for such firms to be staffed by a high proportion of recent immigrants with comparatively low expectations. If present trends persist, we might assume that such islands of resistance will be eroded away but this can only be a slow process.

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