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THE IMPACT OF THE NATIONAL LIVING WAGE ON BUSINESSES: RETAIL AND HOSPITALITY IN TWO ENGLISH CITIES.

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Executive Summary

Overview and methods

- This report examines the ways in which employers in the retail and hospitality sectors have responded to the introduction of the National Living Wage (NLW) and subsequent changes in its level.

- The geographical focus of the study comprises two urban sub-regions - Greater Manchester and Sheffield City Region - that have been identified as being persistently poor performers in productivity terms.

- The hospitality and retail sectors employ large numbers of low-paid workers, many of whom are young people, and are among the fastest growing sectors in the two regions in employment terms. In both regions, wages in the retail sector are below the national average.

- The report's findings are derived from two sources: firstly, a questionnaire survey of 55 establishments in the two sectors and, secondly, face-to-face semi-structured interviews with 41 owners/managers in the two sectors.

- The survey findings provide evidence concerning the types of adjustment mechanisms being used and their frequency while the interviews enable an understanding of employers' concerns regarding the NLW and their reasons for adopting particular methods of adjustment.

- The topics addressed in the survey and interviews included: pay structures and differentials in the workplace; employment and hiring practices; the organisation of work; work-rate and intensity; working-time, hours and shift patterns; the contractual basis on which staff are hired; and internal and external factors impacting on managerial decisions.

Wages and the NLW

- 62.5 percent of establishments in the survey sample indicated that they paid at a level above the NLW and 37.5 percent indicated that they paid the legal minimum. This suggests that the planned increase in the level of the NLW to £8.67 in 2020 will not have a large impact on most employers.

- Wages in the fast food, pubs and restaurants sector tend to be lower than in the retail and hotels and leisure, especially for workers below 20 years of age.

- Many of the interviewees reported that their establishment paid all staff the same wage for doing the same job, regardless of their age. However, in some hospitality establishments, younger workers were employed in specific roles (hotel domestics, table waiting) and paid less than older workers.

- Every establishment that participated in the interview-based strand of the research paid their hourly staff aged 25 years and over either the NLW or a slightly higher rate.

The impact of the NLW on wages and profits

- The increase in the level of the NLW in April 2019 stimulated an increase in pay rates.

- A majority of survey respondents reported that they increased pay rates for workers aged 25 years and over. The 2019 uprating of the NLW led to pay increases in all three sectors and in both regions.

- A majority of establishments reported that the NLW and its uprating had negatively impacted profit levels, either to a large extent (25 percent) or to a small extent (45 percent).

- However, many of the interviewees identified the NLW as only one of a number of cost pressures, and not necessarily the most important source. Other important cost pressures included business rates, VAT payments and pension costs.

Consequences of the NLW for pay structures and non-base pay

- The survey evidence suggests that the NLW and its subsequent uprating had little impact on pay structures. Where changes occurred, the most common response has been the narrowing or removal of wage differentials.

- Some establishments increased all hourly rates in response to the NLW, in order to maintain established wage differentials. Others only increased the lowest wages in order to comply with the NMW/NLW regulations, leading to a narrowing of wage differentials. Employers who had taken the second approach claimed that some staff on higher wages had regarded it as unfair to them and had, in some case, resigned in order to seek employment elsewhere.

- Most survey respondents said that their business had not made changes to non-base pay in response to the NLW and its uprating. Those employers who adjusted elements of non-base pay in response to the NLW did so by taking steps to reduce labour costs.

- A small number of establishments had cut paid breaks or subsidised meals.

Consequences for staffing levels and employment practices.

- The survey findings indicated that many of the employers who had responded to the NLW and its uprating had done so by substituting older workers for younger workers.

- Almost 46% of survey respondents reported that they opted for not replacing leavers in response to the NLW and its uprating. The next most common responses were increased use of variable hours contracts (38.6 percent), reducing the number of full-time workers (25.6 percent) and increasing the number of part-time workers employed (23.8 percent).

- Some interviewees stated that they would consider favouring younger workers when recruiting, should business conditions become more challenging.
- Others expressed a preference for hiring older workers, regardless of the NLW. The reasons typically related to a need for experienced staff and a concern to retain workers. These establishments normally paid wages higher than the NLW.

Consequences for prices and quality of services.

- Most establishments in the survey reported that the NLW did not provide an incentive for changing the quality or amount of goods and services produced. By comparison, 50 percent of establishments reported that the NLW and its subsequent increases had led them to increase prices.

- A number of interview participants emphasised that their ability to pass on increased costs to customers was constrained by market pressures.

Consequences for the organisation of work and productivity

- Among establishment that had attempted to improve productivity, the most common response was to reorganize roles and responsibilities (39.3 percent of all establishments) followed by increasing job responsibilities (26 percent), increasing the pace of work (25 percent) and introducing new technologies (20 percent).

- The interview findings suggest that employers' responses to the NLW and its uprating have followed a low-road approach that has sought to minimise the financial impact of the NLW through organisational changes that have involved staffing cuts, reorganised roles and responsibilities and increased work intensity.

Compliance with statutory minimum wages

- Around 27 percent of the survey respondents believed that their direct competitors always paid workers less than the statutory minima.

- Relatively few interviewees believed that non-compliance was a problem in their sector, although a number of examples were given. The practices reported included under-payment of wages, cash-in-hand payments and counting tips as a contribution to wages.

Future increase in the level of the NLW

- 37 percent of the survey respondents indicated that it would be either easy or fairly easy to implement future increases in the NLW.

- However, the figure varied by sector. In the retail and distribution, 50 percent of employers declared that it would be very easy or fairly easy to implement future increases in the NLW. In the fast food, pubs and restaurants sector, the figure was 28.6 percent.

- Interviewees were generally supportive of the National Living Wage in principle, but express concern about the potential impact on their businesses.

Conclusions

- Cost reduction measures have taken a number of forms, including reductions in staffing, recruitment of younger workers, restructuring of job roles and responsibilities and work intensification.

- Increased cost pressures faced by business resulting from the NLW and other sources are leading some businesses to reduce non-wage benefits such as overtime and bonus pay. This response potentially undermines some of the financial benefit of the NLW for workers.

- Establishments in the retail and hospitality sectors appear to have limited capacity to respond to cost pressures by investing in ‘good work’ measures such as better training and development, the promotion of internal labour markets and ‘high road’ human resource management strategies.

1. Introduction

1.1. Overview

This report examines the ways in which UK employers have responded to the introduction of the National Living Wage (NLW) and changes in its level. In investigating these issues, the report engages with four closely related topics that are of concern to policy makers, specifically: (i) the extent to which UK employees experience 'decent work'; (ii) the weak productivity performance of parts of the UK economy; (iii) regional economic development, and (iv) the employment opportunities open to young workers and the sustainability of their jobs. Our focus is relevant, therefore, to the government's stated ambition to increase productivity while 'ensuring that everyone has the opportunity of good work and high-paying jobs' (HM Government 2017: 164).

The geographical focus of the study comprises two urban sub-regions that have been identified as being persistently poor performers in productivity terms: Sheffield City and Greater Manchester. According to recent data (ONS, 2019) Sheffield City Region had the lowest labour productivity in the UK in 2017 while Greater Manchester was the third lowest productivity city region. In both regions, real productivity either stagnated or declined between 2010 and 2017 (ONS, 2019). Therefore, the rationale for selecting the two regions was that they offer the opportunity to explore the adjustment strategies adopted by establishments in responding to increases in the National Living Wage (NLW) and the potential consequences of these strategies for the productivity of establishments.

The report examines the consequences of the NLW for employers by focusing on two sectors across the two regions: hospitality and retail. These sectors were chosen for the following reasons:

(a.) They employ large numbers of low-paid workers, many of whom are young people.

(b.) The retail and hospitality sectors have among the worst rates of compliance with minimum wage legislation. Findings from the Annual Survey of Hours and Earnings suggest that 54,500 jobs in hospitality (2.34% of total jobs in the sector) and 51,300 jobs in retail (4.21% of all jobs) were paid below the NMW in 2017 (BEIS 2018: 11).

(c.) Retail and hospitality are among the fastest growing sectors in the two regions in employment terms and have therefore been identified by the regional authorities as being of strategic importance for regional economic development. In both regions, the hospitality sector has the largest share of all low-paid workers. In the Greater Manchester area, 54 percent of jobs in the hospitality industry and 35 percent of the jobs in retail and wholesale are low paid, amounting to a total of 21 percent and 27 percent of the low-paid jobs in the region (D'Arcy et a. 2019). In the Sheffield City Region, 61 percent of workers in the hospitality and 29 percent of workers in retail and wholesale are paid the NLW. Current projections suggest that these figures will increase to 67 percent and 40 percent respectively by 2020 (Clarke, 2017).

(d.) In both regions, wages in the retail sector are below the national average. This situation is strikingly evident in the case of the retail sector in Sheffield City Region, where there is a large difference (£5.50) with the national average in terms of mean gross hourly pay (ibid.). While half of this difference is explained by compositional effects related to the region's economy, the other half is explained by the lower levels of productivity. In fact, wholesale and retail is one of the least productive sectors in the region, having a 22 percent lower gross value added per employee compared to the national average (ibid).

The report's findings are derived from two sources: first, a questionnaire survey of 55 establishments in the two sectors and, second, face-to-face semi-structured interviews with 41 owners/managers of establishments in the two sectors. The survey findings provide evidence concerning the types of adjustment mechanisms being used and their frequency while the interviews enable an understanding of employers' concerns regarding the NLW and their reasons for adopting particular methods of adjustment.

1.2. Issues investigated in this report

The specific, inter-connected, issues the report examines are as follows:

(i) The impact of the NLW on wage rates, pay structures and total labour costs in the retail and hospitality sectors. Low Pay Commission research (Low Pay Commission 2018) has indicated the potential for the NLW to act not only as a wage floor, but also to spur employers to pay above the NLW, in some case for *all* workers, irrespective of age (i.e. potentially including those aged less than 25 years).

(ii) Whether establishments have altered staffing levels and/or changed their hiring practices in response to the NLW, how this has been done and what types of worker have been affected. In particular, the study examines the consequences for workers who differ in age. Although the retail and hospitality sectors employ large numbers of young workers, they also employ a substantial number of older workers. The report assesses the consequences of employers' adjustments for the age profile of their workforces and whether there has been any substitution in favour of workers under the age of 25 years (i.e. those who are entitled to the National Minimum Wage rather than the NLW).

(iii) Whether establishments have sought to off-set wage increases resulting from the NLW by improving the quality of services and methods of service delivery, reducing costs, increasing prices, or a combination of these approaches.

(iv) Whether establishments have deliberately sought to increase productivity (or otherwise made changes that might have implications for productivity), in response to the NLW and how this objective has been pursued. The study investigates changes relating to technology, training, the organisation of work, the scope of jobs (e.g. whether establishments have required workers to perform an increased number of tasks or merged some job roles), hours of work, length of break times and work intensity.

(v) Whether establishments have responded by adjusting elements of non-base pay (such as overtime premia) or benefits such as paid leave entitlements. In its 2018 report, the Low Pay Commission argued that the NLW 'did not have a measurable effect on premium pay, overtime or bonuses, but there were areas where firms might cut back, in response to recent increases'. Furthermore, the Commission noted that although some firms are cutting some elements of pay and reward, it 'is not clear how widespread this is or to what extent the NLW is the cause'.

(vi) Whether establishments have responded by altering the contractual basis on which staff are hired. For example, whether the number of workers with direct employment contracts has altered, whether establishments have sought to hire more staff on a zero-hours basis, and whether there have been changes in the number of full-time and part-time employees.

(vii) The consequences of the NLW and establishments' adjustment strategies for profits, taking into consideration the various factors that might influence costs, revenues and profits (costs of materials, rent, energy costs etc.).

1.3. Structure of the report

The report is structured as follows:

- Section 2 describes the local economic context for the research.
- Section 3 describes the methods of data collection and analysis.
- Section 4 examines establishments' approaches to adjusting to the National Living Wage. This section draws on both the survey data and the semi-structured interviews with establishment managers and owners across the two sectors. The section provides a detailed examination of perspectives on the NLW, methods of adjusting to the NLW, the reasons for their adoption and their consequences.
- Section 5 restates the key findings and presents the conclusions.

2. Context

2.1. Employment in Sheffield City Region and Greater Manchester

The findings in this report are derived from two English city regions: Sheffield City and Greater Manchester. The Greater Manchester Combined Authority is located in its own metropolitan county. In 2018 it had a total population of 2.8 million, of which 1.79 million were aged 16-64 years (63.8 percent of the total population) (ONS, 2018). The Sheffield City Region Combined Authority is the combined authority for South Yorkshire. In 2018 it had a total population of 1.87 million people, of which 1.17 million were aged 16-64 years (62.8 percent of the total population) (ONS, 2018) In both authorities there has been a long-term shift away from employment in manufacturing and towards service sector employment (Peck and Emmerich, 1992; Kitson and Michie, 2014). Low pay is a worsening problem in both Authorities as employment in low-paying sectors is growing. Wages in Sheffield City Region were on average lower in 2018 than in 2004 (Clarke, 2017). In Greater Manchester, the five sectors with the lowest levels of pay[1] accounted for 35 percent of all employment in 2000. This figure had risen to 40 percent by 2014 (New Economy, 2016a).

Tables 1 and 2 below provide an overview of the sectoral and occupational composition of Greater Manchester's and Sheffield City Region's local economy and local labour market and provide comparative national data and data for Great Britain. Table 1 illustrates that full-time employment is slightly below the British average in Sheffield and slightly higher than the British average in Greater Manchester. The same pattern holds for part-time work. It also shows that in 2017 the Sheffield City Region employed 12.1 percent of its workforce in manufacturing; this was higher than the British average, which Greater Manchester is at parity with.

Table 1. Employee jobs in 2017.[2]

	Sheffield City Region		Greater Manchester		Great Britain
	Total jobs	Share	Total jobs	Share	Share
Total					
Full-Time	499.000	67.1	894.000	68.6	67.5
Part-Time	245.000	32.9	408.000	31.3	32.5
By sector					
Retail	120.000	16.1	212.000	16.3	15.2
Hospitality	50.000	6.7	75.000	5.8	7.5

Table 2 presents employment data by occupation. It illustrates that levels of employment in the top three SOC2010 groups were lower in both Authorities in 2017-18 than the British

[1] The five elementary sectors are: hospitality, retail, accommodation, cleaning, and residential care.
[2] Source: ONS Business Register and Employment Survey: open access. Notes: % is a proportion of total employee jobs excluding farm-based agriculture. Employee jobs excludes self-employed, government-supported trainees and HM Forces. Data excludes farm-based agriculture.

average, and lower in Sheffield City Region than in Greater Manchester. For all subsequent major groups (4-5, 6-7 and 8-9) there were above average levels of employment in both Authorities relative to the average for Britain as a whole.

Table 2. Employment by occupation (Oct 2017-Sep 2018).[3]

	Sheffield City Region		Greater Manchester		Great Britain
	Total jobs	Share	Total jobs	Share	Share
SOC2010 Major Group 1-3	347.500	39.9	567.300	43.0	46.1
1 Managers, Directors and Senior Officials	79.500	9.1	119.200	9.0	10.8
2 Professional Occupations	164.100	18.7	268.100	20.2	20.5
3 Associate Professional & Technical	103.900	11.9	180.000	13.6	14.7
SOC2010 Major Group 4-5	181.300	20.8	268.900	20.4	20.3
4 Administrative & Secretarial	81.600	9.3	142.400	10.7	10.1
5 Skilled Trades Occupations	99.700	11.4	126.500	9.5	10.1
SOC2010 Major Group 6-7	162.500	18.6	243.600	18.4	16.7
6 Caring, Leisure and Other Service Occupations	84.300	9.6	127.500	9.6	9.1
7 Sales and Customer Service Occupations	78.200	8.9	116.000	8.7	7.6
SOC2010 Major Group 8-9	180.500	20.7	240.600	18.2	17.0
8 Process Plant & Machine Operatives	67.000	7.6	89.900	6.8	6.4
9 Elementary Occupations	113.500	13.0	150.700	11.4	10.5

Table 3 presents information about the size of enterprises in the two Authorities. They are broadly similar: in both areas micro-businesses accounted for almost 90 percent of the total in 2018.

Table 3. Enterprises in Sheffield and Manchester by size (2018).[4]

	Sheffield City Region	Sheffield City Region	Greater Manchester	Greater Manchester
	Numbers	Share	Numbers	Share
Micro (0 To 9)	48,585	87.7	93,875	89.2
Small (10 To 49)	5,545	10.0	9,300	8.8
Medium (50 To 249)	1,030	1.9	1,655	1.6
Large (250+)	230	0.4	420	0.4
Total	55,385	-	105,255	-

[3] Source: ONS annual population survey. Numbers and shares are for those of 16+. Share refers to the proportion of all persons in employment.

[4] Source: ONS annual population survey.

2.2. The retail and hospitality sectors in Greater Manchester and Sheffield City Region

The retail and hospitality sectors are the largest sectors in Greater Manchester and Sheffield City Region in terms of employment. Table 1 provides information about sectoral employment for both Authorities. In Sheffield City Region employment in retail totalled 120.000, or 16.1 percent of total employment in 2017. The equivalent figures for Greater Manchester were 212.000, or 16.3 percent of total employment. In both Authorities the proportion of workers employed in this group was slightly higher than the British average (15.2 percent)[5].

The Sheffield Local Enterprise Partnership (LEP) has identified the retail sector as one of nine priority sectors which *'are recognised as key to the future economic growth and job creation in the city region'* (SCRLEP, 2015). The LEP has estimated that Sheffield City Region's retail sector had an economic output of over £1.6 billion and employ around 79,000 people in 2015. Employment in the retail sector grew by 2.3 percent in the period 2010-15 (SCR, 2016: 51). It is expected to continue to grow (Sheffield City Council and Rotherham Metropolitan Borough Council, 2017:35). Employment in the wholesale sector, by contrast, shrank by 3.2 percent between 2010 and 2015 (SCR, 2016: 51). Over 20 percent of the workforce in the retail and wholesale sector is aged under 25 years in the Sheffield City Region, whilst 12 percent is aged 55-64 years, and 3 percent aged over 65 years (SCR, 2016: 61).

In Greater Manchester, the retail and wholesale sector employed approximately 200,000 people (16.5 percent of total employment) in 2016 and was composed of over 20,000 companies (New Economy 2016:1). Research by New Economy (2016) has found that around 123.000 jobs in Greater Manchester in 2016 were in the retail sector and around 58.000 in the wholesale sector. The retail and wholesale sector generate on average £6.7 billion annually, or 12.7 percent of Greater Manchester's global value added. Much of the work in these sectors is part-time, and there is increasing polarisation between employment in a small number of large corporate chains and a 'long-tail of small independent retailers' (New Economy, 2016b:2). A 2012 study of skills in the retail sector in Greater Manchester found that around 25 percent of the sector's workforce was aged under 25 years, but it is amongst the over 60s that retail employment has been increasing most rapidly (New Economy, 2012).

The hospitality sector accounted for approximately 50,000 jobs in Sheffield, or 6.1 percent of total employment, in 2017 (see Table 1). In Greater Manchester the sector accounted for 75,000 jobs, or 5.8 percent of total employment in the same period. A 2016 study by New Economy (2016: 3) found that the hospitality sector in Greater Manchester accounted for as many as 99,100 jobs, or 8.2 percent of total employment, in 2016. Food and beverage service activities accounted for 60 percent of employment in the sector (60,100 jobs) followed by employment within the sports activities, amusement and recreation activities (14,900 jobs) and the accommodation subsector (12,200 people) (New Economy, 2016b: 3). In both authorities the proportion of workers employed in this sector is slightly lower than the British average (7.5 percent) in 2017. Hospitality is an important sector of Greater Manchester's economy – the city-region is the second-most visited UK city by UK residents and the third-most visited UK city by international residents. In 2016 there were 8,150 Hospitality, Tourism and Sport sector

[5] One difficulty with these groupings is their incorporation of additional areas of employment which are not the direct focus of this study. Wherever possible, data focusing exclusively on (i) retail and (ii) hospitality is used. However, in some instances it is necessary to draw on data which encompasses larger economic sub-sectors e.g. UKSIC groups G and I.

businesses in Greater Manchester, comprising 33.3% of the North West total in the sector and accounting for 3.5% of the UK total. Of these 8,150 businesses, 5,.00 (71.6 percent) were microbusinesses employing fewer than ten people, and a further 1,700 (24.5 percent) employed between 10 and 49 employees (New Economy, 2016b: 13).

Hospitality is a similarly important sector for Sheffield, although it is a less popular tourist destination for UK or non-UK visitors. Employment in the hospitality sector in Sheffield City Region grew by 7,864 employees, or 17.7 percent, in the period 2010-2015, rising to 52,404. The hospitality sector is predicted to grow by 37.5 percent in the period 2012-2022, adding 15,247 jobs to the local economy (SCR, 2016:47-51; 132). Research by New Economy predicted the hospitality (and tourism) sector in Greater Manchester to grow by 13 percent in the years to 2022 (approximately 12,000 new jobs) (New Economy, 2012). More recent research has forecast a net increase of 20,300 employees from 2015 to 2035 in Greater Manchester (New Economy, 2016b: 4).

2.3. Pay and productivity

Table 5, below, provides information on average weekly earnings by residence and place of work. The table illustrates that in both Greater Manchester and Sheffield City Region every measure of earnings is lower than the British average.

Table 4: Weekly earnings by place of work and place of residence in 2018.[6]

	Sheffield City Region		Greater Manchester		Great Britain	
	Place of work	Place of residence	Place of work	Place of residence	Place of work	Place of residence
Gross Weekly Pay (£)						
Full-Time Workers	507.9	517.0	521.6	516.2	570.9	571.1
Male Full-Time Workers	545.9	555.8	550.9	552.0	611.8	612.2
Female Full-Time Workers	454.4	453.2	481.7	473.4	509.8	510.0
Hourly Pay (£)						
Full-Time Workers	12.68	12.86	13.30	13.04	14.35	14.36
Male Full-Time Workers	12.99	13.28	13.54	13.47	14.88	14.89
Female Full-Time Workers	12.07	12.02	12.89	12.44	13.55	13.56

Research by the Resolution Foundation (Clarke, 2017) examined low pay and the NLW in the Sheffield City Region and found that since the financial crisis pay for the lowest earners had fallen less than in other city regions. The research predicted that the percentage of the total workforce employed in low paid work will fall to 20.7 percent in 2020 (from 25 percent in 2016). However, this may be offset by a predicted increase in the number of workers being paid the statutory minima, which is predicted to rise to 19 percent of the total SCR workforce by 2020, an increase of around 5 percent from 2014 (Clarke 2017: 26-7). Additional findings from the

[6] Source: ONS annual survey of hours and earnings – workplace and resident analysis. Median earnings in pounds for employees working in the area. Figures for the table have been constructed on an Output Area basis. Median earnings in pounds for employees living in the area. Figures for hourly pay exclude overtime

Resolution Foundation indicate that in the wholesale and retail sector in the Sheffield City Region there will be an 11 percentage points increase in the share of employees on the NLW by 2020 (increasing from 29 percent to 40 percent). Similarly, in the accommodation and food services sector a 6 percent increase (from 61 to 67 percent) is predicted (Clarke 2017:29).

Sheffield City Region and Greater Manchester have some of the lowest levels of productivity among UK city regions. According to the most recent data (ONS, 2019) Sheffield City Region had the lowest labour productivity in the UK in 2017, whilst Greater Manchester was the third lowest productivity city region. (ONS, 2019).

3. Research methods

The research methods for this report comprised interviews with senior managers/owners in 41 retail and hospitality sector establishments, combined with an on-line questionnaire survey of 55 retail and hospitality companies in the Sheffield City and Greater Manchester regions.

The questionnaire contained items designed to capture information about businesses (size of the workforce; the profile of the workforce by age, hours, gender, pay structures) and operationalise our variables of interest (e.g. changes in work organisation, measures aimed at increasing productivity, changes in wage levels and pay structures, changes in employment and staffing composition). To ensure comparability with the survey findings from previous reports commissioned by the LPC, we used similar questions to operationalise the potential impact of uprating on hours and employment. For example, following Farrington *et al.* (2016) we asked respondents to provide information about changes in work organisation resulting from the NLW.

The sampling frame was drawn from the FAME database, which contains contact information for businesses in the two regions. The questionnaire was distributed via an email link to 2621 companies in the two sectors in Sheffield City and Greater Manchester regions. The breakdown across the regions and sectors was as follows: a total of 778 businesses in the Sheffield City Region, out of which 540 in the retail sector and 238 in the hospitality sector and a total of 1843 businesses in the Greater Manchester region, out of which 1986 in the retail sector and 397 in the hospitality sector. Our target response rate was 20 percent in each industry. The achieved response rate was substantially below this, despite four follow-up reminders. One potential reason for the low response rate is that the research was conducted over the summer, when many hospitality firms experience their busiest period, and when many managers/owners may be on holiday or undertaking childcare responsibilities. The achieved sample breakdown across the two regions and sectors was as follows: 33 respondents from Greater Manchester and 22 from Sheffield City Region completed the questionnaire. Out of these, 28 worked in the retail sector and 25 in the hospitality sector (10 in fast food, pubs and restaurants and 15 in hotels and leisure).

To gain a more nuanced understanding of employers' responses to the NLW and planned increases in its level, we also conducted semi-structured interviews with 41 business owners/senior managers of hospitality and retail establishments in the two regions. In each case, the person interviewed was an owner or manager with knowledge of and/or responsibility for matters relating to pay and employment. The breakdown of interviews was as follows: 20 hospitality firms (of which 8 were in Greater Manchester and 12 were in Sheffield City Region), 15 retail firms (of which 7 were in Greater Manchester and 8 were in Sheffield City Region), and 3 firms which operated in both the retail and hospitality sectors. As each of these 3 firms had a retail arm and a hospitality arm, and for reasons of anonymisation, they have each been counted as two firms (of which 4 were in Greater Manchester and 2 in Sheffield City Region).

Each interview lasted for approximately 45 minutes. The interviews were transcribed by a professional transcriber and subjected to thematic analysis which drew out material to respond to each of our areas of focus. The interviews explored in detail the issues employers face as a result of uprating of the NLW and their adjustment methods. The topics addressed during the interviews included: pay structures and differentials in the workplace; employment and hiring practices; the organisation of work; work-rate and intensity; working-time, hours and shift patterns; the contractual basis on which staff are hired; and internal and external factors impacting on managerial decisions. Table 5 presents a summary of the adjustment methods described by the interviewees. These are discussed in the next section of the report.

Table 5. Summary of adjustment methods (number and percentages) mentioned by the interviewees.[7]

	Total Retail (15 firms)	Retail GM (7 firms)	Retail SCR (8 firms)	**Total Hospitality (20 firms)**	Hospitality GM (8 firms)	Hospitality SCR (12 firms)	**Total Integrated R&H (6 firms)**	Integrated R&H GM (4 firms)	Integrated R&H SCR (2 firm)	**Total (41 firms)**
Decreased total number of staff employed	**3** (20%)	1 (14%)	2 (25%)	**7** (35%)	5 (63%)	2 (17%)	**2** (33%)	0	2 (100%)	**12 (29%)**
Changed contract type (e.g. more part-time, zero-hour)	**5** (33%)	2 (29%)	3 (38%)	**7** (35%)	1 (13%)	6 (50%)	**4** (66%)	2 (50%)	2 (100%)	**16 (39%)**
Altered shift patterns	**4** (27%)	1 (14%)	3 (38%)	**6** (30%)	2 (25%)	4 (33%)	**0**	0	0	**10 (24%)**
Hired more young people (aged under 25)	**1** (7%)	0	1 (13%)	**3** (15%)	1 (13%)	2 (17%)	**0**	0	0	**4 (10%)**
Reduced or harmonised non-NLW pay rates	**1** (7%)	0	1 (13%)	**2** (10%)	0	2 (17%)	**0**	0	0	**3 (7%)**
Reduced non-wage benefits e.g. bonuses, overtime, pension	**3** (20%)	3 (43%)	0	**2** (10%)	1 (13%)	1 (8%)	**0**	0	0	**5 (12%)**
Intensified working conditions (e.g. pace of work, tasks done, expectations)	**4** (27%)	3 (43%)	1 (13%)	**10** (50%)	5 (63%)	5 (63%)	**0**	0	0	**14 (34%)**
Increased prices of products/services sold	**5** (33%)	1 (14%)	4 (50%)	**9** (45%)	4 (50%)	5 (63%)	**4** (66%)	4 (100%)	0	**18 (44%)**
Significantly changed products/services sold	**1** (7%)	1 (14%)	0	**4** (20%)	2 (25%)	2 (17%)	**2** (33%)	2 (50%)	0	**7 (17%)**
Increased training provision	**1** (7%)	1 (14%)	0	**1** (5%)	0	1 (8%)	**0**	0	0	**2 (5%)**
Increased use of technology	**2** (13%)	2 (29%)	0	**0**	0	0	**0**	0	0	**2 (5%)**
Other	**0**	0	0	**4** (20%)	3 (38%)	1 (8%)	**2** (33%)	0	2 (100%)	**6 (15%)**
No substantial changes	**2** (13%)	1 (14%)	1 (13%)	**2** (10%)	0	2 (17%)	**0**	0	0	**4 (10%)**

[7] Note: percentages are rounded to the nearest whole number. In each instance the percentages are calculated from the totals of each column.

4. Findings

4.1. Wages and the NLW

Table 6 presents data on minimum, mean, and median pay rates by age groups. The data show that although the median pay rate across all age groups was higher than the NLW, the level of pay dispersion was almost three times as large for workers aged between 16 and 17 years when compared with workers aged 25 or older. This suggests that pay for younger workers remains polarised: although some employers pay above the legally mandated minimum, the majority adhere to the National Minimum Wage (NMW) or pay slightly above it. By comparison, the level of pay for workers aged 25 years or over tends to be above the legally mandated minimum: 62.5 percent of establishments in our sample indicated that they paid more than the NLW and 37.5 percent indicated that they paid the NLW. This suggests that the planned increase in the level of the NLW to £8.67 in 2020 will not have a large impact on a majority of employers in the retail and hospitality sectors.

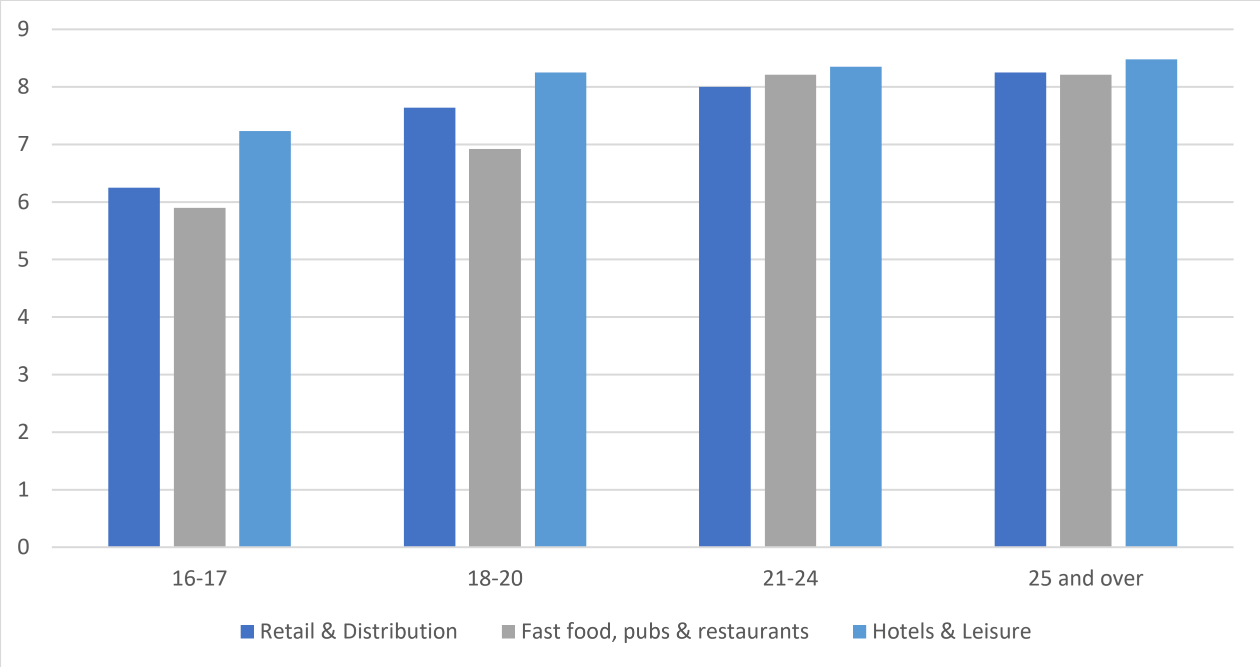
Table 6. Summary statistics of pay rates by age groups

	Obs	Mean	Median	Std. Dev.	Min	Max
Min. hr/rate 16-17	18	6.64	6.26	1.78	4.35	9.1
Min. hr/rate 18-20	22	7.55	8.21	1.17	6	9.2
Min. hr/rate 21-25	28	8.19	8.21	0.50	7.2	9.2
Min. hr/rate 25 and over	40	8.60	8.25	0.66	8.21	11.02

.

The median wage rate varied by sector. As Figure 1 below shows, wages in the fast food, pubs and restaurants sector tend to be lower than in the retail and hotels and leisure sectors, especially for workers below 20 years of age. Median wages in the hotels and leisure sector tend to be higher than in the other two sectors.

Figure 1. Median minimum wage levels by age groups and sectors.



Many of the interviewees reported that their establishment paid all staff the same wage for doing the same job, regardless of their age:

> *'I don't see what difference it makes if someone's 25 or 20 years old, when they could be doing exactly the same job.'* (Retail 5 GM).
>
> *'We don't discriminate with age for that kind of thing [pay rates], because if we've employed them, we want them here. And the least we pay is actually £8.40 an hour…we try to be better than the minimum. We're trying to let the staff know that we expect a bit more from them than the minimum, which I think is you know, sort of why they want to refer to it as the National Living Wage rather than the National Minimum Wage. To us it's "we expect more than the least".'* (Retail 2 & Hospitality 2 GM).
>
> 'We *feel it's really important that people have parity. So why would we pay two people doing the same job a different rate? That just absolutely doesn't make any sense. They're coming in, they've got the skills to do that job, they're doing exactly the same job. Why would we pay them differently based on their age? So, it's really important to us that everyone gets that £8.20 an hour.'* (Retail 4 GM & Hospitality 4 GM).
>
> *'We pay the same for everybody. Okay. Yeah, we decided to say that just because, you know, people are working, same job, doing the same things, you know, they're all working hard. And because we're a small, independent company, it just, it seems right to pay everybody the same for essentially doing the same job.'* (Hospitality 7 SCR).

However, in some hospitality establishments, younger workers were employed in specific roles (hotel domestics, table waiting) and paid less than older workers:

'The young girls get £6 an hour. And then they get… depending on what jobs they do…the chamber maids get less than the receptionist. The girls that work for us, they're living at home, they're at school. Every penny that they earn is for them to spend on online shopping. Whereas the older girls, ladies, they've got mortgages and bills to pay, and all the rest of it, so they need more money.' (Hospitality 1 GM)

Every establishment that participated in the interview-based strand of the research paid their hourly staff aged 25 years and over either the NLW or a slightly higher rate. Of the establishments that paid slightly above the NLW, the amount paid to the lowest paid hourly staff ranged from £8.22 to slightly over £12 per hour. The reasons for paying more than the NLW varied. For one establishment, the reason was a legacy from the past:

'Our lowest paid staff are our retail assistants and they're on £8.41. So at the moment, everyone is over….[The reason is] really historic in that our retail assistants have always been quite well paid and have a lot of perks in this organisation. Our background is that we came from the council, so I imagine that…when we left the council, pay rates were probably fairly decent'. (Retail 2 SCR & Hospitality 2 SCR)

For other establishments, the reason for paying slightly above the NLW was ascribed to product and/or service quality and the need to attract workers with suitable skills, a willingness to accept additional responsibility or an enthusiastic attitude:

'I always say [to our staff that they] could go work at H&M or Primark or something, and, you know, they could earn the minimum wage. But they'd be picking things up and folding them and doing that all day. Here they get to socialise a bit more, it's a bit more of a rewarding role. They are giving someone a service. And they do get paid for it because of the responsibility they have.' (Retail 5 GM)

*'The way we see it, whether they enjoy [our product is the most important factor affecting staffing].' (*Retail 2 GM & Hospitality 2 GM)

A similar comment was made by another Greater Manchester employer, who explained why they paid employees more than the NLW:

'We don't pay commission here. In the retail business a lot of people earn worse pay and then will get one percent commission or two percent commission, which I've had in old businesses. We don't do that. It's not a good environment to be in. So, you know, we would rather pay more money. People have more comfortable wage and then it's not more competitive, I guess.' (Retail 5 GM)

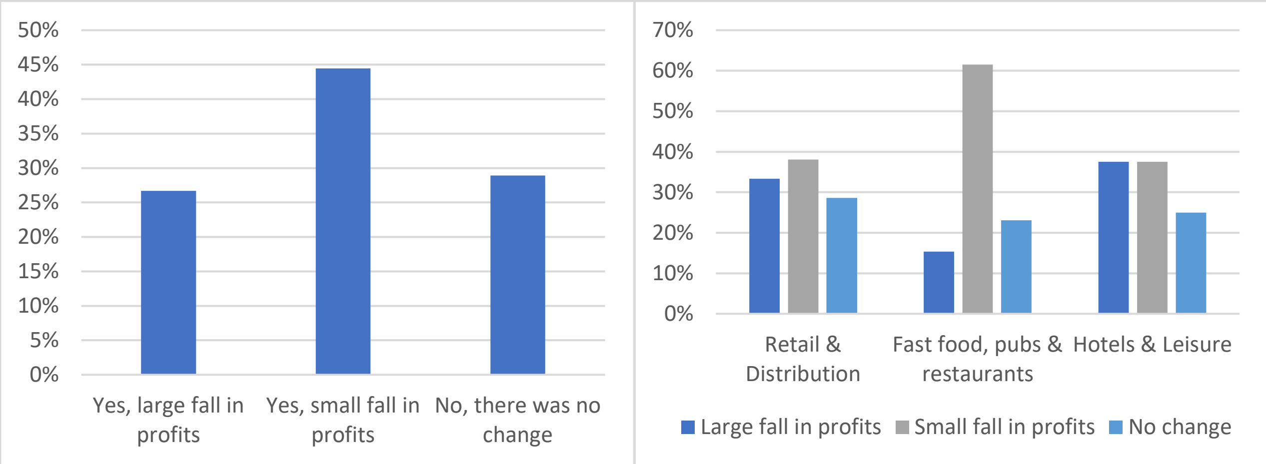
4.2. The impact of the NLW on wages and profits

The increase in the NLW in April 2019 stimulated an increase in pay rates in the two sectors. Figure 2 below presents data on how establishments adjusted in response to the increase in the NLW. The figures are shown according to age groups, sector, and region. The majority of establishments reported that they increased pay rates for workers aged 25 years and over. The findings indicate that the 2019 uprating of the NLW led to pay increases across the sectors and in both regions.

Figure 2. Number of businesses that increased wages in April 2019.

A majority of establishments reported that the NLW and its uprating had negatively impacted profit levels, either to a large extent (25 percent) or to a small extent (45 percent). As Figure 3 shows, the impact of the NLW on profits varied by sector: 38 percent of employers in the hotels and leisure industry and 33 percent of employers in the retail and distribution sector reported large falls in profits as a result of the NLW compared to 15 percent in the fast food, pubs and restaurants sector (see Figure 3, left panel). By comparison, a majority (62 percent) of employers in the fast food, pubs and restaurants sector reported a small fall in profits as a result of the NLW and its uprating.

Figure 3. Percentage of establishments that reported an impact of the NLW on profits: total (left panel) and by sector (right panel).



The report now turns to examines the various ways in which establishments responded to the introduction of the NLW and subsequent increase in its value.

Many of the interviewees identified the NLW as but one among a number of cost pressures, and not necessarily the most important source of pressure. Other important sources mentioned included business rates, VAT payments and pension costs:

> *'Well, yeah, I mean, the, you know, food costs, this is a large one. So, our food costs go up. Our utility bills are extraordinary for a small business and so on and so forth. So, you know, our insurance and fuel and God knows what else, I mean everything just is under pressure. Where I put the wage bill in that, the wage bill is about number four, number five on my list of expenses. And, you know, in relative terms, it's actually not that significant. For me it's not the NLW that's closing down my margins, it's VAT. I want to pay my staff as much as I can. And this is why no one ever leaves, because I pay them really well. It's VAT that's killing small businesses. Every single small business I speak to down this road they're terrified to go over any thresholds of which there are two, and indeed, some of them will close for two days to avoid going over it. It's VAT.'* (Hospitality 3 SCR).

> *'I think it's worth mentioning that I think paired with this increase in the National Living Wage was the introduction of the workplace pensions, which is another cost that adds on and that increased our payroll costs again, because that's another tax on the business because we have to pay into it as well. Not that I'm against that, I think it's a good thing. But it is extra cost and every time the wages go up, it increases the twofold. We're paying more wages and we're paying more and in all of our contributions'. (Retail 1 SCR)*

> *'I was particularly aggrieved in the way that there was no mitigation of national insurance contributions. So, the contribution that's made, plus the pensions, it was almost like a stealth way of drawing more contributions. That is just so wrong. It's so wrong. There should have been some sort of holiday period for a year to allow the living wage to kick in'* (Hospitality 10 GM)

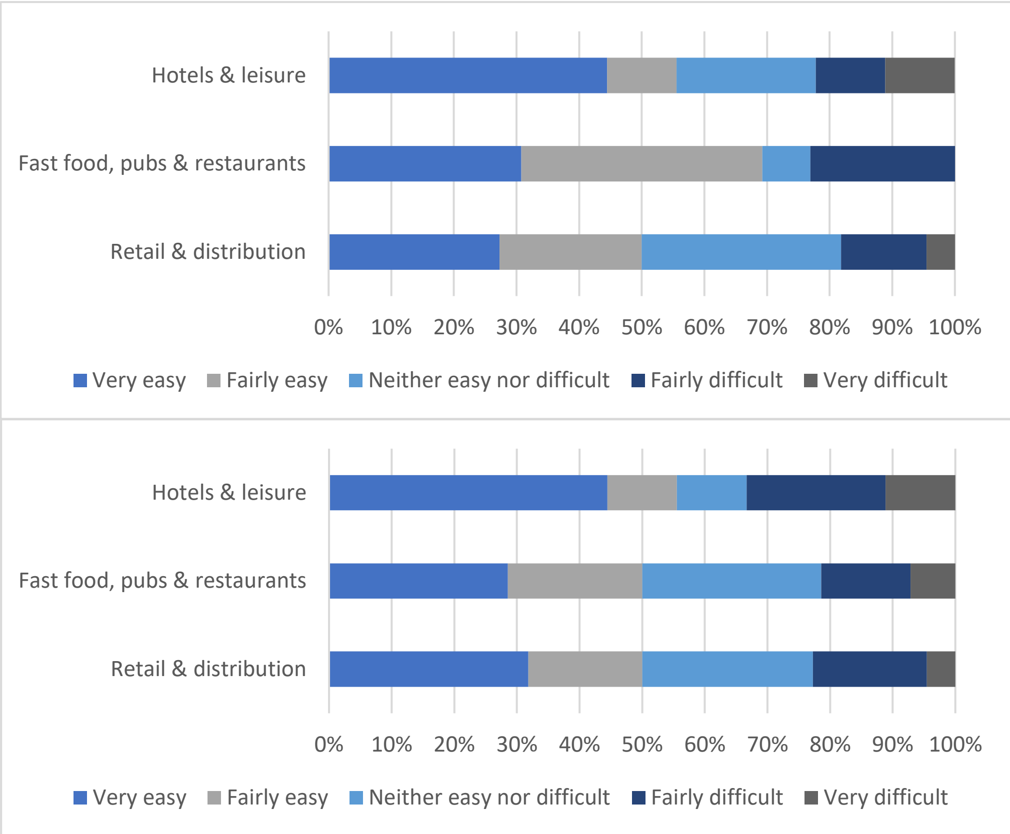
'Costs have risen in every area you know. We get the same amount [of funding] as we did 12 years ago but now they're saying to us, actually, you need to be providing a lot more IT, you've got to have all this IT stuff. We don't get any more money, but you know, that's, that's to cover the salaries, the whole kit and caboodle, and you know, it, it just doesn't work'. (Hospitality 11 SCR)

Some employers were uncertain about the extent to which specific factors such as the NLW affected their businesses. Employers reported a feeling of being affected by increased cost pressures stemming from a range of sources and with little support from government. A commonly expressed view was that increased costs due to the NLW and other factors were being absorbed, but that this could not continue indefinitely:

'We've just accepted that cost [of NLW rises]. It [the increased costs resulting from the NLW] would have affected the cost, because obviously the salaries will have increased, but it hasn't led to any redundancies, or any shortages where we haven't backfilled or anything like that.' (Hospitality 3 GM & Retail 3 GM)

Figure 4 presents the views of survey participants concerning the difficulty of implementing the NLW. Around half of employers in hotels and leisure and retail and distribution had found the implementation of the NLW and its subsequent increase 'very' or 'fairly' easy to deal with. A larger proportion of establishments in the fast food, pubs and restaurant industry had found the initial implementation easy. The proportion claiming that the implementation of the uprating had been easy was similar to the other two industries.

Figure 4. Ease of implementation of the NLW (top panel) and its subsequent uprating (bottom panel)

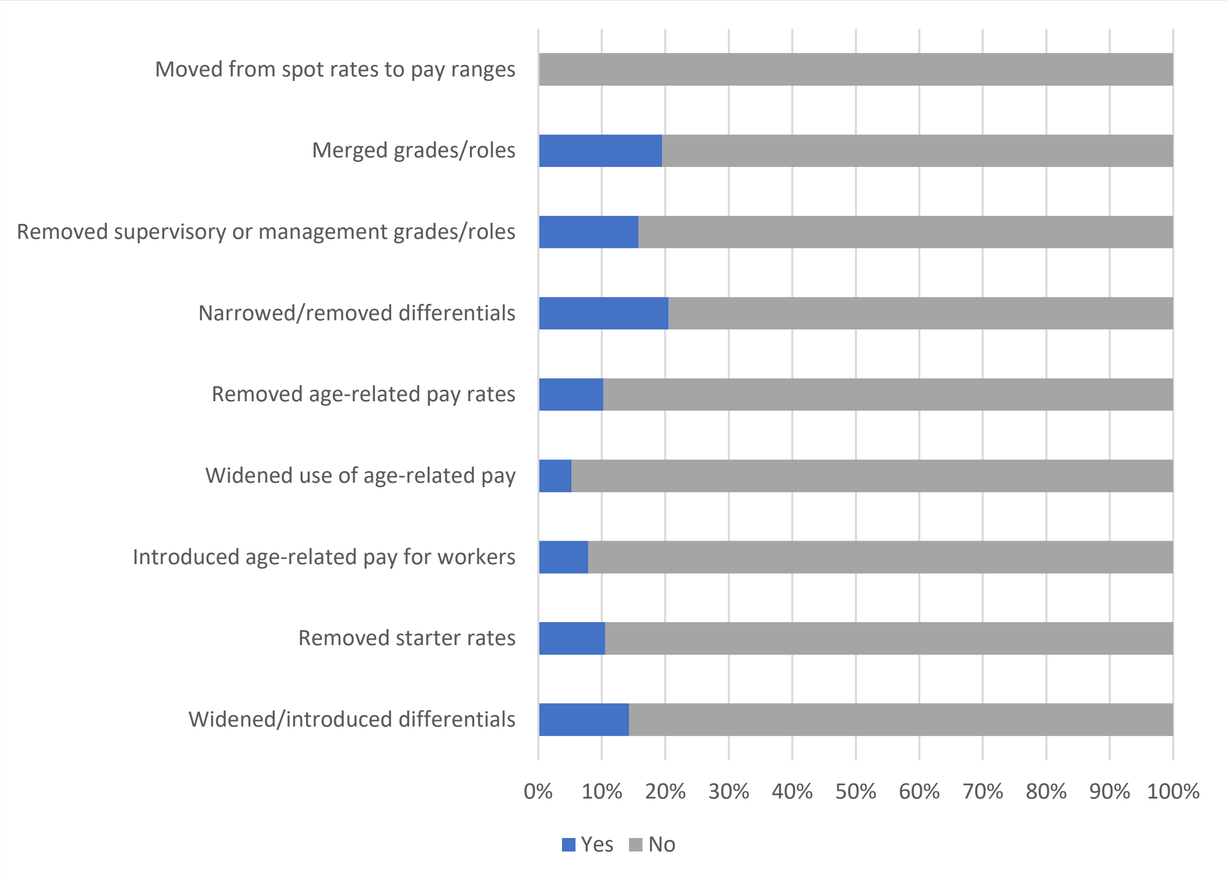


4.3. Consequences of the NLW for pay structures and non-base pay

4.3.1. Pay structures

Figure 5 presents information about the most common adjustments to pay structures made in response to the introduction of the NLW and its subsequent uprating. The first thing to note is that few establishments changed their pay structures. Where changes occurred, the most common response was a narrowing or removal of wage differentials (20.5 percent of all establishments), which suggests that the NLW might have provided an incentive to employers to remove or replace old or outdated pay structures. Furthermore, 19.5 percent of establishments merged grades while 15.6 percent had merged management grades. However, the findings indicate that responses have not been unidirectional: 14.3 percent of establishments indicated that they had widened or introduced wage differentials in response to the NLW.

Figure 5. Impact of the NLW on pay structures.



The interviews shed further light on the responses. Many interviewees said that the NLW had caused them to become more concerned about managing the total wage bill:

> *'We do keep a close eye on staff expenditure, so we don't overstaff where possible.'* (Retail 2 GM & Hospitality 2 GM)

Another employer stated that the NLW had led to a shift away from having equal pay for all staff doing the same job in favour of using pay bands based on the NLW and NMW:

> *'[The NLW] has actually encouraged us to evaluate our staffing across the board. So instead of us having that flat rate of eight pounds an hour, because the wage has increased, it's allowed us to look at those and make adjustments to any new members of staff. So that we can, you know, make those savings elsewhere'.* (Hospitality 8 SCR)

Some establishments increased all hourly rates in response to the NLW, in order to maintain established wage differentials. Others only increased the lowest wages, in order to comply with the NMW/NLW regulations, leading to a narrowing of wage differentials. Employers who had taken the latter approach claimed that some staff on higher wages had regarded it as unfair to them and had, in some case, resigned in order to seek employment elsewhere.

> *'People […] are a bit peeved because they see people just below them, who are very low skilled, being very close to them in pay. So, that's kind of not been very good for*

> *morale, and has prompted salary reviews, and also, again, the next level up. So, the people who are being paid to manage these people are maybe on a 30 or 40p an hour differential and it's a real issue.'* (Retail 4 GM & Hospitality 4 GM).

> *'We've literally had staff who are managers coming to us and saying the gap now between £8.21 and what I might be on, £8.60 is not good enough anymore. So, the knock on effect of the living wage is not just about giving 25 year old[s] £8.21 an hour, it's the fact that this happened two years in a row, which is not [much] longer than [we have been open as a business]. But then you get all these managers who were quite happy before with their £8, £8.50, £9 an hour [who] now aren't because they're saying, "this waitress type person who hasn't got any responsibility, I'm only earning 50p an hour more than them". So the knock-on effect for businesses is massive.' (*Hospitality 1 SCR & Retail 1 SCR)

Those employers who had increased all wage rates in order to maintain wage differentials reported how increasing the wages of non-NLW staff affected their total wage costs:

> *'What I'm trying to do [when implementing NLW-induced pay rises] is minimise the sudden leap between [pay-rates]. We're assuming it's going to go to at least £9.20 by 2020, although with Brexit I don't know. So, what we've tried to do is stagger the gap so there's not a huge increase between this year and next year. So, everybody got a pay rise this year, which is the first we've got for a number of years…The other impact is the differential impact, which is really where our problem is. So the direct cost for us of increasing to £9, is about £28,000 a year, but that closes the gap. We want to try to maintain the differentials because it's only fair that people who have got more responsibility are paid a higher rate, so that is £75,000 for us. So, it's not really increasing the minimum wage for us, the problem is differential maintenance. So, we've got two options, we either deplete that differential and hope that people are understanding, or we try to maintain that differential. And it's not fair if you are somebody who has responsibilities, more responsibilities than a retail assistant and a visitor assistant, if you're not paid and rewarded more'.* (Retail 2 SCR & Hospitality 2 SCR).

The comment above is from an employer who was attempting to manage implementation of NLW-induced wage rises alongside general inflationary cost of living wage rises. Managing this interlinked relationship was something which was commented on by several employers:

> *'[In our cost of living increase] the lowest members of staff got a 1.5 percent increase, and then it was gradually up the scale, so the Execs didn't get any pay increase, and the grades a little bit down from the Execs got 0.5, and then those in the middle, between them got 1 percent. So, it's staggered but the lowest members of staff got a 1.5 percent increase.'* (Hospitality 3 GM & Retail 3 GM)

Another employer in Greater Manchester made similar comments:

> *'[The NLW has] very much [affected the overall cost of the workforce]. The National Living Wage is rising higher than the rate of inflation, so I think the last increase from £7.83 to £8.20 was something like 4.3 percent increase, which obviously is higher than*

the rate of inflation. So, all of our normal staff only got a 2 percent inflation rate cost of living increase, but the people at the bottom were lifted up by 4.3 percent. So that means that the people on the next rung of the ladder like the, the sort of entry level marketing assistants, suddenly found themselves below the National Living Wage. So, then we have to lift them up and then the people who manage them. Then there's less of a differential between them so then you have to lift the next salaries. And every year that it goes up more than the rate of inflation, this becomes a bigger problem for us because each year, it means that there's less of a differential between people at the bottom and the people on the next rung up. And then it affects the next rung up, and so on. And it just means that you've got to keep doing salary reviews, you've got to keep paying everyone more to keep them in line. And that's actually really problematic for us, because as a charity, we just don't have that kind of money.' (Retail 4 GM & Hospitality 4 GM).

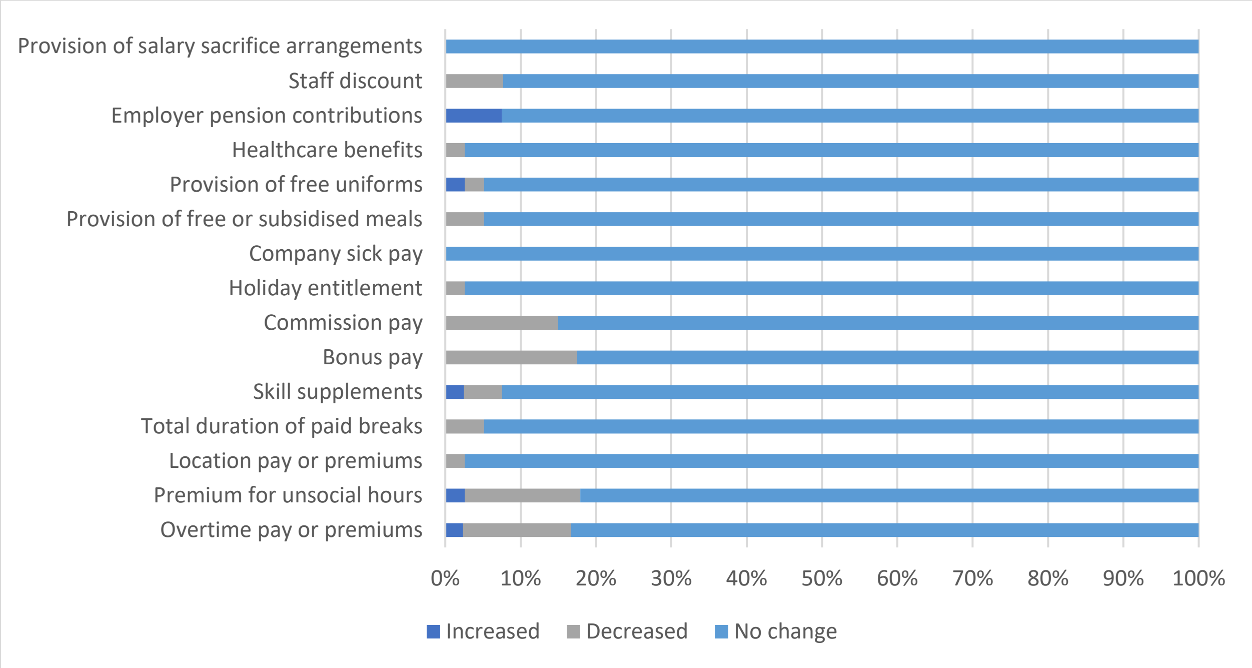
A further issue mentioned by some employers was that wages of some workers below the age of 25 years needed to be increased after the introduction of the National Living Wage in order to maintain parity where workers below the age of 25 were doing the same job as workers aged 25 years and above:

'*The big challenge that the Minimum Wage and the Living Wage present, particularly the Living Wage, is that I've got Dave, for a really good example, who is over 25, so he's on £8.25 but my shift managers used to start on £7.70, £7.75. And so, if I've got Ben, who is a shift manager, who's 22 and been with us since he was 16. He's a good shift manager. I have to crank him up [increase his wage rate]. It's difficult that because how do you work that?*' (Hospitality 5 SCR).

4.3.2. Non-base payments

Figure 6 presents survey data on employers' responses to the NLW involving adjustments of elements of non-base pay. The first thing to note is that most employers made no changes to non-base pay in response to the NLW and its uprating. However, the minority of employers who did make changes followed an approach that focused on reducing costs. These employers either decreased the use of bonus pay (17.5 percent), decreased the use of premia for unsocial hours (15.4 percent), decreased the use of overtime pay or premiums (14.3 percent) or reduced commission pay (15 percent). These responses confirm that employers who adjusted elements of non-base pay in response to the NLW did so by following a low-road approach to employment relations that focused primarily on managing the increased wage bill.

Figure 6. Percent of employers who adjusted elements of non-base pay by direction of change.



The interviews shed further light on how establishments were adjusting non-base pay in response to the NLW. Some employers reported they been considering a bonus scheme, but increasing cost pressures due to rising wages had led them to reconsider:

> *'We already offer complimentary tickets to our shows. So, we looked at expanding that scheme because again, that's staff getting a benefit there that isn't a cost to us. And then we also looked at doing a bonus scheme but again, we just didn't have the money to do that.'* (Retail 4 GM & Hospitality 4 GM)

Another employer made a similar point, noting that:

> *'I would say [of] incentives, the one thing I can pinpoint is in the first two Christmases, we paid all staff a Christmas bonus. Last year, we only paid three, like the managers, duty manager types. And, yeah, because the bills were higher, and the pension came in the [NLW] is coming in. So, this year, I'd love to be able to pay all staff Christmas bonus again but we're going to have to look at it because I don't know if there's going to be enough money in bank. Yeah, I would say it does potentially affect the level of kind of the bonuses. The retaining sort of incentives that we want to offer staff, they may be affected and hampered by this. Because you've got a finite pot. And if you pay out staff bonuses, and then can't pay the wages that month, that doesn't help anyone does it!'.* (Retail 1 SCR & Hospitality 1 SCR)

There were also a small number of examples of firms cutting paid breaks and subsidised meals:

> '*Staff were also getting paid breaks, but we've taken that off them, so breaks are now unpaid. That obviously didn't go down very well. The staff were originally getting all*

their meals covered by the business. Took that away from them. But this massively affected the team morale, even though they were getting paid more'. (Hospitality 10 GM)

Significant changes to holiday pay and sick pay were not reported by the employers interviewed for the study. In part, this could be because many of the establishments that participated did not provide extra-statutory entitlements and could therefore not cut these levels any further. One employer claimed that *'in small food businesses people try and get away with not paying holiday pay and not paying this and not paying that and basically trying to get away with as little as possible'* (Hospitality 4 GM).

Some employers who offered relatively low rates of pay relative to competitors reported that they tried to offer a range of fringe benefits, ranging from access to discounted or free products/services sold by the firm (Retail 1 SCR & Hospitality 1 SCR), increased numbers of holiday days, and provision of training. In some cases, benefits were provided in an attempt to partially compensate for low wages:

> *'Our benefits are better than the legal minimum, so you're entitled to 25 days holiday, after 5 years you're entitled to 30. You know, other benefits that staff get for working [here] are free cinema tickets or free theatre tickets, discounts in the cafes, stuff like that. No benefit has been changed at all [because of increased wage costs].* (Retail 3 GM & Hospitality 3 GM)'

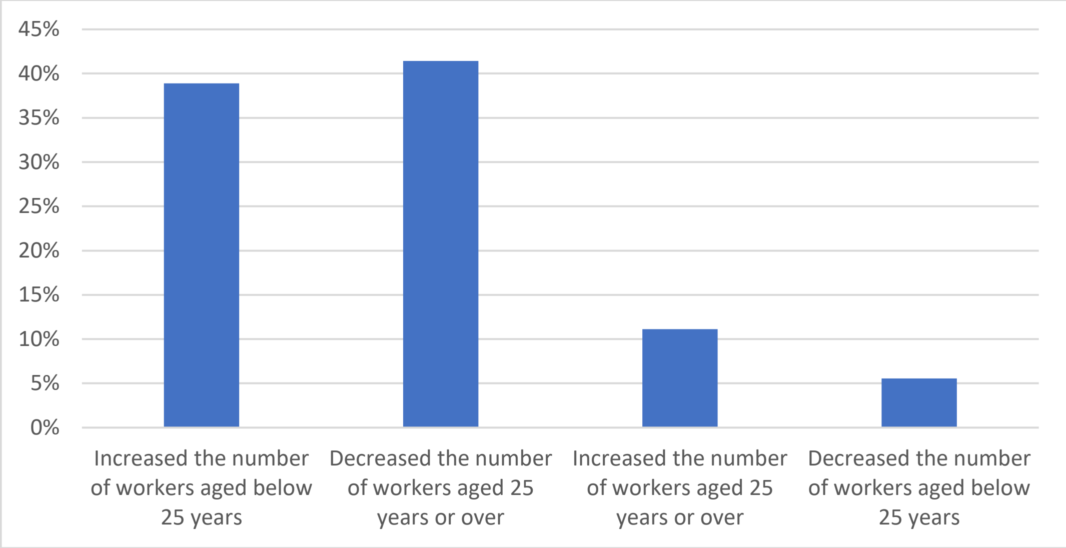
Another firm located in the outermost part of Greater Manchester complained of the difficulty of hiring skilled staff, and how it could not compete in terms of wages with employers in central Manchester. Instead, it tried to attract workers through offering a better work environment and work-life balance, which was attractive to older staff:

> *'It's hard to recruit people of certain levels, especially chefs. It is difficult to get good people that are skilled and stay with you. The problem we have is it's a fickle market anyway, catering. And, you know, Manchester just takes all the people offers them a lot, and again they're not affordable for people like us to compete with the salaries, but we offer a better work life balance. So, I think when people get older, they understand that*.' (Hospitality 9 GM).

4.4. Consequences for staffing levels and employment practices.

Figure 7 presents survey data relating to changes in the age profile of establishments' workforces following the introduction of the NLW. Our data indicate that 32 percent of the establishments adjusted staffing levels in response to the NLW and its uprating. Of those that made an adjustment, 39 percent had hired more workers below the age of 25 years. Furthermore, 41.5 percent had reduced the number of workers aged 25 years or over that they employed. This suggests that many of the employers who have responded to the NLW and its uprating have done so by substituting older workers for younger workers.

Figure 7. Staffing changes in response to the NLW.



A number of our interviewees confirmed that the NLW had encouraged them to recruit workers aged less than 25 years rather than older workers:

> *'[The NLW] has made us biased about who we will employ, so I will not employ anyone else that is going to cost me £8.21 an hour. So, when staff members leave, I will employ people as young as possible because we can't afford to take on older staff. [It is the] same at [my other business]. You just have to go for younger people and that's a shame because then you're not employing equal opportunities. You're thinking, "sorry I'm not even going to shortlist you because I can't afford to pay you". I didn't think we had any choice. We have to stick to the pay rates that the government sets, but what we have done is decided not to employ people over 25.* (Hospitality 1 SCR & Retail 1 SCR).

Other employers stated that they would consider favouring younger workers should business conditions become more challenging.:

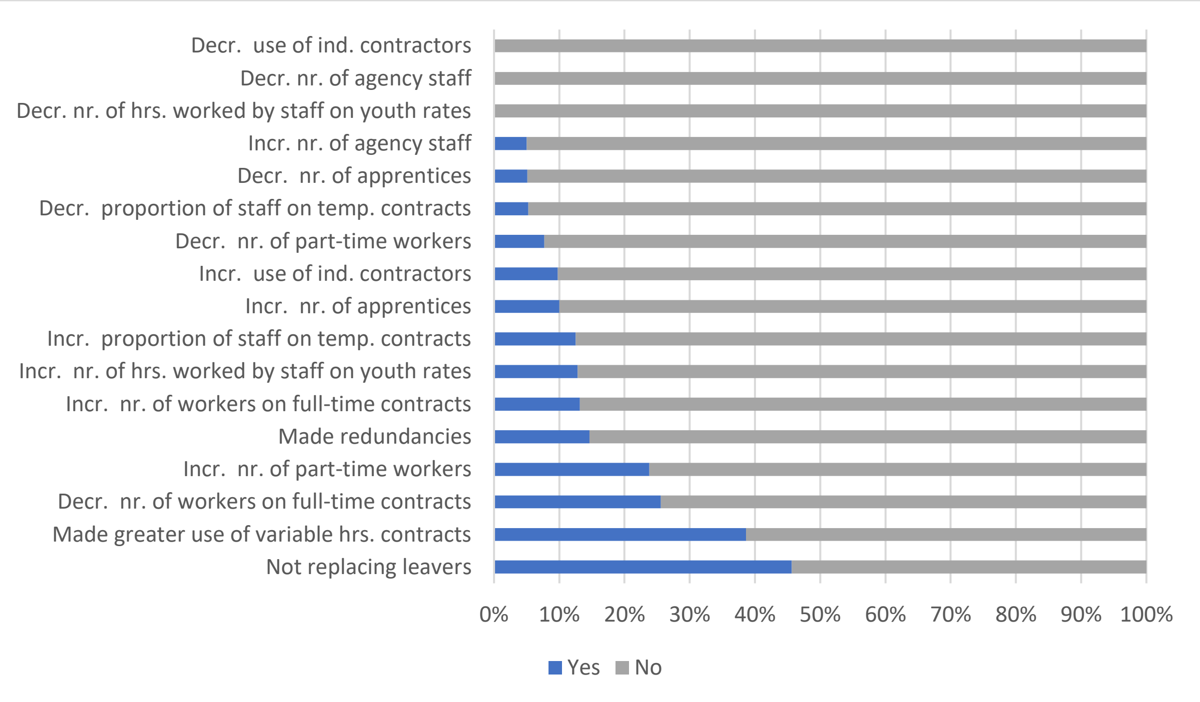
> *'I haven't [deliberately hired staff aged under 25 years], but being honest, I probably would. I don't know if it's legal to do that, but just with that in the back of your mind, if you know that someone legally has to earn more, if as a company we're not going to change it, then me personally probably would think what's going to be cheapest for me and what's going to be cheapest for the business?'* (Retail 5 GM).

Others expressed a preference for hiring older workers, regardless of the NLW. The reasons typically related to a need for experienced staff and a concern to retain workers. These establishments normally paid wages above the level of the NLW:

> *As staff get more and more experienced, I want to keep them in my team. So, I overpay them, or I pay them a level where it would be uncomfortable, perhaps, for them to go somewhere else.'* (Hospitality 5 SCR)

Figure 8 presents data on changes in establishments' hiring preferences following the introduction of the NLW. Overall, 10 establishments reported introducing 3 or more changes, 5 reported introducing at least 2 changes and 5 at least on change. The first thing to note is that the most frequent response was organisational downsizing: 45.6 percent of employers reported that they opted for not replacing leavers in response to the NLW and its uprating. The next most common responses were increased use of variable hours contracts, such as zero-hours contracts (38.6 percent), reducing the number of full-time workers (25.6 percent) and increasing the number of part-time workers employed (23.8 percent). The findings confirm that employers have favoured a low-road strategy to offsetting the costs imposed by the NLW. This involves the transfer of higher risks onto employees and the consolidation of 'one-sided flexibility' (Low Pay Commission, 2019) in sectors where work is already precarious.

Figure 8. Percentage of establishments that implemented staffing changes.



In line with the survey evidence, many of the interviewees mentioned that they had responded to the NLW by not replacing staff who had left or had been made redundant, or by replacing them with a new employee with reduced hours:

> *'I had to let some staff go in the last couple years because of the wage increases to be honest. Had to make cutbacks, slowly cut back more and more to the point where it wasn't worth some staff staying working for me'*. (Retail 5 SCR)

> *'So, I've got two of them working on a Thursday. And in the past, on the Saturday I probably have had a couple of people in. Now I'm kind of dropping it down to one'*. (Retail 2 and Hospitality 2 SCR)

> '*We replaced somebody that was on approximately 32 hours. We replaced [them] with somebody on 20 hours when they left*' (Retail 3 GM).

One manager claimed that the NLW had encouraged him to seek to recruit more highly skilled workers:

> '*So, it has kind of allowed me to kind of put to the senior leadership team the business case for me getting in two people on 20 grand a year, because we're already paying so high. It's allowed me to get potentially some really highly skilled bar staff, and I'm doing that because we're already paying the Living Wage. So, I'm cutting the team size down but increasing the quality base, and everyone's being paid that amount. And also, once we're in that smaller team it means everyone can be trained to a much higher degree*'. (Hospitality 7 GM)

Making increased use of variable hours contracts was rarely mentioned by interviewees (several interviewees claimed that they were opposed to zero hours contracts), although a small number of establishments had gone down that path:

> *'It's certainly given us cause for limiting hours. So, everyone is on a zero hours contract here, which combined with these decisions of, well if we're going to be forced to pay people more money, then we'll have to take hours off so it balances'* (Hospitality 10, GM)

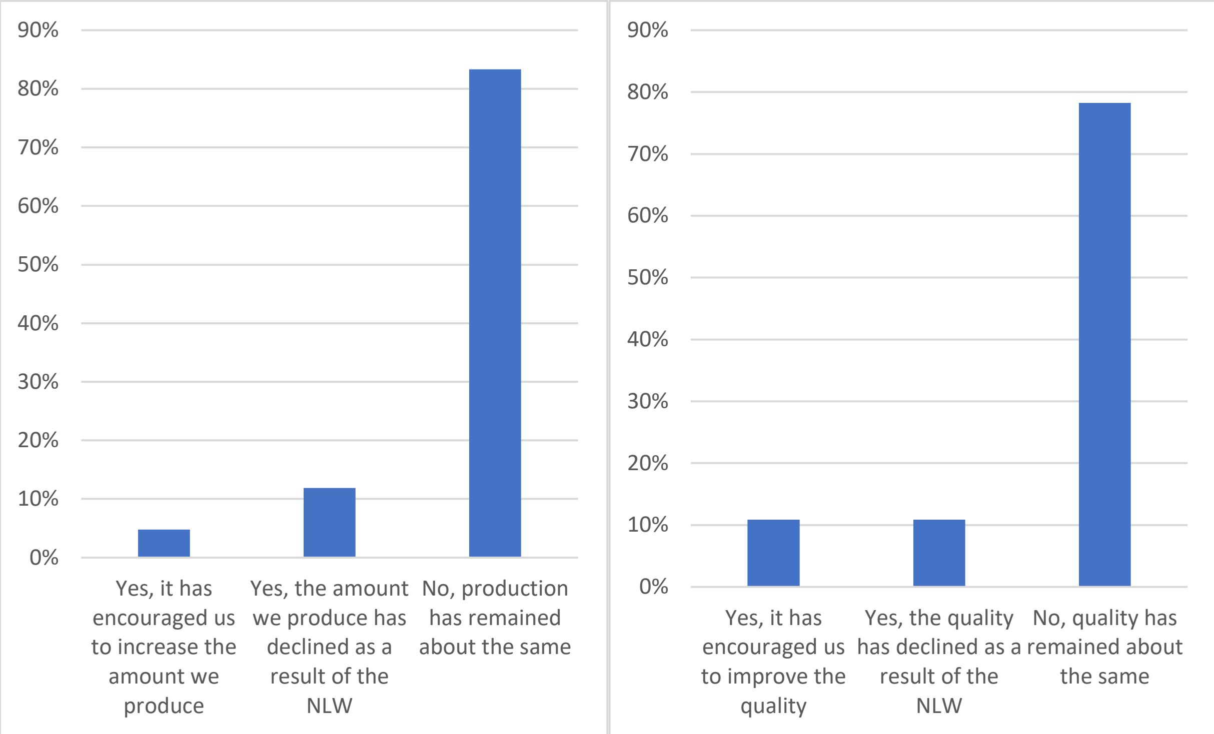
A further employer that had previously employed workers on part-time contracts had begun to use zero-hours contracts instead as a way of reducing holiday pay and sick pay obligations. This decision was taken in response to the NLW, although a desire for increased 'flexibility' was also said to be important:

> *'So instead of having people on part-time contracts, everybody now is on a zero hours contract. Because of again, obviously the set wage that we have to pay, and the holiday pay, and things like that. Whereas if we have people on zero hours, it's much more flexible.'* (Hospitality 8 SCR)

4.5. Consequences for prices and quality of services.

As Figure 9 shows, most establishments that took part in the survey reported that the NLW did not provide an incentive for changing the quality or amount of goods and services produced. A much more common response was to increase prices charged to customers. Overall, 50 percent of our respondents declared that the NLW and its subsequent increases had led them to increase prices. As shown in Figure 10, the percentage of establishments charging higher prices varied greatly by sector: while 78.6 percent of establishments in the fast food, pubs, and restaurants sector declared that prices had been increased because of the NLW, only 43.5 percent of the firms in the retail and distribution sector and 33.3 percent in the hotels and leisure industry increased prices so as to offset the NLW.

Figure 9. Percentage of companies by impact on the amounts produced (left panel) and quality of goods and services produced (right panel)



Among the 41 establishments in which interviews were conducted, increasing prices was the most frequently mentioned adjustment mechanism (18 out of 41 establishments) and, in line with the survey findings, was most common in the hospitality sector (almost half of the hospitality establishments had increased prices in response to the NLW). A number of interviewees commented on the ways in which the NLW had influenced their approach to pricing:

> *'Not directly but indirectly, I suspect [the NLW] will [lead to prices rises]. So, I know that when we go back into the building [after a refurbishment project] and the catering operator comes in, I know that the price of everything will be more expensive than it was when we were running it. And a lot of that is because of the cost of the National Living Wage and labour rates.' (Retail 4 GM & Hospitality 4 GM)*

> *'Well we put the prices up once a year anyway, and we were due to do that in September this year. So yeah, it may just mean that prices may go up a bit more than they would have done if [the NLW] hadn't happened to you. So, you know, we'll put 5p on probably all the coffees and that sort of thing. But it might be that there will be that some of the food items might have to go up by 20p or something' (Hospitality 1 SCR & Retail 1 SCR)*

Some employers, however, emphasised that their ability to pass on increased costs to customers was constrained by market pressures:

‘I end up putting up my prices because of beer tax, because the brewery put the prices up, because of gas electricity and everything else goes up, I put prices up… So then to have to put prices up (again) because I have to start paying my staff more is just not feasible’ (Hospitality 6 SCR)

‘The main reason [for not increasing prices] is that products already are pretty expensive anyway, in that they’re not an essential item, they’re almost a luxury item. Not luxury, but somewhere in between. Non-essential let’s say’ (Retail 2 SCR).

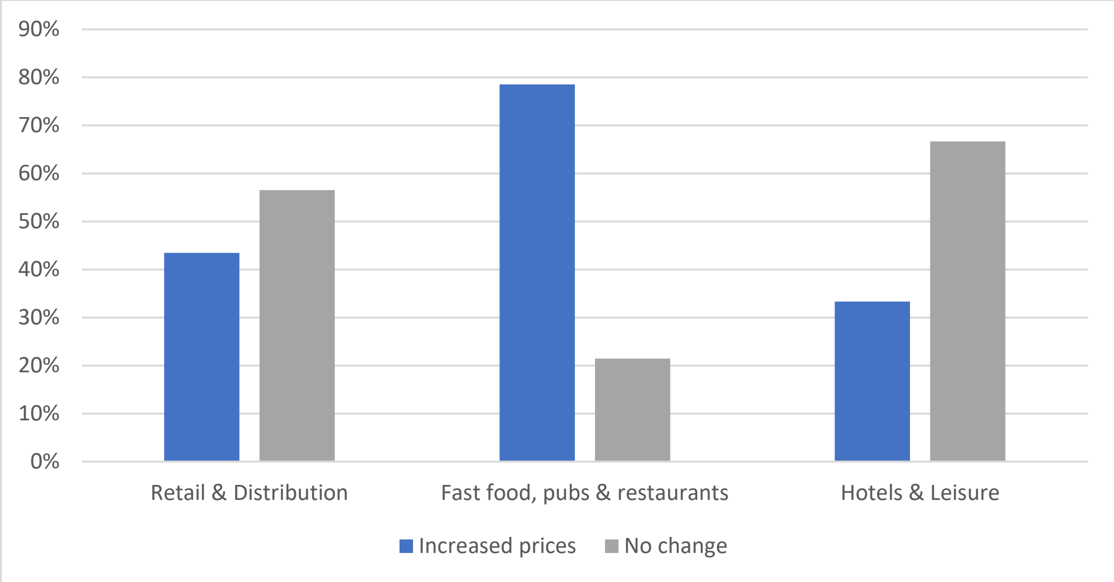
‘We have been trying to increase the prices and [the NLW is] not the sole reason, but it is part of it. But, as I say, market values at the minute ……the marketplace is competitive, very competitive (Retail 1 GM)’

‘We just didn’t realise we were going to have two years of Living Wage hikes and what it was going to cost us to be [an ethical] business, and it’s annoying. If all the businesses that aren’t [paying the NLW], if they were forced to do it, everyone would be forced to reflect that in their prices and the rest of it. At the end of the day, we’re going to have to put our prices up because the customer is going to have to cover some of this, but customers don’t understand it, overheads and rent and rates and salaries. They come in and think I could make that at home for two quid, I’m not paying five quid! (Retail 1 SCR & Hospitality 1 SCR).

‘And we had a few issues when the prices on the menu board have gone up because of the National Living Wage, and then the customers have been frustrated that the price is actually more than what it said on the menu, so we’ve just taken them off to pre-empt any future increases’. (Hospitality 10 GM)

‘So, to genuinely put the prices up to proper cost will be 20, 25 percent. And I haven’t been able to do that because with the internet and everything you just can’t be competitive, so it’s hard’. (Retail 5 SCR).

Figure 10. Price increases by sector.



Establishments that had found it easiest to increase prices tended to be located in the city centres and to offer a relatively up-market service. This was particularly the case in relation to bars and restaurants. For instance, the owner of a bar located in central Manchester (Hospitality 11 GM) said that her customers had barely noticed recent price increases. However, she was running a relatively up-market establishment and claimed that similar businesses located in less affluent parts of the city were unable to increase prices. By comparison, bar and restaurant managers in Sheffield tended to say that they had little scope to increase prices, regardless of precise location. One restaurant manager (Hospitality 13 SCR) claimed that:

> *'Sheffield is so price conscious. You look at Manchester, you have the high-end cafes, eating establishments. We don't see them in Sheffield'.*

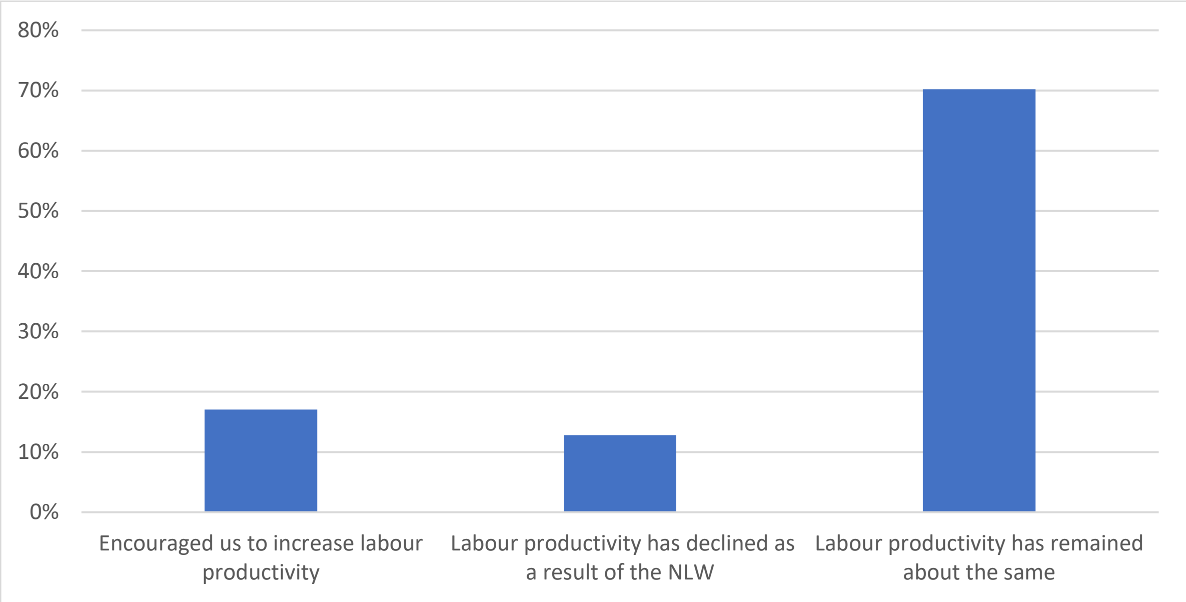
Few interviewees said that the introduction of the National Living Wage had had consequences for the quality of the service they provided (although reductions in staffing levels might imply lower quality if fewer staff were available to interact with customers). In addition, some restaurant managers stated that portion sizes of the ingredients used in meals had been altered in ways that reduced their costs and, potentially therefore, the quality of customers' dining experiences:

> *'[For some meals] we have had to raise the price. Other things we have maybe kept the same but reduced portion sizes, or we've taken something away from the dish. We have had to be very inventive.'* (Hospitality 14 SCR)

4.6. Consequences for the organisation of work and productivity

As Figure 11 shows, most employers (69.6 percent) reported that labour productivity has not been affected by the introduction of the NLW. In comparison, a minority of employers, 13 percent, declared that labour productivity had declined as a result of the NLW. The remaining 17 percent claimed that the NLW had encouraged them to increase labour productivity.

Figure 11. Impact of the NLW on productivity.



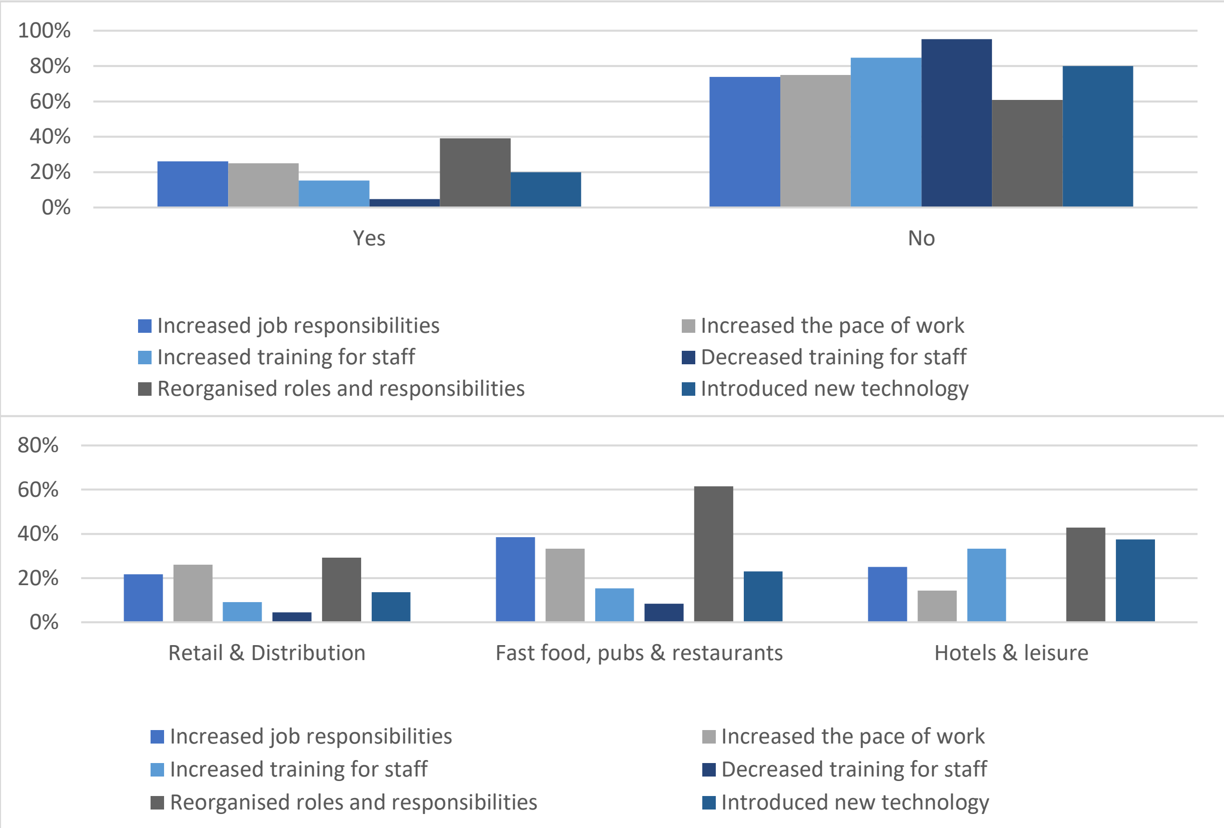
Employers used diverse approaches to improve the productivity of their establishments. Panel A in Figure 12 shows that the most common response was to reorganize roles and responsibilities (39.3 percent of all establishments) followed by increasing job responsibilities (26 percent), increasing the pace of work (25 percent) and introducing new technologies (20 percent). There were substantial differences between the sectors. In the fast food industry, a majority of employers (62 percent) had reorganised roles and responsibilities. In addition, many employers (38 percent) in the sector had increased the responsibilities of their employees or increased the pace of work (33 percent). By comparison, only 29 percent of employers in retail and 43 percent of employers in the hotels and leisure industry had reorganised roles and responsibilities to adjust to the NLW. Training activity also differed by sector. In the hotels and leisure industry 33 percent of establishments had increased training in response to the NLW. In comparison, only 4.5 percent of employers in retail and 15 percent of employers in the fast food industry had increased training.

Increased use of technology was reported by 37 percent of employers in the hotels and leisure sector, 23 percent of employers in the fast food and restaurants sector and 13.6 percent of employers in the retail sector. Given that increased use of technology was a response to the NLW, it is probable that it was being used in place of labour. The interview findings provide tentative support for this interpretation, although only two establishments had introduced new technology since the introduction of the National Living Wage and only in one case was the NLW referred to as a reason (and then only one among a number of contributing factors):

> '*We've cut any over time when people are off ill to almost zero, so we can manage without putting patient safety at risk. I think, it's also probably worth saying that we*

have invested in technology as well. We have a dispensing robot to help with that as well'. (Retail 3 GM).

Figure 12. Steps that employers undertook to increase productivity (total - Panel A and by sector - Panel B.



Among the 41 establishments covered by the interview phase of the research, one-third had reorganised roles or sought to intensity work effort. This was the second most common response (price increases being the most common) and was particularly in evidence in the hospitality sector, where half of the establishments had sought to intensity work effort. Taken together, the survey and interview findings suggest that employers' responses to the NLW and its uprating have tended to follow a low-road approach that has sought to minimise the financial impact of the NLW through price increases and organisational changes that have involved reduced staffing, a reorganisation of roles and responsibilities and increased work intensity. The interviews provided a number of examples:

'This business is centred around being a community hub for the people that we provide both events and products to, and that requires human interaction. So, it literally makes no sense to us to reduce the amount of human contact that we can provide. And also, knowledge and expertise is a big part of our selling. Again, that's not going to be replaced by an automated tool. So, the other ways we can cut costs are be more efficient in what we do. We're now trying to get everyone to work harder to increase their productivity. I think that is because we obviously said like, "look, we're having to pay out more"'. (Retail 1 SCR)

'When you are paying that slightly higher rate you are less inclined to let people get away with not working'. (Hospitality 7 GM)

'Before I used to have two people on a certain shift because it's busy. I now only have one person on and they have to cope……They don't like it because they're under pressure to do the job of two people but I can't compete in the market if I have to keep putting my prices up'. (Hospitality 6 SCR)

'I think there was a net loss of one [employee]. So, you know, doesn't sound a lot but in a small team, one person is [a lot]. So, everyone suddenly found themselves working harder, covering certain roles, because we had to make certain roles not redundant. But, for example, we had a kitchen porter role. That's gone. That's split between the chefs, front of house, anyone, me, Katie, whoever is around covers the kitchen porter and potwash'. (Hospitality 10 GM)

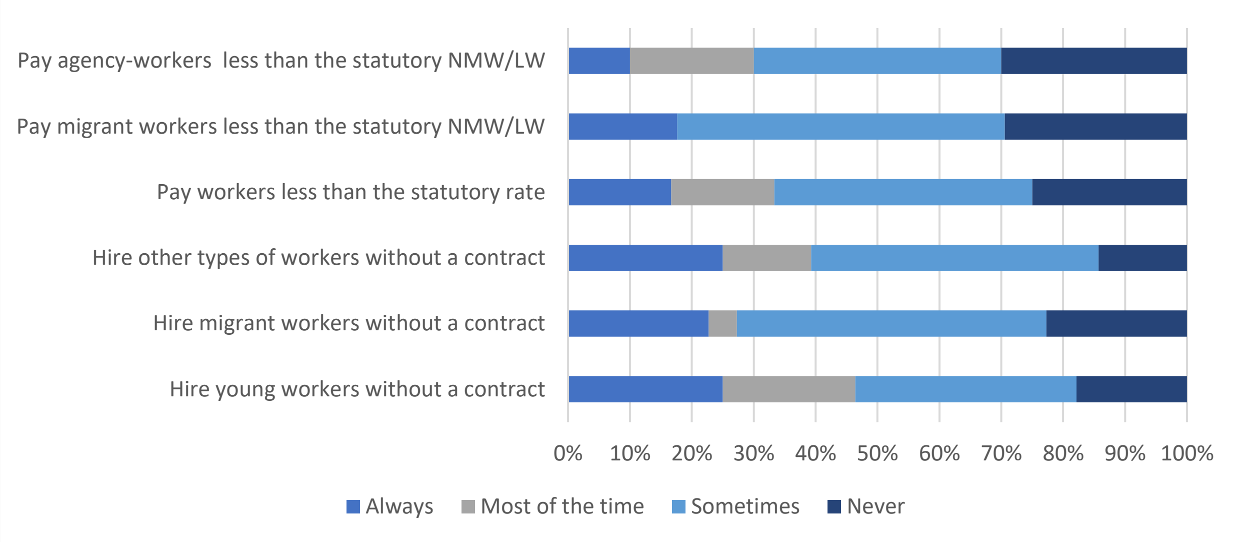
'*I've certainly taken on more tasks so that has obviously taken someone else's job*'. (Hospitality 14 SCR)

'*In the past, when there were quiet periods, in one area of the business, the staff were left to their own devices. Now we sort of encourage them to use that dead time more efficiently to help the business.'* (Retail 10 GM)

4.7 Compliance with statutory minimum wages

In April 2019, the Low Pay Commission estimated that around 23 percent of the workers (around 439 000 individuals) who were entitled to the NLW were paid less than their entitlement (Low Pay Commission, 2019, 2). Our survey asked employers to estimate how widespread non-compliance was in their sector (see Figure 13). Only 25 percent of respondents believed that other businesses in their sector never paid workers less than the NLW/NMW. While this figure is based on purely subjective assessments, it suggests that under-payment of wages is a problem in these sectors.

Figure 13. Subjective assessment of noncompliance.



A small number of interviewees gave examples of businesses that they knew of that were, according to the interviewees, failing to comply with minimum wage regulations. The following quotations provide examples, although it is important to emphasise that our research does not enable us to comment on the accuracy of the views expressed:

> *'One girl was paid…and I'm going to mention the company as well….it's [named company], it does events. […]. For 14 hours, they paid her £49. And then she did another shift, 8pm-1am [for] £22. All paid cash in hand, she had to get a taxi because at 1am in the morning there's no public transport. The taxi was a tenner, so she's made £12 from working 8pm until 1am, she's a 17-year-old girl'*. (Hospitality GM 10).

> *'I'm also aware of another business locally. We have picked staff up from them who have said they are employing Romanians that work 70, 80 hours a week for like £12,000 a year*. They're probably only being paid about £3 an hour'. (Hospitality 9 GM)

> *'There's a couple of bigger companies that […] in Manchester, they topped up hourly wages with tips. Yes, and I've worked for a couple of people who have tried to implement similar and it didn't go down very well'* (Hospitality 7 GM)

> *'I know a lot of businesses will pay cash in hand, because then they can pay what they want. And it's not that I feel that those businesses are paying less than the minimum wage. I don't think that at all. In fact, I probably think they're paying more, but it's more the fact that they're getting 'round the other things, the tax and the PAYE and, the pension. Because if that wasn't a factor, then this Living Wage I don't think would matter as much. But it's all that added extra'.* (Hospitality 8 SCR)

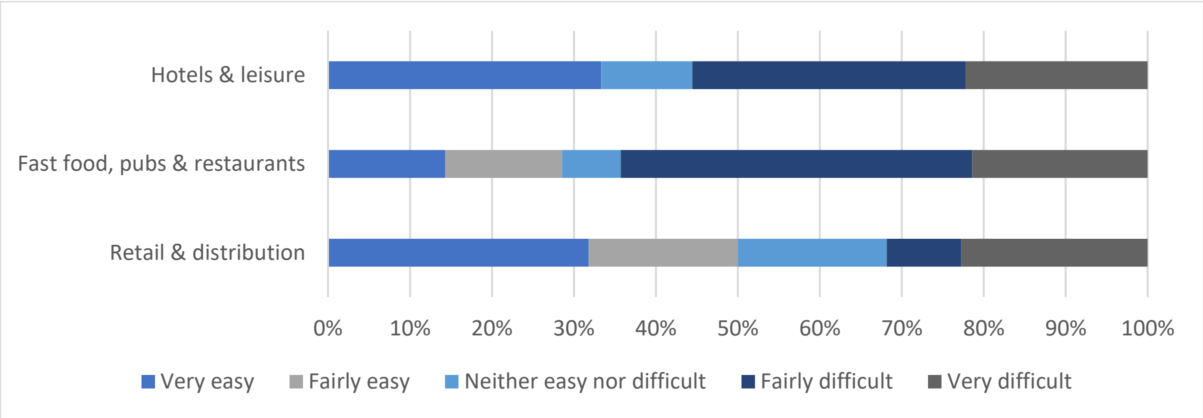
> *'There is a common thing that bars do […]. It's 'disco shifts'. They're cash in hand. And I would imagine that they're not National Living Wage. It's just, you put out a message saying we need someone tonight, you know, someone hasn't rocked up for their shift and we need someone, and they will come and do a cash in hand shift. I don't know, they might be National Living Wage, but they're certainly not going through the books'.* (Hospitality 11 GM)

‘*I definitely think there is an issue of people being made to work too many hours and not being paid for them all as a way to get around it. I think that's a problem. In this sector is it definitely a problem and I imagine it's a problem in lots sectors. [In] retail they specifically tend to not have clocking in clocking out’.* (Retail 3 SCR)

4.7 Future increase in the NLW

The survey also asked employers to indicate how easy it would be for them to implement future increases in the level of the NLW. Figure 14 presents the findings by sector of activity. Overall, 37 percent of the respondents indicated that it would be either easy or fairly easy to implement future increases in the NLW. However, the figures vary by sector. In retail and distribution, 50 percent of employers declared that it would be very easy or fairly easy to implement future increases in the NLW. In the fast food, pubs and restaurants sector, the figure was 28.6 percent. Moreover, a majority of the employers in the fast food, pubs, and restaurants sector (64.3 percent) declared that they would have difficulties in implementing future increases in the NLW.

Figure 14. Ease of implementation of future increases in the NLW



The following comments reflect the sorts of views that were expressed by interviewees. Participants were generally supportive of the National Living Wage in principle, but tended to express uncertainty about future changes and concern at the possible impact on their businesses:

‘I think if it goes much higher then you’ve got to start looking at “do I carry on”?’ (Retail 1 GM)

‘If you’re going to pay for it, you’ve got to put your prices up. That was my thought on it. But I think it’s a good idea. People should be paid properly.’ (Hospitality 1 GM)

‘*So it sort of needs to be reassessed on a year-by-year basis. As soon as I find out what the new minimum wage will be next year, I need to look at whether or not I can* *cover that cost. If I can cover the cost, I won't make any more changes. But obviously, if I can't, I've got to stay profitable*.' (Retail 5 SCR)

'*I think it's really good to make us pay people properly. And, of course, I would rather pay particularly my managers loads more than we do. But we have to be realistic*'. (Hospitality 5 SCR)

5. Conclusions

The research findings contained in this report suggest that employers have responded in diverse ways to the National Living Wage. The survey evidence suggests that 62.5 percent of establishments paid workers aged 25 years and over a wage higher than the NLW and that 37.5 percent paid the NLW. Interview data from employers revealed evidence of increasing cost pressures for firms, although no employer explicitly stated they would be unable to increase wages in line with the next expected increase in the NLW in 2020. Employers did, however, claim that responding to continued wage increases would be problematic during a period of low economic growth and increasing cost pressures in other areas. Employers reported a profit squeeze stemming from the NLW, but also identified other cost pressures, such as pension auto-enrolment and VAT thresholds. Many employers stated that wage pressures resulting from the NLW were not the single greatest cost pressure affecting their business. An awareness of the interconnectedness of NLW-based costs pressures and other costs facing businesses is therefore important when examining the impact of the NLW.

Employers identified increased costs as being a consequence of government policy, but often felt that insufficient assistance was available from government or other state bodies to help firms implement the NLW. Although employers recognised that information was available, they believed that there was insufficient support for businesses that might be struggling to respond to increased cost pressures resulting from the NLW and other sources.

The findings also show that the increased cost pressures faced by business resulting from the NLW and other sources are leading some businesses to reduce non-wage benefits such as overtime and bonus pay. This response potentially undermines some of the financial benefit of the NLW for workers, and further reinforces the need to understand the impact of the NLW in a holistic manner. A related finding is that employers in both sectors in both urban sub-regions pursued similar strategies to offset increased labour costs resulting from the NLW and its subsequent increases. This finding is likely due to the limited opportunities for firms operating in the retail and hospitality sectors to re-orientate their business strategies at low cost. This is especially true of SMEs, which comprised the majority of our sample. SMEs often have limited cash reserves and cannot always readily access credit to invest. In general, establishments were more likely to engage in cost cutting measures that focused on altering the composition or behaviour of the workforce.

A common strategy was to substitute young workers (aged under 25 years) for older workers, a strategy which included hiring more students. Both Manchester and Sheffield are university cities. Around 50 percent of students engage in part-time work whilst at university, thereby providing a ready supply of labour to the retail and hospitality sectors. Students, moreover, are a transient workforce, with many viewing their part-time jobs as precursors to different careers upon graduation. It is for these reasons that students in particular may be more willing to accept the imposition of zero-hours contracts, which some employers have used to reduce costs. Zero-hours contracts can provide flexibility for both employees and employers, although financial benefits are far greater to the employer. This finding illustrates the problem of 'one-sided flexibility', wherein conditions of risk and uncertainty are increasingly borne by the workforce, rather than owners or investors. The prevalence and efficacy of 'one-sided' flexibility allied to business models predicated upon low pay, non-compliant business practices and growing levels of workplace insecurity are increasingly being questioned in policy arenas

(Low Pay Commission 2018, BEIS 2019). Our findings reflect these concerns. Our evidence illustrates the need for the impact of the NLW to be analysed alongside other labour market processes, such as aforementioned inequalities around flexibility, and limited options available to firms in different sectors to respond to rising cost pressures. The evidence from our sample of SMEs in retail and hospitality illustrates also that price changes are another key area in which employers have made changes in response to NLW cost pressures. Numerous employers reported increasing prices – or planning future price increases – in order to offset NLW-induced costs. With regard to changes in the organisation of work our evidence highlights that the NLW has also caused employers to alter the organisation of their workforce in order to achieve productivity gains. Our findings illustrate the variations within and between sectors: a majority of employers in the fast food industry reorganising roles and responsibilities, generally by increasing job responsibilities or increasing the pace of work, with potential implications for the wellbeing of employees.

Our research presents additional insights in relation to the 'Good Work' agenda currently promoted as part of the UK government's Industrial Strategy (BEIS 2017). The Industrial Strategy is concerned with, 'boosting productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure'. In short, the strategy promotes the importance of 'decent work' to securing productivity outcomes, arguing that productive employers 'not only pay their workforce well, but also invest in their staff through training and development, good terms and conditions and opportunities to participate in the way the business is run.' (BEIS, 2017). Overall, our evidence shows that SMEs in the retail and hospitality sectors are operating under acute cost pressures. Increases to the NLW, allied to a wider array of cost pressures have prompted employers to explore ways to further reduce costs. These cost reduction measures have taken a number of forms, including reductions in non-wage benefits, recruitment of younger workers, steps to increase flexibility and restructuring job roles and responsibilities. What is clear is that the capacity of these organisations to respond to cost pressures through investment in 'good work' measures that might include increased training and development, the promotion of internal labour markets and 'high road' employment strategies is very limited.

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APPENDIX

ESTABLISHMENT CHARACTERISTICS AND RESPONSES TO THE NATIONAL LIVING WAGE: INTERVIEW FINDINGS.

	Firms in the Retail Sector by Region														
	GM (1)	**GM (2)**	**GM (3)**	**GM (5)**	**GM (6)**	**GM (9)**	**GM (10)**	**SCR (1)**	**SCR (3)**	**SCR (4)**	**SCR (5)**	**SCR (6)**	**SCR (7)**	**SCR (8)**	**SCR (9)**
Firm Characteristics & Workforce Profile															
Micro	X	X			X	X				X	X	X	X	X	
Small			X	X			X	X	X						X
Medium															
Large															
GM	X	X	X	X	X	X									
SCR								X	X	X	X	X	X	X	X
Retail:															
Specifically:															
Shop		X		X	X		X	X	X	X	X		X	X	X
Supermarket															
Wholesaler	X					X									X
Other (specify)			Pharmacy												
Hospitality:															
Specifically:															
Hotel															
Café								X							
Restaurant															
Pub/Bar															
Catering Company															

Other (specify)														City Farm
Changes made due to increased NLW labour costs:	**GM (1)**	**GM (2)**	**GM (3)**	**GM (5)**	**GM (6)**	**GM (9)**	**GM (10)**	**SCR (1)**	**SCR (3)**	**SCR (4)**	**SCR (5)**	**SCR (6)**	**SCR (7)**	**SCR (8)**	**SCR (9)**
Decreased total number of staff employed									X		X				X
Changed contract type (e.g. part-time, zero-hour)			X			X					X	X			X
Altered shift patterns	X								X		X		X		X
Hired more young people (aged under 25)								X							
Reduced or harmonised non-NLW pay rates													X		
Reduced non-wage benefits e.g. bonuses, overtime, pension	X		X		X										
Intensified working conditions (e.g. pace of work, tasks done, expectations)	X	X					X		X						
Increased prices of products/services sold			X					X			X			X	X
Significantly changed products/services sold					X										
Increased training provision						X									
Increased use of technology			X				X								
Other (please specify)															
No substantial changes				X						X					

Firms in the Hospitality Sector by Region															
	GM (2)	**GM (5)**	**GM (6)**	**GM (7)**	**GM (9)**	**GM (10)**	**GM (11)**	**GM (12)**	**SCR (1)**	**SCR (3)**	**SCR (4)**	**SCR (5)**	**SCR (6)**	**SCR (7)**	**SCR (8)**
Firm Characteristics & Workforce Profile															
Micro											X			X	
Small	X	X	X	X	X	X	X	X	X	X		X	X		X
Medium															
Large															
GM	X			X	X	X	X	X							
SCR		X	X						X	X	X	X	X	X	X

Retail:															
Specifically:															
Shop	X														
Supermarket															
Wholesaler															
Other (specify)															
Hospitality:															
Specifically:															
Hotel								X							
Café									X			X			X
Restaurant		X	X		X	X				X					
Pub/Bar	X			X	X		X								
Catering Company											X		X	X	
Other (specify)								holiday homes							
	GM (2)	**GM (5)**	**GM (6)**	**GM (7)**	**GM (9)**	**GM (10)**	**GM (11)**	**GM (12)**	**SCR (1)**	**SCR (3)**	**SCR (4)**	**SCR (5)**	**SCR (6)**	**SCR (7)**	**SCR (8)**
<u>Changes made due to increased NLW labour costs:</u>															
Decreased total number of staff employed		X	X	X		X		X							
Changed contract type (e.g. part-time, zero-hour)						X							X	X	X
Altered shift patterns		X	X											X	
Hired more young people (aged under 25)						X			X					X	
Reduced or harmonised non-NLW pay rates														X	X
Reduced non-wage benefits e.g. bonuses, overtime, pension								X							
Intensified working conditions (e.g. pace of work, tasks done, expectations)	X	X	X	X		X							X		X
Increased prices of products/services sold		X	X			X	X		X			X			
Significantly changed products/services sold				X				X				X		X	
Increased training provision															X

Increased use of technology															
Other		Sold off a business	Sold off a business		more focus on securing grants/funding						hired older women who will not take maternity leave				
No substantial changes										X	X				

	Hospitality					Integrated Retail and Hospitality		
						Retail GM (8)	Retail GM (4)	Retail SCR (2)
	Hospitality SCR (9)	Hospitality SCR (10)	Hospitality SCR (11)	Hospitality SCR (13)	Hospitality SCR (14)	Hospitality GM (3)	Hospitality GM (3)	Hospitality SCR (2)
Firm Characteristics & Workforce Profile								
Micro	X	X	X	X	X			
Small							X	
Medium						X		X
Large								
GM						X	X	
SCR	X	X	X	X	X			X
Retail:								
Specifically:								
Shop						X		X
Supermarket								
Wholesaler								
Other (specify)								
Hospitality:								
Specifically:								
Hotel	X							
Café		X	X			X	X	X
Restaurant				X	X	X		
Pub/Bar						X		
Catering Company								
Other (specify)						Cinema/Theatre	Theatre	Art Gallery/Museum

Changes made due to increased NLW labour costs:						**Retail GM (8)**	**Retail GM (4)**	**Retail SCR (2)**
	Hospitality SCR (9)	**Hospitality SCR (10)**	**Hospitality SCR (11)**	**Hospitality SCR (13)**	**Hospitality SCR (14)**	**Hospitality GM (3)**	**Hospitality GM (3)**	**Hospitality SCR (2)**
Decreased total number of staff employed			X		X			XX
Changed contract type (e.g. part-time, zero-hour)	X		X		X	XX		XX
Altered shift patterns	X	X	X					
Hired more young people (aged under 25)								
Reduced or harmonised non-NLW pay rates								
Reduced non-wage benefits e.g. bonuses, overtime, pension					X			
Intensified working conditions (e.g. pace of work, tasks done, expectations)	X			X	X			
Increased prices of products/services sold	X	X	X			XX	X	
Significantly changed products/services sold						XX		
Increased training provision								
Increased use of technology								
Other								more focus on securing grants/funding (x2)
No substantial changes								