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Impact of future targets for the NLW

A report for the Low Pay Commission

IDR

Pay Data | Intelligent Decisions

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Contents

Executive summary

The aim of this report is to provide the Low Pay Commission with qualitative insights from employers across four key low-paying sectors – social care, retail, leisure and hospitality – on the impact of the latest increase in the level of the National Living Wage (NLW), which was somewhat lower than many organisations had anticipated. It also explores the extent to which such employers have been affected by this year's changes to the age threshold for the NLW and the extent to which they are planning for the second stage of the proposed changes to youth rates. Participating employers also told us how the ongoing pandemic had affected them in terms of, for example, workforce changes, pay awards, non-consolidated recognition payments and recruitment challenges.

The key findings are as follows:

- The median minimum pay rate across the interview sample remains equal to the statutory floor. However, this year's lower-than-forecast increase in the NLW enabled three employers to create or reinstate differentials with the statutory minimum. On average and at the upper quartile, the differential with the NLW is greater than last year.
- Most employers in the sample operate simple pay systems based on spot rates, although one social care provider is looking to implement a pay scale based on competency development, to boost retention.
- Even with this year's comparatively low increase in the NLW, employers remain concerned about the potential for wage compression as a result of pay freezes or lower awards than usual for the wider workforce, with several reporting that their highest hourly rates are now encroaching on first-line manager salaries. Meanwhile pressure on differentials between the lowest and next-lowest grades is making it hard for organisations in sectors such as social care to encourage staff to take on greater responsibility for rewards that are perceived as insufficient.
- Four employers (a quarter of the sample) report that COVID-19 has impacted their 2021/22 pay review for higher-paid staff in some way, with pay increases only going ahead for the lowest grades. This includes all three employers in the leisure sector.

- None of the employers interviewed have reduced terms or conditions – in large part because any such measures had already been taken prior to the pandemic. A number temporarily improved sick pay provision in response to the pandemic, to deter staff from coming into work when unwell.
- Some organisations, especially in the social care sector, have been able to derive cost savings from greater use of technology.
- Few organisations have modelled or planned for pay increases as far ahead as 2024. A handful are doubtful that the current target of 66% of median earnings is attainable and urge particular caution in recommending a high increase in the NLW this year given the ongoing challenges facing them in recovering from the economic fallout from the pandemic.
- Seven employers in the sample operate separate rates for younger workers; the majority of these are in the hospitality industry where age-related pay is commonplace. Just two of these follow the structure of the NMW with three separate rates for workers aged under 23. Pay structures at the other organisations are simpler.
- Virtually all interviewees have made some use of the Coronavirus Job Retention Scheme (CJRS) to furlough staff during the pandemic. In sectors such as social care, this was primarily for shielding reasons, and mostly involved a minority of staff, whereas one hospitality employer furloughed 98% of team members.
- Businesses have been awarding non-consolidated 'thank you' payments to staff who have continued to work on the front line, such as care staff (one company made two payments of £185, while another business awarded an extra week's pay to staff working in one of its nursing homes) or supermarket workers (one interviewee made three 'thank you' payments amounting to £800 in total for full-time workers, while another in this sector implemented temporary periods of premium pay, including a 50% increase for store managers). Some businesses affected by lockdowns paid enhanced rates to the skeleton staff that were not furloughed, such as a leisure company that paid a 10% premium to the security and facilities staff who worked throughout these closures.
- While some businesses are calling for a restrained approach to future increases in the NLW while they seek to recover from the economic impact of the pandemic, the most pressing employment issues for many relate to recruitment and retention, with the majority of

interviewees experiencing difficulties in this area. Comments from the case study organisations in this report are reinforced by other IDR research that has found that three-quarters of respondents from the housing and social care, hospitality, leisure and retail sectors report recruitment as currently being either 'very difficult' or 'fairly difficult.'

- Employers in the hospitality and leisure sectors have lost staff to essential retail and social care, although these sectors are now experiencing difficulties themselves. Some hope these pressures may be eased when the CJRS comes to an end after September, and furloughed employees start to look for work, although a number report that staff have used this time to retrain and/or re-evaluate their career options, either to move into other low-paying sectors (food retail in particular) or to change path altogether.
- Within **hospitality**, the pandemic is felt to have exacerbated existing staffing difficulties, which some employers report are particularly acute for roles such as chefs. Brexit is a contributory factor but there are other, COVID-related, influences too – such as a reduction in the usual student workforce in some areas due to distance learning. There is some evidence of increased pay rates, with one hospitality employer reporting that some franchisees had implemented targeted increases in hotspot areas or enhanced youth rates. However, others have sought to tackle the problem by multi-skilling or retraining staff or moving workers between branches. That said, since this research was undertaken, we have observed large general awards in recent months at some hospitality companies. In the current competitive labour market, we could see other firms following suit.
- While the **social care** sector continued to operate throughout the pandemic, enjoying what one interviewee described as a 'COVID bounce' in staffing when non-essential businesses were shuttered, recruitment and retention pressures have arisen since the economy reopened. The pandemic has made conditions in this sector particularly difficult, with many workers spending long hours in personal protective equipment, causing some to reassess their career options and leave care work altogether, while the requirement for mandatory vaccination for care home staff from 11 November could reduce the potential workforce further. Brexit is perceived to have had an impact, albeit indirectly in some cases, with one large social care employer suggesting that there has been a knock-on effect from EU workers leaving hospitality, where it believes pay has risen as a consequence. Another interviewee

calls for care assistants to be added to the shortage occupation list, to help alleviate recruitment difficulties. Many employers in this sector have less scope than others to tackle recruitment and retention difficulties through pay measures as their income is often dependent on a fixed level of local authority funding. One warns that this could ultimately lead to it withdrawing services in unprofitable areas. However, it is looking at implementing retention bonuses and improving unsocial hours payments, while another interviewee pays a £1 hourly premium in hotspots and more difficult services and has implemented a new career path and competency framework, to make progression opportunities clearer and more appealing. Two of the four care providers in the sample explained how they have implemented technology such as apps for updating care plans, with one anticipating that the resulting efficiency savings, in terms of working hours required, could help to offset the potential loss of unvaccinated workers.

- Within the **leisure** industry, one employer reports that seasonal roles have been harder to fill and it has taken longer than anticipated to fill the vacancies it had advertised through the Government's Kickstart Scheme (for claimants of Universal Credit aged 16-24). This organisation has also sought to address the issue in the short term by multi-skilling some staff to work in various jobs at the same level of pay. Another employer in the sector told us that the rising NLW and associated impact on differentials has made recruiting team leaders and assistant managers more difficult.
- For some of the **retailers** we spoke to, recruitment for logistics roles has been more challenging than for frontline staff (these difficulties are largely attributed to Brexit). However, one supermarket told us that the job market for retail assistants was moving more quickly, and that it had adapted its recruitment processes accordingly, but that it felt company culture was more significant than pay rates in terms of retaining staff. (Basic hourly rates for customer assistants at this employer are some way above much of the rest of the sample, at £9.50).

Introduction

Incomes Data Research (IDR) was commissioned by the Low Pay Commission (LPC) to conduct research into the effects on pay rises for new staff, and associated pay structures and terms and conditions, following the latest uplift to the National Living Wage (NLW). This research also looked at the use of youth rates in the first year following the expansion of the adult rate to include workers aged 23 and 24. In addition, the study explored the impact of the COVID-19 pandemic on pay and reward for low-paid workers (including the use of the Coronavirus Job Retention Scheme (CJRS)). The LPC was also keen to understand any labour supply issues employers were facing, especially in light of any labour market pressures arising from the pandemic and/or Brexit.

Methodology

This report is based on primary evidence gathered by IDR from HR managers by way of semi-structured interviews conducted specifically for the purposes of the research. The list of questions covered can be found in Appendix 1. The sample of organisations approached for the research all came from the four low-paying sectors of hospitality, leisure, retail and social care. To encourage participation from the outset, the research was conducted on the basis that all contributors would be anonymous, although their company names have been shared with the Low Pay Commission.

Once confirmed, case study organisations were asked to complete a short pre-questionnaire. The purpose of the pre-questionnaire was to gather key facts and figures beforehand. This included details of their current lowest rates of pay and age profiles of workforces. For full details see Appendix 2.

Profile of interviewees

In previous years, IDR has drawn up detailed case studies from the interviews it has conducted on the LPC's behalf. In view of the time pressures resulting from the delay in awarding the contract this year, it was agreed that IDR would not write full case studies for this report, although we have sought to illustrate certain key points with examples wherever possible.

The truncated timescales for completing this research also had an impact on the final number of interviewees that we were able to obtain, via online interviews conducted predominantly between late June and the end of July. While 22 organisations initially agreed to participate, six subsequently withdrew due to unavailability of personnel in the required timeframe. Nonetheless, the final sample contains a representative mix of 16 organisations from all four target sectors (six from hospitality, three from the leisure sector, three retailers and four social care providers), many of which are household names. Some have contributed to work for the LPC in the past and are therefore familiar with its remit.

Table 1 Profile of organisations interviewed

Employer	Sector	UK headcount	Youth rates?	Lowest adult rate	Proportion of staff on lowest rate[1]
A	Hospitality	32,000 (26,000 hourly-paid)	Yes	NLW	20.6%
B	Hospitality	4,300 (store staff)	No	NLW	10.3%
C	Social care	430	No	£9.00	10%
D	Leisure	117	Yes	NLW	40%
E	Hospitality	13,500	Yes	£9.00	-
F	Hospitality	12,622	Yes	NLW	-
G	Retail (non-food)	15,522	Yes	NLW	25%
H	Social care	7,000	No	NLW	47%
I	Social care	35	No	£9.00 (£8.95 starter rate)	-
J	Social care	2,600	No	£9.00	-
K	Leisure	8,000	No	NLW	50%
L	Leisure	27	No	£10.85 (London Living Wage)	2.7%
M	Retail (food)	63,000	No	£9.50	50%
N	Retail (food)	180,000	No	£9.50	72%
O	Hospitality	17,000	Yes	NLW	-
P	Hospitality	15,000	Yes	NLW	-

[1]Where provided.

Employer A is a hospitality business employing more than 32,000 people in over 1,200 hotels and restaurants.

Employer B is a hospitality chain employing around 4,300 store staff at approximately 1,500 coffee shops nationally.

Employer C is a social care charity supporting children and young people. It employs 430 people, including retail management staff, across the east and south-west of England.

Employer D is a small leisure firm in the East Midlands operating six swimming and leisure centres, a café and a theatre. It currently employs around 120 staff.

Employer E is a quick-service restaurant chain with 1,389 sites across the UK, 160 of which are managed centrally. Managed restaurants employ about 13,500 in total.

Employer F employs over 12,500 people across its six breweries and nationwide pubs.

Employer G is a homeware retailer with over 400 stores.

Employer H provides support for adults with learning disability and autism, employing 7,000 staff nationally.

Employer I is a provider of care for the elderly in two residential homes in the Northwest of England. It employs 35 permanent staff.

Employer J is a social care and education business with 2,600 employees.

Employer K is a leisure company employing around 8,000 staff at five residential sites across the UK.

Employer L is a small outdoor visitor attraction in Central London with 27 staff.

Employer M is a large food retailer employing approximately 63,000 people.

Employer N is a large food retailer with around 180,000 staff.

Employer O is a restaurant chain employing approximately 17,000 people nationwide.

Employer P is a pub and restaurant chain employing around 15,000 staff.

Chapter 1: Developments in pay and conditions for low-paid workers

Pay systems

The majority of participants operate relatively simple pay systems, with a single spot rate for roles at any given level. However, a handful have slightly more sophisticated structures, still largely based on spot rates, that allow for a degree of pay progression. At employer A (hospitality sector), for example, there are defined pay points (entry, proficient and expert) for each level of skill development. Also, whilst other research we have conducted (particularly into pay and conditions in the retail sector) has found that the use of starter rates has declined in recent years, sometimes attributed to the difficulty of maintaining differentials between entry and established rates following the introduction of the NLW, there are nonetheless examples in this year's sample that pay a higher rate to new recruits once they have mastered the basic requirements of the role.

Employer B, for example, employs two grades of barista, with each grade further subdivided into 'training' and 'skilled' levels. Employer I (social care), meanwhile, aims to pay 'NLW plus a few pence' to new starters, to stand out from competitors paying at exactly the statutory minimum. Following a short period in this role and upon completion of basic training, established carers move to a rate of £9, which may be further increased if they have additional skills or competencies. For example, a former nurse who does not administer medication but whose expertise is useful in dealing with paramedics is on an hourly rate of £9.05. This small care-home chain does not set precise pay rates or communicate these to staff but they are aware they can increase their pay through training or by gaining additional qualifications, without necessarily moving to a more senior grade.

Within the social care sector more generally, pay rates often depend on the complexity of the service in which carers are employed. For example, support workers at employer H who work on a 2:1 or 3:1 basis with severely autistic clients or who manage complex health needs (such as delegated nursing tasks that might previously have been carried out by district nurses) receive a 10% premium, comparable to rates for lead support workers (ie the grade above) providing the organisation's more straightforward services. As employer H's Group Director of

People and Organisational Development explains, ‘Local authorities commission these more complex services at a higher rate and therefore we pay the workforce more. Their duties and tasks may be the same but the environment in which they are carrying out those tasks is different and that would attract a premium.’ Similarly, at employer J, support workers based in traditional residential or supported living settings are on an hourly rate of £9, while their peers in more complex services or in children’s services receive a premium of 19pph due to the increased demands of working in such services and the associated higher levels of staff turnover. As outlined in more detail below, this organisation is currently piloting a switch from spot rates to competency-based pay scales, with a view to eventually moving to performance-related progression (and providing a clearer career path).

Location pay

Half of the sample differentiate pay by location, with some targeting such premiums at particular recruitment or retention hotspots. These are all large employers across three of the four sectors studied (three from hospitality, two retailers and three social care employers. Of the three leisure firms interviewed, two are smaller employers based in a single or narrow range of locations). In addition to the service complexity already mentioned, location or what it describes as the ‘Hartlepool vs. Hertfordshire’ factor, is a significant factor for employer H – not just due to the cost of living in itself but also factors such as the availability of public transport (making it difficult to recruit in rural areas) or hotspots with significant local employers such as airports or universities that also need a large number of catering, cleaning and maintenance staff. ‘Anything where you’ve got a significant local employer can make localised recruitment markets very difficult,’ explains the Group Director of People and Organisational Development. ‘One problem for us with the NLW is that it’s such a blunt instrument from a pay policy perspective, being national. If you’re on the NLW in Hartlepool you might be able to afford to get on the housing ladder, but not in large swathes of the country.’ The care provider aims to pay at market median for the relevant local region but this is limited in some respects by the level of the funding settlement it receives from the relevant local authority. Employer J meanwhile, another care provider, pays up to £1ph extra in hotspots.

Changes to pay structures

Just one employer has made changes to its pay structure this year although recent years have seen the removal of very junior grades at organisations including employers C (social care) and M (food retail). The former, for example, has largely eliminated an administration grade such that this is now only used for training roles rather than substantive posts. This is partly because of upward pressure from the NLW but also because the charity is looking to upskill roles to get more from staff and as part of this, looks to pay above the NLW.

One exception is social care provider employer J which, as outlined above, is looking to move from spot rates to a pay scale, with progression based on competency development, at a total cost of £1.8 million on its current paybill. It is currently trialling the approach in pilot form and although it is too soon to gauge its effectiveness the company's Group People Director is optimistic about the potential benefits for staff turnover: 'I don't think it's about recruitment, it's about retention. If I can show you that you can have a career here and this is the pathway, that's going to have a bigger effect than pay rates but it's a longer burn.'

The pandemic has accelerated these plans, which were initially scheduled for next year. 'Because we're aiming to become more complex, to do more complex things, we need a good calibre of workforce to do that. COVID-19 has brought that into focus, whereas perhaps we would have [implemented changes to the pay structure] next year.' The organisation had been aiming to move away from being a minimum-wage employer since 2018 and has ended up doing this sooner than planned, achieving an initial 9pph differential with the NLW. 'Just because of the impact on the staff team: we're seeing a lot of burnout and I think we'll see some PTSD going through the care workforce, with some of the stuff they've had to deal with, so we felt they did need to be rewarded. So we've gone early with it without knowing whether we're going to get the fee increase at the other end.'

2021 NLW uprating

Three-quarters of organisations interviewed had to raise pay rates for some workers with effect from 1 April 2021 to comply with the latest increase in the NLW (from £8.72 to £8.91). In all these cases, last year's pay rates were equal to the statutory minimum of £8.72.

At 2.2%, the increase in the NLW this year was lower than in recent years and below initial forecasts. As a result, three employers (C and J from the social care sector and hospitality firm employer E) were able to create or reinstate differentials with the NLW, having previously paid at the level of the statutory floor. All three organisations now pay £9 an hour to staff on their lowest rates. However, a further nine employers (56% of the sample) maintained their lowest pay rates at the level of the NLW. This includes employer B, where £8.91 is paid to entry-level baristas who have further scope to progress to an established barista rate. As a consequence, the median minimum pay rate across the sample remains equal to the statutory floor, at £8.91. However, looking at average rates in 2020 and 2021, the differential with the NLW has widened slightly, from 6pph to 10pph. The upper quartile, meanwhile, is 9pph above the NLW, whereas last year there was no difference.

Chart 1 Minimum pay rates across the sample, 2021 vs. 2020

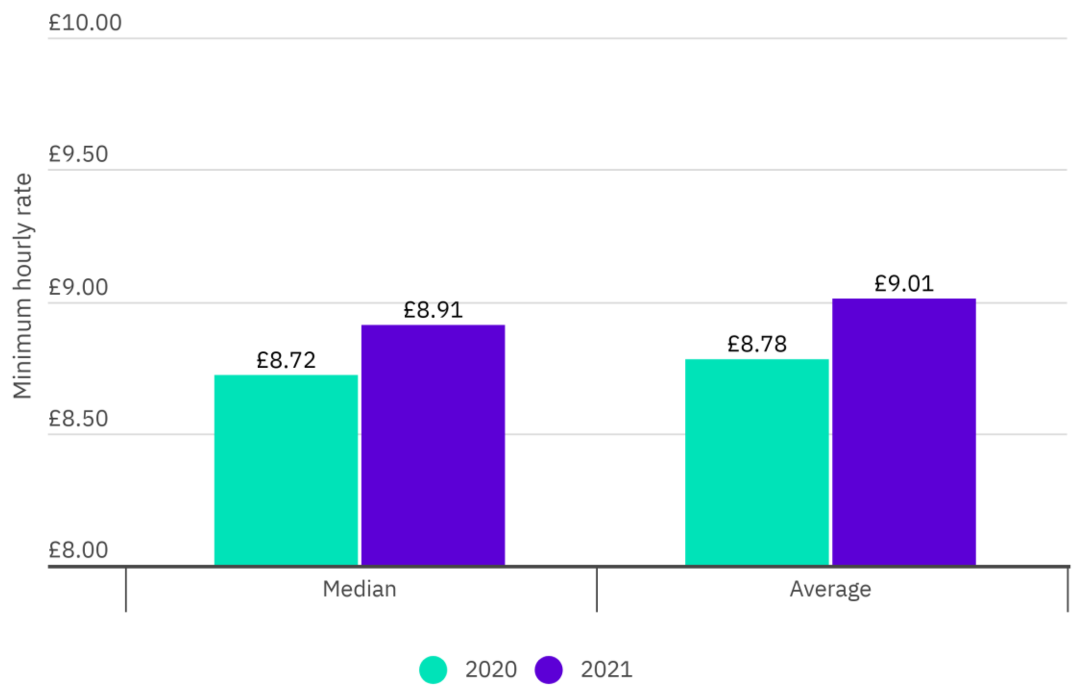

Table 2 Minimum pay rates across the sample, 2021 vs. 2020

	2021	2020
Minimum	£8.91	£8.72
Lower quartile	£8.91	£8.72
Median	£8.91	£8.72
Average	£9.01	£8.78
Upper quartile	£9.00	£8.72
Maximum	£9.50	£9.30
Count	15	15

Note: figures exclude those from employer L, where minimum pay rates are aligned to the London Living Wage.

Pay rates in the food retail sector are rapidly edging towards the £10 mark, with both supermarkets in this sample paying £9.50 an hour, in line with the 'real' or voluntary Living Wage promoted by the Living Wage Commission. This is a conscious alignment on the part of employer M, which has budgeted for pay rates to remain aligned to the voluntary Living Wage over the next three to four years.

Pay in 'essential' sectors in sample more likely to exceed NLW

Looking at how employers responded to the April 2021 increase in the NLW, a clear distinction can be seen between those in the sample that continued to operate during the pandemic (social care and food retail) and those that were shuttered during multiple lockdowns (the leisure and hospitality industries and the non-essential retailer in the sample).

Even before the pandemic, pay rates in food retail were typically higher than the rest of the broader retail sector and this tendency has persisted this year, with both supermarkets increasing minimum hourly rates to £9.50; with this, their differentials with the statutory minimum increased from 28pph and 58pph respectively in 2020 to 59pph in both cases this year. Meanwhile two of the four social care providers were able to establish a differential of 9pph with the NLW this year, having previously paid in line with the statutory minimum (a third interviewee always seeks to maintain a differential between the NLW and its starter rate but saw this narrowed from 10pph to 4pph this year; though starters quickly move to a slightly higher established rate of £9.00 after completing basic training). Just one social care provider increased its minimum pay rates in line with the statutory minimum.

By contrast, almost all the case study companies (eight out of ten employers) that were shuttered during the lockdowns only implemented the statutory increase, bringing minimum pay rates into line with the new NLW of £8.91. The two exceptions were a fast-food retailer that was able to reinstate a differential between the NLW and its minimum adult rate and a small organisation in the leisure sector that pays the London Living Wage.

Four employers we spoke to reported that COVID-19 had impacted their 2021/22 pay review for other staff. Employers D and K (both in the leisure sector) only increased pay for staff directly affected by the NLW uprating, while pay for all other staff was frozen. Employer L, also in the leisure sector, likewise put a pay freeze in place for 2021 (but increased its London Living Wage-aligned pay rate for the lowest-paid staff). In 2020, the organisation paid 2% to all staff effective from 1 January but was subsequently not financially in a position to pay an award in 2021.

The fourth organisation, Employer I (a small care home company), has maintained a differential with the NLW but reports that it would have given higher pay increases to care home managers had it not incurred so many other costs (relating to shielding staff and additional hygiene measures) during the pandemic. It received additional funding to cover self-isolation, for example, but according to the company owner, 'what no-one realises is that while people are isolating, we have to bring in agency staff and we're going to have to pay a lot more than what we would have had to pay our own staff and then we start going downhill financially, it is a lot of pressure.' The company also found that the Infection Control Grant (which has since ceased) was not adequate to meet in full the increased need for sanitising homes between visitors, which resulted in cleaning hours increasing from 46 to 81 hours a week. The owner commented: 'I don't know where we go now because we're not going to stop residents' family coming in to visit.'

A further handful of participants have awarded the NLW increase to staff but are still deliberating over wider pay awards to staff above this level, with a view to backdating any resulting increase. Employer H, for example, is currently in negotiations with Unison on potential uplifts above the statutory rise and explains the challenges entailed in relying upon 80 different local authorities and clinical commissioning groups for funding: 'the uplifts they award directly affect what we can afford to pay,' says the Director of People and Organisational Development. 'We wrote to local authorities in October or November, but some are still outstanding even now, so we don't know what the pot will be for providing pay uplifts until the majority of settlements are in. COVID has impacted local authorities' budgetary positions and therefore what they can give us.'

Overall, including the pay freezes already mentioned, pay increases for other groups of staff were below the level of the 2.2% NLW uprating, worth 2.0% at the median and 1.6% on average among those organisations that provided details. At leisure firm employer D, for example, having implemented the statutory increases in April, the company undertook a review and applied a general pay rise from 1 August, with awards averaging 3% (from a range of 0 to 12%). Hospitality firm O, meanwhile, targeted higher awards at staff based outside the M25 as its workforce outside of London had been affected most by wage compression. In response to this, supervisors inside the M25 received an increase of 12pph, while their peers working outside the M25 were awarded a much greater increase of 42pph. This approach also informed the company's awards for salaried staff, with higher average increases typically on offer for employees based outside the capital.

Adult pay rates

IDR research following the uprating of the NLW in April found that half of employers increased their lowest rate of pay to comply with the new statutory minimum. Our analysis is based on responses from 56 mainly large organisations, three-quarters of which are in the private sector and include the Co-op, Costa Coffee, John Lewis, Mars, Tesco and Wilko.

Minimum adult rates at April 2021

	Adult pay rate
Lower quartile	£8.91
Median	£9.28
Average	£9.44
Upper quartile	£9.50
Count	40

Source: IDR NLW Uprating Poll April 2021

Average adult rates by sector at April 2021

	Pay rate
All	£9.44
Private services	£9.30
Manufacturing & primary	£9.86
Not-for-profit	£9.16
Public sector	£9.32

Source: IDR NLW Uprating Poll April 2021

Distribution of adult minimum pay rates at April 2021

	Number	Proportion
NLW	15	43%
£8.92-£8.99	2	6%
£9.00-£9.09	1	3%
£9.10-£9.19	0	0%
£9.20-£9.29	2	6%
£9.30-£9.39	3	9%
£9.40-£9.49	1	3%
£9.50 or more	16	46%

Source: IDR NLW Uprating Poll April 2021

The impact on differentials

Five employers report that they have managed to maintain differentials between their two lowest grades, while six have had to reduce them and two have managed to increase them – although in some cases this is the result of a restructuring of pay frameworks entailing the elimination of grades, which may only provide temporary relief if the NLW continues to rise as projected (see below). (Not all organisations provided data, while some have relatively flat structures with no obvious supervisor role.) Several organisations report that they have seen the squeezing of differentials produce a negative impact on staff morale and on employees' inclination to take on greater responsibility as the rewards for doing so appear to be diminishing.

Where differentials between the most junior levels have been maintained, this is often at the expense of pay for more senior roles, with several employers reporting grade compression higher up their pay structures. While the comparatively low increase in this year's NLW relative to previous years (and relative to some employers' expectations) might have been hoped to alleviate pressure in this regard, pay freezes or lower awards than usual for the wider workforce have in some cases wiped out any such benefit.

At employer K (leisure sector), for example, team leaders are paid 10% above the NLW-aligned rate of £8.91 for the lowest grade. 'The differential between the team member rate and the team leader rate has been really significantly eroded since 2019 – this is despite the lower NLW rise in 2021,' reports the company's Reward Manager. 'Before COVID it was 18% and the aim is to get back to this level of differential. The next level up is assistant manager and differentials here have also been squeezed because they would normally receive the same increase as team members yet pay has been frozen for two years for all other staff.'

Also in the leisure sector, employer D reports a significant impact on differentials from the rising NLW, with only an 8pph gap between the lowest adult rate (paid to lifeguards and leisure attendants) and that above (fitness consultants). The organisation is concerned about the potential knock-on effect of the rising NLW on differentials throughout the pay structure. 'Duty managers are currently paid exactly right but in five years' time the knock-on effect is that they'll have to be moved up by £5 or £6 an hour to maintain a gap – so there are ripple effects through the whole organisation. Staff need to see a differential to be happy,' says the company's HR Manager, who reports that there 'has been a bit of a backlash from staff' about having no pay rise. However, if there had been a higher increase in this year's NLW then the pressure on differentials at the lower end would have been even more acute, with the organisation potentially having to identify cost savings elsewhere to pay for maintenance of pay gaps between grades.

Several interviewees from the hospitality sector have allowed their highest hourly rates to encroach on equivalent salaries for junior managerial roles or anticipate this arising in the near future. Pay freezes and efforts in recent years to invest in differentials at hospitality sector employer A, for example, had led to a situation whereby in 2020, hourly-paid workers on the highest rates ('team leader – specialists') were on broadly the same rate of pay as first-line managers. This year, the company has reduced team leader differentials and made a large investment in first-line manager salaries, creating a new differential of 62pph between 'team leader – specialists' and salaried first line managers.

Employer B (hospitality sector) had anticipated and budgeted for a higher increase in the NLW and as such was able to maintain the same monetary distance between different barista levels and between locations as previously (there is a 20pph differential between starter and established barista rates, with senior baristas earning a further 30pph). It has also eliminated the role of assistant manager, which has further eased pressure on differentials since this hourly rate was edging close to the equivalent rate for salaried store managers but the company anticipates that this relief will only be temporary as senior barista rates are likely to start to encroach on store manager salary levels (since senior barista rates have tended to go up in line with most NLW increases, ie by between 30pph and 50pph (an average of 4.9% over the period from 2017 to 2020, inclusive) and might be expected to rise at similar rates if the current target is maintained whereas store manager salaries only increase by 2.5% to 3% each year).

Similarly, elsewhere in the hospitality sector, over the past few years employer E has seen successive increases in the NLW compress the differential between the grade for shift running managers and the organisation's first salaried role (second assistant manager), which has narrowed from more than £1ph to just 8pph. The company has therefore made what it describes as 'quite a big investment' in starting rates for salaried roles, with pay for first- and second-level assistant managers raised by £2,000 and maximum salaries for business managers increased by £3,000. Employer O, meanwhile, reports having had to find extra money for pay increases this year, mainly since in 2020, when pay for anyone above the NLW was frozen, the differential between trainers and those they were training had been eliminated.

One food retailer, with a relatively flat structure for shopfloor roles, describes its frontline manager population as 'the squeezed middle' where pay is concerned. This year, it sought to maintain differentials, which had started to erode, by increasing the pay band minimum for the lowest head office and retail management grades, with everyone below the new pay band minimum receiving an increase (in a departure from its usual performance-based approach to pay rises whereby not all staff would receive a rise). This was considered particularly important in light of the pandemic and the pressures frontline managers have faced, such as dealing with staff absence and their return to work. 'You often hear from the frontline, I've got all this extra responsibility, it's easier to do a colleague role,' says the company's Reward Manager. 'This differential is a big pressure point when the NLW is going up by so much.'

Nonetheless, some employers have reported a positive impact from the relatively low increase in this year's NLW. For example, it has helped employer H (in the social care sector) to alleviate what it describes as significant erosion of differentials above its first two grades as the entirety of the organisation's budget for pay rises had been consumed by increases for support workers and lead support workers (between which roles it endeavours to maintain a 10% differential), often without an equivalent uplift in funding from local authorities. 'This was problematic because people were not so keen to go for senior posts – why would they want to do that when they would hardly get any extra money for all that extra grief and responsibility?' explains the Group Director of People and Organisational Development. 'We are keen to grow and develop people within the organisation and have a really good track record of career development for people but when you're in a low-wage environment, if you're suggesting people go for promotion, they want to see some money for that.'

Employer J, also in the social care sector, similarly seeks to maintain a set differential between support workers and senior support workers and would have done so regardless of this year's uprating in the NLW, although in this instance this is a monetary amount worth 25pph rather than a percentage. The organisation's Group People Director echoes sentiments from employer H, commenting 'I think it's really important – why would you be a senior support worker if you're going to be paid 10pph more?'

The approach to pay-setting at the small care home chain, employer I, is more informal and based on input from each of the organisation's two care homes' managers. As such, the company owner reports that, when arriving at an increase for deputy managers, 'we didn't do a premeditated calculation based on a percentage.'

Changes to terms

None of the organisations interviewed has reduced terms and conditions in response to the rising NLW – in large part because these were often relatively lean to begin with. However, a number temporarily improved sick pay provision in response to the pandemic, to deter staff from coming into work when unwell. Employer J, in the social care sector, is looking at introducing more benefits for staff, such as car schemes (including an option for low-paid staff), the possibility of converting the current NEST pension into a salary-sacrifice option to make it more attractive, and a day off on significant birthdays. These ideas are all tentative at this stage but reflect the company's desire to boost retention by 'offering things that are slightly different in the industry.'

Other changes to offset the rising NLW

Other efficiencies to generate cost-savings have primarily been derived from new technology. For example, two social care employers have been using the 'Nourish' app to update care plans and manage daily reporting. Employer I, a small care homes business, has used the time regained in this way to increase breaks as the owner is highly conscious of the time carers spend wearing masks: ‘if I could increase benefits, I would, but there are no plans to reduce them – staff work very hard.’ In addition to adopting the Nourish app, social care business employer J has obtained other technology-based efficiency savings by rolling four payroll systems into one and is considering implementing an online time and attendance rostering system, through which it hopes to make rostering more effective and as such, ultimately reduce the number of staff it needs: ‘do we need as many people or do we need them to be more efficient, using more technology, and reward them appropriately? I think that’s where we’re going.’ As already mentioned, employer J is currently piloting new competency-based pay scales; the NLW increases have informed the company’s efficiency measures to a certain extent, not least since it has not yet had its local authority funding confirmed to be able to pay for the new pay scales, but anticipated improvements in staff turnover and sickness absence are also key drivers.

Also in the social care sector, employer H is looking at making some efficiencies but, given its contractual obligations to provide a certain amount of hours of care, it sees these as being confined to areas such as reducing time to hire, minimising agency costs by scheduling holiday time more effectively, and implementing less face-to-face training. ‘We’ve also made efficiencies in our back-office functions but that’s a drop in the ocean: 89/90% of our (financial) turnover is our paybill.’

Technology has also made an impact in the leisure sector, where employer D has sought to modernise by introducing an online booking system, which has had the impact of allowing it to remove some reception roles.

Due to COVID-19 and the associated downturn, and with uncertainty as to how long Government support would be available for, hospitality firm employer A conducted a consultation exercise in October 2020 to reduce the hours worked by its hourly-paid staff. As part of this it introduced more contractual terms, intended to provide more clarity to staff about how their hours might change in line with flexibility requirements. It also made changes to certain leadership roles and eliminated some support centre positions.

Future increases in the NMW/NLW

The extent to which organisations have modelled and planned for future increases varies widely, with only four employers having looked as far ahead as 2024. Some express doubts that the current target is attainable: employer A (hospitality sector), for example, has carried out internal modelling based on the assumption that the 2024 NLW target (of 66% of median earnings) will be achieved but says that it will have to look at other terms and conditions if pay rises at this rate go ahead and that these will represent 'a huge cost when we will still be in our recovery phase from the pandemic. We lost £1 billion last year as an organisation and this year we will also make losses. It is a multi-year recovery, as for many other retailers and hospitality businesses, so we will have to look at other mitigation options if NLW rates are going to be that high.'

Social care charity employer C, similarly, intends to plan for the possibility of the NLW increasing to £9.44 in April 2022 – and the likely effect on its operating surplus – but has some doubts as to whether this level of increase will go ahead in practice. 'I just don't think the economy will stand it and I don't think at the moment that we're on track for the original target,' says our interviewee. 'It would have a massive impact on our retail operation because if we implement the NLW and maintain differentials next year, we'll make less surplus – there are no savings we can make. [Charity shop] sales are quite buoyant but you can't necessarily expect that to continue so we'll just get an ever-decreasing return from that operation. We have already experienced this: we are already making hundreds of pounds less than we were before the start of the ramping-up of the NLW. Anything much more than this year's increase is going to be a challenge.'

Employer H, also in the social care sector, will start its budget-setting process in October but for the purpose of tendering has been working on a 'best-guess' estimate of 2.5% and is not anticipating increases in the NLW at the levels that have been seen previously. It works closely on customer relationship management with its local authority partners to maximise its ability to increase settlements from them and may look at focusing on offering support for more complex needs that attract greater funding.

The small care home company, employer I, has not planned for future increases in the statutory floor but will absorb them into its payroll when they arise. The owner feels that current headline inflation rates (the CPI stood at 2.1% at the time of interview) are not representative of the increased costs her business has faced – for example, she says that care home food costs have doubled, and she observes that staff are likely to be facing similar pressures. 'Financially, if we could afford to give more we would, they definitely deserve more than what they're getting.' In practice, the owner subsidises increased care home costs out of her private income and anticipates having to do so to an even greater extent in the future.

Future plans for offsetting NLW increases

None of the interviewees are contemplating specific measures to mitigate future increases in the level of the NLW and in many cases, and as noted already, this is because their reward packages and terms are already fairly lean. Instead, several say they will simply absorb any increases. For some, such as employer B (in the hospitality sector), issues such as recruitment are considered more pressing than future increases in the NLW. The uncertainty associated with the pandemic also appears to be a factor in some employers putting more comprehensive changes to reward systems on hold.

Employer A, in the hospitality sector, is keen to see greater clarity in respect of Government plans for youth rates below the NLW after the age threshold has reduced to 21. At the moment, it is working on the assumption that all rates for under-21s will be aligned (ie there will be no further distinction in age rates below 21) but as this will affect quite a material number of its staff, the company says it would appreciate clearer guidance on this. It feels there has been a lack of published strategy on youth employment since the NLW was introduced and that this would be very helpful in decision-making.

Employer C (in social care) has no specific plans to offset future NLW increases but if necessary, would look to close unprofitable shops and underfunded services and reorganise support services. It would not look to cut salaries but says it is too soon to say whether a pay rise for the wider workforce is realistic in 2022. It is also concerned that rising inflation will erode the pay increases it managed to implement this year.

Social care employers H and I will look to make further savings through technology-related efficiencies but the former feels scope to do so is limited: 'we're looking at investing in assistive technology involved in keeping people safe – for example, if we can reduce the amount of waking night staff we have – but the trouble there is that if we do use technology and reduce waking night staff, the local authority will just cut the number of hours it's willing to fund for this. So we will try and benefit where we can from technology in such a way that we won't suffer a loss of funding.' It may also look at withdrawing services in certain high-cost areas.

Sectoral overview: hospitality

All hospitality sector respondents applied a pence per hour uplift to their lowest pay rates to meet the new 2021 NLW statutory rate of £8.91 per hour. Only one respondent raised its lowest adult rate to a level above the NLW, creating a differential of £0.09 above the 2021 NLW level. This respondent stated: '*The lower-than-expected NLW rise meant the differential between the lowest rate for hourly paid adults and the NLW was re-established this year, having been eroded last year.*'

Across all respondents, between about 10% and 20% of staff were confirmed as being on the lowest hourly rate, occupying typical roles in front or back of house; or entry level baristas, cashiers etc. Differentials between the lowest hourly rates and the hourly rates for the roles above ranged from 10pph to 53pph, with all respondents providing this data maintaining the differentials between these roles from the previous year.

Four out of the six hospitality respondents operate spot rates for their hourly-paid populations. However, two of these employers also operate a form of skill-based pay, with fixed pay points for different levels of skills development and competencies, eg progression from training to skilled hourly rates. Two respondents operate pay ranges for their hourly-paid restaurant workers: one enables progression to be achieved through annual performance-related pay increases; the other through completion of training.

Four out of the six respondents also operate a form of location pay within their pay structure. These typically apply a premium to hourly rates in London and airport locations and other geographical hotspots, producing regional pay variations across three or four pay zones. One respondent stated that it was currently considering increasing the number of hot spots within its location pay structure due to current recruitment challenges in particular areas.

Only one respondent in the hospitality sector reported COVID-19 as having an impact on their 2021/22 pay review. This employer stated that it only implemented the statutory NLW/NMW rises and had not awarded a pay increase to other hourly-paid staff or salaried employees [although it may revisit this in October 2021]. There were also some exceptions; for example, pay rises were awarded to individual salaried staff who had achieved qualifications during lockdown.

All other respondents implemented a pay increase for their lowest-paid staff in 2021/22 with other hourly-paid roles typically increased incrementally to maintain differentials. All but two respondents had also implemented a 2021/22 pay award for their salaried population, with increases ranging from 2% to an average of 3.5%.[1]

Age-related pay

Five out of the six respondents in the hospitality sector currently operate age-related pay, either following the same age categories as the NMW/NLW or using two separate age bands (at 18 or 21).

COVID-19 impact

Three respondents in the sector had implemented changes to working hours due to COVID-19, typically reducing them. In response to the pandemic, one respondent undertook a consultation exercise in October 2020 to reduce working hours among its hourly-paid population and introduced new contractual terms providing greater clarity to employees around the flexing of working hours upwards/downwards.

All hospitality respondents placed the majority of their employees on furlough during the pandemic, applying varying compensation approaches, for example:

- All but one respondent used the Coronavirus Job Retention Scheme to pay furloughed employees
- One respondent topped up the pay of furloughed employees to full pay until August 2020, at which point it was reduced to 80% in line with the CJRS. This employer also applied a premium to hourly rates for those continuing to work between April 2020 and the end of July 2020, to establish some differentiation for those hourly-paid workers and managers who were still working in hotels that remained open to support key workers. In August 2020 this premium was removed
- Another respondent topped up pay to 100% for the first month of furlough, then reduced it to 80%
- One respondent removed the Government's upper earnings cap to provide payment to all furloughed staff
- Another respondent paid a bonus to the 10% of employees who continued to work during the pandemic – however, the low-paid staff population were not eligible for this as they were all furloughed.

Almost all employees have now returned from furlough with some limited continuation at individual sites which are experiencing reduced demand such as airport locations, central London or some high street locations.

[1]One respondent's pay review for salaried staff was not due until October 2021.

Differentials

While differentials have broadly been maintained this year between the lowest-paid and next lowest-paid roles, employers reported growing pressures further up pay structures as a result of NLW/NMW increases, for example:

- One employer stated that in 2018 it made a large investment in widening the differential between its team leader grade and that for the role below. However, this year it had to reduce this differential due to the resulting squeeze in the corresponding differential between team leaders and the first level of salaried manager

- Similarly, another employer stated that the increases in the NLW over recent years had compressed the differential between its first salaried grade and that for its highest hourly-paid managers from over £1 an hour to only £0.08. Therefore, this year it made a significant investment in raising the starting and maximum salaries for some salaried roles [by between £2,000 and £3,000 a year]. It observed that this has compromised its usual principle of paying within 10% of the market median but the inflation was considered necessary due to the compression experienced in these roles

- Another employer commented that the lower-than anticipated increase in the NLW was a significant factor in its ability to maintain differentials between hourly-paid roles this year, stating: '*Had the increase gone with the previous forecast we may have had to look at our differentials, given where trading was at that point.'* This employer also stated that they had removed the role of assistant manager in their stores, which helped reduce costs and helped maintain differentials. They also observed that over time a new challenge could arise as store manager salaries tend to increase by just 2-3% each year, but the roles immediately below this have received higher percentage rises on average, in line with the NLW, and if this rate of increase continues it will squeeze this differential again

- Another respondent stated that as a result of freezing all salaries for those above the NLW/NMW in 2020, this had removed the differential between pay for trainers and that for the lowest hourly-paid roles. This year it invested in increasing this differential but '*they [trainers' pay rates] are not back up to where they were before 2020.'*

Changes implemented/planned

Most respondents in the hospitality sector have not implemented any significant changes to their pay structures this year, other than those already highlighted, with one employer stating, 'W*e need to return to some sort of normality [before we can make any change decisions*].' One employer however stated that, to reduce costs, it had restructured its customer contact centre in which pay rates are aligned to the NLW (although these staff are paid on a salaried rather than hourly basis), which had resulted in a small headcount reduction.

One employer stated that it is considering introducing pay for progression over the next year or so and another stated that a temporary enhancement to sick pay provision for the hourly-paid, introduced in 2020 as a result of the pandemic [full pay for those sick or self-isolating whereas previously staff received only SSP], has continued throughout this year.

Planning for future NLW/NMW increases

Four out of six hospitality sector respondents have modelled costs for future NLW/NMW rises, with most assuming the 2024 target will remain in place. One employer observed that future increases will need to be significant [in the order of 5-6%] to reach the 2024 target and if increases occur at this level then other terms and conditions may have to be reviewed in order to meet those costs while the company is still in a recovery phase from the pandemic, stating '*it'll be a multi-year recovery, as for many other retailers and hospitality businesses, so we will have to look at other mitigation options if NLW rates are going to be that high.'*

Another employer stated: *'it is our intention to maintain differentials with future rises but this is obviously dependent on business performance. Christmas is a deal breaker for hospitality so if COVID-19 has an impact on Christmas 2021 we may not be able to apply the blanket approach to other rises that have applied in the past*.'

One employer also stated they wanted some more clarity in terms of Government plans for youth rates following the phased reduction of the NLW to 21 years which would help with decision-making concerning their future pay approach. The organisation feels that the 2024 target is unrealistic in light of the challenges presented to many companies by the pandemic, commenting: '*Given that a lot of low-paid worker employers will have been severely impacted by the last year, it feels like the pace of NLW recovery exceeds that of the pace of recovery that businesses like us will be able to manage.'*

Labour supply issues

All hospitality sector respondents reported experiencing severe recruitment challenges across all types of hourly-paid roles, with reductions in both the volume and calibre of candidates. Chefs were commonly mentioned as a particular recruitment challenge, both now and pre-pandemic. Respondents cited the following reasons for the current recruitment challenges:

- A lack of availability in the labour market in some locations, with one employer mentioning recruitment challenges in areas where they have traditionally recruited students, but who are now absent from these labour markets due to moves to online tuition

- Huge demand from other competitors directly within hospitality but also other sectors where similar skill sets are required

- Brexit has impacted labour supply in areas where they typically recruited European workers

- People have chosen to leave the sector since the pandemic; eg due to the change in the working environment such as handling customer frustration at social-distancing measures; the impact of furlough leading secondary earners to re-evaluate whether it is worthwhile continuing working; furloughed workers taking secondary jobs remaining with their new employer; or furloughed staff retraining while away from the workplace.

In attempts to combat recruitment difficulties some hospitality employers have considered multi-skilling hourly-paid staff to cover gaps. There were also reports of some franchisees aligning their youth rates with the over-21 hourly rate or doubling their overnight premiums to attract staff. Another employer stated that in order to address location hotspots where restaurants are struggling to recruit staff, it may consider introducing a hot spot location premium so that restaurants can pay to attract staff eg restaurants next to service stations (to compensate for the fact that people have to travel out of their way to get to work).

Chapter 2: Developments in youth rates

Across our sample seven employers operate separate rates for younger workers, the majority of whom are in the hospitality industry where age-related pay is commonplace. Of the seven, just two follow the structure of the NMW with three separate rates for workers aged under 23. The other firms operate more simplified structures, with a single rate for younger workers. In some cases, this is set at the qualifying age for the NLW and in others it is lower at either 21 or 18.

Table 3 Employers operating youth rates by sector

Sector	Sample	Number with youth rates
Hospitality	6	5
Leisure	3	1
Retail	3	1
Social care	4	0

Previous research undertaken by IDR has shown that youth rates are relatively uncommon at large firms (with the important exception of those in fast food and hospitality) and even when they are implemented, they tend to be higher than the statutory minimums (significantly so for workers in the youngest category). Our most recent research in this area was conducted in April 2021 and it found that just 9% of employers vary pay by age. The sample consisted of 56 employers, mainly large private sector firms.[2]

Because only a minority of employers operate formal youth pay schemes, this means that pay rates for younger staff are generally higher than the floors for each age range set by the NMW. The following tables provide figures on both minimum and maximum pay rates for younger workers and show the extent of variation in youth pay. Minimum rates for those aged 16-17 are notably higher than the statutory minimum level, with a median rate of £5.77 an hour, £1.15 above the statutory 16/17 rate of £4.62. The average rate is higher still at £6.02 an hour.

[2] The sector breakdown was as follows: manufacturing and primary, 27% (15); private services (35% (19); public sector 25% (14); not-for-profit 14% (8).

Minimum rates for 18-20- and 21–22-year-olds tend to be closer to the statutory minimums but here too we also see variation, as shown by higher average and upper quartile figures.

Table 4 Minimum rates for younger workers, 2021

	Young workers (16-17)	Young workers (18-20)	Young workers (21-22)
Statutory rate	£4.62	£6.56	£8.36
Lower quartile	£4.62	£6.56	£8.36
Median	£5.77	£6.56	£8.36
Average	£6.02	£7.23	£8.55
Upper quartile	£6.96	£7.58	£8.46
Count	44	52	49

Source: IDR Pay Benchmarker

Younger workers are not always paid a single salary or spot rate. Some employers operate salary ranges and the following table provides analysis of maximum rates for younger workers. These are notably higher than the statutory minimum age rates.

Table 5 Maximum rates for younger workers, 2021

	Young workers (16-17)	Young workers (18-20)	Young workers (21-22)
Statutory rate	£4.62	£6.56	£8.36
Lower quartile	£6.66	£8.12	£8.36
Median	£8.22	£9.50	£10.50
Average	£7.76	£9.12	£10.24
Upper quartile	£8.73	£10.06	£11.20
Count	44	52	49

Note: the analysis includes both spot rates and maximum rates.

Source: IDR Pay Benchmarker

The impact of the NLW qualifying age moving down from 25 to 23 had a mixed effect on case study employers depending on their current age-related pay structures. Those, where the adult rate is paid from either 21 or 18, reported no impact while those that mirror the NMW age bands reported cost increases.

Two case study employers have started planning their response to the expansion of the NLW to workers aged 21 and over from 2024. A large non-food retailer (employer G) told us that its target is to have one rate of pay and remove all age-related pay by 2022, ahead of the 2024 target, but this depends on the cost impact of future increases in the NLW. Employer F (a pub chain) told us that the age reduction so far has had a significant effect on its paybill (since workers aged 23 and over account for 7,880 or 62.4% of staff) but that the future staged approach to 21 is welcome because 'it brings the journey to bring everyone to the top rate less of a hassle'.

In respect of future changes to age pay or the age profile of the workforce in anticipation of the lowering of the age threshold to 21, one employer (E) said it is considering going further and lowering the age at which it pays the adult rate from 21 to 18, as many large retailers already do, although this is likely to be over the course of a couple of years.

Employer O, a restaurant chain, said that the company is hiring more under-18s now and this might alter their approach to age-related pay in the future. Their current approach distinguishes by age (over and under 18) and this was introduced after the implementation of the NLW: 'when the NLW first came we didn't differentiate by age but we started to get push-back internally as people didn't think that was the right thing to do because under-18s couldn't perform the same roles as over-18s. The company had really competitive rates for under-18s when first introduced and paid 18-year-olds well above the NMW for their age but we haven't moved it in line over the years, so they are now paid a less competitive rate for under-18s comparatively, but they are still paid a fair chunk above NMW for under-18s.'

Employer P, a hospitality firm, said: 'Younger people are always attracted to work in this industry so there hasn't been a huge change in the age range of staff. [...] The company has never looked for younger, cheaper staff because of the risk of discrimination and we can't really hire under-18s that much anyway due to the nature of the company ie selling alcohol.'

Sectoral overview: leisure

- All three leisure cases studies only increased pay where they were legally obliged to following the April 2021 NLW uprating
- One has since implemented a rise as part of a wider review of pay, effective from 1 August 2021, which resulted in an average increase of 3% but a large number of staff had their pay frozen and the full range is quite wide, with rises of up to 12% for a small number of staff where pay had fallen below the market rate
- All three leisure case study organisations expressed concerns regarding the impact on differentials throughout the whole pay structure (which are mostly simple and fairly flat structures comprising a small number of grades with spot rates)
- All three leisure case study organisations have made other indirect cost saving changes, mainly involving more technology and upskilling of staff
- Two of three are currently experiencing recruitment difficulties (the third employer is currently operating a recruitment freeze)

Chapter 3: Impact of COVID-19 on pay and staffing

Use of Coronavirus Job Retention Scheme

All but two of the employers in the sample have made use of the Coronavirus Job Retention Scheme (CJRS or ‘furlough’) in some way since its inception, although for some in essential services such as social care or food retail this was only for a small number of staff, purely or primarily to cover those who had to shield or for those in public-facing office jobs, such as reception roles. Inevitably, those in sectors such as leisure or hospitality were much more starkly affected, with hospitality firm employer B, for example, having 98% of all team members enrolled in the scheme at the height of the crisis. While trading restrictions have officially eased, two hospitality firms report continued subdued trading in locations such as airports as ongoing quarantine requirements deter holidaymakers and business travellers from going overseas.

By now, most employees are back at work (with the exception of those shielding), although three companies were continuing to use the scheme for reasons other than shielding at the time of interview. This is often due to capacity limits necessitated by social distancing measures or flexible furlough to manage last-minute closures due to self-isolation. At leisure sector employer D, for example, just seven staff members (out of a total workforce of 117) remain on furlough – these are staff on zero-hours contracts, such as swimming instructors, where hours are not yet back up to pre-pandemic levels due to capacity limits. And although formal restrictions on social distancing have been eliminated in England, employer K, also in the leisure sector, says it will continue to run at 80-90% capacity as a self-imposed limit which will stay in place until the end of 2021. This is so that it can ensure premises are cleaned effectively and to avoid over-crowding.

While a handful of organisations topped up pay (to 100% of earnings rather than the basic 80%) during the initial lockdown period, more recently the majority are paying staff 80% in line with the Government support on offer. Employer C, a social care charity, had to furlough retail staff from its charity shop arm during the three lockdowns; it paid for most such periods at 80% but topped up to full pay in November given the timing of this lockdown so close to Christmas.

Employer E, in the hospitality sector, did not claim any grants under the CJRS and financed furlough pay itself. Employer N (a retailer) similarly did not claim any money under the scheme as it was able to transfer many staff from a related non-retail arm into its food retail business. As the company's Group Head of Reward comments, 'our doors were open – should we be taking Government money? It wouldn't have saved much money and didn't feel like the right thing to do in the circumstances.'

Impact of COVID-19 on reward

The preceding sections of this report already include several examples detailing where the pandemic has had an impact, either directly or indirectly, on many aspects of pay – for instance, the financial pressures presented by COVID-19 have led to two firms freezing pay for staff outside the scope of the NLW while others have found their budgets for pay awards constrained due to other expenses incurred such as hiring agency staff to cover those needing to shield or enhanced hygiene measures.

However, some have found themselves relatively unaffected by the pandemic. Employer H, for example, says it benefitted from the Infection Control Grant and furlough schemes and that 'we have had a better financial year due to COVID as the people we support couldn't go out and about to activities as much so we didn't need as many staff – but local authorities didn't tend to reduce hours [and funding] accordingly.'

Although employer I, the small care homes business, has fared less well financially, it nonetheless paid a bonus to staff working in its more complex care home (see table). It also introduced other, more informal and lower-cost measures to boost morale such as a bottle of wine for employees voted 'staff member of the month' by care home residents. 'Financially it's a sad situation but at the same time, staff need to be recognised,' says the business owner. 'We do little things to try and lift them. Staff work so hard so every now and then we will go round with cakes - something to cheer them up and to keep them going otherwise we will be left with no staff.'

Within the hospitality sector, employer O implemented a temporary reduction in hours and required more flexibility from those still working, mainly to facilitate moves between restaurants. A bonus, delayed from the start of the pandemic, was paid in November 2020 but only a proportion of salaried staff received this. Meanwhile employer P moved staff between sites to enable them to keep working and thereby receive 100% of wages rather than furlough pay.

Table 6 Short-term changes to pay as a result of the coronavirus pandemic

Employer	Nature of change
G (non-food retail)	£150 'thank you' payment to staff
H (social care)	Two non-consolidated COVID recognition payments - £185 for frontline and £85 for back-office staff
I (social care)	Week's bonus for all staff in one of the two care homes (providing more complex services)
K (leisure)	10% enhancement to security/facilities skeleton staff who worked throughout
L (leisure)	Around 60-70% of staff took pay cuts for a period of 12 months (extent of these varied due to different working patterns). Informally, these staff also received two days' leave
M (food retail)	Temporary periods of premium pay (eg T+50% for store team managers) when additional hours were needed to help with resourcing at beginning of pandemic. 'Thank you' payments made to frontline employees and investment in wellbeing initiatives
N (food retail)	Three 'thank you' payments worth 3% of annual pay – amounted to £800 for FTE.

Sectoral overview: retail

- 2021 increases among the three retailers in the sample varied. One matched NLW, one retailer implemented a higher award and another matched the voluntary Living Wage
- 2021 reviews for salaried staff also varied. One food retailer froze pay while another was able to implement an increase. Another offer is out to ballot by the workforce
- Frontline staff have been awarded incentives and/or bonuses during the last 12 months
- Retailers are experiencing particular demand and retention issues within logistics
- Budgeting for future increases is considered difficult: if projections change by even 1pph this makes a vast difference in staff costs, commented one retailer
- Changes to pay bands for salaried staff have been planned to alleviate squeezes on differentials.

Chapter 4: Labour supply difficulties

Almost all participants report experiencing difficulties with recruitment and retention. Employers in the hospitality and leisure sectors lost staff to essential retail and social care during the lockdowns and the difficulties in rebuilding the workforce have been exacerbated by everything re-opening at the same time. Several hospitality employers report a reluctance on the part of workers to enter or stay in the industry, with two citing a 'lack of faith in the industry' and another explaining how frustration with social distancing measures has made customer interactions fraught. Interviewees from various sectors have seen staff use furlough time to retrain and move into what they perceive as less demanding industries.

While these pressures may be most acute in the hardest-hit industries, they can be seen across all the sectors in this study. Some perceive an unwillingness among staff to come off furlough, with the hope that difficulties may be eased when the CJRS finishes at the end of September. Brexit was cited as a factor by some interviewees but for others this is felt to be less relevant. Low pay may also be a factor, since the slightly higher rates on offer in food retail could be an attractant to workers from other sectors.

Hospitality

Several companies in this sector report particular difficulties in recruiting to chef roles. This is the case for employer A, which is also experiencing recruitment challenges across the board in hourly-paid roles. It attributes this to a combination of a lack of availability in the labour market in some locations and competition from both other hospitality employers and from sectors where similar skillsets are required. 'Lots of hospitality businesses all opening on the same day [17 May] has destroyed the labour market,' says our interviewee.

Employer B was already experiencing seasonal recruitment and retention challenges before COVID, especially in areas with small local populations and a restricted talent pool. Previously it would have recruited European workers to fill these roles, so Brexit is having an impact to a certain extent, 'but also now people have chosen to leave the retail [and hospitality] sector;

maybe because they were a second earner in the family and furlough allowed them to re-evaluate, or in stores that remained open and had COVID restrictions employees got abuse from customers and restrictions made it harder to work in a store,' says the firm's Reward Manager. The ongoing operation of the CJRS is also felt to be a factor, with some workers perhaps reluctant to take up a new role if they can continue to receive partial pay while on leave.

Low pay is a factor in these problems and as a result some organisations have increased wages. Still within hospitality, employer E has seen franchisees increase rates in certain hotspot areas – for example, one based on a remote industrial estate has increased rates to £10ph and doubled overnight premiums to £2ph due to local labour market competition from warehouse roles. A handful of other franchisees have also aligned their 18-20 rates with the over-21 rate to try and attract staff.

Pub chain employer F is another hospitality firm, in this case experiencing competition for head chefs. It has found that workers who obtained second jobs while furloughed have opted to stay in those roles, particularly where they are employed by supermarkets. 'We are not at the point of not being able to open our pubs but recruitment is challenging,' says the company's Reward Manager. The company is considering multi-skilling its pub team to overcome these difficulties.

Employer O reports 'massive recruitment pressures' in terms of both the volume and calibre of candidates. The challenges the company faces differ depending on location; for example, Brexit and the relative reduction in migrant labour has affected its central London outlets while the potential student workforce is smaller than previously in university towns. It has found that COVID has led to people retraining during lockdown or using the opportunity of furlough to become delivery drivers instead. While the company has long had difficulties recruiting chefs, it is now experiencing problems across its salaried population – 'COVID has led to some people reconsidering what they want to do'.

Employer P attributes staff shortages primarily to Brexit. The company's Reward Manager believes higher salaries for head chefs and kitchen managers at independent employers are affecting staffing in the bigger chains by creating salary expectations that the company feels it would be unable to meet. As for others in this sample, chef staffing was already problematic before the pandemic and this has worsened. The company finds it particularly difficult to staff outlets in tourist locations and has sought to redress this by moving employees between branches and retraining staff.

Social care

All four social care employers report challenges with recruitment and retention. Employer C thinks this is unrelated to pay as benchmarking suggests the charity pays above the median or even upper quartile. 'We know anecdotally that others in the sector are struggling – it's just a lack of available people.' To address these challenges, the charity has started a recruitment campaign to attract new people – specifically those furloughed from hospitality or retail who are looking for a change – into care roles; it is still waiting to assess the results from these efforts. What little recruitment has taken place in its retail arm, by contrast, has been relatively straightforward due to other retailers losing staff. The charity is not heavily reliant on the EU as a source of staff and therefore, unlike others in the sector, does not attribute its staffing difficulties to Brexit.

Elsewhere, pay does seem to figure as a factor. According to our contact at Employer H, 'our recruitment's fallen off a cliff: we compete with hospitality and retail and while we haven't lost that many EU workers, we've seen the knock-on effect of them leaving hospitality, where these employers have had to increase pay to replace EU workers they've lost. Recruitment is becoming extremely difficult and this has happened very quickly. We had a COVID bounce in recruitment as everything shut down but we have got to hang on to these people now. I think we're in an unknown year for pay as the recruitment challenges seem so significant.' The organisation is considering implementing retention bonuses for staff who complete their probation period and improving unsocial hours payments to address difficulties in recruiting to waking night shifts. Further localised targeting of particular markets is also likely.

Ultimately, however, the charity may withdraw from areas that it feels are unsustainable. ‘We are looking very seriously at where we work in the country and I think that’s going to be a real challenge for some local authorities when commissioning services: people [providers] will be reluctant to take on work in certain areas.’ She anticipates particular difficulties in certain geographies such as those with inadequate public transport as a lot of staff do not drive or have exclusive use of a car. Mandatory vaccination is also likely to affect retention: ‘about 1,000 of our workforce [of 7,000] are going to be subject to mandatory vaccinations and we know about 8-9% of the workforce won’t have [accept] the vaccine. I think mandatory vaccinations will affect our recruitment because they will choose to work elsewhere.’ If recruitment issues persist, the charity may look at breaking up generic support worker roles into roles with more specific responsibilities, with a view to adding more value and interest, although this idea has proved unfeasible in the past due to the insufficient quantity of support worker roles in certain areas. ‘The speed of change in the recruitment market has surprised me: hospitality needing twice as many staff due to COVID protocols has also been a factor but mainly it’s the speed of the change.’ The charity has limited scope to improve recruitment through pay, compared with other sectors. ‘It’s not like hospitality or retail – our income is fixed and subject to the economic settlements local authorities get from the Government.’

Employer J is a relatively new operator in the sector. It has found that the calibre of its recruits has improved somewhat as awareness of its brand/services has grown but challenges remain. ‘In care, you’re fishing in a small pond,’ says the Group People Director. ‘People have forgotten about Brexit but there aren’t as many people here; you’ve got every industry suffering from 2 million people on furlough, not looking for a job, so there’s a real issue in terms of attracting the right calibre and right number of people we need.’ She describes staff turnover as ‘not horrendous,’ although it is starting to rise slowly from 25% towards the industry average of 30%, ‘but I need to be able to attract people.’ This employer has sought to remedy recruitment challenges by paying an extra £1ph in hotspots for the organisation such as Essex or the North East or in more difficult services. It is also hoped that the new career path and competency framework, already outlined elsewhere, will help improve retention. Like employer H, the organisation anticipates its workforce shrinking due to the mandatory vaccination policy but also that this should be balanced out by the adoption of new technology such as the Nourish app and workforce management systems which will entail a need for fewer staff.

Leisure

Employer D is usually reliant on casual staff to deal with seasonal fluctuations in staffing levels, particularly at its coastal sites, but has struggled to recruit to these roles this summer; it has also only managed to fill seven of 16 positions advertised through the Kick Start scheme (it has until December to fill the remaining roles). 'I think this is because people are still on furlough or are getting Universal Credit and so don't want to work,' says the HR Manager. In response, the organisation has 'multi-skilled' some staff so they can be deployed to different areas. This means they are able to move staff around within the business to work in different areas. Their pay rate remains unchanged since the jobs are considered to be at the same level of work, just within a different area. For example: 'The high wires instructor role is usually easy to fill as it's a fun job, but not this year. We have trained staff from other areas, mainly lifeguards, to fill the role.' However, in contrast to reports from the hospitality sector, it finds these types of positions – 'we could fill the coffee shop with coffee shop assistants' – remain relatively straightforward to recruit to.

According to Employer K, the impact of the rising NLW on differentials higher up the organisation has affected staff retention for team leaders and assistant managers. The Reward Manager reports that 'it's a massive problem; turnover among that group has been comparatively higher than for other groups, especially in food and beverage.'

Retail

The most pressing challenges for retailers largely relate to logistics. Supermarkets M and N are starting to see driver shortages; in the case of the latter, the main problem is with logistics drivers and it is Brexit rather than the NLW that is felt to be at the root of this. Employer N has also identified some gaps due to absence and hotspots and uses recruitment agencies to source temporary workers quickly. 'We have found that people are moving really fast in retail so we have worked to reduce time to hire and have dramatically reduced this over the last year,' explains the company's Head of Reward. Despite the sub-sector's race to a £10 hourly rate, the company (which pays £9.50ph) has not found itself losing staff to higher-paying competitors and attributes this to differing company cultures across food retail.

Sectoral overview: social care
• Social care employers are highly dependent on local authority settlements for the majority of their funding. Greater investment at government level could make a difference to employers' ability to make higher pay awards: 'It's not the council's fault, it's the Treasury's fault – local councils should be given more money so these people can be rewarded better. Staff deserve far more than they get – it would be one way of keeping them in this industry.' • One provider (a small care home chain) reports that some high-need, bedbound residents fall just below the dementia care threshold but require more care (eg turning regularly; assistance with eating and drinking; monitoring hydration) than is funded and as such its homes have to be overstaffed. • Three of the four employers interviewed have maintained a (small) differential with the NLW, paying £9ph to established staff. The fourth raised rates in April in line with the NLW increase but is currently in negotiations with its recognised trade union over a potential further uplift, which would be backdated. It says 'we really hate being a NLW employer – what our people do is so amazing and complicated.' • Two employers (C and I) stated they would possibly look to withdraw services or from areas where inadequate funding would make paying the rising NLW unviable, putting service provision at risk. • None of the social care employers we spoke to operate youth rates, largely for reasons of fairness. • All are experiencing recruitment and retention issues to some extent. While all currently operate spot rates, one employer is in the pilot stage of moving to pay scales that allow for competency-based progression.

IDR insights

IDR has also gained further insights from our recent pay planning survey, conducted in July 2021. The survey received responses from 83 employers in total, of whom 20 are in the sectors of focus for this study: housing and social care, hospitality, leisure and retail.

Pay rises

The survey asked employers how their 2021 pay rise compared to 2020 and how they think the rise in 2022 will compare to 2021. The majority of housing and social care, hospitality, leisure and retail employers state report paying a lower rise in 2021 than they did in 2020.

Looking ahead, more employers in these sectors anticipate the rise in 2022 will be the same (or in one case, higher) than lower than that paid in 2021.

Across the wider economy, just under half of employers delivered a lower award in comparison with 2020; 29% delivered a higher award; and 23% made the same award as in 2020.

When employers look ahead to 2022, a marked difference in approach is anticipated, with half of employers expecting to deliver a higher award than 2021, and only 7% a lower award. This anticipated increase in pay awards gives some indication of the extent of pay pressures faced by employers.

Pay awards relative to previous years (whole economy) – actual and anticipated

Level of pay rise	2021 versus 2020	2022 versus 2021 (anticipated)
Lower	48%	7%
Higher	23%	43%
The same	29%	50%

Staffing levels

On staffing levels, the majority anticipate growing their permanent workforce over the coming year and only two employers – both in retail – expect the number of permanent staff to fall over the coming year. A notable minority also expect to expand their temporary workforces.

One care home reports that it is growing and is currently moving temporary staff into permanent roles.

Anticipated change in staffing levels over the coming 12 months

Anticipated change	Permanent staff	Temporary staff
Decrease	2	4
Increase	10	7
Stay the same	7	8

Labour supply
On labour supply, the majority of employers in our case study sectors report recruitment difficulties. Of the 20 housing and social care, hospitality, leisure and retail employers in the sample, one reports recruitment as ‘very difficult’, 14 as ‘fairly difficult’, while only five state that it is ‘not a problem’. Of those reporting difficulties, eight view these as medium-term, while three report difficulties as either temporary or long-term pressures.

Employers typically cite both the pandemic and Brexit as factors. One pub chain said its pressures are caused by the fact that ‘covid impact on hospitality will take a while to recover from, and then we have to consider Brexit implications too.’ Another fast-food employer commented that ‘there has been a change in dynamics as to how people want to work and where they want to work. This should settle down. However, this will be a challenge in the medium term and the next couple of years, as people battle for the same talent.’

Appendix 1 – Semi-structured interview questionnaire

All interviewees were sent a copy of the following question list in advance of the meetings, to enable them to prepare. Some of the questions were also covered in the pre-questionnaire (see Appendix 2).

Impact of future targets for the National Living Wage in light of COVID19

2021 pay review:

- Has COVID19 affected your pay review for 2021/22?
    - Yes – we have delayed the review (for some/all staff)
    - Yes – we have frozen pay (for some/all staff)
    - Yes – due to COVID19, the rise was lower than that paid in 2020/21 (for some/all staff)
    - Yes – due to COVID19, the rise was higher than that paid in 2020/21 (for some/all staff)
    - No – it is going ahead as planned/has been affected by other factors (please provide details):
- If the pay review differed for other staff groups, such as managers or head office roles, please provide further information:
- Has your organisation decided on/awarded a 2021 pay rise for/to lowest-paid staff (excluding apprentices) – yes/no?
- If not, by when do you expect to reach a decision on the 2021 pay review?
    - (When is normal pay review date?)
- If yes, is this/will this be in line with the % rises to the NMW/NLW, or some other figure?
- If the latter, is it/will it be lower or higher than % rise(s) to NMW/NLW?

    - If higher, is this because this year's NMW/NLW increases were lower than you had budgeted for?
- What are/will the increase(s) [be] for the lowest-paid, by age group if applicable
- Has your organisation decided on/paid increases to other staff, ie those not who are not paid at or near NMW/NLW levels?
- If yes, is/will this be higher, lower or the same as the rises for lowest-paid staff?
- Have you had to make any changes to differentials between the lowest-paid and those above them in the hierarchy, including their supervisors? Have you maintained these differentials or widened them? Have you let them shrink a little? What changes were required?
    - What effect did the comparatively low NLW uprating in 2021, relative to previous years, have on your treatment of differentials this year?
- Has your organisation made any changes to pay structures (eg removal/addition of grades, starter rates, location pay) for any group of staff alongside or in the wake of increases in the statutory minimum or as a result of the pandemic?
    - If yes, when? For which group(s)? What changes? Why? What are the changes aimed at achieving?
- Has your organisation made changes to other terms (eg overtime, unsocial hours premiums, holidays, pensions, sick pay) alongside or in the wake of increases in the statutory minimum or as a result of the pandemic?
    - If so, what changes were these? When were they made?
- Has your organisation made any other changes this year? If yes, what do the changes consist of? For example, reducing hours for some staff (eg those on flexible hours contracts), or perhaps introducing technology replaces low-paid roles or parts of low-paid roles?
- Do you plan to make further changes to terms and conditions? If yes, to which terms, what changes and when?
- To what extent are these as a result of the NMW/NLW? What other changes ie Covid or other (inflation/profits etc) drive the change(s)/plans?
- If you have made changes to pay structures or other terms and conditions, what has the impact been on equalities?

Future increases in the NMW/NLW:

Despite the comparatively low increase to the NLW in 2021, the target for it to reach 67% (two-thirds) of median earnings by 2024 remains in place. According to the most recent forecasts from the Low Pay Commission (in its Spring Report 2021), this is currently estimated to be £10.33 (with the NLW set to rise to £9.42 in 2022).

- To what extent has your organisation already planned what increase it is going to make to pay for the lowest-paid next year (2022)?
    - If yes, what will that be?
    - Has the pandemic (and associated uncertainty) affected the extent to which you plan for future pay rises? How (more/less inclined to do so)?
- (If not already covered above:) is your organisation considering any other changes to terms and conditions as a result of the 2022 increase, and if yes, what will they be?
- Longer-term, does your organisation have a strategy for managing future rises and if yes, what is it – for example, have you modelled the likely impact on labour costs, and over what timeframe?
- What plans do you have for offsetting the potential increase with changes to other terms?
- And what about plans or potential plans for other changes/developments to reduce the overall paybill, eg by hiring fewer staff, hiring more younger workers/changing the profile of the workforce?

Reduction in the qualifying age for the NLW:

The qualifying age for the NLW reduced from 25 to 23 on 1 April 2021 and is set to reduce further, to 21, by 2024. The next few questions ask about how the initial change affected your organisation and your intentions for implementing the second phase of these changes.

- Did/will it affect your approach to the structure of pay for staff? Yes/no?
- If yes, is this because you use some/all of the age-related structure of the NMW?
- What are your current youth rates?
- When did you implement NLW/near-NLW rates for 23-24-year olds (in 2021 or before)?
- What proportion of your staff are in 23-24-year-old age bracket and how did the 2021 change impact the paybill?

- How will 21-22-year olds be treated in 2021, 2022 and 2023, ie is there any change for them in any of these years?
- Will your organisation wait until 2024 to bring pay for 21-22-year-olds into line with the statutory arrangements?
- What about further changes in 2024 when the NLW age is due to decrease to 21 – has your organisation planned this far ahead yet? If so, do you anticipate changes to pay for staff below 21? For example, by reducing pay for this group having previously paid above the statutory level.
- How have the proportions of staff in each of the relevant age ranges changed since the introduction of the NLW in 2016?
- How do you anticipate it might change in future?

Other changes as a result of COVID19

The final few questions focus on other changes as a result of COVID19. We're interested in both the wider workforce and specifically low-paid workers (those paid at or close to the NMW/NLW).

- What changes to pay has your organisation implemented as a result of the coronavirus (please provide details, including % of low-paid staff affected)?
    - Temporary pay cut
    - Reduced staff hours
    - Additional payments to staff eg bonuses or 'hazard pay'
    - Time off on full or reduced pay (please specify)
- Is your organisation making/has it made use of the 'Coronavirus Job Retention Scheme'?
    - If so, how many staff are affected (including low-paid staff separately – which roles?)
    - at what % rate are staff being paid?
    - What proportion of staff returned from furlough /do you intend to bring back?
- Have you restructured your workforce as a result of coronavirus?
    - If yes, how?
    - If not, do you intend to do so?
    - How will this impact low-paid workers?

- Did you make any other changes to headcount as a result of COVID19 eg use of seasonal workers, zero-hour/guaranteed-hour contracts, agency workers?
- Did you make any permanent changes to your reward package or pay structure as a result of COVID19?

Other questions

Have you experienced any difficulties with recruitment this year?

Appendix 2 – Pre-interview profile questionnaire

Interviewees were asked to complete an initial questionnaire to give researchers an understanding of their organisational structure, pay systems, pay rates and use of CJRS. Some of these questions also feature in the full interview questionnaire.

National Minimum Wage
Low Pay Commission

Impact of future targets for the National Living Wage 2021

1. Welcome

Thank you for taking part in our research on behalf of the Low Pay Commission. We would be grateful if you could complete this short set of preliminary questions so we are well prepared for our meeting. If it would be easier to talk through any of these questions as part of the interview, please feel free to leave them blank. We look forward to speaking to you soon.

1. Please provide your contact details below:

Name:	
Job title:	
Organisation:	
Parent company (if applicable):	
Telephone Number:	
Mobile Number:	
Email:	

2. Do you want us to contact anybody else for the virtual interview stage of this research? If so, who?

Contact details:	

3. What is your organisation's main business activity?

4. Please provide a breakdown of your UK headcount:

	Number of staff	Proportion of staff (%)
Total UK workforce (headcount)		
Workers aged under 21		
Workers aged 21-22		
Workers aged 23 and over		
Female workers		
Male workers		
Full-time workers (30 hours+)		
Part-time workers		

5. Please indicate the geographical locations in which your organisation operates: (please tick all that apply)

- ☐ All regions
- ☐ London
- ☐ South East
- ☐ East of England
- ☐ East Midlands
- ☐ North East

- [ ] South West
- [ ] West Midlands
- [ ] North West
- [ ] Yorkshire and Humberside
- [ ] Scotland
- [ ] Wales
- [ ] Northern Ireland

6. Does your organisation vary pay rates by age?

- [ ] Yes
- [ ] No

7. If yes, do these follow age categories for statutory minimum wages (ie 16-17, 19-21, 21-22, 23+)?

- [ ] Yes
- [ ] No
- [ ] Not applicable

If no, please tell us the age categories that you use:

8. The statutory minimum rates rose on 1 April 2021 from £8.72 to £8.91 for workers aged 23+, from £8.20 to £8.36 for workers aged 21-22, from £6.45 to £6.56 for workers aged 18-20 and from £4.55 to £4.62 for workers aged 16-17. Did your organisation have to increase pay rates for any workers in order to comply with the new legal minimums?

- [ ] Yes
- [ ] Yes but we have not yet implemented the rise as affected workers are currently furloughed
- [ ] No

Comments:

9. If you have not yet implemented increases following the 1 April 2021 rise in statutory minimum wages, please tell us when you plan to implement the rise?

10. Please tell us what the lowest adult rates were and are currently for both outside and inside London (where applicable). If you operate lower rates for younger workers, please provide the 23+ rate:

	Current lowest adult rate (ie after 1 April 2021)	Previous lowest adult rate (ie before 1 April 2021)
Outside London		
Inside London		

And how many/what proportion of staff are currently on the lowest rate?

11. Please tell us what the adult rates were and are currently both outside and inside London (where applicable) for the role immediately above your lowest-paid role. If you operate lower rates for younger workers, please provide the 23+ rate:

	Current lowest adult rate (ie after 1 April 2021)	Previous lowest adult rate (ie before 1 April 2021)
Outside London		
Inside London		

What is/are the most common job title(s) for this role?

12. Please describe the pay structure you have covering your lowest-paid staff (eg whether you have salary ranges or spot rates) and the number of grades or levels:

13. Has COVID19 affected your pay review for 2021/22? (Please tick all that apply. If this varies by staff group, please give details.)

- ☐ Yes - we have delayed the review for some or all staff
- ☐ Yes - we have frozen pay for some or all staff
- ☐ Yes - due to COVID19, the rise for some or all staff was lower than that paid in 2020/21
- ☐ Yes - due to COVID19, the rise for some or all staff was higher than that paid in 2020/21
- ☐ No - it is going ahead as planned/has been affected by other factors

If you need to expand on your answer above, please do so here:

14. Has your organisation decided on/awarded a 2021 pay rise for/to the lowest-paid staff (excluding apprentices)?

- ☐ Yes
- ☐ No

15. If so, how much was the increase for your lowest-paid staff?

- ☐ In line with NLW/NMW percentage increases
- ☐ Other amount (please specify %):

16. Has your organisation decided on/paid increases to other staff, ie those who are not paid at or near NMW/NLW levels?

- ☐ Yes
- ☐ No

17. If yes, will this be higher, lower or the same as the rises for the lowest-paid staff?

- ☐ Higher
- ☐ Lower
- ☐ The same

How much is the award?

18. What changes has your organisation implemented as a result of the coronavirus?

	Yes/No	Proportion of low-paid staff affected
Temporary pay cut		
Reduced staff hours		
Additional payments to staff eg bonuses or 'hazard pay'		
Time off on full or reduced pay		

19. Has your organisation made use of the Coronavirus Job Retention Scheme?

- ☐ Yes
- ☐ No

20. If applicable, what is/was your organisation's approach to paying furloughed workers?

- ☐ We are topping-up pay to 100%
- ☐ We are topping-up pay to between 90% and 100%
- ☐ We are topping up pay to between 80% and 90%
- ☐ We are not topping-up pay beyond the statutory minimum 80%
- ☐ We have varied our approach over time and/or for different employee groups (to be discussed further at our meeting)

How many staff were affected and what proportion of these were low-paid staff?

21. If applicable, what proportion of staff have returned/do you intend to bring back from furlough?

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