IDR

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Influence of the NLW on pay setting, differentials and progression

A report for the Low Pay Commission

IDR

Pay Data | Intelligent Decisions

This report has been produced by Incomes Data Research (IDR) for the Low Pay Commission (LPC).

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Executive summary

Our research on behalf of the Low Pay Commission consisted of two strands: a survey of 56 employers, targeted at those in low-paying sectors, looking at how the latest increase in the National Living Wage had affected approaches to pay setting, differentials and progression opportunities; and 16 case studies exploring survey responses in more detail. The two sections below present the findings from each.

Survey findings

- The survey findings are based on responses from 56 organisations, together employing a combined workforce of 936,478. The employers in the sample ranged in size from eight to 300,000 employees, with a median headcount of 2,400 staff.
- Just under half (49%) of survey respondents operate a staff council; however, the extent to which these cover or influence pay matters varies, with the majority discussing a range of potential agenda items and many leaving the onus on staff to raise pay as an issue.
- Just under a third (32%) of the public limited and private companies in the sample operate an employee share scheme.
- Most pay reviews (76% of those with fixed pay review dates) take place in April.
- Across the sample, the median pay review outcome for respondents' most populous role was 4.6% (5.1% on average).
- For the majority (81%) of organisations, the 2022 pay award was higher than that for 2021, while in 15% of cases it was the same.
- Almost all (87%) respondents report that affordability was a 'very important' factor in their latest pay review, while increases to the NLW, inflation, recruitment and retention and the future business outlook also feature highly.
- When asked how these factors had changed in importance, affordability and increases to the NLW remain longstanding concerns for respondents but inflation and recruitment and retention have grown significantly in importance over the past year.
- Just over a third (35%) of respondents set their lowest adult rate level with the statutory floor, while the median adult rate across the sample is 10p ahead of the NLW, at £9.60 (and the average is higher still, at £9.83).

- The median proportion of staff on the lowest pay rate is 14% (the average is 28%).
- Just seven organisations (13% of the sample) operate youth rates; these are primarily found within the hospitality and childcare sectors (three firms in each case) as well as at one retailer. All but one (a hospitality firm, where staff in this band earn £9.28 an hour) pay workers aged 21-22 in line with the statutory floor for that age group (ie £9.18 an hour). For the younger age bands, median pay rates are some way ahead of the relevant NMW age band (by 32 pence an hour for workers aged 18-20 and £1.60 for under-18s among the six and five respondents respectively that operate youth rates in these age bands).
- 28% of employers report that they seek to maintain fixed differentials between their main grade staff and the grade above. However, these are more commonly calculated in monetary terms, on either an hourly or annual basis, with the consequence that they could diminish in percentage terms over time, as the lowest rate rises, if adjustments are not made to the differential.
- Around a quarter (27%) of the sample perceive that changes in differentials have affected promotions, largely because staff no longer feel the extra money on offer is worth the additional responsibility involved.
- Just under half of affected employers report that changes in differentials have affected recruitment and retention of key supervisory grades.
- Very few respondents (just five, i.e. 10%, of the 48 that answered this question) have had to curtail opportunities for progression or promotion in some way in the past 12 months.
- To a great extent, skilled or supervisory roles are filled internally, with almost half of respondents reporting that existing staff are appointed to at least 60% of such positions
- While technology appears to have had little impact on headcount or recruitment and retention practices, around half (52%) of employers report that it has altered job content in some way.
- Employers continue to face labour market challenges, with 75% reporting that recruitment issues have worsened over the past year and a further 22% saying that these have stayed the same. The general view (held by 60% of respondents to this question) is

that such difficulties are likely to persist over the medium term, while a further 30% regard them as a long-term challenge.

- The most common means of addressing recruitment difficulties is to raise advertised pay rates (27 respondents), while 12 employers have implemented market or retention supplements and nine have introduced signing-on bonuses.
- Broadly, the NLW is felt to have a beneficial effect on recruitment for the lowest grades by making basic pay rates more attractive or aligning them more closely to those at competitors. By contrast, only four respondents feel that the increase in the NLW has actively helped retention; employers are more likely to regard it as a hindrance due to the effect of narrowing differentials on employers' ability to offer meaningful pay progression on promotion – an issue that may also affect recruitment into supervisory roles.
- Similarly to the picture with recruitment, 70% of respondents that answered this question report that retention issues had worsened over the past 12 months and 28% that they had stayed the same. Most organisations (64%) anticipate that such difficulties will persist over the medium term, with 28% viewing them as long-term issues.
- The most common means of addressing retention difficulties is to raise salaries (27 organisations) while 15 have implemented more training. Ten respondents have created greater opportunities for promotion but just five have restructured pay to provide more progression.
- Only four respondents feel that the increase in the NLW has actively helped retention; employers are more likely to regard it as a hindrance to retention due to the effect of narrowing differentials on employers' ability to offer meaningful pay progression on promotion.
- The majority of respondents (79% of those that answered this question) have seen staff turnover increase in the past 12 months. However, factors such as Brexit and the pandemic appear to have had more of an impact on staff turnover than the NLW.
- Just seven employers in the sample provide accommodation, primarily in leisure and hospitality. Of these, three make use of the accommodation offset.

Case study findings

- The majority of case study organisations profiled are larger employers, with a median headcount across the sample of 1,150 staff. However, they range in size from a small hairdressing firm, with just three staff including the owner, to a large retailer with 250,000 employees.
- Across the sample of case studies, staff have very little input into pay matters regardless of the organisational or ownership model.
- The lowest adult pay rates at the 16 case study companies range from £9.50 (five of the organisations set their lowest rates level with the statutory floor) to £10, with a median lowest rate of £9.60.
- The proportion of staff on the lowest rate also varies widely, from 1% (at case study O, in the housing and social care sector) to 100% (case study M, a small hairdressing firm). The median proportion of staff on the lowest rate is 23%.
- Just three of the employers profiled (case study C (a hospitality firm), case study J (a non-food retailer) and case study E (a nursery)) continue to use younger workers' rates, although in many cases these are higher than the relevant statutory minima for younger workers, particularly for those aged 20 and under.
- In 2022, pay rises for the lowest-paid staff employed by the case study organisations ranged from 3.5% to 15% but were worth 6.6%, ie the equivalent of this April's increase in the NLW, at the median (the lower and upper quartile values were 5.9% and 7.1% respectively). There are several examples of organisations having also made off-cycle awards or other changes – for example, by eliminating starter rates or offering one-off retention bonuses.
- The majority of case study organisations cite affordability as either the most important factor in their 2022 pay review, or the second-most important factor after the National Living Wage (which was the most important factor for around two-fifths of the sample). Inflation was the third most significant factor, cited as most important by around a fifth of the sample, and has risen in significance for many others.
- In most cases, main grade employees are on spot rates of pay, with no progression available other than via promotion to a higher grade, usually involving supervisory

responsibilities. However, among the social care providers in the sample it is relatively common to provide some form of pay progression to staff as they develop skills in the job or gain formal qualifications, without having to take on supervisory functions.

- At the same time, the majority of case study organisations offer training opportunities for staff to develop their skills (and thereby enhance their earning potential) and these do not appear to have been curtailed as a result of the rising costs of funding increases in the NLW. Indeed, the move to online learning expedited by the pandemic appears to have enabled some to boost their offering here in a cost-effective way.
- Some employers in the sample continue to offer apprenticeships, although feedback on the benefits of this (particularly from smaller organisations) is mixed.
- The majority of employers in the sample seek to maintain fixed differentials, although in practice the value of such differentials is usually expressed in the form of pounds or pence per hour, with the result that they narrow in percentage terms. Moreover, efforts to maintain differentials are often an aspiration rather than a formal commitment.
- Whether by design or otherwise, some employers hide differentials with supervisory grades by structuring the latter's pay in quite a different way to those on the main grade, eg by paying supervisors on salary ranges rather than the spot rates that apply to frontline staff.
- While the rising NLW has not led to a curtailment of promotion opportunities, many employers have reacted to it by allowing differentials to narrow (as a way of containing costs), with the result that fewer staff are willing to apply for promotion.
- Organisations in all the profiled sectors report recruitment and retention challenges. Measures to address these include higher increases in basic pay than those made under normal pay reviews, off-cycle pay awards, changes to recruitment practices and greater efforts to 'grow their own' staff. The pandemic has had a lasting impact on morale and consequently recruitment and retention in the social care sector, exacerbated by greater availability of similarly or higher-paid roles in other sectors with fewer perceived demands. Other factors in some employers' recruitment and retention difficulties include locations and a lack of available candidates that some ascribed to Brexit. Roles within

distribution centres, such as warehouse operatives, are posing problems for many organisations and several continue to struggle to recruit drivers.

- Looking at more senior roles (or those not obviously directly impacted by the NLW), interviewees variously cited recruitment or retention difficulties among IT/technology, HR, horticultural and managerial roles.
- Factors that have contributed to a busier or more pressured working environment include ongoing Covid precautions (primarily within social care) and greater focus on scheduling, to ensure shifts correspond as closely as possible to the busiest times of the day. Some respondents, in social care and childcare, also mentioned the pressures of ensuring the statutory regulations in care settings are complied with, although this aspect is of course long-established. In some cases, across various sectors, roles are becoming more demanding simply because teams are not operating at a full complement due to staff shortages.
- The extent to which case study organisations have sought to achieve efficiencies by implementing new technology varies across the sample, with many reporting limited activity in this area. However, within the care sector, the greater use of apps is enabling many support workers to save time and cut down on paperwork by dictating care notes, for example, while technology is also being used to support rota scheduling within retail and hospitality.
- Few of the featured employers offer accommodation and none uses the accommodation offset.

Introduction

Incomes Data Research (IDR) was commissioned by the Low Pay Commission (LPC) to conduct research into the effects of the latest uplift to the National Living Wage (NLW) on pay setting, differentials and progression. Additionally, the LPC was keen to understand any labour supply issues employers were facing; the role of company ownership models on approaches to pay setting; the use of the accommodation offset; and how the nature of low-paid roles had changed ('work intensification').

Methodology

The first part of this report will present the findings of a survey targeted predominantly at employers in the low-paying sectors of childcare, hospitality, housing and social care, leisure and retail. The sample also includes respondents from sectors such as financial services and food manufacturing, where some employers are starting to see the NLW encroach upon their minimum pay rates. The survey question list can be found in Appendix 1. The survey was sent directly to approximately 1,350 organisations in the relevant sectors and was also publicised through various channels including the Recruitment and Employment Confederation, the National Day Nursery Association, the Local Government Association and the LPC's own network. It attracted 56 unique and useable responses; this is somewhat short of the initial target of 150, which likely reflects employers' and employees' shifting priorities as cost-of-living pressures assume greater prominence with rising inflation. A delay in commencing research was also a factor in the lower response rate.

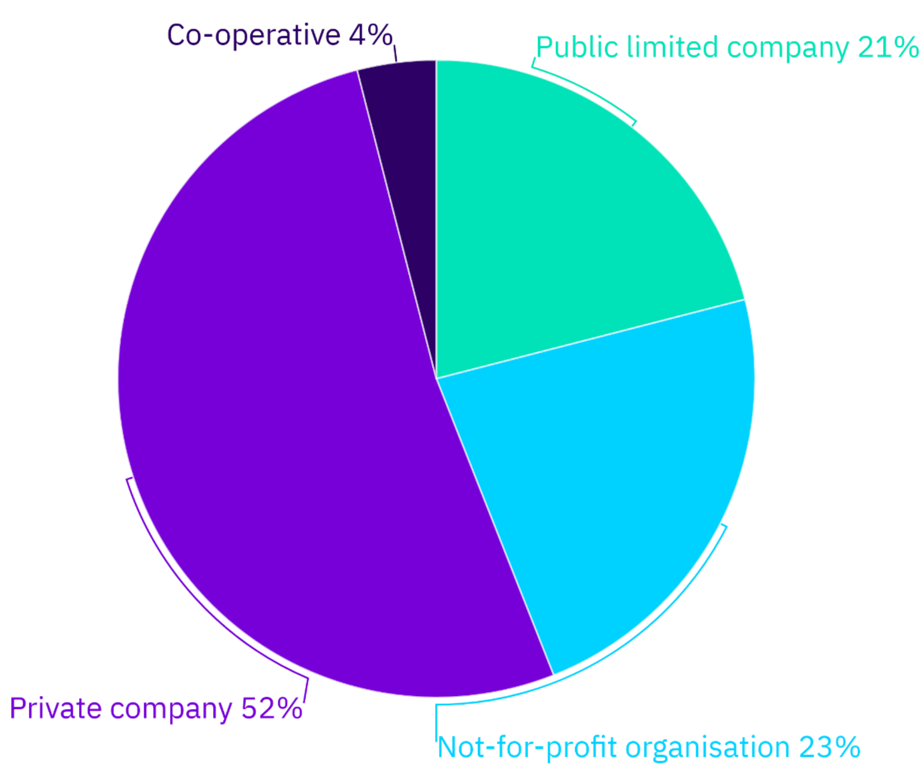
Chapter 2 is based on primary evidence gathered by IDR from HR managers by way of semi-structured follow-up interviews conducted with 16 survey participants. The full list of questions covered can be found in Appendix 2, although the precise questions asked of each participant were tailored to the survey responses of most interest. 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.

Chapter 1: Survey findings

The survey was conducted during June and July 2022 and attracted useable responses from 56 organisations, together employing a combined workforce of 936,478. The composition of the sample was more varied, with a greater number of non-retail respondents than in previous years. While the sample predominantly covers larger organisations, the survey also reached some smaller nurseries and private services firms, for example a haulage firm with eight staff and a nursery with a headcount of ten. The largest employer in the sample has 300,000 staff and the median headcount was 2,400 employees.

Two-thirds of responses came from private services firms, while a fifth were from not-for-profit organisations and 14% were from the manufacturing or production sector. Over half (52%) were private companies and a further fifth (21%) were PLCs.

Chart 1: survey respondents by ownership model



Employee involvement in pay decisions

Many respondents report that employees have a say in how the organisation is run, with less than a third (32%) describing the extent of such input as 'very little'. However, decisions over matters such as pay rises are taken solely by senior management in over half (52%) of cases. Private companies (as opposed to not-for-profit, co-operatives and public listed companies) are more likely to state pay rises are solely decided by senior managers.

Chart 2: extent of employee input into how organisations are run

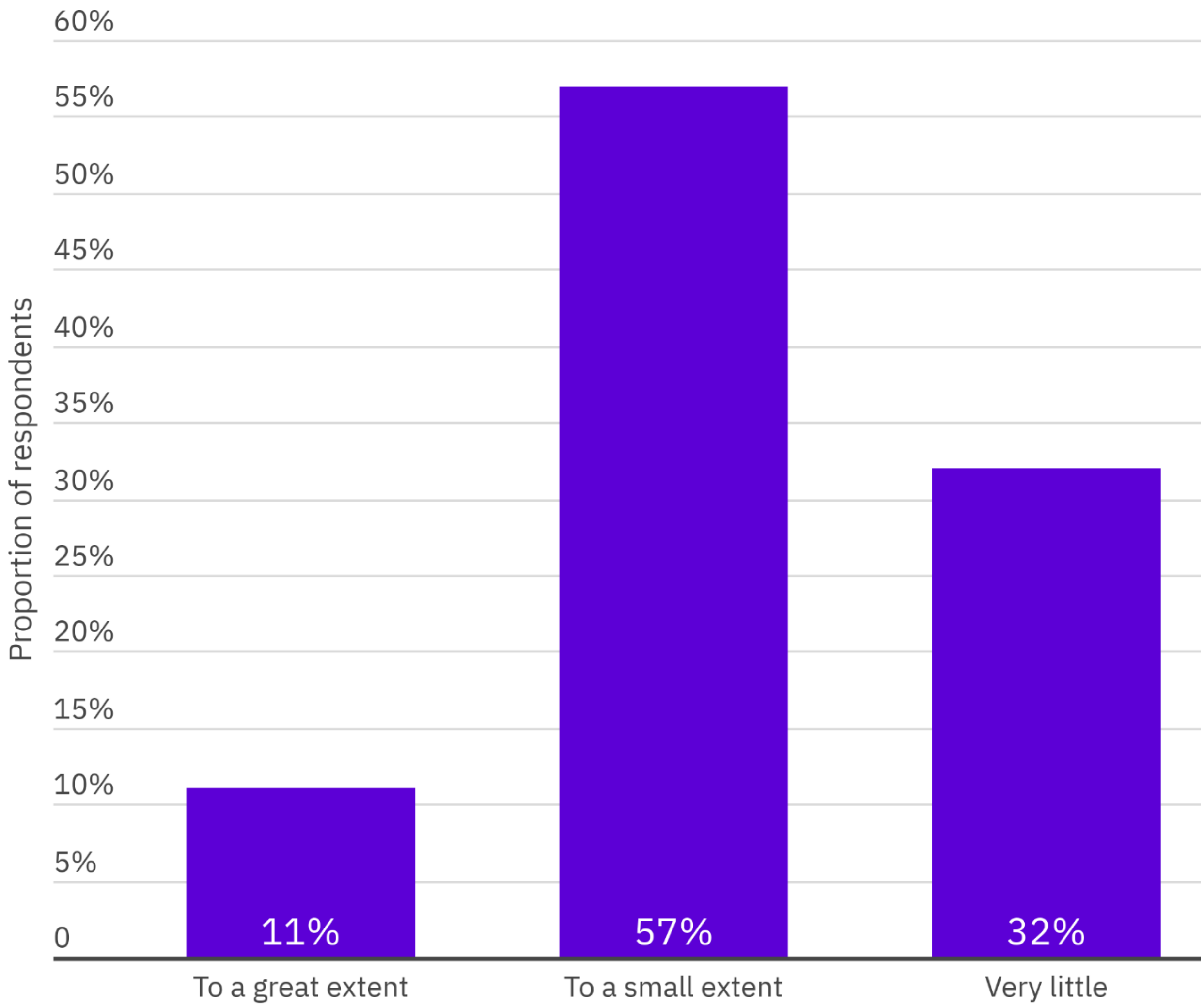
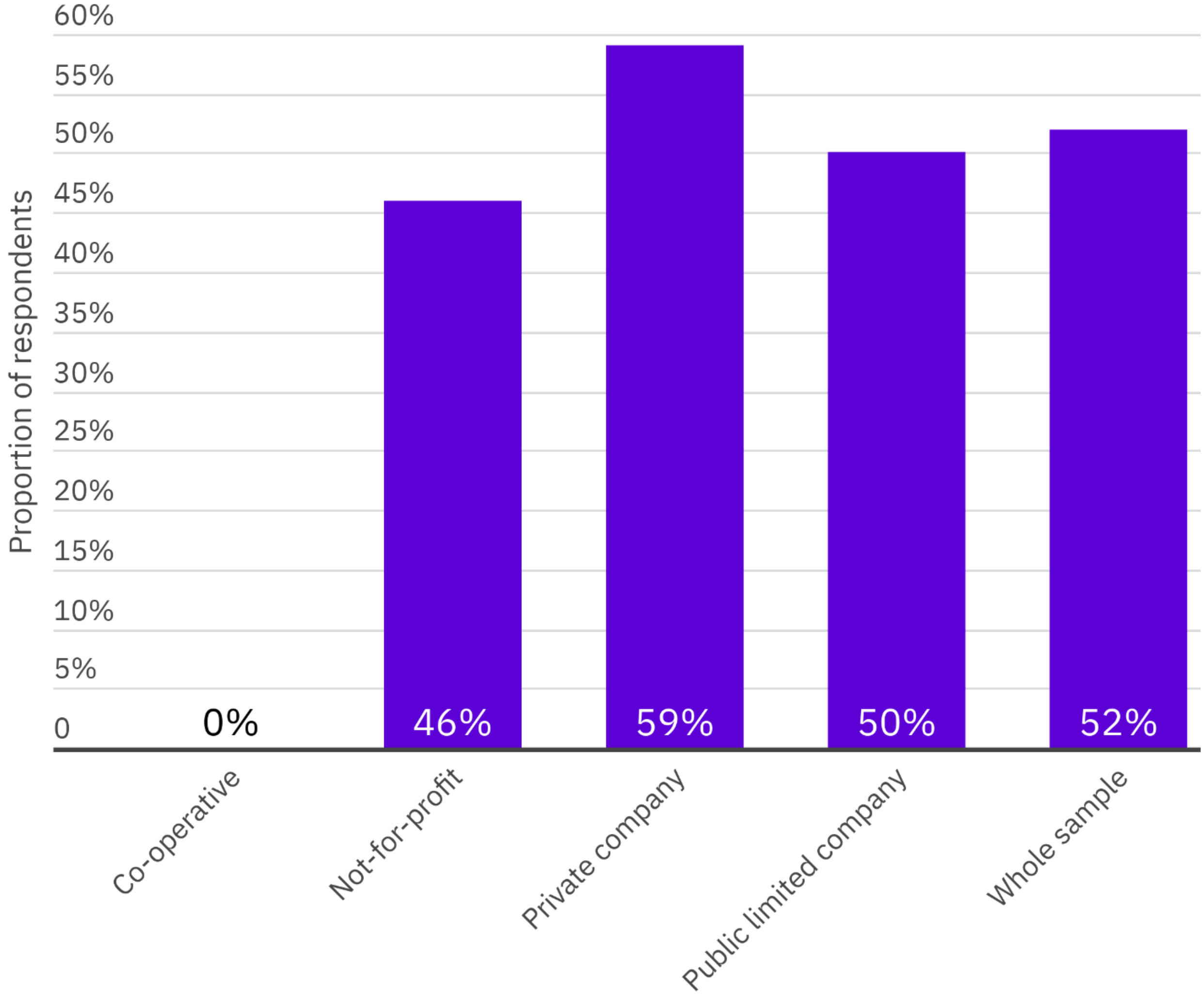


Chart 3: Extent to which pay decisions are reserved for senior management only



Just under half (49%) of respondents operate a staff council. The extent to which such forums cover or influence pay matters varies, with the majority discussing a range of potential agenda items and many leaving the onus on staff to raise pay as an issue; 16 respondents (59% of those with staff councils) indicate that pay may be discussed in some form (not necessarily with a view to negotiation) while a further two instead reserve pay negotiations for meetings with their recognised trade unions. Elsewhere, staff councils are typically concerned with other aspects of working conditions.

Just under a third (32%) of the public limited companies and private companies in the sample operate an employee share scheme.

Pay setting

Most pay reviews (76% of the 50 respondents with fixed pay review dates) take place in April, a trend that has been strengthening since the NLW/NMW uprating date was moved to this month from October. However, a number of respondents report paying mid-year increases to some or all groups of staff. For example, one food manufacturer reports adjusting pay rates for logistics staff by between 3-5% just before the general negotiated rise of 2.3% in April. A supermarket uplifted pay by 2.5% in April 2022 and increased this further in July, to £10.10. The same company uprated manager pay by a further 2.5% in July. Meanwhile a care provider had to implement a two-phase increase this year while it awaited confirmation of commissioned contract uplifts, to enable it to invest the maximum possible in pay to address recruitment difficulties.

Across the sample, the median outcome for the pay review for respondents' most populous role was 4.6% (5.1% on average). Around three-tenths (29%) of respondents report that they took employee consultation into consideration as part of the latest pay review, while 32% factored in collective bargaining with recognised trade unions (69% of such negotiations involve an employee vote).

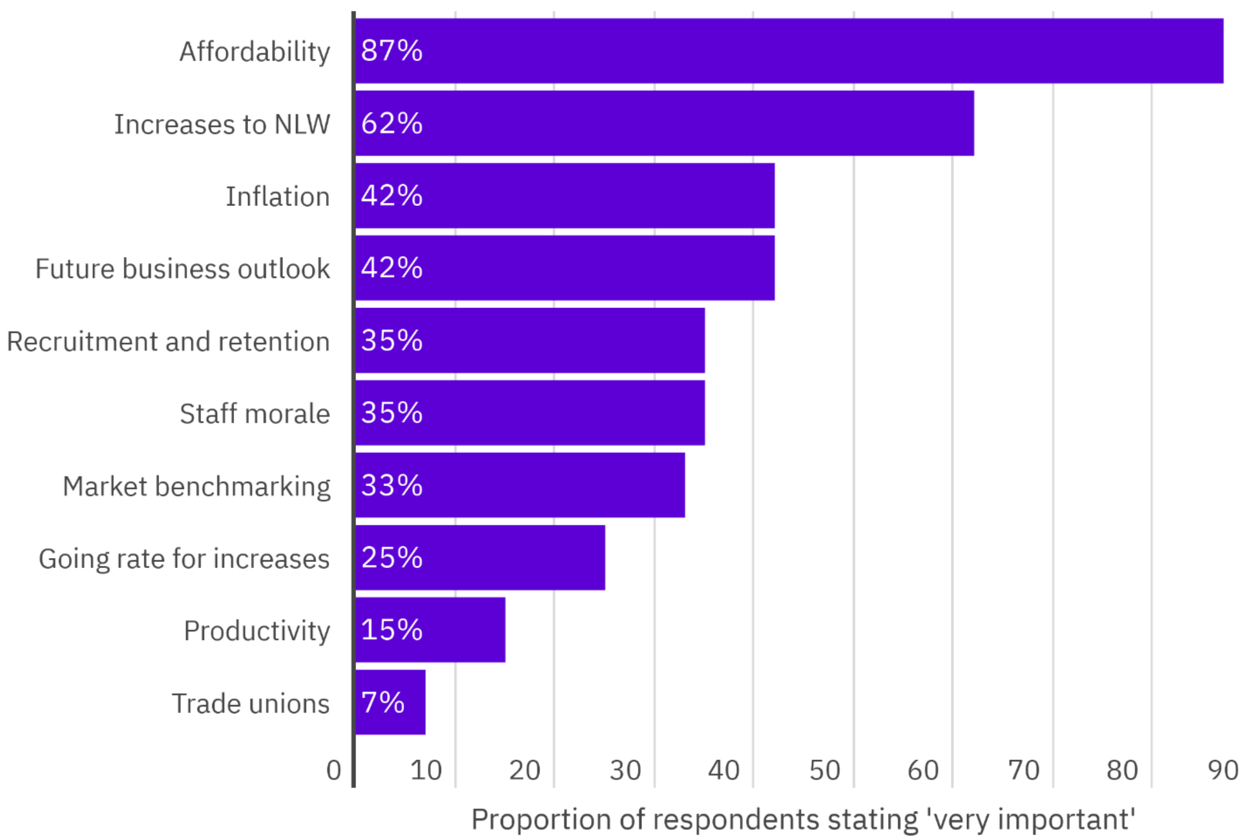
Table 1 Latest pay review outcomes for most populous role

	Increase (%)
Minimum	1.0
Lower quartile	3.0
Median	4.6
Average	5.1
Upper quartile	6.0
Maximum	15.0
Count	49

For the majority (81%) of organisations, the 2022 pay award was higher than that for 2021, while in 15% of cases it was the same. Just two organisations made a lower award this year (one of these had made a substantial investment in pay in 2021 to align rates to the 'real' Living Wage). Some 29% of organisations also report having changed the pay award date in some way; in most such cases, this involved an additional 'off-cycle' pay award for some or all staff.

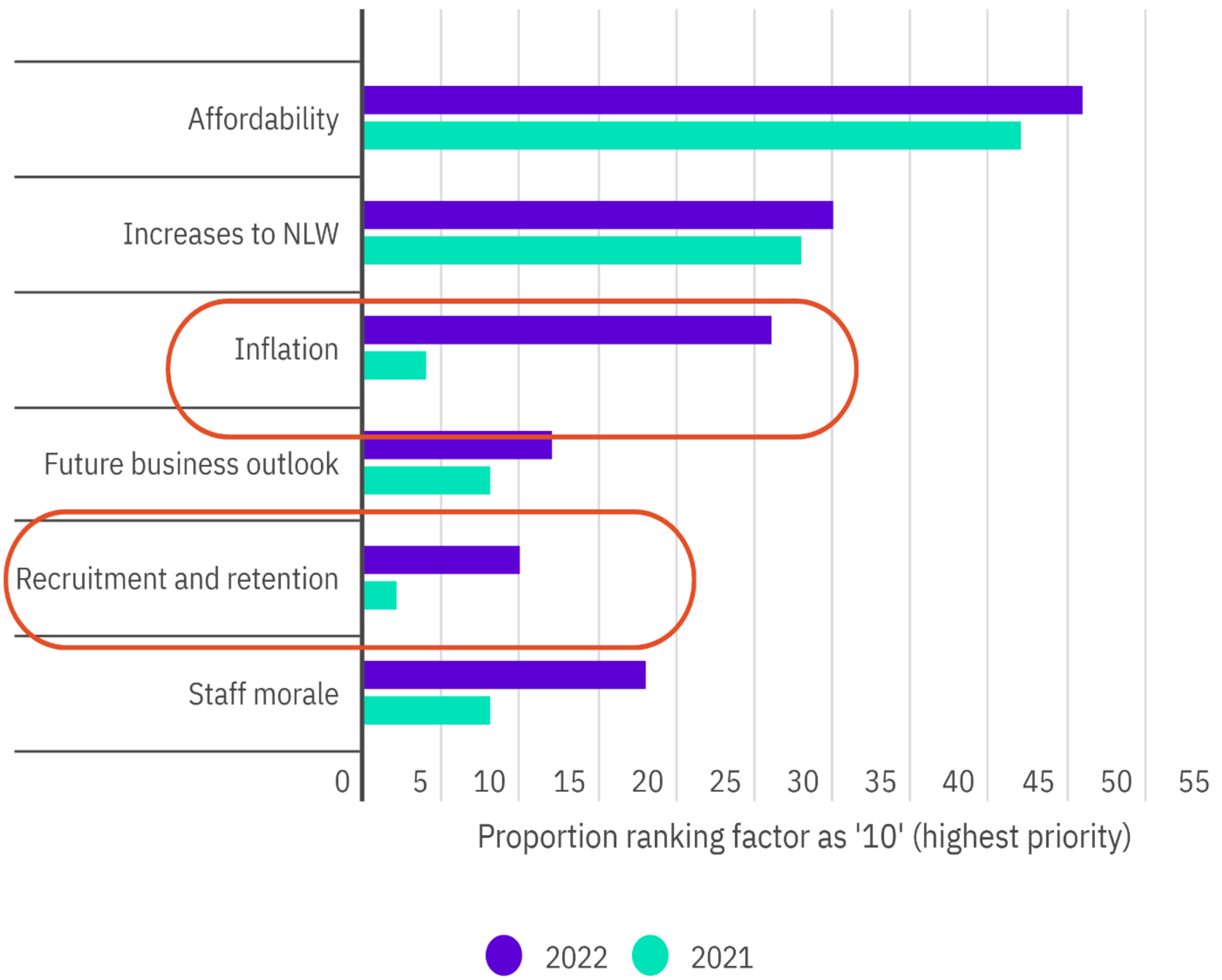
Respondents were asked to rate the ten factors in the chart below as either 'very important', 'important', 'a little important' or 'not important'. Almost all (87%) reported that affordability was 'very important', while increases to the NLW, inflation and future business outlook also feature highly. (Where employers do not place as much weight on increases in the NLW, this is often because their basic pay rates are some way above this level – it is not an indication that they intend to pay below the statutory floor.)

Chart 4: which factors have a bearing on the pay review?



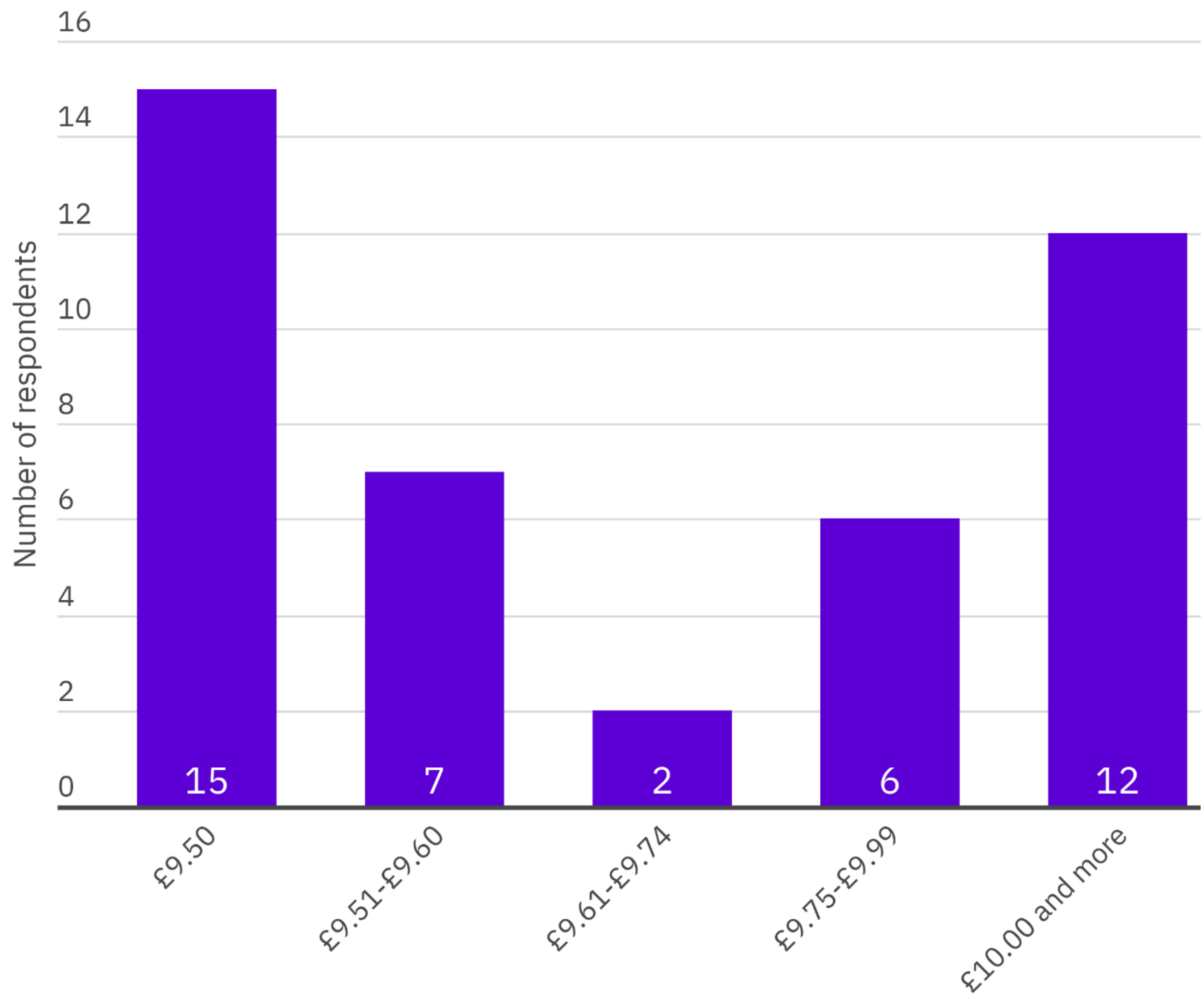
When further asked how these factors had changed in importance, affordability and increases to the NLW remain longstanding concerns but inflation and recruitment and retention have grown significantly in importance over the past year, as can be seen from the chart below. (There was no change for four factors – trade union claims, market benchmarking, productivity and the going rate for increases – and only two respondents indicated these as top-priority influences; as such they are not shown in the chart.)

Chart 5: changes in importance of factors over past year



Low-paid staff tend to be on spot rates, with progression via internal promotion. Just over a third (35%) of respondents set their lowest adult rate level with the NLW, while the median adult rate across the sample is 10p ahead of the statutory floor, at £9.60 (and the average is higher still, at £9.83). The findings suggest that employers have sought to distance themselves from the statutory minimum over the past 12 months as last year the median minimum rate was equal to the NLW (at £8.91) despite the comparatively lower increase of 2.2%. The proportion of the workforce on the lowest rate ranged from just a few staff to all employees. The median proportion from the survey is 14% (the average is 28%).

Chart 6: Value of lowest adult pay rate



Just seven organisations (13% of the sample) operate youth rates; these are primarily found within the hospitality and childcare sectors (three firms in each case) as well as at one retailer. All but one (a hospitality firm, where staff in this band earn £9.28 an hour) pay workers aged 21-22 in line with the statutory floor for that age group (ie £9.18 an hour). For the younger age bands, median pay rates are some way ahead of the relevant NMW age band (by 32 pence an hour for workers aged 18-20 and £1.60 for under-18s).

Table 1 Extent and value of youth rates

	21-22	18-20	16-17
Minimum	£9.18	£6.83	£4.81
Median	£9.18	£7.15	£6.41
Average	£9.19	£7.31	£6.25
Maximum	£9.28	£8.28	£8.28
NMW	£9.18	£6.83	£4.81
N*	7	6	5

*One respondent only has staff aged 21 and over, while another only has staff aged 18 and over (both childcare providers)

Pay differentials

The median pay rate for the grade above the lowest paid is £10.15. This sample represents a combination of supervisory roles (e.g. team leader) and those for more experienced or skilled staff (e.g. senior support workers).

Across the sample, 28% of employers report that they seek to maintain fixed differentials between their main grade staff and the grade above. However, these are more commonly calculated in monetary terms, on either an hourly or annual basis, with the inevitable consequence that they could diminish in value in percentage terms over time, as the lowest rate rises, if adjustments are not made to the differential. Six respondents continue to maintain differentials at a fixed percentage value (worth 10.5% at the median).

Table 2 Value of fixed differentials between main grade and grade above

	Value of differential		
Minimum	7pph	£500pa	7%
Median	50pph	£500pa	10.5%
Maximum	58pph	£1,500pa	15.2%
N	7	3	6

Looking at the organisations that **do not** seek to maintain fixed differentials, around half that provided further details say that differentials have stayed the same this year, either in percentage or monetary terms (30% and 20% of this subset of the sample respectively). Just 10% report that differentials have widened, while 40% say that they have narrowed. The rising NLW is cited by some as a factor in this narrowing, as can be seen in the detailed survey responses listed below.

A further 14 respondents (out of 45 that answered this question, i.e. 31% of this subset) report that they seek to maintain a fixed differential, in either monetary or percentage terms, between main grade staff and the supervisory/first line management grade. These are typically worth 48 pence at the median when based on the hourly rate or £413 in annual terms.

Detailed survey responses: 'To what extent did the latest NLW rise have any impact on changes in differentials?'
Reduced gap between non-skilled and skilled positions and reduces the value placed on shiftworking (food manufacturer)
We review NLW and Real Living Wage, however the bigger factor on our decision to implement a second award is the cost of living crisis. We've tried to retain a gap to NLW however in April this gap reduced to 1.6%. Since widened to 6.3% following July increase to 10.10 (food retailer)
Lower-paid received much higher increase than higher-qualified/higher-skilled (social care provider)
The differentials have had to narrow due to affordability because this is where the majority of our staff are employed, so NLW increases have a serious impact on our business (employer in the leisure sector)
We place utmost importance on maintaining the differentials for complex support worker role or (next step up) lead support worker role and therefore we have had to stretch financially to maintain all of these because of the huge increase to NLW (social care provider)

Detailed survey responses: 'To what extent did the latest NLW rise have any impact on changes in differentials?'
Our differentials are now as low as we can have them without damaging our ability to promote from within (we already have people who don't feel the increase is worth it). Our 'squeeze' was in 2021, when we had to remove increments to keep the differentials, we now have no space to do anymore. We applied a 4% increase to all grades this year to accommodate the NLW, but if it keeps going up we are in trouble. People do want to be paid more for our higher grades as these require qualifications/experience and additional responsibilities. For reference our multiplier from our entry pay to our highest pay is only 6.2 times - we have no more room in our structure (employer in the leisure sector)
High % increases in NLW causes compression which is in part why we have decided to restructure and simplify our gradings (food manufacturer)
The NLW reduced the % difference between carers with no qualifications, and those with RGF qualifications and team leaders (social care provider)
Starting salary differential becoming closer between pay bands (financial services company)
The differential closed. The NLW increase was greater than market driven increase (financial service company)
The differentials were maintained, at a greater cost than anticipated (hospitality firm)
Huge problems with employment and demand on the business (childcare provider)
A lot - creating significant pay compression for our lowest three roles (employer in the leisure sector)
None – we ensure our starting pay is the Real Living Wage (housing and social care provider)
[Causing] pay compression between employees and supervisors (employer in the leisure sector)
Every increase is weighted against the increased costs, as this reflects against our fees charged to customers. Up to 60-65% of income is labour costs so it is a very fine balance (childcare provider)
National Living Wage is always reviewed and considered as part of our pay review cycle. We always work to maintain a fair differential between highest paid hourly and lower-level management (food retailer)
We wanted to stay ahead of the NLW which meant giving a bigger increase to all than was first anticipated as the NLW award was much higher than first considered (social care provider)
Differentials narrowed between our lowest paid workers and the next grade up. Increases to higher graded workers were not increased by as much due to affordability (social care provider)
If inflation had been lower, the latest increase might have pushed us to review more rates for low paid workers; but as it is, this will happen anyway in response to inflation and market rates in general (food manufacturer)
The above inflationary growth of NLW rates over the last few years and the additional investment we have had to make to maintain our 'pay for progression' framework for our hourly paid teams has meant that the differential between hourly and salaried had been eroded over the last few years. We made a significant investment in our salaried management pay in both May 2021 and October 2021 to address this erosion (hospitality firm)
This is narrowing the gap between band 1 and band 2 team members (non-food retailer)

Around a quarter of the sample (27%) perceive that changes in differentials have affected promotions. This is largely because staff no longer feel the extra money on offer is worth the additional responsibility involved, with adverse implications for succession planning as outlined by this hospitality firm: '*It has not been viable to increase all pay at the levels of increase we have* *seen NLW rise by in recent years without putting other areas at risk such as our investment in training. This creates a challenging environment in which career progression could be regarded as less attractive as the increase in pay is seen as not commensurate with the increase in responsibility. This is placing additional pressure on internal succession for our sector, negatively impacting our customer experience where we do not have experienced people in the right roles to serve our customers and meet our business requirements*.'

Meanwhile just under half of affected employers report that changes in differentials have affected recruitment and retention of key (supervisory) grades, for similar reasons as before but also because higher-paying roles in other sectors are now more attractive. However, several observe that it is hard to pinpoint the role of narrowing differentials relative to other key influences on the labour market in recent years, not least Brexit and the pandemic.

The survey asked employers what impacts they had observed from changes in differentials, particularly in relation to productivity or training. The responses are listed below and largely suggest that changes in differentials are perceived to have had little effect on productivity, while some of those related to training echo the findings above, ie that there appears to be less motivation to train for a promotion in view of the diminishing financial incentive. A further 12 respondents indicated that they had not seen any impacts in this regard, while most employers (35, or 63% of the sample) left this field blank.

Detailed survey responses: 'What other impacts have you observed from changes in differentials – eg in relation to productivity or training?'
In some areas of the business such as Logistics, the hourly roles such as HGV drivers attract high rates of pay but it is reflective of market conditions. This makes it harder to potentially encourage drivers to move to salaried management roles (food retailer)
Office staff morale lowered due to lower increase in wages, leading to complaints about inflationary pressures on their take home pay (social care provider)
Staff are less likely to go the extra mile and will not bother developing themselves because they don't see the point as they will not be rewarded sufficiently (employer in the leisure sector)
Productivity has not changed. Workers are not motivated solely by pay. We are looking at adding value to our offers (social care provider)
No difference to productivity. People seem less willing to take on the hassle of qualifications and additional training (employer in the leisure sector)
No impact, although it is harder now to encourage team leaders to take on extra responsibility as the gap narrows (social care provider)
Motivation of first-line management (large retailer)
Training costs are higher (childcare provider)
We have seen an increase in evaluation requests and it's starting to drag some of our technical roles upwards. We are expecting them to continue (housing and social care provider)
People not as interested in training to become a manager (employer in the leisure sector)
The changes in the differentials have impacted employee satisfaction and engagement scores across the junior and first managerial and supervisory positions. Our approach is to develop and train our teams to achieve career progression. Hourly paid supervisory roles are being perceived as less attractive impacting our succession planning (hospitality firm)

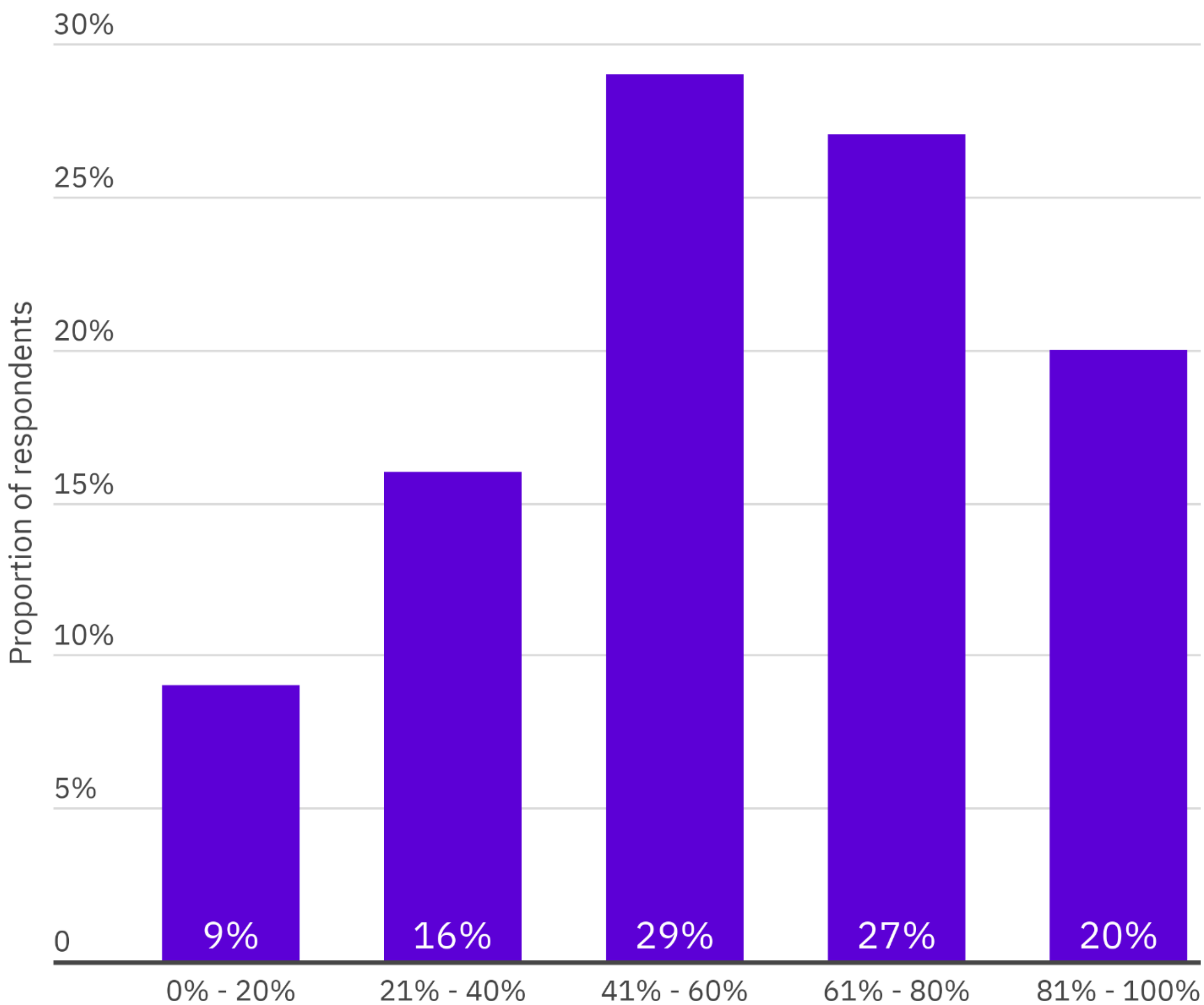
Progression and training

Very few respondents (just five of the 48 that answered this question) have had to curtail opportunities for progression or promotion in some way in the past 12 months. In the case of one large co-operative, this is due to the removal of an assistant manager role. At a large not-for-profit employer in the leisure sector, the lack of opportunities is attributed to a long-standing recruitment freeze (recently lifted) during a significant period of change and approximately 1,400 redundancies. Meanwhile a childcare provider reports that the decline in opportunities is the result of a reduction in trade due to cost increases arising from NLW and NMW rises. The same proportion of respondents instead report that labour market issues or operational changes have in fact resulted in an increase of progression or promotion opportunities.

To a great extent, skilled or supervisory roles are filled internally (see chart below), with almost half of respondents reporting that existing staff are appointed to at least 60% of such positions.

However, relatively few organisations record how many lower-paid staff move on to supervisory or otherwise relatively higher-paid roles.

Chart 8: to what extent are skilled or supervisory roles filled internally?



Survey participants were asked about the impact of increased labour costs on training budgets. Broadly, there has been little change in this area, as many of the responses below (and several other 'no change' comments) indicate. A number of respondents are managing training budgets by increasing their online offering, while a handful have even increased spending to support recruitment and retention. Two of the four childcare providers have reduced training spending while a third provider has been unaffected as all training is offered in-house. However, the fourth has increased its training budget.

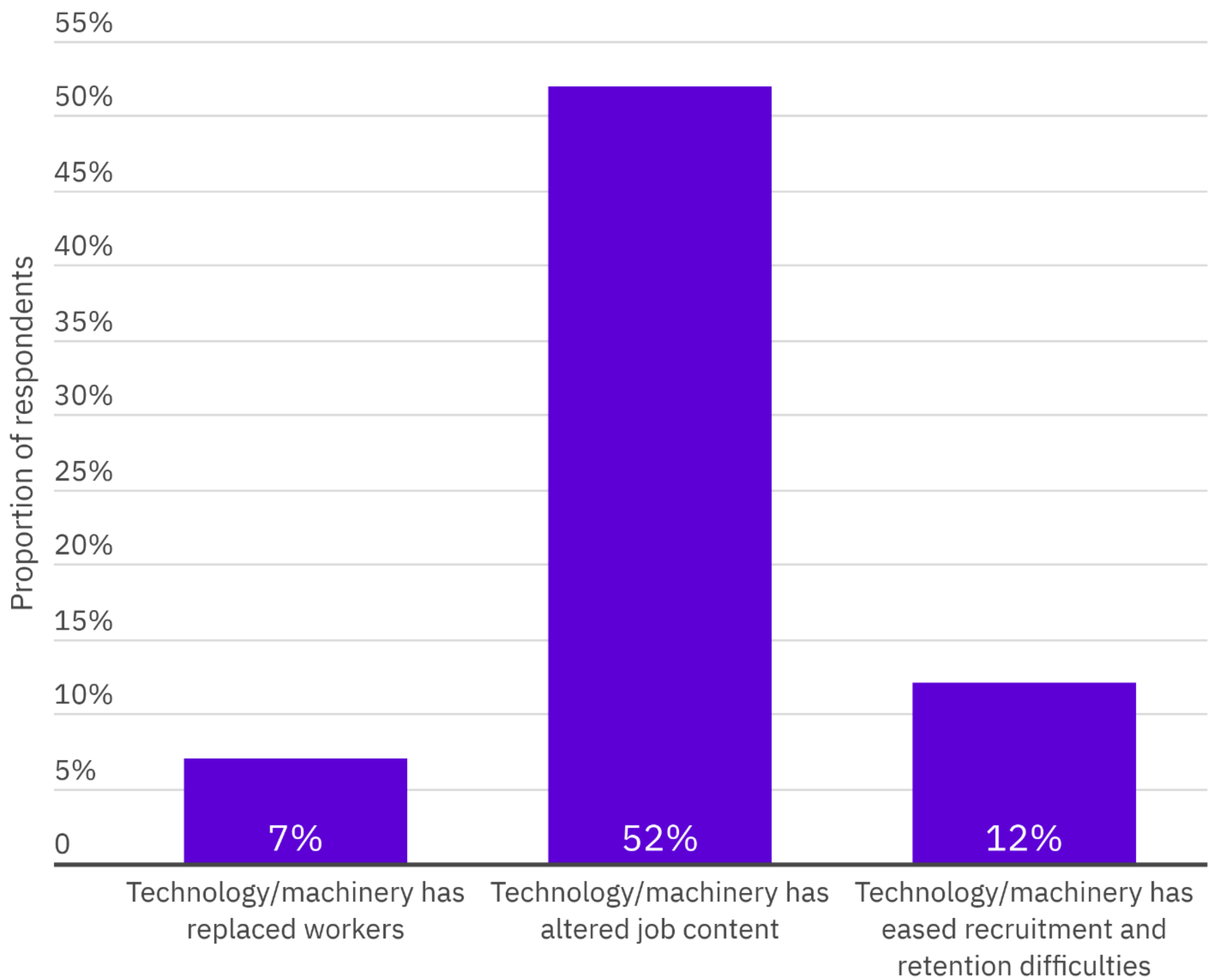
Detailed survey responses: 'What has happened to budgets for training in light of increased labour costs?'
Reduced costs and more in-house bespoke training is provided (food manufacturer)
We still retain a budget for training as this is still crucial to deliver (food retailer)
Reduced slightly but mainly due to moving to online learning platform (social care provider)
We've tried to maintain our overheads by delivering much of our training in-house and also moving to remote delivery which has its positives and downsides (employer in leisure sector)
Whilst this has reduced from previous years, we have strived to maintain a similar level of budget as we see this as a priority for people and we know from colleague feedback (survey) and recruitment this is a good retention and attraction factor (social care provider)
Increased training budgets (hospitality firm)
We have increased them as a retention tool (social care provider)
Budgets for training have increased slower than labour costs, so we can offer less (retailer)
More online than face to face content - but spend is broadly the same (hospitality firm)
Increased (childcare provider)
We had to cut the budget (childcare provider)
Reduced to offset reduced income (not-for-profit employer in the leisure sector)
They have reduced over the last year (housing and social care provider)
Decreased (childcare provider)
We have increased our training budget to ensure we are compliant as we are people looking after people and it is short sighted not to ensure the workforce are trained and equipped to ensure the safety of the individuals we support (social care provider)
No change although more e-learning since the pandemic (non-food retailer)
All budgets are constantly under review and more training is now provided digitally (food retailer)
No change for this specific reason; some budgets for management training have been reduced because of more general budget pressures (food manufacturer)
No change although has not been adjusted for inflation (financial services firm)
The company has been committed to the training and development of our teams, however, the increase in labour costs is a substantial challenge and we are confronted with difficult decisions such as reduced investment in training and development (hospitality firm)
No change: it is done internally by the senior staff (childcare provider)
Budgets in all areas have reduced (non-food retailer)

Technology and changes in the nature of roles

While technology appears to have had little impact on headcount or recruitment and retention practices, around half (52%) of employers report that it has altered job content in some way. Some examples are provided in the comments in the table below. Several responses from employers in the social care and childcare sectors, which are governed by minimum staffing requirements, point to the limited extent to which technology can be used to manage headcount;

however, it can offer benefits in terms of freeing staff up to spend time with the individuals they support.

Chart 9: to what extent have employees been affected by the introduction of new technology?



Detailed survey responses: 'To what extent have employees been affected by the introduction of new technology?'
Self-scan checkouts are an example where the role of a checkout operator has changed (food retailer)
It is necessary to make more use of technology however some staff struggle with digital skills and access (social care provider)
Some basic admin roles have been reduced using tech (employer in the leisure sector)
More advanced machinery is replacing roles that used to be done by more than one person (food manufacturer)
Introducing technology to administrative parts of a role (counting stock, setting team rotas) has altered the job role but there has been no replacement of jobs as of yet (hospitality firm)
No impact at all. Child: employee ratios set by regulator (childcare provider)
By introducing more efficient processes we have been able to reduce the establishment hours required to run stores (food retailer)
Self-service check-in kiosks are used within our hotels but they do not replace our workers (hospitality firm)
Childcare is regulated on fixed staff ratios (childcare provider)
Automation driven some efficiency, but not resulting in a headcount reduction (hospitality firm)
Technology plays an ever increasing role at the more junior level, however this has enhanced the time our workforce can spend with the individuals we support (social care provider)

The survey also asked respondents an open-ended question to indicate whether the jobs of their lowest-paid staff had become more demanding in recent years – for example, through expansion of duties, increased volume of work or tighter deadlines.

The qualitative responses are listed below and in many cases reflect remaining pandemic-related working practices or staffing shortages, rather than an effort to maximise returns on paybill costs. A further ten respondents reported that jobs had not become more demanding, while 19 organisations (a third of the sample) did not provide a response to this question.

Detailed survey responses: 'Have the jobs of employees on the lowest pay grade become more demanding (eg in terms of range of duties/volume of work/deadlines) in recent years? What factors have influenced this?'
No – we have job families, with roles within these job families. The tasks and duties haven't changed to becoming more demanding (food retailer)
Yes, the regulatory requirement under the CQC means that care workers are moving more towards nursing grade when it comes to aptitude but care providers are not given the resources to treat them accordingly through pay (social care provider)
Yes: health and safety requirements, people management, training requirements (employer in the leisure sector)
Yes in terms of reporting on people's support plans and achievements, and also supporting people with complex needs (sometimes medical/nursing duties) and keeping up with essential training, and this is often without adequate funding from commissioners (sometimes in practice we don't receive enough funding for NLW uplifts) (social care provider)
No – our entry-level jobs suit unqualified people with no work experience. They require basic training which we provide (employer in the leisure sector)
No – although conditions are tough due to weather, heat and breakdowns (food manufacturer)
The pandemic has caused more issues: PPE, health & safety; recruitment; backlogs (social care provider)
Yes. As councils have frozen adult social care fees, and the dependency of our social care residents have increased, more is being done by less people (social care provider)
Higher requirement for productivity in our shops and supply chain without increasing resource (large retailer)
We are endeavouring to upskill all roles so employees are learning more skills (food manufacturer)
As guest expectations change post-Covid, that has made our team member roles more demanding. We have altered our training to reflect this (hospitality firm)
Yes – due to demand and regular staff shortages (childcare provider)
Yes, mainly these have included compliance expectations, whether health & safety or building compliance (housing and social care provider)
Yes, but this is primarily driven by Covid and pandemic response (food retailer)
Our lower-paid roles are predominantly in the Care and Supported Housing sectors, so the past few years have been greatly impacted by the pandemic, volumes and duties have increased, due to the extra requirements (housing and social care provider)
Increased focus on customer experience and upselling at the till (non-food retailer)
Roles have become more multiskilled to offer variety, but not more demanding in expectations (food retailer)
We are expecting colleagues to be more flexible and multiskilled (food retailer)
Covid has added operating complexities (our factory has remained open and operational throughout the pandemic), e.**g.** additional hygiene and quality requirements; in addition, casual absence rates and staff turnover have been very high
The challenge of increased labour costs has necessitated further review of our labour model to identify efficiencies through multi-skilling, labour flexibility and productivity. As a result, we continue to look for ways to ensure that our approach to labour scheduling ensures that our teams are productive which could result in work being more demanding (hospitality firm)

Labour market

Employers continue to face labour market challenges, with 75% reporting that recruitment issues have worsened over the past year and a further 22% saying that these have stayed the same (just two respondents, or 4% of those that answered this question, feel that the situation has improved). The general view (held by 60% of respondents to this question) is that such difficulties are likely to persist over the medium term, while a further 30% regard them as a long-term challenge. The most common means of addressing the problem is to raise advertised pay rates (27 respondents) while 12 employers have implemented market or retention supplements and nine have introduced signing-on bonuses.

The comments in the table below give a selection of respondents' views on the role of the NLW in recruitment. Broadly, it is felt to be positive in making basic pay rates more attractive or aligning them more closely to those at competitors, with only one negative comment of a more general nature (relating to increased costs overall). A similar number of respondents indicated that the NLW has been neither a help nor a hindrance to recruitment.

Detailed survey responses: 'Has the increase in the NLW helped or hindered recruitment?'
Too much too soon. The increase only increases the cost of everything, it makes no sense (social care provider)
Probably helped as staff feel more valued, but they don't do it for the money to start with! (Employer in the leisure sector)
Being a Real Living Wage employer provides a point of difference (social care provider)
Made retail more attractive for the lowest paid (retailer)
Increasing rates we can advertise at (hospitality firm)
Better hourly pay (social care provider)
Helped retain many colleagues, brought us closer to other retailers (retailer)
Somewhat for retention, so lowered recruitment needs (housing and social care provider)
We pay above NLW so it really hasn't had an impact (food retailer)

A similar picture can be seen with retention, with 70% of respondents that answered this question reporting that such issues had worsened over the last 12 months and 28% that they had stayed the same (just one respondent feels that retention has improved). Again, most organisations (64%) anticipate that such difficulties will persist over the medium term, with 28% viewing them as long-term issues. The most common means of addressing retention difficulties is to raise salaries (27 organisations) while 15 have implemented more training. Ten respondents have created greater opportunities for promotion but just five have restructured pay to provide more progression. Only four respondents feel that the increase in the NLW has actively helped retention; employers are more likely to regard it as a hindrance to retention due to the effect of narrowing differentials on employers' ability to offer meaningful pay progression on promotion.

The majority of respondents (79% of those that answered this question) have seen staff turnover increase in the past 12 months, with some providing further detail in the comments illustrated below. Factors such as Brexit and the pandemic appear to have had more of an impact on staff turnover than the NLW, with social care employers in particular reporting burnout among staff following the challenges of the past two years. However, childcare providers in particular are reporting seeing staff leave for more lucrative roles in other sectors.

Further details on increases in staff turnover over last 12 months
We've seen increased turnover specifically for customer driver roles (food retailer)
A lot of competition has led to a lot of movement in the marketplace and staff not wanting to do domiciliary care anymore due to cost of fuel (social care provider)
Due to job-hopping: [employees] start with the business but have other interviews planned and go with the higher offer (wholesaler)
The average member of staff at the lower pay rates stay with us for shorter periods as they move from company to company and sometimes moving out of the industry (social care provider)
Following Covid and Brexit - not related directly to NLW (employer in the leisure industry)
[Turnover in] 2021/22 was 23%. 2020/21 was 8.6% (housing and social care provider)
[Increased] from 30% to 40%, but this reflects burnout working through pandemic (social care provider)
Individuals' priorities have changed post Covid. Competition for operational resource has increased post Covid (retailer)
Our turnover for hourly-paid roles pre Covid/Brexit was c80% - it's now over 100% (hospitality firm)
Supermarkets pay more than Early Years can pay (childcare provider)
Increased in last 12 months substantially and more people are starting and leaving within a very short time frame (social care provider)
Year on year it is considerably up on, say, five years ago as employment opportunities outside the sector are offering attractive pay rates. Ours is a vocational provision (childcare provider)
Following on from the pandemic social care has seen an exodus of individuals who are burnt out and going to work in other sectors (social care provider)
Staff turnover has increased since before the pandemic (social care provider)

Staff accommodation

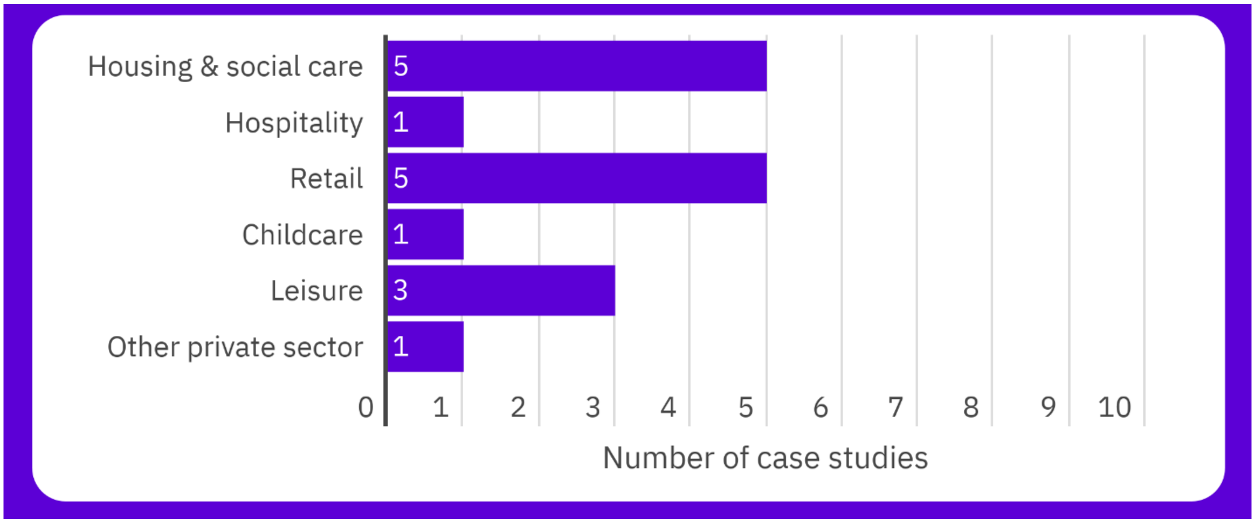
Just seven employers in the sample provide accommodation, primarily in leisure and hospitality.

Of these, three make use of the accommodation offset.

Chapter 2: Case study findings

The majority of organisations profiled are larger employers, with a median headcount across the sample of 1,150 staff. However, they range in size from a small hairdressing firm, with just three staff including the owner, to a large retailer with 250,000 employees. The sectoral breakdown is as outlined in the chart below, with particularly strong representation from the housing and social care, retail and leisure sectors.

Chart 10: case study participants by sector



Half of the organisations are privately-owned, including three large retailers. The rest of the sample consists of three public limited companies and five charities or other not-for-profit organisations such as membership bodies.

Pay setting

Across the sample, staff have very little input into pay matters regardless of organisational ownership model. Four of the five not-for-profit/charitable organisations do not consult with staff on this matter (the fifth recently set up a new staff forum with input into reward, pay, policy and other employment concerns, having derecognised the trade union with which it previously negotiated on pay matters), while at two of the three public limited companies in the sample, pay awards are a senior management decision – the third, a large retailer, negotiates pay rates for its 230,000 hourly-paid staff with USDAW or other relevant trade unions. There is a little more evidence of staff input at the privately-owned companies (one social care provider, case study F, runs quarterly team meetings where pay and organisational matters are discussed, while case study L bases pay reviews for frontline retail staff on negotiations with the recognised trade union, in this case the GMB) but again, in most cases, pay is still largely determined by senior management.

The lowest adult pay rates at the 16 case study companies range from £9.50 (five of the organisations set their lowest rates level with the statutory floor) to £10, with a median lowest rate of £9.60. Inevitably, the roles covered vary according to organisation but include carers, cleaners, cooks, administrative staff, waiting and kitchen staff, nursery nurses, gardeners, retail assistants, leisure attendants and hairdressers. The proportion of staff on the lowest rate also varies widely, from 1% (at case study O, in the housing and social care sector) to 100% (case study M, a small hairdressing firm). The median proportion of staff on the lowest rate, among case study companies where this information was provided, is 23%.

Just three of the employers profiled (case study C (a hospitality firm), case study J (a non-food retailer) and case study E (a nursery)) continue to use younger workers' rates, although in many cases these are higher than the relevant statutory minima, particularly for those aged 20 and under. Case study J has observed particular difficulties in recruiting and retaining staff in the 18-to-20 age bracket and, mindful of potential pipeline difficulties here, may rethink its approach to age-related pay. A further retailer, case study L, extended adult rates to all over-18s with its latest pay award.

In 2022, pay rises for the lowest-paid staff employed by the case study organisations ranged from 3.5% to 15% but were worth 6.6%, ie the equivalent of this April's increase in the NLW, at the median (the lower and upper quartile values were 5.9% and 7.1% respectively). There are several examples of organisations having also made off-cycle awards or other changes in the period leading up to the 2022 NLW increase: for example, case study case A (in the housing and social care sector) awarded a two-stage pay rise because it had taken so long to reach an agreement with its then trade union. It finally agreed a 1% increase in October 2021, backdated to April, but by this time inflation and the cost of living had started to rise notably and so it paid a further 3% effective from 1 December 2021. Case study G (a retailer) awarded an additional increase of 5% in October 2021 (having previously increased rates by 3% in April of that year), while case study C (a hospitality firm) increased its lowest pay rates from £8.91 to £9.40 in October 2021, with a further increase to £9.60 in April. Case study A has also eliminated starter rates, which were 5% lower than the established rate and applied for six months, due to recruitment pressures, as has case study D (a large retailer): here, starter rates (previously paid at 90% of the full rate for three months) have been removed to align better with practice at competitors and remove the occasional issue of having to temporarily increase starter rates to comply with the NLW between April and July, its usual pay review date.

The majority of case study organisations cite affordability as either the most important factor in the 2022 pay review, or the second-most important factor after the National Living Wage (which was the most important factor for around two-fifths of the sample). Inflation was cited as the most important factor by around a fifth of the sample and has risen in significance for many others – case study D, for example, reported that in this year's pay negotiations, trade union representatives placed greater focus on basic increases rather than improvements to other terms due to the rising cost of living. For many businesses, rising inflation is a consideration not just for staff pay but for costs that might be passed on to consumers and in some cases ultimately (as with case study M, the small hairdressing firm) their potential long-term viability.

A number of organisations, including case studies K and P, also mentioned the effect of the increased National Insurance contributions as a factor in determining the level of pay awards.

Progression

In most cases, main grade employees are on spot rates. However, among the social care providers in the sample it is relatively common to provide some form of pay progression to staff as they develop skills or gain formal qualifications. Case study B, for example, has recently implemented a new competency framework that gives greater scope for progression. Minimum rates for support workers are £9.60, rising to £10.10 for senior support workers. At case study F, unqualified care workers are on £9.50 an hour, with qualified care staff on £11.50, while case study N increases pay by 20 pence (from £9.60 to £9.80) when new carers complete the RQF Level 2 Health Care Diploma qualification. There is a further increase to £10 for Level 3-qualified staff and those promoted to senior carer earn between £10.20 and £10.40 an hour.

Case study C operates spot rates for front-of-house staff in its restaurants but these roles also offer the potential to enhance take-home pay through tips; a progression framework is in place for kitchen and hotel staff whereby the majority can work through entry, proficient and expert levels, moving up by 20 pence at each stage. Case study G, a retailer, operates spot rates but staff are encouraged to study for qualifications that attract a further 25 pence on the hourly rate.

At the lowest levels of pay, spot rates have replaced more complex pay structures in some instances. Case study O, in the housing and social care sector, proposes to remove all incremental pay progression from band 1 from 2022/23, replacing this with a single spot rate across the whole band. Similarly, case study I, in the leisure sector, has had to remove increments from its entry rate due to affordability; thereafter grades have increments and staff progress annually based on service (and having no disciplinary record), although some increments further up the organisation have also been removed due to affordability.

The majority of case study organisations offer training opportunities for staff to develop their skills (and thereby boost their earning potential) and these do not appear to have been curtailed as a result of the rising costs of funding increases in the NLW. Indeed, the move to online learning expedited by the pandemic appears to have enabled some to boost their offering in a cost-effective way. As already outlined, employers in the social care sector generally encourage carers/support workers to further their skills and obtain qualifications. But there are development opportunities in other sectors too, often prompted by the labour market challenges covered in more detail below, with employers increasingly looking to 'grow their own': at case study C, for example, front-of-house restaurant staff have been encouraged to cross-train into kitchen roles, helping to alleviate recruitment pressures here and providing scope to move onto higher rates of pay. Several of the retailers in the sample (such as case study G already mentioned) have also invested in training, including case study D, which is seeking to broaden employees' skills to increase flexibility on both sides. Also in retail, there is a strong focus on training and development at case study K, which has tackled recruitment and retention issues in part by training up existing staff, mainly from its frontline workforce, to become drivers and installation experts.

Some employers in the sample continue to offer apprenticeships, although feedback on the benefits of this is mixed, especially among smaller organisations. The owner of case study M, a hairdresser with two staff members, has to undertake 20% of the apprentices' training, during which time she is not able to earn any money herself, and apprentices do not make the business any money while in training. Case study E, in the childcare sector, has by necessity started to develop a pipeline of staff through apprenticeships as it receives few applications from qualified nursery nurses but finds that some apprentices ultimately move on to better-paying roles with other childcare providers upon completion of training.

Differentials

While some sectors (such as social care) offer scope to increase in seniority within the same or a similar role, in many cases, such as most retailers and the childcare firm in the sample, the next step up from the main grade is to take on supervisory responsibilities. Perhaps inevitably in light of widely reported labour market pressures, few organisations report any curtailment of such opportunities. At case study D, a retailer, customer service assistants who move into a shift team leader role receive a skills payment of £1.86 an hour on top of their £10.10 hourly rate (these skills payments are negotiated on separately and do not necessarily rise in line with the annual pay award) while the supervisor differential at case study J is 50 pence. At the childcare firm by contrast, moving into a room supervisor role from the nursery nurse grade attracts a premium (for nursery nurses on the adult rate of £9.50) of just 11 pence.

The majority of employers in the sample seek to maintain fixed differentials, although this is often an aim rather than a formal commitment and these fixed differentials are usually expressed as monetary values, with the effect that they narrow in percentage terms each year. Case study L, a retailer, has this year shifted to increasing rates by pence per hour rather than by a percentage, ostensibly because employees understand this better. This year, all staff with the exception of those under 23 (who received a higher rise with the expansion of the adult rate to include those previously on a youth rate of £8.46) were awarded an increase of 60p an hour. Again, continuing this approach in future years would maintain differentials in monetary terms but represent a decrease in the percentage value of differentials. Case study N, in the social care sector, does not aim to maintain fixed differentials and has seen the differential between the entry rate for a carer and that for a senior carer decline from £1.20 - £1.30 six years ago to a maximum of 70p today.

In some cases, the picture on differentials with supervisory grades can be difficult to establish due to differences in the way pay for each group is structured, eg by paying supervisors on salary ranges rather than the spot rates that apply to frontline staff.

As some employers have sought to manage the rising NLW by allowing differentials to narrow, there appears to have been an adverse knock-on effect on internal mobility. At case study I (in the leisure sector), for example, the low differential of just 25p between grades means that staff are less interested in applying for internal promotion. Case study D, a large retailer, has found that the increase in the base rate has caused compression between rates for shift team leaders and team managers (on £11.96 and the hourly equivalent of £12.47 respectively) and is finding it increasingly difficult to move people into the latter role. It may consequently look at increasing its starter rate for team managers. A further retailer, case study J, likewise perceives reluctance among staff to move from team leader to (salaried) assistant manager roles and feels the 50p differential between sales assistant and team leader rates is also of questionable value given the increase in responsibility involved. And case study F, from the social care sector, reports recruitment and retention pressures as the gap between care and managerial pay rates has narrowed and staff do not see the benefit in taking on extra responsibility. This is echoed by a Director at case study O (also within the housing and social care sector), who has observed a detrimental impact on the willingness of social care staff to assume more responsibility as the increase in pay is viewed as minimal and not reflective of the uplift in duties required for a Team Leader: '*We have to pay the minimum wage, so higher up there's less to pay the rest of staff. They have been getting maybe 1-2% per year over the last few years, whereas for the last four years, the staff at the bottom have gone up 22% or 25% [in total] due to the NLW. For the rest of staff, the comparable increase is about 10%*.'

Labour markets

Many of the labour market-related challenges that employers in the sample have been facing are closely linked to pay and as such some examples have already been illustrated above, particularly in light of the steps that some have taken with off-cycle pay awards or by eliminating starter rates to address recruitment and retention issues. We have also discussed how the appetite for hourly-paid staff to progress into supervisory or managerial roles, with the associated increase in working hours and demands, has diminished at some organisations as the financial reward for doing so has eroded.

Case study J, a retailer with basic pay rates that are aligned to the NLW, has found that other comparable employers offer higher rates of pay and is increasingly carrying out benchmarking activity and 'rezoning' branches in an effort to remain competitive. As already mentioned, it is experiencing particular issues with recruitment and retention of staff in the 18-20 age group (the company currently operates separate pay rates for under-23s). As part of its efforts to address recruitment difficulties, it has increased its recruitment marketing activity on social media.

The mixed success of case study E's efforts to 'grow its own' nursery nurses through apprenticeships, due to a lack of applications from qualified candidates, has already been outlined above (the company generally pays at the level of the statutory minimum and has found newly-qualified nursery nurses often move to higher-paying competitors upon completion of training). The company has also recently lost some staff to roles in the NHS and the education sector.

Case study G, a retailer, perceives its current basic pay rate, just a few pence above the NLW, as an issue in recruitment and is aiming to maintain a gap of 7% above the NLW in the future, to help attract candidates. Retention is less problematic as employees appear to like the brand and enjoy working there. In the social care sector, case study F implemented a large pay increase in 2022, raising the qualified rate by £1.50 an hour. It also doubled mileage reimbursement rates in light of the fact that staff travel between clients using their own cars and fuel costs have risen steeply.

Another informant in the retail sector reports that '*it's become more of a candidates' market and we're seeing it*' – particularly within its distribution centres. The measures the company has implemented in an effort to address these difficulties include incentives for employee referral or 'recruiting a friend' and, more significantly, retention payments of £250 after the first three months and another £250 after the second three months. This is likely to indicate that turnover is highest in this first six-month period, with the payment designed to forestall this. It could also be tacit recognition that the basic pay rate is not quite high enough, suggesting the company is trying to balance raising pay (and thereby recruiting and retaining staff) with containing costs and maintaining or boosting profits.

The pandemic continues to have a lasting impact on some organisations' ability to attract or retain staff, not least within the social care sector where frontline staff went to great lengths to keep care homes Covid-free. Case study N reports that such roles have become more demanding due to the required use of personal protective equipment (PPE), regular Covid testing and the significant emotional impact of the job. Staff turnover at the company has also increased, from 30% to 40% in the last 12 months, which has been attributed to burnout from working in the sector during the pandemic. This sentiment is echoed by case study O, which also observes that it is now competing with roles outside the social care sector, such as at fast food outlets and supermarkets, which often offer a higher hourly pay rate and do not have the inherent risks and safeguarding regulations the social care workforce must face and comply with, compounding recruitment and retention problems. Case study B, which experienced a 'mass exodus' of care staff earlier in the year, similarly attributes retention difficulties in part to the opening up of the labour market, enabling care workers to find jobs in other sectors. Case study N, meanwhile, points to the issue of agency work offering higher pay rates and more flexible schedules.

One employer in the social care sector, case study O, sought to address recruitment and retention challenges by raising its sick pay offering in 2021 from two weeks at full pay and two weeks at half pay to three months at full pay and three months at half pay. However, while longer-serving staff value this benefit, at the point of recruitment new starters are mostly focused on the competitiveness of the hourly rate.

Location is felt to be a factor in some employers' recruitment difficulties. Case study H, in the leisure sector, finds that it is more difficult to attract people to come and work for the organisation due to the remoteness of some of its sites and the nature of work on offer. Similarly, case study C, a hospitality firm, finds recruitment and retention in more rural or isolated locations more challenging. It also reports that Brexit and the pandemic 'combined for the worst possible outcome,' giving EU nationals little incentive to return to the UK to work once the pandemic had eased. Housekeeping and back-of-house roles are particularly affected; to address this, it implemented the off-cycle pay increase in October 2021 (to £9.40) already mentioned, invested more in centralised recruitment, and encouraged cross-training into kitchen roles as outlined above. It also paid a retention bonus, of a week's pay, to hourly-paid staff in October 2021.

Like case study C, case study I (in the leisure sector) also lost staff due to Brexit. In addition, it found that many furloughed staff did not return to work. Similarly, a few staff at case study H (also in the leisure sector) reassessed their employment situation in the wake of the pandemic, perhaps deciding they wanted to do something else or taking on caring responsibilities (due to the age profile of the workforce).

Looking at more senior roles (or those not obviously directly impacted by the NLW), interviewees variously cited recruitment or retention difficulties with IT/technology, HR, horticultural and managerial roles. Roles within distribution centres, such as warehouse operatives, are posing problems for many organisations and several continue to struggle to recruit drivers, although case studies D and K have had some success in upskilling existing staff to move into such roles.

Changes in the nature of low-paid roles

As already mentioned, lasting changes to the nature of care-related roles due to the use of PPE and regular Covid testing have made working in this sector more demanding. The necessity of formal inspection in care settings (OFSTED for childcare and CQC regulations for social care) was also cited as a factor in adding pressure to such roles, although such demands will be long-established.

Two organisations mentioned how greater focus was now being placed on scheduling, with case study C (hospitality) now timing shifts to the closest 15 minutes to align closely to the busiest times of day, while case study D (retail) has invested in multiskilling staff, and rolled out shift-scheduling technology, to enable them to pick shifts in different departments or stores from their regular one; this is intended to improve flexibility on both sides.

In some cases, roles are becoming more demanding simply because teams are not operating at a full complement due to staff shortages, with both case studies C and J citing this as an issue. Meanwhile case study P, a not-for-profit employer in the leisure sector, reported that it had seen greater demands in relation to the (negative) way some visitors treat staff.

Role of technology in the lowest-paid grades

The extent to which case study organisations have sought to achieve efficiencies by implementing new technology varies across the sample, with many reporting limited activity in this area. However, within the care sector, apps enable many support workers to save time and cut down on paperwork by dictating care notes, for example. Technology is also being used to support scheduling: case study B is about to implement a rostering tool that is intended to give managers back time to be on the front line with staff, rather than in an office, while case study D, as already mentioned, has invested heavily in technology to support its multiskilling initiative, enabling staff to access a wider range of shifts. Technology has also been used to support training, through the introduction of new learning platforms (as at case study L, a retailer) or by moving some elements of training online (see case study F, in the social care sector). At case study L, there is also an emphasis on new technology in respect of issues such as scanning for gaps in stock in stores, as well as the use of self-scanning at checkouts. Case study C (hospitality) uses self-service check-in at its hotels but the intention here is primarily to reduce waiting times for guests.

Accommodation offset

Just one of the case study organisations, case study H (in the leisure sector), provides (free) accommodation in some instances but it does not make use of the accommodation offset. A further employer, case study A, provided accommodation for one individual in the past but similarly did not use the offset. Generally, interviewees appear wary of offering accommodation, having experienced difficulties in the past in deciding how it should be allocated fairly or where staff had vandalised their property after leaving the employer on bad terms.

Table 1 Profile of organisations interviewed

Employer	Sector	UK headcount	Youth rates?	Lowest adult rate	Proportion of staff on lowest rate[1]
A	Housing & social care	930	No	£9.90	5%
B	Housing & social care	2,400	No	£9.60	-
C	Hospitality	37,455	Yes	£9.60	33%
D	Retail	250,000	No	£10.10	92%
E	Childcare	82	Yes	NLW	-
F	Housing & social care	110	No	NLW	-
G	Retail	5,000	No	£9.57	-
H	Leisure	1,200	No	NLW	8%
I	Leisure	960	No	£9.90	15%
J	Retail	18,300	Yes	NLW	30%
K	Retail	4,400	No	£9.67	3%
L	Retail	13,000	No	£9.60	85%
M	Other private (hairdressing)	3	No	NLW	100%
N	Housing & social care	310	No	£9.60	-
O	Housing & social care	450	No	£9.60	1%
P	Leisure	1,100	No	£10.00	-

[1]Where provided.

Case study A

Background

This housing association is a registered charity and provides housing in the Northwest, operating homes across Greater Manchester, Lancashire and Merseyside. It employs 930 staff in total.

Staff play a small role in deciding how the organisation is run and the charity operates an annual staff survey, focus groups made up of a small number of individual staff selected from the survey sample and a staff forum. Staff volunteer to become members of the forum and are selected on the basis that the groups have representatives from different parts of the business.

'We have regular conversations with them and seek their feedback on various things that we're doing, whether it's our corporate plan, which we've been discussing most recently, or various policies and things like that, that we might be introducing.'

The forum was established only very recently and following de-recognition of the trade union *'because the membership had dropped, but also the relationship wasn't working particularly well for either of us'.* The forum has input into reward, pay, policy and other employment concerns, although input into this year's annual pay review was limited as members were still being established and some staff are yet to undergo training.

'We will be discussing pay matters with them and we did very briefly this year, but we put a special process in place for this year's pay award and because they haven't had much of an opportunity to get the training and things like that that they need.'

Key points

- This charitable organisation has recently de-recognised a trade union for pay bargaining and has instead set up a staff forum to discuss pay, reward and employment matters
- As an accredited Living Wage employer the minimum rate is £9.90, although only a small number (13) of staff are on the lowest rate

- The organisation aims for a 5% differential between the spot rates, however this has not been possible to maintain throughout the entire structure. As a result, the pay framework is likely to be reviewed in 2023, having been in place for four years
- Although a Living Wage employer, the rising statutory floor is a concern due to its knock-on effect on the voluntary minimum.

Pay rates

The charity is a Living Wage accredited employer, and the lowest rate of pay is currently £9.90 an hour, which applies to just 18 staff (covering staff in apprentice, cleaning and caretaking roles). The next lowest rate is £10.88 and this rate currently applies to 18 staff (covering staff in Receptionist, Site Support Operative (cleaner), Café Worker, and Scheme Services Coordinator roles). The rate of pay for the most populous grade (which has 106 staff), that of Supervisor, is £18.65.

Staff are paid on spot rates and the pay structure consists of six tiers (1-6, 6 being the lowest); within each tier there are five spot rates (A-F). The lowest grades are 6E and 6F. Staff can move up a spot rate through an internal recruitment process, as and when vacancies arise. Originally when the framework was first implemented the organisation aimed to have 5% differentials between each rate, however that has not been possible to maintain consistently. The organisation finds it easier at the bottom (since rates are lower and fewer staff are on these rates), although it also has to raise rates here to retain Living Wage accredited status.

The organisation operates starter rates, known as 'recruitment rates', which apply for the first six months of employment, however these have been temporarily suspended due to recruitment pressures. *'We were struggling to recruit at our recruitment rate, which is 5% below the standard rate, so we have stopped using it and all roles, internal and external appointments, are immediately put on the standard rate'*.

2022 pay rise

In April 2022 all 930 staff received a general rise worth 3%. In 2021 the organisation ended up awarding a two-stage pay rise because it took so long to reach an agreement with the then trade union. The organisation finally agreed a 1% increase in October 2021, which was backdated to April, but by this time inflation and the cost of living had started to rise notably and so it paid a further 3% effective from 1 December 2021.

In respect of factors influencing the pay rise, affordability is key: *‘ability to provide our core services to our customers and investing in our homes is priority one, so affordability is a really important factor’.*

In addition to affordability, the organisation considers the Consumer Prices Index (CPI) measure of inflation when planning for pay rises, since the CPI is used for uprating rents.

Recruitment and retention pressures also play a role: *‘we need to remain competitive in our sector because obviously if we're behind the rest of the sector, it's going to create more recruitment challenges for the next 12 months. So that's an important part of the discussion too.’*

Looking ahead, the organisation wants to retain Living Wage accredited status and thinks it can for a few years but there are concerns at how high and how quickly the voluntary Living Wage will rise, which will be influenced by rises in the statutory floor. The firm is going to review the pay structure next year: *‘it's going to put pressure on us and we're already talking about reviewing the structure for next year, because it's been in place for four years now and we're getting to the point where it needs a review anyway. And I think [the next rise will] really tip the scales.’*

Labour market

The Organisational Design and Reward Manager reports that retention pressures are mainly higher up the pay structure and are among senior and technical staff: *‘we mostly see recruitment challenges with our senior and our very technical roles, which I think probably is fairly consistent with everybody who's recruiting. Generally speaking, we have pretty good retention for those in lower-paid roles, but we are starting to see a small challenge with our contact centre staff.’*

The organisation undertakes salary benchmarking and aims to pay just above the median market rate, therefore it does not consider pay to be the main cause and thinks that it might be linked to location.

The reward package is more generous than in other low-paying sector firms, with staff eligible for 28 days' annual holiday plus bank holidays, pension scheme with employee contributions matched up to 10% (minimum employer contribution is 5%), enhanced maternity and paternity pay, a medical cash plan, and an employee benefits portal which provides discounts and cash back from various retailers, as well as enabling managers to award small monetary vouchers. There are no unsocial hours premiums, since most staff work 'sociable' hours and any areas which cover out-of-hours are outsourced.

Accommodation offset

The organisation does not provide any staff with accommodation currently but used to for one staff member, although it did not make use of the accommodation offset.

Case study B

Background

This private-sector firm provides care and support services to children and adults and employs 2,400 staff across England and Wales.

The company has very recently set up a staff forum, something that the People Director has been championing since joining the company five years ago. The staff forum can input on any aspect of the business, including pay bandings, and ideas are shared directly with the Board. There are 16 elected representatives from across the business from every division and every type of service, including shared services.

'We come together, and we are very open and honest and some really good stuff has come out of it. I chair the meeting and staff talk directly to me, our CEO comes and joins us and he's very keen on making sure that their voices are heard.'

While there is scope to discuss pay as part of the forum, to date the focus has been on other areas. Recent initiatives that have arisen from the first forum include organisation-wide branded name badges which help to foster a team ethos (since the group has grown by acquisitions), and 'job swap', on which the People Director is going to work a shift with the supported living services team. Other members of the executive team will be joining the initiative.

The firm already runs a staff survey but that has a low response rate, of around 20%, and it tends not to reach staff in direct care. The forum was partly driven by the pandemic, during which time the company ran open zoom calls which anyone could join to speak directly to the executive team. The forum was set up to *'keep that momentum of that voice we were hearing from staff'*.

Key points

- The firm implemented a competency-based pay framework this year to provide the possibility of in-role progression for staff
- The entry rate for support workers is £9.60, although they can start on a higher grade depending on the outcome of their assessment against the competency framework
- The organisation has found that recruitment and retention difficulties have worsened since before the pandemic as support workers can now find work in other sectors more easily.

Pay rates

The firm introduced a competency-based pay framework in 2022, providing the possibility of in-role progression for staff. The framework considers the level of training and qualifications, how well staff are meeting the values of the business, and how the role is carried out. Staff are assessed annually and can progress through the grades, providing a career pathway for staff to move from Support Worker through to Manager. Not all staff want to progress so the framework also allows for pay progression within role and the company sees this as a benefit to staff.

There are six grades – A to F – within which are a number of salary bands for different activities. The lowest rate is £9.60 and this is the entry rate for support workers without qualifications or experience. Support Workers can start on a higher grade depending on the outcome of their assessment against the competency framework. Once in role, staff can progress to a higher pay rate via extra qualifications, responsibility or performing better in your role, as assessed under the competency framework.

Since 2018 the business has set out to pay above the NLW, but in practice the current framework sets the lowest rate above the statutory minimum for adults for the first time since the NLW's introduction in 2016.

The company aims to ensure that the pay differential between bands is meaningful, and this is between 25-50 pence gap within the bands, although the People Director reports that this is a careful balancing act.

'As you go up, you're getting a better salary anyway, so that is where we squeeze the differentials.'

2022 pay rise

Frontline staff, mostly support workers, received pay rises of between 7.6% and 10.0% on 1 April 2022 following implementation of a new pay structure. This was funded by investors not taking dividends and the firm absorbing the extra costs: '*we took the hit because it's the right thing to do and if we don't, then we won't be around*'. Pay rises in 2022 were higher than in 2021, when the company applied the statutory minimum uplift (2.2%) across the board. Pay rises for managers and those in shared services takes place separately each year in October.

Labour market issues

The organisation is facing recruitment and retention difficulties, which are worse than before than pandemic.

'I think [the whole social care sector] is struggling to recruit frontline staff. We're losing more than we've ever lost before... people are exhausted after the pandemic. They spent two years with the country applauding them to now it feels like they've been forgotten again. And they've also now got the ability [to move sector] because every industry's struggling, whereas before a care worker couldn't go and get a job as a secretary, they're getting jobs as secretaries now.'

However, the People Director thinks that the pressures seen this year seem to have peaked, with staff retention stabilising again over the last two months.

There have been changes to the roles themselves. Technology (via the introduction of handset to enable electronic care planning) has reduced the burden of paperwork and given support workers back time to spend caring. Managers have also benefitted from this initiative and will gain further when a new rostering, hours and attendance system is launched shortly. This will feed directly through to payroll, giving them time away from the office and back on the frontline managing their staff. The People Director estimates these changes will give managers back around a day a week.

Regulatory burdens have increased over the last decade, making the job harder.

'The care roles are becoming extremely hard [due to the regulations] – I couldn't do a support worker's job – but I also think they are extremely fulfilling roles'.

Accommodation offset

No staff are provided with accommodation and the People Director would be wary of offering it, having experienced issues previously when a staff member lost their job and had to move and damaged the property. If the firm was to introduce any form of housing support for staff, it would be in the form of a financial incentive, for example an allowance to help with the cost of rent. Having said that, the organisation is also conscious that it has empty properties that could be put to good use, for example by housing Ukrainian refugees and providing them with employment.

Case study C

Background

This hospitality firm employs over 37,000 people across its estate of hotels and restaurants, including 33,500 hourly-paid staff. Employees have very little formal say in how the organisation is run, with pay decisions taken at a senior management level and no input from trade unions. The company runs a save-as-you-earn share scheme.

Key points

- The company raised its lowest adult pay rates (covering roughly 12,000 staff) from £8.91 (the prevailing NLW) to £9.40 in an interim pay review in October. In April, it sought to maintain a differential with the statutory floor by setting the lowest rates at £9.60
- In the past two years it has used retention bonuses and targeted premia to boost recruitment and retention of hourly-paid staff during the summer peak
- Differentials between hourly-paid staff and salaried first line managers have been maintained but the company perceives less appetite to pursue promotions of late and may revisit the value of these differentials
- The company has invested in training to encourage front-of-house staff to move into better-paid kitchen roles, where recruitment and retention challenges are more pressing.

Pay rates

The lowest adult pay rate in operation at the company is £9.60; this covers restaurant and kitchen team members aged 23 and over and front-of-house hotel staff. Currently 20% of hourly-paid staff are on this rate. Under the company's 'pay for progression' model, many staff (with the exception of restaurant team members and team leaders, who are likely to receive tips as part of their role) can undertake online learning to qualify for the 'proficient' rate, which attracts a premium of 20 pence per hour. All time taken to complete training is paid. '*They wouldn't necessarily take an hour out of their day but we would schedule time for them to complete it – it's fitted in around on-the-job training*,' explains the Reward Manager.
There is then the option to undertake further online training to move to an 'expert' rate, which has to be approved by the relevant regional manager to confirm the employee is performing

at that level. '*They go through that extra step to verify they are at that expert level and it's right to put them up to that. It's not an automatic step but it's also not exceptional – it's somewhere in-between,*' explains the company's Reward Partner. 'Expert' staff might also take on additional responsibilities – for example, an expert Housekeeper would be able to check their own and colleagues' rooms after cleaning (such checks are usually undertaken by the Head Housekeeper) and might also be involved in training new team members and covering holidays.

The company has found that the proportion of expert team members varies widely by location, from 10% to 80%. '*Some of that will be dictated by turnover because it takes that bit of time for people to go from entry to proficient and then gain the skills to become expert. We don't currently have a "right number" in mind for the mix of a team but we may start looking at this*,' explains the Reward Manager. It is felt that there would not be enough additional tasks (such as those outlined above) to occupy a team comprised wholly of expert staff.
There is age-related pay in place for restaurant staff but for those in kitchen roles, this only applies to the entry rate; these team members then move onto the relevant adult rate once they are deemed 'proficient'. The company also has zonal pay in place.

Table C Pay structure at case study C effective 1 April 2022

Job(s)	Hourly rate (entry)	Hourly rate (proficient)	Hourly rate (expert)
Restaurant Team Member, 23+ (spot rate)	£9.60		
Restaurant Team Member, 21-22 (spot rate)	£9.28		
Restaurant Team Member, 16-20 (spot rate)	£8.28		
Restaurant Team Leader (spot rate)	£10.50		
Hotel Team Member; Kitchen Team Member, 23+	£9.60	£9.80	£10.00
Kitchen Team Member, 21-22	£9.28	£9.80	£10.00
Kitchen Team Member, 16-20	£8.28	£9.80	£10.00
Housekeeping Team Member	£9.80	£10.00	£10.20
Duty Manager/Head Housekeeper	N/A	£10.44	£10.84

Implementing the 2022 rise

Pay reviews for this group of staff usually take place at the beginning of April. However, an interim increase was also awarded in October 2021 to help ease perceived recruitment and retention difficulties and to position the company closer to what it saw as the upper end of the market. As a result, restaurant team members moved from an NLW-aligned hourly rate of £8.91 to £9.40 – an increase of 5.5% – which was where the company had estimated that the April 2022 NLW rate was likely to be pitched. This initiative is felt to have had a positive effect on recruitment, although the impact on retention is harder to identify as Covid had also adversely affected staff turnover. '*We saw more applications per vacancy after October when we implemented the pay rises and then we think there was some impact on retention, [although] we had such a lot of movement after Covid, it was really hard to pick out the retention benefit,*' says the Reward Manager.

For the April 2022 pay rise, the company sought to maintain its new position above the NLW and, having considered affordability, set its minimum rate at £9.60, 10 pence above the statutory minimum – an increase of 2.1% on the rates set in October. '*Going back to being on the National Living Wage wasn't the right thing for us and now actually we're looking again at whether we need to be more differentiated based on what's happening in the marketplace at the moment,*' explains the Reward Manager.

The company has also implemented seasonal pay to support recruitment and retention for certain more challenging coastal locations and central London. The uplift varies in value but is worth £1 at the median for kitchen roles and 60 pence on the hotel side of the business. It is effective between April and September inclusive. '*Last year it was incredibly difficult to attract applicants and we were also keen to retain the people that we had,'* explains the Reward Manager. *'So once other people started advertising for staff in seasonal places, we didn't want to lose our team because they were advertising more attractive rates – so we were a bit pre-emptive on some of that seasonal hotspot pay this year.'* While the premium is primarily intended for hourly-paid roles, if there is any knock-on effect on differentials for salaried roles the company pays affected staff a premium to ensure these are maintained.

Differentials

The company seeks to maintain a differential of £1,500 between the most senior hourly-paid staff and first line managers, with a further differential of £2,000 between salaries for first line managers and general managers. The latest increase in the NLW did not affect the company's ability to maintain these differentials as the previous uplift in October had already brought the lowest pay rate close to the new statutory floor. However, the opportunity to improve differentials, and consequently recruitment and retention of more senior staff, is felt to have been limited due to the cost of the initiatives that have been targeted at improving the lowest hourly rates.

'*Differentials have become more and more challenging because the entry-level salaries are getting an uplift because of the hotspots, but actually all you're doing is squeezing the differential between our deputy hotel managers and our hotel managers or between our restaurant managers and our general managers,'* explains the Reward Manager. *'While we've put in a differential that we've managed to maintain, they are smaller than they would have been historically. I think we would like to address and improve some of the differentials in the* *longer term based on the challenges we're seeing but we've not been able to do that because of what we did in October and then how much we were able to afford within the budget again in April. So the challenge is that we perhaps haven't been able to have that real review of what we have and been able to take the actions that we would want to. We're very conscious that, looking to next year and the forecast for the National Living Wage, we need to have a really good look at our pay structure including pay for progression and our zonal pay, to see what is affordable if, as forecast, the NLW goes to £10.32. That may mean we have to look again at whether our pay for progression model is fit for the future. It could perhaps mean that we wouldn't have three different levels within the model if the NLW got to the point that we couldn't maintain differentials.*' Pay differentials for hotel duty managers have been raised as a topic in employee feedback sessions recently, giving further impetus for such a review.

Labour market

As already mentioned, certain seasonal locations pose recruitment and retention challenges, as do the demographic of the local labour market in some areas, access to public transport, and difficulties attracting staff to work in more rural or otherwise isolated locations. In addition, the company has found that Brexit and Covid '*combined for the worst possible outcome. Brexit happened and we saw a lot of our team members at the time of Covid leave the UK. And then because of all the restrictions, there was no driver for them to return or it was perhaps more difficult for them to do so, whereas they could travel within the Schengen area and work,'* says the Reward Manager. Housekeeping and back-of-house roles have been particularly affected.

The hospitality labour market is felt to be just as difficult as it was last year and the Reward Manager sees little imminent prospect of improvement. '*Our view is that these recruitment issues are longer-term and when we talk about the potential size of the working population, we don't have any expectation that this is going to substantially improve and we talk about 2030 – I don't think it's a short-term issue.*'

The company feels that it may already have lost any advantage it may have gained from its off-cycle pay award in October. '*Having moved ahead of the market in October, it now looks as if, based on our benchmarking, we are back sitting in the group in the market,*' the Reward

Manager explains. *'So [we are considering] do we want to move ahead again and take some other exceptional action around our back-of-house roles in particular*?'

As well as increasing pay, the company has sought to tackle labour market challenges by changing its approach to recruitment, which is now managed centrally (before this year, individual sites were responsible for placing their own adverts via the recruitment system, managing all applications and carrying out all the associated marketing). '*They were completely self-managing all of that with mixed success,'* reports the Reward Manager. '*So you might have adverts that perhaps didn't tell you where they were or what we were paying. We said it's such a crucial part of our business, we need to put some investment into it.*' This resulted in additional resourcing to place adverts, manage the recruitment process and drive applications to vacancies, supporting local managers to fill open positions. '*And then there is additional support if it's still a particularly difficult-to-recruit area, for example social media upweighting or that sort of activity.'*

The company currently has around 1,000 directly-hired apprentices in training within the business and is increasingly focusing on in-role training or cross-training – for example, encouraging people who might have started out in a front-of-house role to train into kitchen roles, where rates of pay are higher. '*We're just looking at how we can fast-track that training and possibly put some resource behind training packages to accelerate the progression of our team,'* says the Reward Manager. This has necessitated a change of attitude on the part of line managers. '*With operations managers who have historically wanted staff to have experience, we want to try and challenge that thinking, to be more open-minded to bringing people in who have the right behaviours that we can teach the skills with. We're definitely still on that journey though because a lot of them still like off-the-shelf, trained chefs because that's an easier option.'*

In October 2021, the company awarded retention bonuses to hourly-paid staff who stayed in post throughout the summer. This was worth a week's pay, based on average hours worked over the summer. While this was well received, the company would not necessarily look to repeat the exercise. '*I think it probably did something; it maybe engendered a bit of goodwill as much as anything but I'm not sure how well it worked as a retention bonus,'* says the Reward Manager. '*We had such a lot of movement last year it's been quite hard to really get under the skin of. I'm not sure we could comfortably demonstrate it actually drove retention. But now we're seeing a lot of our competitors talking about welcome bonuses, retention bonuses, signing-on bonuses – I think everybody is really thinking about all the tools they could deploy. So it is something that we are still thinking we might do again.*'

The company is also experiencing challenges around recruitment and retention for hourly-paid supervisory positions, which it finds are difficult to fill externally and are becoming increasingly difficult to fill internally. '*This comes back to the differential, the level of responsibility and the career aspirations,*' says the Reward Manager. '*Restaurant team leaders get [less than] £1 an hour more – is that enough for the amount of responsibility, because they will be shift-running?*' This group of staff also has less scope to earn tips as they do not directly look after guests at tables, and less opportunity to participate in trading incentives (eg 'spend per head' challenges). The company intends to undertake benchmarking to check whether the differentials are set at the right level and may also look at implementing a bonus scheme for this population. The situation is compounded by current cost-of-living pressures: '*Differentials are a big issue but also inflation, the way that it is at the moment – how can we retain and look after the team that we have and give them that career vision about how they can progress their earnings? The more differentials are squeezed, the harder that becomes.*' There is also a perceived reluctance among hourly-paid staff to move into salaried managerial roles. '*I think there's a bit of role-modelling [involved] as well: if they see someone who's working their socks off, and it's a 48-hour contract for us, there are some questions around how attractive that is for all team members,*' says the Reward Manager.

Productivity and work intensification

To optimise productivity, the company has placed a greater focus on ensuring that it is resourced as efficiently as possible, which has resulted in jobs becoming busier. '*Everybody is running very fast,*' says the Reward Manager. '*Because of the way that we work, we obviously have peaks and troughs in demand. And what we're always trying to do is match our flexible workforce to the demands of the business at that particular time. So when we're looking at our labour scheduling we want to make sure that we are matching our team to the* *peaks of the business as much as we possibly can, which means that somebody's work experience would probably be more intense – for example, if the lunchtime shift is intensive between 11am and 3pm, we might look at those shifts that absolutely match 11am till 3pm to the flexibility of our workforce, so they're running very fast all of those four hours. So there has probably been a bit of intensification in that we've definitely looked at managing our labour schedules as efficiently as we can. We're certainly having to scrutinise every penny – whereas previously you might have people starting at noon and 5pm, now you might have them starting at 12:15pm and 5.15pm. So we're working in quarter hours and trying to match our labour scheduling, which I think just means that people's experience is probably a bit more intense than it might have been in the past. Also a lot of the time we're not able to recruit all of the team that we would ideally want to so people are looking after more tables in the restaurant than maybe they would have been previously although that's through circumstance, not through our desire necessarily.'*

While the company has introduced self-service check-in kiosks in its hotels, these are not intended to replace workers. '*There will be someone there to support guests – it's about a better and faster check-in experience,'* explains the Reward Manager.

Case study D

Background

This large retailer employs 250,000 people, including 230,000 hourly-paid staff for whom pay is negotiated with the respective trade unions (USDAW in the case of shopfloor employees). Salaried employees are represented by a consultative forum of colleagues.

The company operates two share schemes: a save-as-you-earn scheme, through which staff receive a 10% discount on shares, and a buy-as-you-earn scheme that allows tax relief on shares purchased. The former scheme is more popular, with about 30,000 eligible staff participating, although take-up has declined a little over recent years, attributed in part to a dip in the company share price. The organisation is set to undertake a review of benefits (for its population of team managers and junior managers) in the coming months and its share schemes will be one of the elements under consideration.

Key points

- Hourly rates for customer service advisers increased by a higher amount than usual this year, with greater focus on basic increases rather than improvements to other terms due to the increasing cost of living
- The company is investing in multiskilling staff, supported by investment in scheduling technology, to provide greater flexibility for employees and employer alike
- Differentials are treated separately from the general pay award and were not increased in the latest pay review, other than for customer delivery drivers.

Pay rates

Table D Pay structure at case study D effective 24 July 2022

Job(s)	Hourly rate
Customer Service Adviser	£10.10
Shift Team Leader	£11.96 (£10.10 + £1.86 skills payment)
Team Manager	£12.47 (equivalent hourly rate)

As of 24 July, the retailer has a basic rate for customer service advisers of £10.10, up from £9.55 in 2021/22. It does not operate youth rates for under-23s. Additional responsibility or specialisms are rewarded through skills supplements, including a premium of £1.86 for shift team leaders (the next grade above a Customer Service Adviser). Areas where there are recruitment difficulties (these may be store- or role-specific) or a higher cost of living attract a premium. Location pay premia vary significantly (currently 68 pence for London) while '*market supplements can vary anywhere from a couple of pence up to a couple of pounds,'* according to the Head of Reward.

The company has recently abolished starter rates, which were previously 90% of the basic rate for the first three months of employment. This was in response to similar activity at competitors and also to eliminate the issue of sometimes having to increase starter rates to comply with the increased NLW for the period between April and the retailer's usual pay review date in July.

2022 pay increase

The rise from £9.55 to £10.10 in July represents a 5.8% increase for customer service advisers, compared with the 2.7% they received in 2021. The biggest driver for the level of increase this year has been the higher rate of inflation. '*Affordability and inflation are the two main considerations,'* explains the Head of Reward. '*While inflation has been steady over the last few years, affordability has been the more important factor of the two. But I think the position that we're now in, with inflation being higher than it has been for many, many years, is clearly driving what we're hearing from colleagues and unions. So that is now playing a really big part not just in pay setting but also pricing and buying power.'*

Each year's pay deal is negotiated with the company's recognised trade unions for stores and distribution and as such, they play an important part in the process. There are around 40 trade union representatives who meet and vote on the proposed increase on their colleagues' behalf. For its part, the company seeks to balance affordability, competition, statutory increases and colleague expectation when arriving at an appropriate figure. This year's negotiations with USDAW took three days before the recommended increase was put to the reps. '*This year they came with fewer demands than perhaps they normally would do; it was a real focus on the hourly rate, whereas in previous years they've come with six or seven items they wanted addressed. I think this probably helped shorten the process,'* says the Head of Reward.

The National Living Wage has little bearing on the company's considerations in the pay review process, relative to factors such as affordability and inflation, largely because current pay rates are some way above the statutory minimum. The trade union instead cites Real Living Wage rates and the retailer is also alert to current efforts by the campaign group Share Action to encourage companies to sign up to the Real Living Wage. '*Larger shareholders often come and talk to us about the Real Living Wage and what our approach to it is, so it's an important factor,*' says the Head of Reward.

Salaried staff are represented through a consultative forum. '*It's an "inform and seeking feedback" arrangement,'* the Head of Reward explains. '*We have two meetings a year that cover pay. One will be prior to the pay review, where we'll go in and talk generally about the process, our approach to benchmarking and how we set the budget, and take on board any feedback they're giving us around their thoughts on the cost of living, inflation, their* *expectations. Then after we've gone through the process we'll give them some feedback on how it went, how the budget was spent, any differentiation on gender pay, for example.'* While there is scope for pay to be raised as a topic outside of these two occasions, in practice this does not often happen.

Differentials

The company aims to maintain a fixed differential – essentially a skills payment, as outlined above – of £1.86 between customer service advisers and shift team leaders (of whom there are 12,000) with each year's pay award. '*The Shift Team Leader is the next step up in terms of management and the highest hourly-paid store role,'* says the Head of Reward.

Different roles, including drivers and shift team leaders but also pharmacy and phone shop staff, attract varying skills payment as these require different skills from those of customer service advisers. The percentage increase applied to the core hourly rate as part of the annual pay review is not routinely applied to the skills payments, which are instead negotiated on independently as separate items. They are uprated less frequently than the basic pay rate – for example, in the latest pay review only the skills payment for customer service delivery drivers was increased.

The increase in the base rate has caused some compression between shift team leaders and the company's 7,700 team managers, who are on an equivalent hourly rate of £12.47. The company may look at increasing its appointment rate for this group of staff to encourage progression into this role. '*We are feeling that compression; we find it difficult to move people from that Shift Team Leader role into the Team Manager role. So I think we'll have to look at what our starter rate is for the team managers,'* says the Head of Reward. The situation is compounded by the fact that team managers are not eligible for overtime. It is hoped that the forthcoming benefits review will help to alleviate difficulties in this area. '*We haven't done anything to address the problem as yet but that's part of the thinking with this benefits review for the first layer of salaried staff: to think more broadly about what the package is and how we communicate it. You do get the bonus opportunity, which you don't at Shift Team Leader level. But also it's the opportunity you get to develop your career; there are a number of elements to it that we need to think about more to encourage people to move across – so pay being one of them but it's the broader career opportunity that it gives you.'*

Increasing flexibility

While there are no specific plans to change skills payments, the company is conducting an intensive training programme over the next nine months to make store staff more multiskilled. This will not necessarily attract further skills payments but is intended to provide the company and employees alike with greater flexibility. '*At the moment, if you work on the checkout, you tend to work on the checkout. If you work on fruit and veg, you work on fruit and veg. So the idea is to multiskill people so they can work in different areas of the store, which will enable them to pick up more or different shifts available to them and also ultimately to work across different stores as well,'* explains the Head of Reward. '*There is a double benefit there in that we get colleagues who are more flexible and able to cover. Resourcing will be easier but also colleagues will get the opportunity to work shifts when it's more convenient to them and also the opportunity to pick up overtime as well.'* There has also been a significant investment in technology to support this development, to enable staff to identify and pick convenient shifts from their phone.

Labour market

The company is experiencing particular recruitment and retention issues with Warehouse Operative roles and customer delivery drivers. The National Living Wage has little impact here, particularly with the former roles where pay rates are significantly in excess of the statutory minimum, at between £11 and £14 an hour. As already mentioned, the skills payment was recently increased (from 68 pence to 90 pence) to help alleviate difficulties with customer delivery drivers, bringing their total hourly rate to £11. In November, the company also temporarily removed the starter rate for customer delivery drivers, which like customer service advisers was 90% of the basic rate. This is perceived to have helped alleviate some of the recruitment and retention challenges in this population and, as for customer service advisers, starter rates were eliminated with the latest pay negotiations.

Looking at higher-paid roles, in common with many other employers the retailer also recently experienced difficulties recruiting HGV drivers to undertake deliveries between warehouses and stores. However, following various initiatives including sign-on bonuses and encouraging existing staff to train as drivers, with a number taking up the opportunity, the company now has a full complement of staff in this area.

Case study E

Background

This case study organisation is a small privately-owned day care nursery in the Southwest of England, employing 82 staff across two sites and a head office. Employees are not consulted on pay matters, with all decisions taken at Director level. Pay decisions are wholly driven by changes to the NMW/NLW.

Key points

- The nursery regards apprentices as an important pipeline of nursery staff and pays these roles at the statutory minimum rate for apprentices (currently £4.81)
- Qualified nursery nurses, as well as other operational roles, are on the statutory minimum rate for their age. Just 15-20% of staff are paid above £9.50 an hour, all of whom are in supervisory or management roles
- Differentials have narrowed over the years with the increase in the NLW but this has not generally affected people's willingness to be promoted and take on the associated additional responsibilities (in practice, low turnover among senior staff means there is limited opportunity to progress into senior roles)
- While retention rates are strong among senior staff, the nursery experiences higher staff turnover among apprentices upon completion of training as they often move to nurseries with higher rates of pay than the statutory rates. The higher rates of pay on offer within the NHS and education sector have also contributed to recent turnover.

Pay rates

The organisation operates spot rates for all roles. The lowest pay rate is £9.50 per hour for staff aged over 23 years and £9.18 an hour for 21-22-year-olds. These rates apply to qualified nursery nurses and other operational roles such as maintenance workers, cooks and gardeners. The organisation also supports apprentices – an important pipeline of nursery staff – and pays the statutory minimum of £4.81 an hour for these roles. Only some 15-20% of staff are paid above £9.50 an hour – all of whom occupy supervisory or management roles.

The pay structure operates with fixed (monetary) differentials between the salaries for each grade, worth between £250 and £1,000 a year depending on grade, which a Director of the company stated was 'a minimal amount of money that doesn't reflect the extra responsibility in any way, but it is the most the business can afford'. The differentials have narrowed over the years with the increasing of the NLW; however, this has not generally affected people's willingness to be promoted and take on the associated additional responsibilities. The current pay structure and fixed differentials are illustrated below.

Table E Pay structure at case study E effective 1 April 2022

Job(s)	Equivalent hourly rate	Annual salary	Fixed differential
Qualified Nursery Nurse, Cook, Gardener, Maintenance worker (21-22)	£9.18	£19,133	
Qualified Nursery Nurse, Cook, Gardener, Maintenance worker (23+)	£9.50	£19,800	
Room Supervisor	£9.61	£20,050	£250
Room Manager	£9.73	£20,300	£500
Deputy Manager	£9.97	£20,800	£500
Assistant Manager	£10.45	£21,800	£1,000
Nursery Manager	£10.93	£22,800	£1,000

Implementing the 2022 rise

The pay review is effective from 1 April each year and covers all 82 staff. A general award is applied each year in line with the NLW/NMW for the lowest paid, which sets the base rate, and then the fixed monetary differentials are applied to the roles above to determine the new annual salaries for all other staff. In 2022, the average increase was 6% with increases ranging up to 11.8%. Actual pay costs for the business increased by 8.9% in April 2022, due to additional employment costs such as the employers' National Insurance rise implemented in April 2022. A Director of the company stated: 'The key factor affecting pay setting decisions is the increase in the National Living Wage and the National Minimum Wage. Exclusively, there are no other factors. We cannot take into account [any individual's] ability, reliability, or commitment.'

No changes to terms and conditions have been implemented to offset increases in the NLW, with statutory provisions being applied across the board in terms of holidays, sick pay and maternity benefits.

Labour market

The company generally has low turnover among its qualified staff. This was mainly attributed to the above-inflation pay rises that have been awarded each year in order to remain in line with the NLW/NMW. Turnover among senior staff is also low, with the average tenure being 15 years. The lack of turnover at this level, however, impacts the ability of other staff to progress into the senior roles.

The company typically only recruits apprentices, stating that it does not often get applications from qualified nursery nurses, so must develop its own pipeline of staff. A higher turnover is experienced among apprentices upon completion of their training, with some moving to nurseries paying above the NLW/NMW levels. The NHS and education sectors have also driven some recent turnover, as these pay higher hourly rates. The company Director attributed this to use of the 'catch-up funding' announced by the government in 2020, to support children with catching up on missed learning during the pandemic.

The Director also observed that the role of nursery nurses has grown more demanding over time and highlighted, in particular, the pressures and impact on staff of Ofsted inspection and any resulting changes. There are also additional pressures in managing parents' expectations, with the Director referencing the issue that government childcare funding (for either 15 or 30 hours a week, depending on eligibility) only covers 39 weeks a year, but childcare is delivered 52 weeks a year, therefore a significant period is not funded, with parents required to pay full fees for the remaining time. In addition, it was noted that the funding only covers 40% of the normal fee charged so there are increasing costs for the business. The increasing cost of childcare – directly attributed by the Director to the increase in the NMW/NLW and additional employment costs – has resulted in more children being enrolled into the nursery for less time in order to take advantage of the government's free childcare funding. The business has also faced increased costs due to Covid, which has negatively impacted profitability – with one nursery site trading at 12% below and the other at 20% below pre-Covid levels.

Case study F

Background

This private limited company provides non-medical care to people in their own homes across the Northwest of England, which includes help with personal care, mobility and meals, as well as social and emotional support. It employs around 110 staff, 75 of whom provide care.

Staff play a significant role in the business, and it runs quarterly team meetings with all office staff where pay and organisational matters are discussed.

Key points

- Qualified care assistants received a 15% increase as part of this year's pay review, taking the main rate to £11.50 an hour. The company also doubled the mileage reimbursement rate in response to rising fuel costs
- This increase has narrowed the gap between care workers and managers, causing recruitment challenges for managerial staff. Next year the organisation will have to implement a higher increase for managers to widen the gap between the lowest earners and middle management.

Pay rates

The pay structure is based on spot rates and there are four rates for care workers. The lowest rate is £9.50 in line with the NLW and this rate is paid to staff in roles that provide companionship and home help ie preparing and serving meals. The rate for the main grade of staff providing care is £11.50, which covers the majority of staff. Here staff are required to undertake more skilled work that involves providing personal care, manual handling and dealing with medications. Senior care assistants are paid £11.75 an hour, while team leaders are paid £12.00 an hour. The differential between each grade is 25 pence an hour.

2022 pay rise

The 2022 pay rise resulted in separate rises for care and office-based staff. Qualified care workers received a general increase of 15% from 1 April, while office staff received increases of between 3% and 10% from a budget of 5%. The company also increased the mileage reimbursement rate from 15p to 30 pence per mile.

As well as pressure from the rising NLW, the company also states that rising inflation, the rising cost of petrol, increased demand in the sector and increased competition also put pressure on pay. These combined factors led to the company's decision on the high pay increase for care assistants this year since the company is concerned about recruitment and retention and staff morale and motivation. Inflation's influence has increased significantly over the last year and many staff have complained about the significant increase in fuel costs (since they use their own cars to make home visits).

Labour market issues

This year's increases to care assistant rates have resulted in a narrowing of the differential between care workers and managers and this has led to recruitment challenges since: *'staff often do not wish to take on more responsibility for a lower differential in pay'.* The owner told us that next year salaried staff will need to receive a higher increase to widen the gap between the lowest earners and middle management since the majority of positions are recruited internally.

At the same time the company also faces recruitment and retention pressures among care staff because of increased competition for staff in the wider market: *'a lot of competition [for workers] has led to a lot of movement in the marketplace, and some staff don't want to do domiciliary care anymore due to the cost of petrol'.*

Care roles have become more challenging in recent years: '*regulatory requirements under the CQC mean that care workers are moving more towards a nursing grade when it comes to aptitude, but care providers are not given the resources to treat them accordingly through pay'.* In addition, the sector is facing increased demand following the pandemic.

There has been greater use of technology in an effort to give care workers back some time. They have handsets which contain notes regarding home visits, cutting down on paperwork. The company has also made greater use of online training platforms.

Accommodation offset

Accommodation offset is not relevant since the company does not provide any staff with housing.

Case study G

Background

This retailer is a private limited company employing 5,000 people across the UK with around 3,500 in store-based roles. Staff have little input into how the organisation is run and there is no staff council.

Key points

- Hourly pay rates at this retailer were higher than the National Living Wage for some time, although the gap has narrowed since 2020
- The company does not operate youth rates and all entry-level positions are paid a spot rate, which varies depending on the size and footfall of the store
- The company aims to offer a set differential in pay between entry-level staff and supervisors and then up to managers
- Most progression is made internally with store colleagues given the opportunity to apply for senior roles in their own store or at larger stores
- A Senior Store Colleague role was removed but in practice this resulted in very little change to roles and responsibilities of store staff
- The company is currently experiencing recruitment issues due to entry-level pay largely being below £10.00 an hour.

Pay rates

The company has three levels of hourly-paid staff in stores and operates three spot rates for each, which are based on the size and footfall of the store. There is no distinction in pay based on age and the entry pay rates have been higher than the National Living Wage for some time, although the gap has narrowed since 2020.

Of the 3,500 retail staff, approximately 7% to 14% of employees are on the lowest, standard rate for store colleagues. All three pay rates for store colleagues are typically set above National Living Wage – currently around 0.7% to 7% higher. The next level up in stores is Supervisor and the hourly rates of pay are around 7% higher than the store colleague rates.

The next step up is Assistant Manager and these rates are around 7% higher than those for supervisors.

2022 pay increase

The 2022 pay review is still under discussion at the time of writing. The most recent pay increase for retail staff took effect in October 2021 and was worth 5%. This was the second uplift last year and followed a previous increase of 3% in April. It is expected that the 2022 increase will be higher when compared to 2021 in order to maintain a gap between the NLW and the lowest rate of pay. There is no decision on the effective date for the pay rise.

Differentials

The company aims to maintain a set differential in pay between store colleagues and Supervisor pay rates and then between assistant managers. There was no change to this with the 2021 pay review. The store hierarchy was changed in recent years to reduce the number of layers, resulting in the removal of the Senior Store Colleague grade.

Progression

There is no in-role progression so employees remain on the spot rate for their store until they move to the next level of supervisor. Employees can choose to earn additional premia worth 25 pence on top of their hourly pay if they train in specific skills that allow them to assist customers with product choices. Most progression is made internally, with colleagues given the opportunity to apply for Supervisor or Manager roles in any store.

Productivity and work intensification

The historic progression from Store Colleague to Senior Store Colleague made little difference to responsibilities for the former, as the same tasks were still performed. The removal of the latter grade has increased the amount of lone working. Resource plans around staffing take into account the timing of deliveries to allow these to be received and processed while by store colleagues while the store is open. The Assistant Manager role is being phased out but will remain where needed if the store size warrants the need for this level. The company is investing in technology to give customers more choices, for example app development, but there are currently no plans to invest in in-store technology that would have a bearing on store colleagues' roles.

Labour market

The company is experiencing recruitment issues in stores and it is felt that this is due to the standard pay rates for entry roles being lower than those at larger retailers where rates are in the region of £10 or more. One approach the company is taking is to look at increasing the guaranteed number of hours of work to make the roles more attractive. Retention is less of an issue among shopfloor staff as employees like working for the company. However the company has experienced retention issues in the past with distribution staff, although this pressure has lessened following the 2022 pay review. Staff turnover in 2022 is broadly similar to previous years.

Case study H

Background

The organisation is in the leisure sector, and operates on a not-for-profit basis, with surplus re-invested in facilities and resources. Locations are across England and Wales, mainly in remote, scenic areas. It employs some 1,200 staff across its sites, plus another 120 in a contact centre, though these are paid some way above the National Living Wage and as such, the main body of site-based staff was the main focus for the interview. There is a staff council but this does not discuss pay, which is set by management decision using inputs such as benchmarking. Since a large proportion of staff on sites are lower-paid, the NLW uplift is a key influence. Differentials between the entry grade, which is at the level of the NLW, and more experienced/skilled staff are a key consideration, as are the differentials between the different levels of these more experienced/skilled staff.

Key findings

- The organisation aims to maintain more-or-less fixed differentials between its lowest grade and those that supervise these staff (and also between different levels of this latter group, which are its main grade); while it has found this harder over the past few years, it has nevertheless managed to achieve it, mainly by achieving efficiencies in various areas, including on total headcount
- But the organisation is receiving feedback from supervisory staff on its main grade that the differentials – both with lower-skilled staff and lower levels of the main grade (see below) – are NOT sufficient and as a result it has embarked on a project to tackle

this, including questions on the topic in the staff survey that has just launched and consideration of strategies including moving to salaries instead of hourly rates and emphasising the totality of the benefits package

- However, this feedback does not seem to have affected the numbers applying for promotion and it may be connected instead with the rising cost of living, since there is no trade union and no direct staff influence on pay decisions
- Inflation has had a big impact on the investment required for business infrastructure
- Recruitment is more difficult than it was pre-pandemic and the organisation has just begun to consider ways of addressing this, including better presentation of tangible and less tangible benefits, apprenticeships and different types of contracts, and advertising in new areas and to new demographics/social groups (retention is much less of a problem with relatively low turnover of around 7%).

Pay rates

Site assistants are on £9.50 an hour. They remain on this for one season at least, and possibly two, before they are able to apply for the Site Manager grade. This has four levels as illustrated below.

Table H Pay structure at case study H effective January 2022

Level	Hourly rate
Site Assistant	£9.50
Site Manager level 1 (small sites)	£9.75
Site Manager level 2	£10.00
Site Manager level 3	£10.50
Site Manager level 4	£10.75

Movement through these points takes place on the basis of experience and skills, with a detailed training programme. Our informant (the HR Director) told us: '*Staff who start as site assistants come in at the National Living Wage and they stay on that for the first season and then when they become the next level up, then they get an increase for the first three years. Then they get the opportunity to be able to go for promotion to Site Manager.*'

The 2022 pay rise

The increase for staff on the lowest pay grade was in line with the statutory uplift (6.6%) but that for staff further up the pay structure was lower (between 2% and 3%).

Labour market

The situation with regard to recruitment and retention is set out above. The remote location of most of the organisation's sites presents a challenge in terms of recruitment, which has become harder recently. At the same time, location can also be a positive draw for some people, and also the nature of the work itself, which is largely outdoors. This is something the organisation is trying to place more emphasis on as it makes a bigger effort to attract new job applicants.

Differentials

See above with regard to differentials. Complaints about differentials may be reflecting the rising cost of living. The HR Director told us: '*Staff are saying, "I've got all this responsibility and I'm not actually getting paid for it and I'm not...feeling valued*."'

As a result, the organisation is looking at ways it can 'repackage the deal', presenting pay in terms of pro-rata salaries instead of hourly rates, and also 'helping staff understand the value of all the other things they get', eg free accommodation, utility bills paid, free uniform and a (DC) pension scheme, with employer contributions starting at 3% but rising to 7.5%.

Important to note though that the feedback has NOT affected the numbers of staff putting themselves forward for promotion, so may instead be linked to the rising cost of living, and perhaps also to the greater demands placed on staff by the pandemic (IDR interpretation).

Pay setting

Again, see above.

Pay progression

The first season is regarded as probationary, and most staff complete two seasons before they apply for promotion but some can be fast-tracked and promoted after one season. Most entry-level employees (some 85%-90%) become site managers. At this level, progression is mainly via an increase in experience and skills, with a detailed training programme. As such, there is a link to competencies at each level.

Training moved online at the height of the pandemic but inductions have reverted to face-to-face this year. Training is a via a combination of on-the-job and an online program with questions/testing. The organisation has maintained its spend on training since it regards it as very important for the customer experience. (As such, the use of technology is minimal – '*want to keep the human touch'*.)

Accommodation offset

The organisation provides accommodation (at some cost to itself) and does NOT make use of the accommodation offset arrangements of the NLW.

Case study I

Background

This charitable organisation provides sport and physical activity access to the community through around 30 sites across Edinburgh, which includes leisure centres, swimming pools, golf courses and soft play centres. It employs 960 staff in total.

The organisation recognises a trade union (Unison) and has a formal negotiating body, on which there are staff representatives. Negotiations cover pay and conditions, as well as other key organisational changes. Pay setting decisions are driven primarily by affordability, since the organisation relies on local authority funding.

The organisation was formed in 1998 through local authority outsourcing. Terms and conditions for staff employed at the point of transfer to the organisation were protected under TUPE regulations. This meant that the organisation inherited local government terms and conditions which were more generous that typical in the leisure sector, particularly in respect of unsocial hours premiums. Subsequently the organisation successfully negotiated harmonised terms for the majority of staff.

> *'Over the years, we have amended our terms and conditions and made them more fit for purpose for our environment, because local authority terms and conditions do not suit seven-day operations, with evenings and weekends. We went through some major changes to our terms and conditions and salary over the years to harmonise'.*

A small number of staff (24) have recently transferred to the organisation and these remain on different terms and conditions at present.

Key points

- The minimum pay rate at this leisure business is £9.90, up from £9.50 an hour in 2021. Staff also receive pay progression based on length of service
- This year all rates rose by the same amount (4%) for the first time since the progression scheme was implemented, since it has matured over the last five years and is now at a point where the balance between leavers and new joiners means the scheme pays for itself
- However, differentials have been squeezed over the years and are now just 25 pence an hour and this is affecting internal progression
- The firm states that affordability is a major concern and it is now at the point that 'something has to give'.

Pay rates

The lowest pay rate is currently £9.90 an hour. Key roles paid at this rate include cleaners, dry leisure assistants (who set up and put away equipment, such as badminton nets), soft play assistants, catering assistants and trainee coaches. Trainee coaches are unqualified and are supervised while undertaking on-the-job training. At this level staff will not be responsible for leading a session and will not work alone. The organisation used to operate different starting rates for different roles but these have been replaced by a single rate following the introduction of the NLW: *'£9.90 is our lowest and it is a single point. It used to be multiple, but we had to get rid of them because we that's how we absorbed the massive increases to the National Living Wage.'*

The next lowest rate is £10.15 an hour and this rate is paid to coaches with the first level of qualification who can undertake assistant coaching work. Elite coaches are paid £11.44 an hour and these staff can run a large class.

2022 pay rise

In April 2022 all 960 staff received a general rise worth 4% plus an incremental progression step on the pay spine. To qualify for progression staff must have been in post on 1 January and have no disciplinary record. In April 2022 the bottom rate was increased by 4.4% from £9.10 to £9.50, the next grade by 2% and all other rates by 1% in order to maintain differentials. They also removed two increments because *'it was the only way we could afford that higher entry level payment'.*

This year the organisation did not have to factor in the costs of increments as the scheme has 'matured' over the last five years and is now in a position where the balance between leavers and new joiners means the scheme pays for itself. Previously the cost of increments left little in the pot for the general pay award.

The Director of People expressed concern regarding the impact of future rises on progression: *'if the increases keep outstripping inflation, which might not now given where inflation is, we were getting to the point where I can almost see us having single points in the first four or five grades [as they already do in the first grade], which will be a real shame because staff like the progression.'*

'Our differentials are now as low as we can have them without damaging our ability to promote from within (we already have people who don't feel the increase is worth it). Our 'squeeze' was in 2021, when we had to remove increments to keep the differentials, we now have no space to do any more. We applied a 4% increase to all grades this year to accommodate NLW, but if it keeps going up, we are in trouble. People do want to be paid more for our higher grades as these require qualifications/experience and additional responsibilities.'

'We've been able to protect most employment terms so far but we're at the point now where if something drastic happens with our funding, we'll be looking at closing something... We don't really feel we've got any meat left to cut off the bones.'

The organisation provides occupational sick pay, holiday entitlement that rises with service and a defined contribution pension scheme that matches employee contributions up to 8%. There are no enhancements for weekend or bank holiday working, as these have been rolled up into basic pay. Overtime is paid at a fixed hourly rate which is linked to the type of work staff are undertaking when working overtime. For example, staff covering a Leisure Attendant shift are paid £10.50 an hour even if their usual hourly rate is higher. This means that the incentive to work overtime is greater for staff in lower grades. There are six overtime rates in total and the payments reflect different levels of work.

Looking ahead to the 2023 rise, the Director of People said: *'ultimately the decision will be driven by affordability. We know we're facing grant cuts from the council. We know we're probably at the limit of what we can push customers to pay. So, something is going to give somewhere. We have no idea what it will be.'*

Rising energy costs are also a major concern for the organisation and costs here outstrip the total spent on pay rises this year.

Labour market issues

Entry-level recruitment, for unqualified staff with no work experience, is less problematic than that for more senior positions. The majority of more experienced/qualified roles (60-80%) are filled internally and the organisation is finding it difficult to attract internal applicants because the increase in pay between grades is now so low at just a 25 pence differential. The most challenging area is coaching as people don't see that as a career option, although they can progress by gaining qualifications.

'We've actually had to re-advertise for senior staff. In fact, if we recruit first time round for senior staff vacancies, we think we're doing well.'

The organisation has tried open days as a new initiative to try and recruit people to the organisation, since offering financial incentives is not affordable. This way members of the community can come and see what the role(s) entails. The organisation also offers lots of opportunities for training. For example, staff can take their National Pool Lifeguard Qualification (NPLQ) and that gains a promotion to the next grade, or work towards gaining supervisor positions. Many of the organisation's current managers started at the bottom and worked their way up. Training opportunities are discussed as part of staff annual reviews.

The Director of People thinks that recruitment pressures have eased slightly more recently, and the closure of local Covid testing centres has helped. The organisation lost quite a few staff when these opened, but now they have closed staff are returning.

Furlough was particularly difficult for the business and impacted staff retention levels. A number of staff got other jobs and did not return when centres re-opened. Brexit has also played a part, with some staff leaving the UK. The organisation also made a small number of redundancies at the point at which the furlough rules changed and staff had to work at least some hours because the organisation could not find them sufficient hours (since activities were still limited dye to social distancing rules). Some staff were successfully redeployed.

Accommodation offset

The organisation does not provide any staff with accommodation currently but used to on golf courses in the past. The Director of People feels that providing staff with accommodation is challenging in respect of fairness and deciding who gets to live in the property and is glad it is not offered anymore.

Case study J

Background

This health and beauty retailer employs 18,300 people across 1,300 stores. Staff have limited input into how the organisation is run, although there is a staff council and the company conducts various anonymous employee surveys that include feedback around pay.

The distribution arm of the firm is unionised, with negotiations here conducted on a centre-by-centre basis.

Key points

- Basic pay rates at this retailer have been level with the National Living Wage for some time but it is now looking to move ahead of the market to help ease recruitment and retention issues
- The company operates youth rates, although these are some way above the applicable National Minimum Wage rates for workers aged 16 to 20
- Pay for 18-20-year-olds is a particularly important consideration as this group of staff is proving most challenging in terms of recruitment and retention.

Pay rates

Table J Pay structure at case study J effective 1 April 2022

Job(s)	Hourly rate (LR1)*	Hourly rate (LR2)*	Hourly rate (LR3)*
Sales Assistant 23+; Driver	£9.50	£9.65	£10.45
Sales Assistant 21-22	£9.18	£9.33	£10.13
Sales Assistant 18-20	£7.64	£7.79	£8.59
Sales Assistant 16-17	£6.93	£7.08	£7.88
Team Leader/Supervisor	£10.00	£10.15	£11.05

*LR1 is the national rate; LR2 is for outer London and ‘premium’ areas; LR3 is for central London

Of the 17,000 staff in the retail arm, almost 5,500 people are on the lowest adult rate. Around 1,900 are in Team Leader or Supervisor roles, earning a minimum of £10 an hour. The next level up, Assistant Manager, attracts an equivalent hourly rate of £11.34; there are around 1,300 people at this level. As well as a national rate, there are two further zones where location premia apply.

Adult pay rates are typically set at the level of the NLW. The organisation currently uses youth rates, with three bandings for staff aged under 23 in line with the framework for the National Minimum Wage, but for workers aged between 16 and 20 these are higher than the applicable statutory minima. As explained in more detail below, the company is currently exploring possible changes to its youth rate structure with a view to boosting recruitment and retention of staff in the 18-20 age range. In time, it anticipates ultimately moving to just two separate rates, for under-18s and those aged 18 and over.

The company also employs apprentices in Retail Adviser and Warehouse Operative roles; these currently comprise about 1.5% of its total workforce. Rates for retail apprenticeships are between £6.40 and £6.61 an hour depending on location, while apprentice warehouse operatives earn £310.50 (£10.35 an hour) for a 30-hour week. (The company also made use of the Kickstart scheme while it was in operation and such staff accounted for 5.5% of the total population, predominantly retail-based.)

Staff in team leader roles and above are also eligible for a bonus. This is calculated based on the achievement of store key performance indicators and ranges anywhere between £50 and £500 a year for team leaders and between £500 and £1,500 for assistant managers.

Some of the company's beauty services staff are also on rates close to the NLW – for example, nail technicians are on an hourly rate of £9.58. However, they also stand to earn commission on products they upsell to customers.

2022 pay increase

In recent years, adult pay rates at the company have been closely aligned to the statutory minimum, with sales assistants in the LR1 zone currently earning £9.50 an hour. '*We're a National Living Wage employer and very much led by what comes out in October for the following April,'* says the Reward and Benefits Business Partner. However, the company is now exploring options to try and move ahead of other retailers. It is currently modelling various scenarios for 2023, based on the forecast increase in the NLW to £10.32; options under consideration include the cost of maintaining its current differentials, the cost of extending the 23+ rate to all staff aged 21 and over, or even the cost of extending the full pay rate to over-18s. '*The 18-20 age group is the one that is posing the greatest problems in terms of recruitment and retention. So [extending the £10.32 rate to over-18s] would help us get more 18-to-20-year-olds in and keep the ones we've got. We've noticed we're losing more of these people – they're our future team leaders and assistant managers and they're not sticking with us.'*

Other options the company has considered include bringing its pay review forward to January, although this is unlikely to go ahead as it is felt there is insufficient time to implement it, and the prospect of rolling bonuses into basic pay for eligible staff. '*One of the things we're talking about now is what we could do with that to give people more money upfront,*' explains the Reward and Benefits Business Partner.

Differentials

It is company policy to maintain a 50 pence differential between Sales Assistant and Team Leader/Supervisor pay rates and there was no change to this with the latest pay review. With the increasing NLW, there has been some compression observed between Team Leader and Assistant Manager rates; this has affected the inclination of staff at this level to apply for promotion as they can currently achieve a similar overall income by working overtime. The company may look to increase Assistant Manager salaries in response to this. '*And even the 50 pence differential between sales assistants and team leaders feels quite piddly; I have had people say to me it's not worth it,'* says the Reward and Benefits Business Partner. While the supervisory role is similar to that of a Sales Assistant in many ways, it comes with additional duties: '*you're still replenishing, you're still jumping on tills to keep the queues down – but there's that responsibility of probably opening and closing, cash-handling and being a keyholder.'*

There is a multi-layer management structure in place in the stores and this is likely to remain in place for the foreseeable future. '*We have looked at whether we could do something different with four-day weeks or could we run stores on fewer hours but we're not keen to change anything. Our CEO is very happy to have three managers in every store. I know other businesses have taken out managers or they've had store managers running two stores to save money but there doesn't seem to be a lot of appetite to do that for us,'* comments the Reward and Benefits Business Partner.

Labour market

As already mentioned, the company has been experiencing difficulties recruiting and retaining sales assistants in the younger age brackets for some time. There is a perception that this may have been exacerbated by the pandemic; although stores were open during much of the lockdowns, some staff took the opportunity to reassess their career plans or did not return from furlough.

While the company previously found that the relatively higher increases in the NLW had helped with retention, because it brought its rates closer to those at other retailers, the state of the current labour market coupled with rising inflation means that any such benefit has rapidly been lost. '*The 6.6% increase was really well received but we announced it quite late. And now I think everything's moved so fast; it's all been doom and gloom since March in terms of the media and bills and energy prices and petrol prices; I think it just continues to be tough,'* says the Reward and Benefits Business Partner.

The reward team is undertaking an increasing number of ad hoc benchmarking exercises for individual stores as turnover rates are rising. This sometimes results in all the roles in a store being moved to a premium zone, with the associated increase in basic pay rates. The company is increasingly looking outside non-food retail and regards the higher-paying supermarkets as potential comparators. '*People are going where the money is, quite rightly, and so whereas we would normally look at the other non-food retailers I think food retailers should definitely be considered among our top competitors at the moment,'* says the Reward and Benefits Business Partner.

The team primarily uses sector surveys and reward consultancy data for benchmarking but the Reward and Benefits Business Partner observes that current circumstances are such that '*when we look at the rates on the surveys we already know they're kind of outdated by the time we get them because everything's moving so fast and then it's a case of trying to figure out what the rate is for that town*.' He sees pay at the root of current recruitment and retention difficulties and is becoming increasingly conscious of a gap between the company's rates and those for office and even hospitality jobs. '*There are so many vacancies and so few applicants to fill those vacancies. If I'm a team leader, I've been with the company for two years and I'm on £10 an hour and I can go and earn £11.50 up the road then I'm going to go and do that*. *People are able to earn comfortably at a pound an hour more doing something else without necessarily needing lots of experience*.'

As well as increasing pay where benchmarking exercises suggest this is warranted, the company has boosted its recruitment marketing efforts, especially on social media platforms such as TikTok. It is also exploring what more it can do for staff in terms of benefits and recognition. '*Financial wellbeing is a big one for us,'* explains the Reward and Benefits Business Partner. *We are looking at tools like* Wagestream, *where people could potentially* *draw down some of their earned wages. We don't have a tonne of money to throw at these things but are just making sure that everything we can offer or can partner with is as good as it can be. We're also trying to link up with partnerships where we can give better discounts – anything we can do to try and put more money in people's pockets.'* The company has also invited a bank in to deliver sessions for staff on how to budget.

The staff shortages among sales assistants have resulted in assistant managers and store managers taking on more of this type of work to cover tills or replenishment, with many working over their contracted 39-hour week. Meanwhile sales assistants' roles have become more demanding over the last few years, with greater focus on pushing 'star buys' and mobile phone SIM cards, as well as greater focus on customer interaction. '*They are giving out baskets at the entrance and making sure there's someone standing in the aisle to ask if you're OK, so it becomes more like a sales environment than just a traditional retail environment – you wouldn't get that in a supermarket or a discounter,'* observes the Reward and Benefits Business Partner. Performance is measured through mystery shopping assessments, with no specific financial reward attached. (While the mobile phone provider runs employee competitions around the sale of SIM cards, no commission is paid.)

Case study K

Background

This organisation is a large furniture retailer with locations nationwide. It is privately-owned but publicly quoted. There is an employee share scheme but take-up is low (around 10% of staff). There is no trade union recognition and all pay decisions are made by senior management.

Key points

- The company pays above the statutory minimum for frontline staff – retail sales advisors
- The organisation uses a combination of different types of pay structure plus bonus/incentive pay. The latter is also aimed at boosting productivity, ie sales

- The company does not maintain fixed differentials between the main grade and supervisors. There is a complex system of pay ranges in place for supervisors (as compared to spot rates for retail advisors) that vary according to store sales. It also makes extensive use of incentive pay for all grades
- Labour market and benchmarking is more important than it has been, as is the cost of living
- Recruitment and retention problems have been most acute among drivers, though there is a hint of problems among sofa installation staff as well
- The organisation has responded to these issues by 'growing their own', ie training up existing staff, mainly from frontline workforce, to become drivers and installation experts. There seems to be a strong focus on training and development
- The company has some concern about the path of increases in the NLW and the impact this will have on differentials, so much so that it is currently modelling the likely impact internally.

Pay rates

Retail sales advisors are paid on a spot rate – currently £9.67 an hour – albeit with a number of different incentive bonus schemes. Their supervisors are assistant managers and above, who are paid on salary ranges which vary according to store turnover (sales). Pay for installation experts varies by location but we were able to discover that those in Yorkshire, for example, are paid £10.72 an hour. While the difference between this and the rate paid to retail advisors is relatively wide, it is likely to be less significant for the business than that between retail advisors and assistant managers since these staff do not routinely work alongside each other in the same way that retail advisors and assistant managers do. The company would not divulge driver pay rates (something that in itself reflects the labour market picture for what used to be routine manual roles) but did confirm that these also vary by location. The company also has UK manufacturing, but this is rewarded largely on the basis of piece rates and as such is not fixed. (Maybe something for further research by LPC?)

Latest pay rise

Pay for retail advisors was increased by 6% under the latest review, while installation experts received 5.5%. Other staff, eg those at head office, received 3%. This contrasted with the previous year's award, which was just 2% 'across the board'. The first factor behind the increase mentioned by our informant was the effect of the increase in National Insurance on employees' take-home pay. But the wider labour market figured next as an explanation for both the higher increases under the latest review, and the fact that they were differentiated by role. Our informant said: '*I think the next six to eight months could be more tricky because the market is so volatile and you know I think that's only going to... not get worse, but, you know, become more of a challenge. And if we make these kinds of reviews, perhaps more common.*'

Labour market

Up until now, the main recruitment and retention challenge has been among drivers, and to a lesser extent among sofa installation experts. The company has responded to these by 'growing its own' and training up staff internally to do these jobs. It mainly populates its supervisory roles by promoting staff internally, though also recruits externally whenever this is required, eg when the number of roles are such that they cannot all be filled internally. There is a strong focus on training and development.

Differentials

While the precise magnitude of the differentials between the main grade and those supervising them is unclear these gaps nevertheless appear to be a concern, probably from the point of view of affordability and costs.

Case study L

Background

The organisation is a large non-food retailer, with stores nationwide. It is privately owned by the founding family. Pay reviews for frontline staff are based on negotiations with the recognised trade union, in this case the GMB.

Key points

- The company is moving away from percentage increases for hourly-paid staff, instead emphasising the rise in terms of pence per hour. The majority of staff groups received a 60 pence increase this year, equivalent to between 3.0% and 6.7% and maintaining differentials in monetary terms, while under-23s on the lowest grade received a £1.14 (13.5%) increase to bring their pay into line with adult rates (10 pence above the statutory floor, at £9.60)
- The company uses benchmarking and job evaluation to set pay for roles above this level – what they term their 'executive' population, which includes supervisors
- They emphasised that they pay close attention to what other retailers pay
- Labour market issues are greater in certain areas, notably the company's distribution centres
- They have introduced measures to address these, though have yet to evaluate them.

Pay rates

The hourly rate for most frontline staff is now £9.60 an hour, just 10 pence above the legal floor. This pay rate also applies to a range of logistics and support centre roles including Administration Clerk, Cleaner, Mail Service Assistant, Product Data Assistant, Receptionist, Space Planning Assistant and Stock Auditor. In total around 11,000 incumbents are on this rate.

The details below are taken from the GMB website. With the elimination of youth rates for under-23s, there is now a single rate for 'level 1' staff. Level 3 relates to retail and may encompass first-line supervisory roles such as team leaders. We assume level 5 in logistics relates to drivers, since the amount (at £20.32 over twice the rate below it in logistics, level 2 – £9.84) would suggest this.

Table L Pay structure at case study L effective April 2022

Level	Area	2021 hourly rate	2022 hourly rate	Monetary increase	Percentage increase
Level 1 <23	Retail and logistics	£8.46	£9.60	£1.14	13.5%
Level 1 >23	Retail and logistics	£9.00	£9.60	60p	6.7%
Level 2	Logistics	£9.24	£9.84	60p	6.5%
Level 3	Retail	£10.93	£11.53	60p	5.5%
Level 5	Logistics	£19.72	£20.32	60p	3.0%
Band 1	Support Centre	Various	Various	60p	Various

Latest pay rise

The GMB website describes the 2022 pay offer as follows:

- An increase to £9.60 for all level 1 team members, including removing the under-23's pay band and an increase of 60 pence for all level 2 to level 5 team members based upon 2021 pay rates to maintain differentials

- This offer will cover all Band 1 team members within the GMB bargaining group (Retail, Logistics, Support Centre) and if the offer is accepted by GMB members the rates will be backdated to the 1st April 2022

- The company have said they are unable to make any enhancements on pay from their last offer due to the financial situation of the company and the trading position due to the current economic climate. Therefore, this is not an offer that GMB can recommend, rather it is the best that can be achieved through negotiation.

Although the GMB did not recommend the offer, it was accepted or imposed. The offer details appear to back up the information provided by the company that the emphasis is indeed on expressing the pay increase in pence rather than a percentage. In terms of the latter, the cash amounts are worth between 3.0% and 13.5% as illustrated in the table above.

Labour market

The company pays close attention to pay rates at competitors, eg B&Q. One of our informants said: '*It's become more of a candidates' market and we're seeing it*.' They said it was '*across the board*' but mentioned the distribution centres in particular. The company has introduced measures to deal with this: one is incentives for referral or 'recruiting a friend'; the other, more significant one is a retention payment of £250 after the first three months and another £250 after the second three months. This is likely to indicate that turnover is highest in this first six-month period, with the payment designed to forestall this.

Differentials

These are underpinned by job evaluation and benchmarking, which indicates once again that what other retailers pay is important. However, our informants did not want to reveal anything about what the company pays supervisors so it is difficult to assess its policy and whether and how the rising NLW has affected it. The most they would say was: '*it's not a policy of fixed differentials, but you watch the differentials quite closely*.' The structure above indicates that the company has maintained differentials at the same width between 2021 and 2022 at least.

There is a differential of £1.93 between the level 1 and level 3 grades in retail, or 16.7% (when expressed as a percentage of the higher rate). Importantly, supervisors also receive responsibility payments.

Case study M

Background

This small hairdressing company based in County Durham in the Northeast of England employs three staff, the owner and two other stylists, both of whom work part-time.

Key points

- This small salon currently employs two staff, both of whom are paid the NLW
- One staff member is on a three-month trial to become an apprentice; if successful the rate paid will change to the statutory minimum apprentice rate
- The salon owner feels there should be more support for businesses to employ apprentices as they have to be paid but they, in turn, are not making the business any money.

Pay rates

Both staff are paid the National Living Wage, which is currently £9.50 per hour. One of the staff members is on a three-month trial before a decision is made as to whether she will be taken on as an apprentice. If she is taken on as an apprentice, she will be paid the statutory apprentice rate. The other worker currently works part-time, following a reduction in her hours at the owner's request.

Both staff have opted out of the government's NEST pension scheme. Neither are paid a premium for working evenings or weekends as these are part of their contracted hours. There are no bonuses but staff are entitled to discounts on all products used by the salon, such as hair colourants and products.

2022 pay rise

Pay rates rose in line with April's increase in the statutory minimum. The salon owner reports that the increase in the National Living Wage is much more than she can increase prices by as the customers would *'likely go elsewhere and certainly complain'.*

In addition to the rising NLW, the owner states there are other pressures from rising costs for stock, heating and lighting. One area where there has been no change in costs has been in rent for the premises, but this could well increase in the six months or so.

The large increase in the National Living Wage has put a strain on the finances for this small business together with increases in heating bills, electricity and gas bills and the cost of stock. To manage the increases in the National Living Wage and running costs of the salon, the owner has had to reduce the number of hours worked, reducing the one full-time employee down to working part-time only.

Labour market

Until recently the salon was run by three staff, plus the owner, but one of the staff left as her performance was not up to standard and she was not hitting her monthly targets. She left the industry altogether rather than moving to another salon for an increase in salary.

Training of employees is undertaken by the owner and at the moment she is not looking to recruit any more staff. The owner admits she is very concerned about the proposed increase in the National Living Wage next April. She feels that her clients do not seem to realise how rising costs affect the hairdressing industry when they complain that the prices in the salon have increased. Clients are cutting back on how much they spend in the salon by not coming into the salon as frequently, or by opting to apply colour at home using a do-it-yourself hair-dye rather than paying to have it professionally re-applied at the salon. As a result, salon takings are down while overheads are increasing.

The salon owner feels there should be more support for apprentices as they have to be paid but they, in turn, are not making the business any money. There was until recently an incentive of £1,000 for taking on an apprentice but that has been stopped now. The £1,000 payment was very helpful as it covered two months' salary. The owner also has to undertake 20% of the training of an apprentice for which she is not paid, which means while training the apprentice she is not able to earn any money.

The salon owner also admitted that closing up altogether is something she may have to consider in the future as she is not receiving enough support to train up and pay apprentices and she feels like she is working full-time just to pay her staff. She acknowledges that '*we are currently in very hard times, and it is easy to complain that the government should help more*,' but for her, and many other small businesses, '*things are really difficult*'.

Accommodation offset

The organisation does not provide any staff with accommodation.

Case study N

Background

This case study organisation is a small, privately owned group of care homes based in seven sites across the West Midlands. It employs 310 staff and employees are not consulted on pay matters, with all decisions taken at senior management level. There is no staff council or employee share scheme.

Key points

- The lowest pay rate in the organisation is £9.60 per hour for staff aged 16 years and over. This rate applies to housekeepers, who account for about 5% of the workforce.
- The next lowest pay rate is the entry rate for a carer at £9.70 per hour. New carers stay on this rate while completing a six-month probationary period and then while working towards achieving the RQF Level 2 Health Care Diploma qualification. Upon completion of the RQF Level 2, pay rises to £9.80 an hour for Level 2 staff. About 40-50% of the workforce are level 2 or 3 carers.
- The differentials between the pay rates linked to the carer qualification levels have narrowed over the years with the increasing of the NLW. For example, currently the differential between the entry rate for a carer and a senior carer is a maximum of 70 pence an hour, compared to six years ago when the differential was £1.20-1.30 an hour.
- Carers, kitchen assistants and housekeepers are currently the hardest roles to recruit into and the recruitment challenges have worsened over the past couple of years, with the pandemic making the social care jobs, in particular, more demanding due to the required use of PPE, regular Covid testing and the significant emotional impact of the job. Staff turnover has also increased, from 30% to 40% in the last 12 months, which has been attributed to burnout from working in the sector during the pandemic.

Pay rates

The lowest pay rate in the organisation is £9.60 per hour for staff aged 16 years and over. This rate applies to housekeepers, who account for about 5% of the workforce. The next lowest pay rate is the entry rate for a carer at £9.70 per hour. New carers stay on this rate whilst completing a six-month probationary period and then whilst working towards achieving the RQF Level 2 Health Care Diploma qualification[1] (this typically takes about six months). About 5% of the workforce are currently on this starter rate. Upon completion of the RQF Level 2, pay rises to £9.80 an hour for Level 2 staff. Level 3 qualified staff earn £10 an hour (the organisation will typically only support Level 3 qualifications if the employee has

[1] The RQF qualification was launched in 2018 and replaced the older Health & Social Care - Level 2 Diploma (QCF) which had previously replaced the older NVQ Qualification.

ambitions to become a senior carer) and a senior carer earns between £10.20-10.40 an hour (dependent on the location of the home and extra responsibilities eg responsibility for delivering moving and handling training). About 40-50% of the workforce are level 2 or 3 carers. The case study organisation has, for the first time this year, recruited ten nurses from India and whilst they are waiting for their personal registration number to be assigned by the Nursing and Midwifery Council, these nurses are also earning the senior carer rate of £10.40 an hour.

There is no policy to maintain fixed monetary differentials between levels, however the pay setting for all carers is driven by the lowest entry level rate, with increments of about 20 pence per hour. In practice the differentials between the levels have narrowed over the years with the increasing of the NLW. For example, currently the differential between the entry rate for a carer and a senior carer is a maximum of £0.70 an hour, compared to six years ago when the differential was £1.20-1.30 an hour.

The Managing Director of the company stated: '*As the NLW increases, all care bandings are being compressed closer together, and it is harder for social care providers to differentiate themselves on pay*.'

Table N Pay structure at case study N

Level	Hourly rate 2022/23	Equivalent Annual salary FTE 2022/23	Job
Housekeeper	£9.60	£17,472	Housekeeper
Entry Level Carer	£9.70	£17,654	New carer/Kitchen assistant
Level 2 Carer	£9.80	£17,836	RQF Level 2 qualified carers
Level 3 Carer	£10.00	£18,200	RQF Level 3 qualified carers
Senior Carer	£10.20-£10.40	£18,564 – £18,928	Senior carers

Implementing the 2022 rise

There are separate pay reviews for carers/kitchen assistants/housekeepers (180 employees) and nurses (30 employees), with both reviews effective from 1 April each year. A general cost-of-living award is applied each year, with carers receiving 8% in April 2022 and nurses receiving 7.2%. These awards are the same as were applied in the 2021 review. Affordability, the ability to recruit and retain and the increases to the NLW are the key driving factors behind the decisions on pay reviews.

Labour market

For the last three to four years the company has had vacancies at all levels, including for RGN nursing staff. It can take six months to fill a nurse position. Also, for the first time, in the last 12 months, the company has had vacancies in its housekeeping team, which has been attributed to the very low levels of unemployment in the areas in which the case study organisation operates.

Carers, kitchen assistants and housekeepers are currently the hardest roles to recruit into and the recruitment challenges have worsened over the past couple of years, with the pandemic making the social care jobs, in particular, more demanding due to the required use of PPE, regular Covid testing and the significant emotional impact of the job. Staff turnover has also increased, from 30% to 40% in the last 12 months, which has been attributed to burnout from working in the sector during the pandemic.

Retention of carers is challenging, with many carers attracted by the higher pay rates and more flexible schedules offered by agencies. The Managing Director stated that a significant challenge in the sector is that other employers and industries are able to be more flexible on working hours, but rota requirements do not make this possible in the private care sector. The Managing Director also noted that staff often do not want to work in excess of 16 hours a week as working beyond this level can impact their benefit entitlement, stating '*this is a huge barrier to getting some carers to work more hours*'. He added he would like to see greater clarity provided to employers on how the benefit system operates and how hours/pay rates affect employees' entitlement to benefits, adding '*there is often confusion amongst staff and a lack of clarity for employers'*.

The Managing Director also observed that the demands on carers have increased, with '*the needs of residents increasing every year*'. Conversely, he also observed that there are additional pressures on the employer, compared with a few years ago, in that many of the staff employed at NLW level have mental health challenges, with 60-70% requiring employer support with personal issues. This was attributed to the widening of the candidate pool in order to fill vacancies which has attracted a more diverse range of staff.

Case study O

Background

This case study organisation is a not-for-profit housing association based in Northern Ireland. It provides care and support for individuals with a learning disability and has over 1,200 units of accommodation and a turnover of £20 million. It employs 450 staff and has a staff group for communication and information sharing but no trade unions are recognised by the organisation. Pay decisions are taken at Board and senior management level following a move away from the National Joint Council (NJC) for Local Government Services pay scales in 2020 (see below).

Key points

- Pay decisions are taken at Board and senior management level following a move away from the National Joint Council (NJC) for Local Government Services pay scales in 2020. This change was in response to a need to establish more control in setting pay levels in line with the organisation's fixed income level
- Salary scales for 2022/23 are still being confirmed but the current proposals would raise the lowest pay rate to £9.70 an hour, an increase from £8.91 in 2021/22 although all Band 1 staff were moved to £9.50 an hour from April 2022 in line with the NLW. The Band 1 rate is currently only applicable to five cleaners. The starting rate for social care workers and support assistants is £9.63 an hour and the organisation would like to maintain a gap of c.£1 an hour above the NLW when awarding inflationary increases but this is proving difficult
- Affordability, sustainability and increases to the NLW are the key driving factors behind the decisions on pay reviews. A Director of the case study organisation expressed concerns at ability to pay the forthcoming rises in the NLW, alongside additional employment costs such as the employers' National Insurance rise, and called upon the government to assist with funding the increases for organisations with fixed incomes
- There are long-standing recruitment and retention challenges within the social care workforce and the challenges have increasingly worsened, with the pandemic making social care jobs more demanding due to the new risks, social distancing, long shifts, and required use of PPE (personal protective equipment). Competing employers such

as McDonalds and Tesco offer a higher hourly pay rate and do not have the inherent risks and safeguarding regulations the social care workforce must face and comply with.

Pay rates

The organisation has 13 pay bands, with four levels in each band, each with a spot rate. There are gaps between each band and there are no overlaps. There is annual progression through the levels, with movements between bands subject to promotion. In 2020, the organisation made the decision to move away from the NJC pay spine to establish more control in setting pay levels in line with the organisation's fixed income level.

Salary scales for 2022/23 are still being confirmed but the current proposals would raise the lowest pay rate to £9.60 an hour, an increase from £8.91 in 2021/22 although all Band 1 staff were moved to £9.50 an hour from April 2022 in line with the NLW. The Band 1 rate is applicable only to cleaners and there is no age-related pay below this rate. There are only five employees on the lowest pay rate.

There are 200 employees in the band above (Band 2). It is hoped this pay rate could move to £10 an hour or more for 2022/23, from £9.63 in 2021/22. There is no policy to maintain fixed differentials between bands and levels and in practice the differentials between the lowest levels and bands have narrowed over the years with the increasing of the NLW – with the lowest level reducing from 70 pence above the NLW to in line with the NLW in three years. In the proposed 2022/23 pay structure, all incremental pay progression may be removed from Band 1 for 2022/23, with the application of a single spot rate across the whole band.

Due to the narrowing differentials, there has been an observed detrimental impact on the willingness of social care staff to assume more responsibility as the increase in pay is viewed as minimal and not reflective of the uplift in duties required for a Team Leader. Some 41% - 60% of supervisory roles are filled internally. The Director stated: '*We have to pay the minimum wage, so higher up there's less to pay the rest of staff. They have been getting maybe 1-2% per year over the last few years, whereas for the last four years, the staff at the bottom have gone up 22% or 25% [in total] due to the NLW. For the rest of staff, the comparable increase is about 10%*.'

Implementing the 2022 rise

There are separate pay reviews for social care (300 employees) and housing (150 employees), with both reviews effective from 1 April each year. A general cost-of-living award is applied each year, with 1.25% applied in April 2021 and 3.5% for all staff with a £300 lump sum payment [funded by the Health Trust] currently being proposed for 2022. Affordability and sustainability (ability to pay in future) and increases to the NLW are the key driving factors behind the decisions on pay reviews. A Director of the case study organisation expressed concerns at its ability to pay the forthcoming rises in the NLW, alongside additional employment costs such as the employers' National Insurance rise, and called upon the Government to assist with funding the increases for organisations with fixed incomes mostly set by government departments.

Labour market

There are long-standing recruitment and retention challenges within social care, with a Director of the case study company stating that 20% of the social care workforce is missing across the whole sector. He noted that the challenges have increasingly worsened, with the pandemic making the social care jobs (in Band 2) more demanding due to the new risks, social distancing, long shifts, and required use of PPE. He observed that organisations that compete for Band 2 staff in the social care sector, such as McDonalds and Tesco, offer a higher hourly pay rate and do not have the inherent risks and safeguarding regulations the social care workforce must face and comply with, which exacerbates the ongoing recruitment and retention problems. External recruitment into Band 3 (currently consisting of 60 team leaders) was said to be challenging.

In an attempt to address recruitment and retention challenges the organisation raised its sick pay provision in 2021 from two weeks at full pay and two weeks at half pay to three months at full pay and three months at half pay, at a cost of £40,000-£50,000 to the organisation. However, the Director acknowledged that while longer-serving staff value this benefit, at the point of recruitment, new starters are mostly focused on the competitiveness of the hourly rate.

Case study P

Background

The organisation is a member-based charity in the leisure sector. Its net income from regular operations before gains on investments but after depreciation was £8.2m for the latest financial year. It has around 800 full-time and 300 part-time staff, at five sites around England. There is no formal staff input into pay decisions, which are taken and implemented by management.

Key points

- The charity awarded a bigger pay rise this year than previously, mainly on the back of increased membership
- This also involved boosting the lowest rate from the statutory floor to £10ph
- This is aimed at retention as much as recruitment
- The charity tries to maintain differentials and while there is still concern about future increases in NLW our informant accepted that the move to £10ph gives them some 'breathing space'.

Pay rates

Retail, catering and visitor assistants now start on £19,793. This equates to £10ph (for a 38-hour week). This population have a career progression framework, and the next rate, for a senior retail etc assistant, is £22,152. Team leaders are next, on £27,222. Some of these staff also receive a horticulture allowance of £1,000, for involvement in this aspect of the organisation's work.

Pay structure at case study P effective April 2022

Role	Salary
Retail Assistant, Catering Assistant, Visitor Assistant	£19,793 (£10/h)
Senior Retail Assistant, Senior Catering Assistant, Senior Visitor Assistant	£22,152
Team Leader	£27,222

Career progression frameworks cover around 40% of staff – the roles mentioned, and also horticulture ('curatorial') and science roles. The remaining 60% of staff, in administrative, events, finance, HR, IT, marketing and management roles are on spot rates. However, there are plans to introduce job families for this group and also a career progression framework.

2022 pay rise

This year, the paybill rise was 4%, whereas in previous years it was mostly around 2%. This was on the back of much improved performance, with increased membership in particular. Crucially, though, the award involved a much higher increase for the lowest-graded staff, of 12%, to take their rate from £8.91 (ie the statutory floor) to £10 an hour. The rise was aimed at labour market positioning and retention (see below), though our informant also mentioned the recent rise in National Insurance payments (presumably as they affected staff).

Labour market

The higher increase for staff (and especially for lowest-paid staff) was aimed at both recruitment and retention. On the one hand, our informant told us that '*it's a candidates' market*', and also said '*we knew we weren't competitive in the market*', citing the supermarkets and restaurants as competitors for staff. On the other hand, the move was made because '*we really value our people*' and wanted to pay as much as they could afford.

Hard-to-recruit roles include catering, retail, IT, HR administration (one vacancy – connected strongly to the calibre of candidate required) and a curatorial team leader. There are retention problems in the curatorial teams, with staff decamping to the private sector, mostly for better pay. The boost to pay in the latest review has helped with these issues, having reportedly 'gone down well' with staff.

Differentials

On differentials, the organisation wants to maintain these and as a result is concerned about the planned rises in the NLW over the next two years. It has not yet modelled these effects on its pay structure (it consulted IDR on the likely increases and the timing of announcements) but feels that the move to £10 an hour for its main frontline grade under the latest review gives it some 'breathing space' in this respect. It does however pay casual staff, apprentices and students at the level of the NLW (£9.50) so some concern remains.

Appendix 1 – survey question list

Impact of the NLW on pay setting, differentials and progression

1. Introduction

Welcome to this survey looking at the impact of the National Living Wage (NLW) on pay setting, differentials and progression.

This survey is being undertaken by Incomes Data Research (IDR), the independent pay research organisation.

The Low Pay Commission (LPC) has asked IDR to explore how the latest increase in the National Living Wage has impacted employers' approaches to pay setting; whether the relatively high increase in the statutory minimum (relative to general awards) has affected differentials between main grade, supervisory and first line management pay rates; and how pay progression works for employees on rates equal or close to the NLW.

As a thank you we will share the findings, providing useful insights on employer practice in these areas at a time of increasing labour market pressures.

The survey will take around 20 minutes to complete, and you can fill it out in more than one sitting by clicking 'save and continue later' at the bottom of any page. The deadline for completing the survey is Monday 11 July. Please note, while we will share a list of contributors with the LPC, none of the findings will be attributed to specific employers.

If you have any questions, or would like a hard copy of the questions, please do not hesitate to contact me.

Thank you as always for supporting our research.

Katherine Heffernan

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2. Data protection and privacy

Note: Your details are only requested to enable us to deliver this service. IDR takes data protection seriously and we never sell or share your data with other companies or external bodies. Our data storage and handling processes comply with the latest data protection regulations.

If you would like to read more about how we use data please refer to our privacy policy by clicking here or contact our designated data protection lead by emailing louisawithers@incomesdataresearch.co.uk

3. Your details

1. Company information

Company name	
Contact name	
Job title	
E-mail address	
Telephone	
UK staff headcount	
Main business activity	

2. In which part of the economy does your organisation operate?

Please select

Sector

Please select

3. Please tick from below the description that best describes your organisation:

- ☐ Private company
- ☐ Public limited company
- ☐ Not-for-profit organisation
- ☐ Public sector body
- ☐ Co-operative

4. To what extent do employees have a share or say in how the organisation is run?

- ☐ To a great extent
- ☐ To a small extent
- ☐ Very little

Comments:

5. Do you have a staff council?

- ☐ Yes
- ☐ No

If yes, what issues does the council input into and do these include pay?

6. Do you operate an employee share scheme?

☐ Yes

☐ No

☐ Not applicable (eg public-sector or not-for-profit employer)

4. Pay setting

7. Does your organisation have workers earning £10 or less an hour (equivalent to £18,249pa for a 35-hour week)?

☐ Yes

☐ No

5. Pay setting

8. In which month does your pay review normally take effect?

9. What was the outcome of your latest pay review for your most populous grade/role(s)?

	Employee group name	Headcount	Effective date	Increase %	Type of increase (eg general, merit, both)	Range of increases (eg 0-6%)
1						
2						

If your pay review is part of a long-term deal, please provide details here:

10. Which of the following processes/considerations were made for your more recent pay review?

	Yes	No
Employee consultation, eg staff council or similar	☐	☐
Senior management decision only	☐	☐
Collective bargaining with trade unions	☐	☐
If you answered 'yes' to collective bargaining with trade unions, did this involve an employee vote?	☐	☐

Comments:

11. Compared to the 2021 pay award, the 2022 pay award is/is likely to be:

☐ Lower?

☐ Higher?

☐ The same?

12. Was the award date brought forward or otherwise changed? (For example, by having two reviews within 12 months instead of one?)

☐ Yes

☐ No

If yes, please provide details here:

13. Which of the following has/will input into your decision on pay reviews? Please tick all that apply.

	Very important	Important	A little important	Not important
Affordability	☐	☐	☐	☐
Inflation/cost of living	☐	☐	☐	☐
Productivity	☐	☐	☐	☐
Going rate for increases	☐	☐	☐	☐
Increases to the National Living Wage/National Minimum Wage	☐	☐	☐	☐
Market benchmarking	☐	☐	☐	☐
Future business outlook	☐	☐	☐	☐
Staff morale and motivation	☐	☐	☐	☐
Trade union claims	☐	☐	☐	☐
Recruitment and retention	☐	☐	☐	☐

Other (please specify):

14. And how would you rank these influences this year and how does this compare with last year? (Please rank in order of greatest pressure with 1 being lowest and 10 highest)

	Rank - 2022	Rank - 2021
Affordability		
Inflation/cost of living		

	Rank - 2022	Rank - 2021
Productivity		
Going rate for increases		
National Living Wage/National Minimum Wage		
Market benchmarking		
Future business outlook		
Staff morale and motivation		
Trade union claims		
Recruitment and retention		

6. Pay differentials

15. Please provide details of your lowest minimum pay rate for adult workers aged 23+ and the job(s) that this rate is paid to:

	Minimum pay rate £ph	Incumbents	Age from which this applies, if under 23
Lowest paid adult workers 23+			

Please list the jobs that this rate applies to:

16. If you pay lower rates to workers aged under 23 in these jobs, please give details here (or in the box below if more appropriate):

	Hourly rate £
21-22 years	

	Hourly rate £
18-20 years	
16-17 years	

If the format above does not adequately capture your youth rate pay structure, please give brief details here instead:

17. Please provide details about the next grade above the lowest-paid (ie the next grade above the job in Q15) and the job(s) that this rate is paid to:

	Minimum pay rate £ph (23+)	Incumbents
Next grade employees		

Please list the jobs that this rate applies to:

18. Please provide details about pay for first-line management grade employees (including supervisors or team leaders) if not covered in previous two questions above:

	Minimum pay rate £ph (23+)	Incumbents
Supervisor/team leader		
First-line management		

Please list the job titles that this rate applies to:

19. Is it your policy to maintain a fixed differential (either percentage or monetary) between main grade staff and the next grade up?

- [ ] Yes
- [ ] No

20. If you answered 'yes' to the previous question, please state how much this is worth in the applicable field below (please only complete one field):

	Value (please include £ or %)
Fixed monetary amount	
Fixed percentage	

21. If you do not seek to maintain a fixed differential, what happened (or will happen) to differentials between main grade and the next level up as part of the 2022 pay review?

- [ ] Widen(ed)
- [ ] Narrow(ed)
- [ ] Stay(ed) the same (%)
- [ ] Stay(ed) the same (£)

If differentials widened or narrowed, please indicate by how much:

22. If not already covered above (eg if you have multiple grades near the level of the NLW), is it your policy to maintain a fixed differential (either percentage or monetary) between main grade staff and the supervisory/first line management grade?

- [ ] Yes
- [ ] No

23. If you answered 'yes' to the previous question, please state how much this is worth in the applicable field below (please only complete one field):

	Value (please include £ or %)
Fixed monetary amount	
Fixed percentage	

24. If you do not seek to maintain a fixed differential, what happened (or will happen) to differentials between main grade and the supervisory/first-line management grade as part of the 2022 pay review?

- ☐ Widen(ed)
- ☐ Narrow(ed)
- ☐ Stay(ed) the same (%)
- ☐ Stay(ed) the same (£)

If differentials widened or narrowed, please indicate by how much:

25. To what extent did the latest National Living Wage (NLW) rise have an impact on any change in differentials? Please provide comments below, including details of any changes to differentials (eg resulting from a pay award).

26. How are differentials likely to stand/change next year and further on?

27. Have changes in differentials affected promotions? For example, if differentials have narrowed, has this somewhat reduced the incentives for promotion and led to fewer promotions?

- ☐ Yes
- ☐ No
- ☐ N/A

If yes, how?

28. Have changes in differentials affected recruitment and retention of key (supervisory) grades?

- ☐ Yes
- ☐ No
- ☐ N/A

If yes, how?

29. What other impacts have you observed from changes in differentials - eg in relation to productivity or training?

7. Progression/promotion

30. What promotion opportunities exist for staff on main grade, ie what roles do they typically move into, and what salary lead does this give them on NLW/pay for main grade?

31. What is the process for obtaining such a promotion?

32. How are these opportunities communicated to staff?

33. Have opportunities for progression/promotion been curtailed in any way in the past 12 months?

- [ ] Yes
- [ ] No

If yes, please describe the reason this has occurred:

34. What training is available for staff to help them progress their careers?

35. To what extent are skilled or supervisory roles filled internally?

- ☐ 0% - 20%
- ☐ 21% - 40%
- ☐ 41% - 60%
- ☐ 61% - 80%
- ☐ 81% - 100%

36. What proportion of lower-paid staff move to supervisory or otherwise relatively higher-paid roles each year?

37. What pay progression, if any, exists within the main grade?

- ☐ None - spot rate
- ☐ Salary range (variable increases - progression determined by performance and/or position in range)
- ☐ Incremental progression up a salary spine (fixed increases based on length of service)

Comments:

38. To what extent have employees been affected by the introduction of new technology? Please tick all that apply and give more details in the comments field below.

- ☐ Technology/machinery has replaced workers
- ☐ Technology/machinery has altered job content
- ☐ Technology/machinery has eased recruitment and retention difficulties
- ☐ Other (please specify):

Comments:

39. Have the jobs of employees on the lowest pay grade become more demanding (eg in terms of range of duties/volume of work/deadlines) in recent years? If so, please give brief details including how jobs have changed and how different factors (e.g. changes to technology, minimum wages, training provision, etc.) have influenced this.

40. What has happened to budgets for training in light of of increased labour costs?

8. Labour market - recruitment

41. Which low-paying roles, if any, are presenting recruitment issues?

42. Have these issues worsened, improved or stayed the same since a year ago?

- [ ] Worsened
- [ ] Improved
- [ ] Stayed the same
- [ ] N/A

43. What measures have you taken to deal with these issues?

- ☐ Raised advertised pay rates
- ☐ Implemented sign-on bonuses
- ☐ Implemented market/retention supplements
- ☐ Other (please give details):

Comments:

44. And how would you rate the importance of these interventions (where 1 is 'most important' and 3 is 'least important')? (Please leave blank if not selected in previous question.)

	Relative importance
Raised advertised pay rates	
Sign-on bonuses	
Market/retention supplements	

45. Do you regard these recruitment issues as short, medium or long-term in nature?

- ☐ Short-term
- ☐ Medium-term
- ☐ Long-term
- ☐ N/A

46. How do the issues for lower-paid roles compare with those for higher-paid roles?

47. Has the increase in the NLW helped or hindered recruitment? If helped, how? If hindered, how? Please give brief details

Helped?

Hindered?

9. Labour market - retention

48. Which low-paying roles, if any, are presenting retention issues?

49. Have these issues worsened, improved or stayed the same since a year ago?

- ☐ Worsened
- ☐ Improved
- ☐ Stayed the same
- ☐ N/A

50. Do you regard these issues as short, medium or long-term in nature?

- ☐ Short-term
- ☐ Medium-term
- ☐ Long-term

51. How do the issues for lower-paid roles compare with those for higher-paid roles?

52. What measures have you taken to deal with these issues?

- ☐ Raised salaries
- ☐ Restructured pay to provide more progression
- ☐ Created greater promotion opportunities
- ☐ Implemented more training
- ☐ Other (please give details):

Comments:

53. And how would you rate the importance of these interventions (where 1 is 'most important' and 4 is 'least important')? (Please leave blank if not selected in previous question.)

	Relative importance
Raised salaries	
Restructured pay to provide more progression	
Created greater promotion opportunities	
Implemented more training	

54. Has the increase in the NLW helped or hindered retention? If helped, how, if hindered, how?

Helped?

Hindered?

55. Has staff turnover increased?

☐ Yes

☐ No

If yes, please give details:

10. Accommodation off-sets

56. Do you provide accommodation to employees? *

☐ Yes

☐ No

11. Accommodation offset

57. What roles are eligible for accommodation?

58. What is the hourly rate for such roles?

59. What is your daily charge for accommodation?

60. Do you make use of the accommodation offset (currently £8.70 a day)?

☐ Yes

☐ No

61. Has your provision of accommodation changed in recent years? If so, how?

- ☐ Yes
- ☐ No

Comments:

Appendix 2 – semi-structured interview questionnaire

Impact of the National Living Wage on pay setting, differentials and progression

Compulsory questions – common to all case studies:

Each case study to start with a brief overview of the organisation's ownership model/consultative processes and approach to pay-setting for lowest-paid roles. We should also ask all interviewees about any labour market pressures they are experiencing.

Researcher to check survey response includes the following and clarify any ambiguous responses:

<u>Ownership model/consultation</u>

- Type of employer (private/plc/not-for-profit/public sector body/co-operative)
- If private sector, do they operate a share scheme? (Get v brief details on what type, eg SIP/SAYE, any free shares offered, how does the scheme work (high-level), how much have payouts under the scheme been worth in recent years?
- Extent of staff input into how organisation is run (survey Q4) and extent to which this includes pay matters (staff council or other forums; staff survey/feedback; union involvement ie recognition/consultation, % of staff members, time off for union reps etc)

<u>Pay setting [high-level – covered in more detail below if appropriate]</u>

- What's the lowest pay rate?
- (If this is a starter rate, what's the established rate and how/when do you move up to this?)
- How many staff (%) on lowest established pay rate?

- What staff are on the lowest rate ie what role(s), location(s) age(s)
- What pay rise did this group of staff receive this year and when was this? Was the award date brought forward or otherwise changed (eg by having two reviews within 12 months instead of one, a delayed award last year etc)?
- How does this compare with the rise paid to staff in this group in 2021?

<u>Labour market [see responses Q48 onwards]</u>

- Are any low-paying roles presenting **recruitment** issues?
    - If yes, which ones?
    - Compared with a year ago, are these worse/better/the same?
    - Do you regard them as short-/medium-/long-term in nature?
    - What in your view are the causes? (please explain)
    - How do these issues compare with those for higher-paid roles?
    - What measures have you taken to deal with these issues and how effective have they been?
        - Raised advertised pay rates
            - Targeted at lower-paid roles or across the board?
        - Implemented sign-on bonuses
        - Implemented market/retention supplements
            - Targeted at lower-paid roles or across the board?
        - Recruited more apprentices
        - Recruited younger, less-experienced workers given a tighter labour market (where they might have been reluctant to do so in the past)
        - Anything else?
    - How has the NLW affected recruitment?
- Are any low-paying roles presenting **retention** issues?
    - If yes, which ones?
    - Compared with a year ago, are these worse/better/the same?
    - Do you regard them as short-/medium-/long-term in nature?
    - What in your view are the causes? (please explain)
    - Where (same industry/different industry?) are people leaving for?
    - How do these issues compare with those for higher-paid roles?

- What measures have you taken to deal with these issues and how effective have they been?
  - Raised salaries
    - Targeted at lower-paid roles or across the board?
  - Restructured pay to provide more progression
    - Targeted at lower-paid roles or across the board?
  - Created greater promotion opportunities
  - Implemented more training
  - Anything else?

- How has the NLW affected retention?
- Have trade unions used increased staff turnover as a bargaining tool for ensuring differentials are maintained?

Optional questions – select as appropriate, depending on survey responses:

Pay setting

- [Refer to Q10:] Which of the following processes/considerations influenced your latest pay review? (Looking to gauge how institutional context ie ownership model and extent of employee consultation/collective bargaining influence pay review outcomes)
  - Employee consultation
    - How did you gather employee views (eg staff council; survey)?
    - Was this through a formal agenda item/question or did staff raise the issue independently?
    - If the former, is pay always an agenda item/survey question? If not, why did you decide to include it on this occasion?
    - What bearing does employee feedback gathered in this way have on your pay setting process?
  - Senior management decision
    - What factors inform discussions? (See Q13 if you need prompts: affordability [how is affordability determined?]; inflation/cost of living [which measure do they use – CPI/CPIH/RPI/other?]; productivity;

going rate for increases; increases to minimum wage; market benchmarking; future business outlook; staff morale and motivation; TU claims; recruitment and retention)

- Collective bargaining with trade unions
  - Did this involve an employee vote? If yes
    - How many voted in favour of the proposed increase?
    - Did you increase your offer in response to the outcome of the employee vote?

- See responses to Q14 (which rank the following by importance for 2022 and 2021: affordability; inflation/cost of living; productivity; going rate for increases; increases to minimum wage; market benchmarking; future business outlook; staff morale and motivation; TU claims; recruitment and retention) and <u>probe reasons for any changes in weighting</u>

Differentials

[Check responses to differentials section are clear]

- If they aim to maintain fixed differentials, has the latest increase in the NLW affected their ability to do so?
  - If yes,
    - What steps have they taken to address this?
      - Changes to pay structures (eg removal/addition of grades, starter rates, location pay) for the lowest-paid or the grades close to this?
        - When?
        - For which groups?
        - What changes?
        - Why?
        - What are the changes aimed at achieving?
        - Did any non-NLW factors influence this change?
      - Changes to other terms eg overtime, unsocial hours premiums, holidays, pensions, sick pay?
        - When?
        - What changes?

- Did any non-NLW factors influence this change?

- If they do not seek to maintain fixed differentials, what happened to:
    - differentials between main grade and next level up as part of the 2022 pay review: widened/narrowed/stayed the same (%)/stayed the same (£)?
    - [if applicable] differentials between main grade and supervisory/first line management grade as part of the 2022 pay review: widened/narrowed/stayed the same (%)/stayed the same (£)?
- What is likely to happen to differentials in the future? (The LPC's central estimate for the NLW, as at April 2022, is for it to increase to £10.32 in 2023 and £10.95 in 2024 (all workers aged 21+)
- Have changes in differentials affected promotions, eg by reducing the incentive for promotions? If yes, please give more detail and outline what has been done to address this.
- Have changes in differentials affected recruitment and retention of key supervisory grades? If yes, please explain how recruitment or retention has been affected and what has been done to address this?
- Have changes in differentials impacted productivity?
- Have changes in differentials impacted training?

Pay progression, productivity and work intensification

- What roles do staff on main grade typically move into?
- What salary lead does this give them on NLW/pay for main grade?
- What is the process for obtaining such a promotion?
- How do you communicate such opportunities to staff?
- Have opportunities for progression/promotion been curtailed in any way
    - in the last 12 months?
    - Over a longer timeframe?

    If so, why and how?
- What training is available for staff on the lowest rates to help them progress their careers?
- To what extent do you fill supervisory roles internally?
    - Has this changed in recent years?

- What proportion of lower-paid staff move on to supervisory or otherwise relatively higher-paid roles each year?
    - Has this changed in recent years?
- Do new joiners start on a 'starter' rate? If so, how long do they typically remain at this level and how do you determine whether they are ready to move to the established rate?
- Is there any pay progression within the main grade? How does it work if so?
    - No – everyone on a spot rate?
    - Salary range with variable increases (how is progression determined – performance? Position in range? Etc)
    - Incremental progression up a salary spine (fixed increases based on length of service)
- How has the introduction of new technology affected the lowest-paid employees?
    - Replaced workers?
        - Which roles?
        - What happened to the individuals in these roles? Redeployed? Offered training to reskill/upskill?
    - Altered job content?
        - How – has it entailed upskilling? Has there been a resulting increase in lowest pay rates or is more (eg responsibility; breadth/depth of skill/knowledge) now expected from staff on lowest pay rates to warrant higher NLW?
    - Eased recruitment/retention difficulties?
- [If not addressed under technology Q above:] Have the jobs of employees on the lowest pay grade become more demanding in recent years, eg in terms of range of duties/volume of work/deadlines?
    - How have jobs changed?
    - Which factors have influenced this, and how? (Technology – possibly covered above – but also minimum wages; training provision…)
- Have increased labour costs affected your training budget in any way?

Accommodation offset

- Which roles are eligible for accommodation?
- What's the hourly rate for such roles?

- Do you charge for accommodation? If so, how much (per day)?
- Do you make use of the accommodation offset?
- Has your provision of accommodation changed in recent years? If so, how?

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