

Be part of the...



Newsletter

March '16

THE NATIONAL LIVING WAGE

Everyone is familiar with the National Minimum Wage, with its existence since 1999, it's now a familiar part of UK employment legislation. With its now expected rate increase every October, employers; in the main, have accepted this piece of legislation. Many employers, however, may remain mystified and ill informed when it comes to the National Living Wage, which takes effect in April 2016.

What is the National Living Wage?

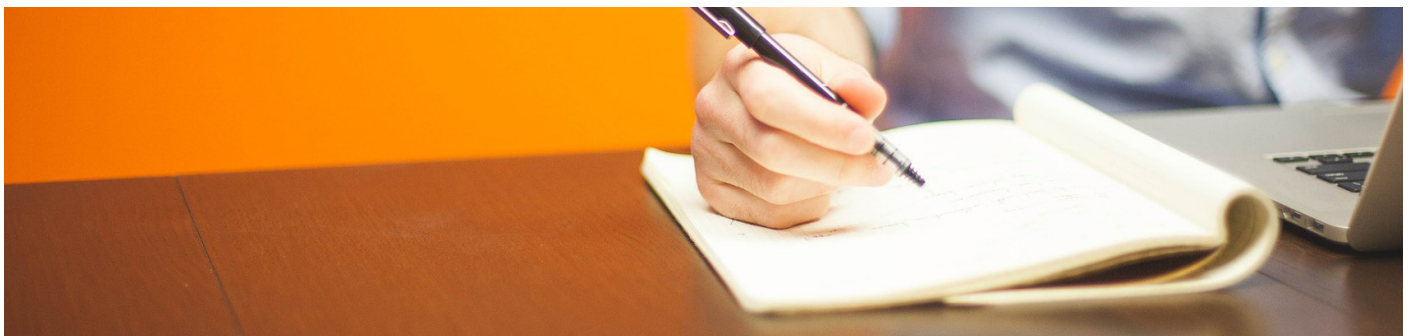
The National Living Wage is an hourly pay rate which will be set by the Government based on independent advice provided by the Low Pay Commission. The legal entitlement to the National Living Wage will be afforded to those workers aged 25 and over. The current National Minimum Wage rate for workers over the age of 20 is £6.70, whereas the National Living Wage rate will be introduced at £7.20 per hour.

Will there be an exemption for employers?

All employers that employ workers aged 25 and over from 1st April 2016 will be legally required to pay them the National Living Wage, although, there is growing pressure for the National Living Wage to be postponed, it is unlikely that this implementation will be delayed. However, there is a question as to whether it will be implemented as a whole or phased in over a period, as we have experienced with Pension Auto-Enrolment.

Is the National Living Wage going to increase annually?

It has been confirmed that the National Living Wage will be reviewed annually and, as we have seen with the National Minimum Wage, it is likely to rise every year. It is widely predicted that the National Living Wage will be £9.00 per hour by 2020. There is a question over the implementation of future increases that might be proposed by the Low Pay Commission.



What is the likely impact of the National Living Wage?

Many larger employers have already taken the decision to voluntarily adopt a Living Wage strategy. They believe that the Living Wage has boosted the quality of work of their staff, improved attendance with absenteeism reportedly falling by 25% and 66% of employers feel that the introduction of a Living Wage has had a significant positive impact on their recruitment and retention of employees.

While the benefits of a Living Wage can be argued, there is a downside. The UK economy is in recovery and many small /medium businesses are still struggling to achieve an acceptable level of profitability. Employers are facing rising costs; with pension auto enrolment looming for many, the pay rise from £6.70 to £7.20 per hour will provide significant challenges in future years. This increase may have an escalating effect as skilled workers currently enjoying a higher rate of pay might also expect an above average increase in salary, above the current cost of living, in order to maintain the existing pay differentials.

Even today despite the existence of the National Minimum Wage, there are employers that choose not to pay the minimum rates. It is speculated that a higher percentage of unscrupulous employers will look to avoid paying the National Living Wage, choosing instead to operate in the black market.

The National Living Wage is likely to have an impact on recruitment strategies; there will always be employers that choose to recruit employees who won't attract the National Living Wage, in this case, those under the age of 25, thereby giving rise to a risk of age discrimination claims. The introduction of a step change in costs will inevitably lead to a drive to improve productivity, those industries and sectors that reduce labour costs by investing in technology will be more likely to consider such a move. Labour intensive sectors, such as the care sector, will be forced to consider ways of improving productivity through people.



EQUALITY AND DIVERSITY

Most businesses are aware of the Equality Act 2010 which made it unlawful to discriminate against people at work because of nine areas termed in the legislation as protected characteristics:

These are:-

- | | | |
|-----------------------|----------------------------------|-----------------------|
| • age | • marriage and civil partnership | • race |
| • disability | • pregnancy and maternity | • religion or belief |
| • gender reassignment | | • sex |
| | | • sexual orientation. |

Below are a few business cases for encouraging equality and preventing discrimination.

- Encouraging greater awareness and understanding of the different protected characteristics, alongside tackling discrimination, can help to reduce the chance of complaints, disciplinary action or an employment tribunal claim - and avoid the costs and disruption to the organisation.
- Improve team spirit - an employee or groups of employees who are being discriminated against are likely to be unhappy, less productive and de-motivated, and this can have a negative impact on the whole workforce.
- Attract, motivate and retain staff, and enhance an organisation's reputation as an employer. If staff who have been discriminated against feel undervalued or 'forced out' and leave, the organisation will run up the costs of recruiting, training and settling in new staff when its reputation as both a business and employer may be damaged

Additional factors organisations should take into account include:-

- The UK workforce is changing. For example, more people are continuing to work instead of retiring, women now make up almost half the workforce, around one in ten of the UK working age population are from an ethnic minority, while one in four primary school children are from an ethnic minority.
- Having staff at all levels from a wide range of backgrounds and skills can help develop a working environment producing ideas and solutions that might not come from a smaller array of diverse groups. A diverse workforce can also help an organisation better understand and meet diverse customer expectations.

Contact Us... 0114 360 1233 info@trivolution.co.uk

The Old Colliery Offices, Colliery Road,
Kiveton Park, Sheffield, S26 6LR

