



the whitepaper series

#8

National Living Wage – A business threat or a growth opportunity?



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1/5th

The National Living Wage is the independently set hourly rate of pay that's been calculated so that every employee receives a wage that provides them with a basic, but decent, standard of living. Conceived in 2001, it is an entirely voluntary scheme with employers being able to choose whether or not to pay the Living Wage rate, which is set higher than the statutory minimum wage.

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The National Living Wage Foundation have organised a National Living Wage Week since 2012, to raise awareness of the benefits to employers and employees alike, and this year's events run from 1st to 7th November.

While more than 1,700 businesses are accredited by The Living Wage Foundation, yet The National Living Wage is one of those issues that still divides the business community. Many leading figures, most notably some in the retail sector, have argued against increases in the minimum pay rate. The likes of Wetherspoon's boss Tim Martin, former Sainsbury's boss Justin King and Next Chief Executive, Lord Wolfson have all voiced well documented concerns that the potential benefits of the scheme are outweighed by the negative effects pay increases may have - rising prices, inflation, increased demands for pay rises and the curtailing of business expansion plans, including recruitment.

But, as Rhys Moore, the director of the Living Wage Foundation, has said; "The British Retail Consortium are very behind the curve on this. Customers want to know that they're shopping in places which treat their staff well." The campaign has received a boost in recent weeks with Oliver Bonas and Lidl both announcing that they will be paying staff the Living

*Source: KPMG

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Wage. So perhaps the tide is turning and the retail sector is finally acknowledging the reality that low pay needs addressing.

So why is low pay an issue we should care about? Low pay is a problem for our society. It often leads to welfare dependency, a growing national tax bill and can create a spiral of debt that traps people into a life with little hope of progression. And while business can make individual cases for keeping pay low, the taxpayer will inevitably end up picking up the welfare bill.

In an economic analysis of the impact of the Living Wage KPMG concluded that raising the government's minimum wage to the Living Wage would take just 1.3% of the national wage bill and would lift a staggering six million people out of poverty. The analysis also concluded that adopting the Living Wage could result in a gain of £4.5 billion to the public finances from additional tax revenue and reduced benefit payments. As Marianne Fallon, Head of Corporate Affairs at KPMG states; "We understand that this is a complex issue for employers and policymakers, but our research shows that there is more to be gained by employers adopting a Living Wage strategy integrated within their broader business strategy." "You could go further and say that with youth unemployment still at a high level we all need to invest in the future and provide a starting wage that makes work, rather than welfare, the brighter prospect.

Our politicians often tell us that they want to encourage an aspirational society. One where the low paid can, through hard work and merit, rise through the ranks to realise their potential. The National Living Wage at least gives people the chance to sustain a decent standard of

living and encourages them to strive for more. And, on another point, whether we like it or not, our economy is still dependent to a significant degree on consumer spending and consumer confidence. We need to keep people spending (sustainably at least) and giving people a decent, but not extravagant, wage helps build that confidence.

So what is the reality and should we see the National Living Wage as mis-judged political interference, at a time when the economy is undergoing a fragile recovery, or an opportunity to begin the process of creating the high pay, high skills economy we all want. An opportunity to encourage the work ethic and reduce dependency on welfare.

The truth is that for any business, the wage bill is one of the largest costs. When margins are tight and with markets under increased global competition, any increases to the cost base impact the bottom line and reduce a business's ability to invest in future growth.



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But we all have to recognise that investing in people does bring tangible benefits and, perhaps more importantly, a real competitive advantage.

A workforce that is engaged and motivated is one that, as research has repeatedly shown, is more productive. And a key element of engagement and motivation for many workers is their ability to have, and provide for their family, a decent standard of living.

At Hangar Seven we have no particular political axe to grind. But we are proud to report that, this month, we have become an Accredited Living Wage Employer.

Our people, our Crew, are fundamental to our success. We have four core values – find better ways, work as one Crew, make it happen and deliver with pride – and each of these values are people related. We are not setting ourselves up as a paragon of business

ethics; we are a 150 strong team that have to rely on each other to get the job done. We have re-invested all our profits, since our formation in 2009, into the business to fund growth.

We see the National Living Wage as a continuation of our commitment to our Crew – now and in the future.

If you want to know more about our core values and the positive impact it has on our crew and our work, then please visit www.hangarseven.co.uk or email info@hangarseven.co.uk

***Rhys Moore, Director of the Living Wage Foundation*



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