



Do you employ staff?

Do you have difficulty understanding your legal and contractual responsibilities as an employer?

Do employment problems keep you awake at night?

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Minimum Wage or Living Wage

What is the Minimum Wage?

The National Minimum Wage is a key piece of legislation which was brought in to force on the 1st April 1998 by the Labour Party. It is a statutory requirement regularly enforced by the law which provides a “pay floor” ensuring employees earn enough money to survive. At the moment the National Minimum Wage is as follows;

- £2.68 for Apprentices
- £3.72 for under 18s
- £5.03 for 18 to 20-year-olds
- £6.31 for those over the age of 21

Unfortunately it is now commonly believed that the National Minimum Wage has lagged behind inflation making it ever harder for the lowest paid workers to survive. Despite the idea that the National Minimum Wage would be brought in to help workers provide for their families, the gap between the salaries needed to reach

the minimum standards of living and the National Minimum Wage has widened dramatically. In 2010 the gap was at 30% which then rose in 2012 to 55%

What is the Living Wage?

The Living Wage is a voluntary concept created to ensure a level of pay which covers the basic costs of living, helping to keep workers and their families from poverty. Currently there are two rates of the Living Wage;

- £8.80 in London and
- £7.65 outside of London.

The Living Wage was born out of the idea that work should always pay enough for families to be able to afford a decent quality of life, not just a basic one. With inflation eroding the take home pay and many families having lost another £500 a year from cuts to tax credits, many people are feeling forced to take a second job in order to provide their families with more financial security.

The Fears of the Living Wage

Many employers are concerned about the financial ramifications of having to pay the Living Wage, in the same way that companies feared the implementation of the Minimum Wage. Employers are concerned the Living Wage will increase their wage bill too forcefully and result in significant job losses. There is also the fear that with Companies having to pay out more money their profits will be significantly lower. It must be noted, however, that these fears are the exact same fears expressed over the National Minimum Wage however research has shown that these fears rarely became reality and did not cause the problems expected.

Why Choose the Living Wage?

Introducing the Living Wage does not only bring benefits to the employees, it can also provide a wide range of benefits to the employer. The CIPD Labour Market Outlook questioned employers who had introduced the Living Wage and whilst 16% of them reported “no benefits” one quarter reported higher employee satisfaction, higher employee engagement, and higher employee loyalty and motivation. A further 17% reported a high level of productivity, 16% reported lower employee turnover, and 14% reported an overall higher standard of work.

Employees can recognise the difference between an employer who provides the legal minimum and an employer who, at their discretion, provides more than is required. This knowledge often inspires a higher level of employees who are willing to go more than the minimum of what is required of them, in basic terms they are willing to “return the favour”. Whilst there may be an increase in costs for the Company these would be minimised by the return in improved behaviour and productivity of employees.

How Can We Help?

If you have any queries relating to any of the subjects raised within this newsletter then please don't hesitate to contact us at hradvice@hasslefreehr.co.uk

For clarification of any of the above updates or for advice and guidance on any HR and/or Health and Safety Concerns contact us by emailing hradvice@hasslefreehr.co.uk or by calling 02476 664092.

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