



There's no such thing as a free lunch!

The National Living Wage, which came into force on 1 April 2016, has now set a new rate of £7.20 per hour for all workers aged 25 and over. The government has also set a target rate of £9 per hour, which it aims to reach by 2020.

However, a number of high street retailers have recently been in the press for responding to the increased pay rate by making changes to other terms and conditions to offset these costs, for example by:

- removing paid breaks for staff;
- removing free food and drinks or replacing this with a discount on food and drinks instead; and
- cutting staff entitlement to tips.

Changes at B&Q have even led to one employee under the pseudonym of 'Kevin Smith' to petition against them: this petition entitled 'Don't use living wage as excuse to cut pay & benefits' has currently received over 140,000 signatures.

Employers making changes to remuneration will need to ensure that they do not breach employees' contractual rights. Otherwise they ultimately risk claims for unlawful deduction of wages and unfair dismissal.

As well as this, employees must not be subjected to a detriment because they are eligible for the National Living Wage. So, before making changes to remuneration it will be important to take advice on this and to make clear that remuneration changes are being made because of a wider business need and not to target those entitled to the increased rates.

The government has warned companies to abide by their responsibilities but it is not clear what further action, if any, it will take to prevent them offsetting costs in this way. In the meantime as B&Q has found, companies will need to weigh up any costs savings against any potential damage to staff morale or PR.