

The Living Wage: Challenges and Opportunities

Accountant
Rosalind Woollard on facing up to changes

In April next year, the government will introduce a new mandatory National Living Wage for workers aged 25 or over.

This will initially be set at £720 which is a 50p increase in the adult rate of NMW coming into force in October 2015

This means a rise of £1,200 a year for a full-time worker on the current minimum wage.

Accountant Rosalind Woollard says the rise presents opportunities as well as challenges for small businesses.

She said: "Organisations such as Inverclyde Council, Cal Mac and AMG have introduced the Living Wage because they see the long-term benefits for both employees and employer.

"Doing the right thing by staff leads to increased productivity, reduced absenteeism and improved loyalty and morale.

"Of course, the major challenge for many small firms will be paying for the increase.

"In general, this will have to be funded by increased



productivity and margins.

"Also, introducing the Living Wage may impact on pay differentials.

"One way to address the issue is to look at pay structures - perhaps making them less hierarchical.

"Training on the job - with vocational qualifications - is one way of tackling the productivity issue.

"The founders of the Living Wage campaign were parents in the East End of London, who wanted to remain in work, but found that despite working two or more minimum wage jobs they were struggling to make ends meet and were left with no time for family and community life.

"Now it is a national movement and it is going to happen - so planning is critical.

"This would be an appropriate time to re-examine costs such as transport, materials and premises.

"At the end of the day, a business needs the funds to pay the living wage to its staff. Tight control over other costs and cash flow may achieve this."

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