**The new National Living Wage

One of George Osborne's big ideas - the National Living Wage (NLW) - comes into effect on 1 April 2016.**

It is likely to be popular with 1.3m workers over 25 who will benefit immediately, but several big employers have said it will hit their profits badly. The Office for Budget Responsibility (OBR) has also warned that 60,000 jobs will be lost as a direct result.

Not to be confused with either the National Minimum Wage - or the non-compulsory Living Wage - the NLW should boost the incomes of many of the UK's most poorly-paid employees.

## **What is the new National Living Wage?**

It will be paid to workers aged 25 and above. Initially, it will be set at £7.20 an hour, with a target of it reaching more than £9 an hour by 2020. Part-time and full-time workers will get it. It will give a pay rise to 1.3m workers this year, according to the OBR. But it is expected to cost 60,000 jobs and reduce hours worked by four million a week.

## How is this different to the National Minimum Wage? The technical answer is that the minimum wage will remain in place, and the compulsory living wage will be a top-up for workers aged 25 and over.

## **What do companies make of it?**

The wage hike is a "gamble" says the CBI business lobby group. It may also cause problems for some small businesses, it says. As it will increase their staffing costs significantly.

Fashion chains, supermarkets and the hospitality sector are expecting to have to raise wages. The British Retail Consortium, which represents shops, has claimed that as many as 900,000 jobs could be lost in the sector, as a result of both the NLW and the Apprenticeship levy.

The former boss of Sainsbury's, Justin King, [**said**](http://www.bbc.co.uk/news/business-34090038) that the NLW would "destroy jobs" as businesses seek to cut staffing costs. Meaning that employees who are in work will benefit, it could mean more people having their hours cut or being out of work altogether.

In the past few weeks the Observer learned of companies withdrawing overtime and Sunday pay, bonuses, free food and paid breaks in order to keep the wage bill down.

Adam Sowter, a hotel employee in York, told BBC Breakfast the extra money would help him pursue his ambition of becoming an actor. It also also hoped that because under-25s are now cheaper in terms of wages, some firms will be more likely to hire younger employees, helping combat youth unemployment and provide vital experience for future career prospects.

However, his colleague Clare Vernon will be about £1,000 worse off over the next 12 months, because she is under 25. "We do the same amount of work," she said. "The hours are really unsociable, so me getting 50p an hour less to work until 03:00 can get a bit annoying - I've only got another four years to wait."

The NLW will also have a bigger impact in regions such as the North, North East and the South West than in London. "It will have a ripple effect up the earnings distribution, because you will be taking the lowest-paid up to a level close to, or in some cases above, the next rung or two up the ladder."

**What penalties will employers face if they don't pay the NLW?**

From 1 April, penalties for non-payment of the NLW will be doubled, from 100% of the money owed, to 200%. Employers found guilty can be disqualified as a company director for up to 15 years. The maximum penalty will remain at £20,000 per worker.

**QUESTION**

**What are the possible impacts (positive and negative) of the national living wage upon:**

**Firms:**

**Employees:**

**Consumers:**