THE 2024 PLAYBOOK TO

Combat Rising Labour Costs

harri

Technology, National Minimum Wage, *and you*

In recent years, hospitality has been faced with what can feel like an ever-growing laundry list of challenges – and the latest increase to National Minimum Wage is just one of them.

In April 2024, the National Living Wage increased by almost 10%, the highest jump since its inception. The threshold for receiving the National Living Wage dropped from 23 to 21, bringing approximately 3 million more people into the bracket, and all rates for under 21s also increased.

With costs rising across the board for the public at large as well as for businesses, there is no question that a National Minimum Wage increase will positively impact the workforce. However, this type of increase also has a huge impact on labour costs for businesses that may already be struggling - especially within the UK hospitality sector, which relies heavily on an hourly workforce. Hospitality has more low-paid workers than any other UK sector at just over 39% (earning two-thirds or less of the median UK hourly rate), so this increase will disproportionately affect the industry.

Bodies like UKHospitality continue to lobby the government to bring down other costs, such as reduced VAT rates and business rates relief, in order to offset the impact on businesses. However, so far their proposals have not been realised.

"We need a new approach from government. The current plan to help businesses is not working and we urgently need bold action. That's what we proposed ahead of the Budget, arguing strongly for a lower rate of VAT, which would have been the single biggest shot in the arm for businesses, the economy and consumers alike." (Kate Nicholls, UKHospitality)

In the meantime, though, there are ways that businesses can take matters into their own hands when it comes to managing costs and reducing the impact of the NMW increase.

Using technology like automation and AI can help you to streamline your processes, bolster the efficiency, and ultimately offset costs by saving in unnecessary labour, as well as helping you to remain compliant with changing legislation.

In this guide, we'll outline:

- ✓ Exactly what's changing
- ✓ How this impacts you
- ✓ Strategies to help limit the impact on your business and manage a seamless transition
- ✓ How efficient labour deployment can help to offset increased costs
- ✓ A checklist to ensure you are set up for success moving forward

So what's changing?

2024 saw the largest ever increase to National Living Wage, jumping by 9.8% to £11.44 per hour. However, that's not the only change. The increases this year are heavily geared towards young workers & apprentices.

The National Living Wage previously applied to all workers aged 23 and over, but as of 1st April 2024, it now encompasses all workers aged 21 and over.

All rates are increasing this year: some, such as Apprentice rates and rates for 16 - 17-year-olds will rise by over 20%.

You can see a breakdown below.

What is the difference between National Minimum Wage and National Living Wage?

The National Living Wage refers to all rates for those over the age of 23 (previously over the age of 21-year-olds.) The National Minimum Wage is for all rates below 21 as of 1st April.

London Living Wage & Real Living Wage

*It's worth noting that the **London Living Wage** and the **Real Living Wage**, championed by the **Living Wage Foundation**, are both separate from the **National Living Wage** and are not regulated by the government. Businesses in both London and beyond may wish to pay these rates.*

	NMW rate	Annual increase (£)	Annual increase (%)
National Living Wage (21+)	£11.44	1.02	9.8
18-20 Year Old Rate	£8.60	1.11	14.8
16-17 Year Old Rate	£6.40	1.12	21.2
Apprentice Rate	£6.40	1.12	21.2
Accommodation Offset	£9.99	0.89	9.8

harri

What now?

It's important to be compliant with National Minimum Wage increases. Here are three steps to making sure you're in the clear.

REVIEW YOUR PAYROLL:

Identify which employees are affected by which new rates, including any apprentices and under 18s. Pay particular attention to those in the 21 - 22 age group, who will have "moved" from one band to another, and remember to adjust both hourly & salaried employees.

TAKE STOCK OF YOUR PROCESS:

Make sure both you and your team know who is responsible for each action. We've put together a checklist on page 12 that you can use to ensure all your boxes are ticked when it comes to regulation compliance of any kind.

COMMUNICATE, COMMUNICATE, COMMUNICATE:

It's likely that your teams will have seen chatter in the news and from friends or colleagues about wage increases. They may be confused about what exactly that means for them, so be proactive about communication on a team-wide and individual level. Let them know exactly when the new rates will be reflected on their payslip, and what they will be.

The cost of non-compliance is higher than you think:

The government can issue fines of up to £20,000 (and a minimum of £100) for **every employee** found to be underpaid, even if that's more than the value of the underpayment. They may also "name and shame" offenders on their public website, which would have long-term impact on your brand as well as the legal and financial penalties. So it's important to get compliant, and stay compliant.

Brush up on your tronc knowledge:

Tronc allocations do not count towards minimum wage regulations. All employees must be paid at least the appropriate minimum wage before tronc or gratuities are added. It's also worth remembering that the Employment (Allocation of Tips) Act 2023 comes into play as of 1st October 2024, and is designed to increase transparency and consistency over tronc payments, so now is a good time to ensure you're ready.

harri

4

7 steps to manage your impact

Now you know what the changes to National Minimum Wage look like for your team, it's time to think about how you can lessen the inevitable impact of increased labour costs. You can't control changes in regulation: however, you can control what measures you take to protect your bottom line.

Technology and data have a huge role to play in streamlining manual processes, making your workforce more efficient from top to bottom and reducing the margin for human error - ultimately saving you time and money and allowing you and your teams to thrive even in the face of rising labour costs.

In the following pages, we outline how automation and AI can save you time and money in all aspects of your business, freeing up your team's time and empowering them to deliver their very best to your customers & guests.

harri

We'll cover how AI and automation can help you:

- ✓ Forecast demand
- ✓ Optimise your labour
- ✓ Improve timekeeping accuracy
- ✓ Prevent wage theft
- ✓ Automate managerial admin
- ✓ Improve employee retention

Let AI predict the future

Predicting customer demand is essential to any hospitality business, but it's a time consuming and manual exercise at best and prone to errors or finger-in-the-air assumptions at worst. Artificial intelligence (AI) takes the guesswork out of your forecast, equipping you and your teams with the knowledge you need to optimise your staffing levels for each and every shift.

AI-driven scheduling tools can pull together historical data and market trends to provide an accurate prediction of future customer demand. They can then make dynamic updates in real time, and even learn from these changes moving forward, so that your system is always updating itself and is always accurate.
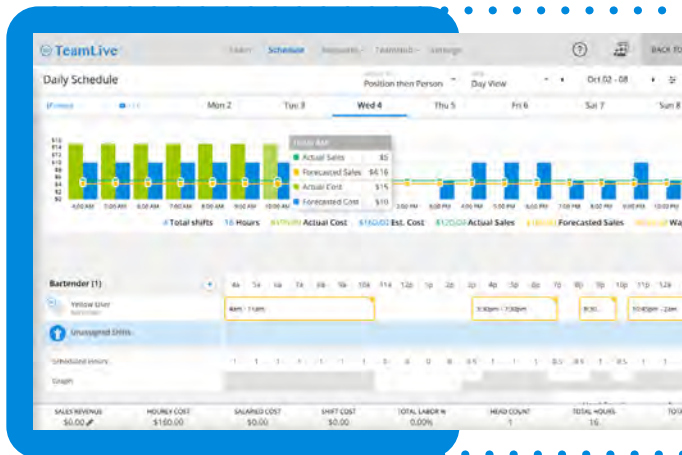
As a hospitality-first Workforce Management system, Harri builds the latest legislation into labour and pay modelling to help you stay compliant and efficient. It also takes into account employee availability, skills, preferences, and individual company policies in order to generate schedules that are optimised to forecasted demand, and work for you both you and your teams.

This not only saves your team time - and headaches - but most importantly allows you to accurately control your staffing levels and labour costs. Data-backed forecasts mean that you can plan for the right people to be in the right place, every time.

Is AI replacing our people?

In short: no. Using AI is a great way to equip your team with the data they need to make good decisions and we recommend empowering them both to refine and really understand demand predictions. It can also streamline manual processes and make tasks more efficient - for example by quickly summarising bulky info or data - freeing up your time for team and guest interactions.

> **"I don't think AI or robots are going to be serving customers or cooking meals anytime soon, so those kinds of roles are relatively secure. But can AI make us more efficient? Without a doubt. We all need to keep pace with it so we're not left behind."**
>
> **– Gemma Eley, Hawksmoor**

How this helps combat NMW increases:

More robust forecasts mean less nasty surprises and better optimised teams. You won't be paying staff for time they didn't really need to work, and your teams won't be left frustrated after being sent home early either. Plus, the time your teams will save making forecasts can be spent on other tasks or on better servicing your guests - making you more money in the long run. Our figures show that optimal labour deployment saves an average of 1.5% in annual labour cost savings - which adds up in the long run.

Right people, right place, right time

With 50% of hospitality employees citing understaffing as their biggest challenge at work, optimised labour deployment is just as important to your teams as it is to your customers, who often bear the brunt of understaffing via slow or haphazard service.

Technology can facilitate your labour scheduling by combining past trends, legal regulations and demand forecasting to build efficient and compliant schedules. Activity based scheduling, or ABS, transforms stats and forecasted increase into actionable, people-based solutions: for example, a 3% forecasted demand increase might mean you need one extra chef and 2 extra staff on the floor.

Labour laws and the individual preferences or requirements of team members can be difficult to balance, often resulting in small – but costly – errors when it comes to building rotas. Automation vastly reduces that margin for error and replaces it with maximum efficiency. Your managers can refine rotas, of course, but they no longer need to spend hours manually balancing tricky schedules: technology can do it all for them.

In turn, your teams will be able to deliver their best for your customers with none of the worry of being sent home early from an empty shift or, on the flip side, of working more hours than they can really manage. They'll be better supported and more engaged, and that means they can deliver a far better experience for your guests.

50% of hospitality employees citing understaffing as their biggest challenge at work

How this helps combat NMW increases:

Say goodbye to under- or over-staffing. The team on shift will be able to deliver their best for your guests, and you won't be left paying out for over-staffed shifts and unengaged staff either. The latest study from Harri and **Lighthouse** found that the combination of employee stress and burn-out was the top reason for frontline workers leaving jobs, so it's important to make sure your team is properly supported if you want to keep hold of them.

In turn, a happy, well-adjusted team will give your guests a better experience, driving up that spend per head and increasing the chance of return visits.

harri

How technology can patch up a leaky schedule

Setting your rotas is one thing; schedule adherence is another, and one that can be easily overlooked. Minor discrepancies between scheduled hours and hours worked can seem inconsequential, but can quickly add up to unexpected extra labour costs.

Using technology to facilitate clock-in monitoring and overtime management can limit unauthorised overtime and also ensure compliance with labour laws, promoting accountability and efficiency.
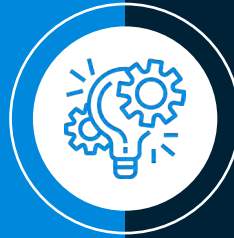
I've got a text: minimise exceptions with automated alerts

Overtime, missed breaks and swapped shifts can put a spanner in the works of your carefully optimised labour costs, but they can also be difficult to manage or even identify. Technology can do that for you, monitoring clock-in and clock-out times and sending immediate alerts to management where necessary so that they have no need for poring over spreadsheets and double-checking rotas.

Operators can manage their own triggers and notifications, creating customised rules in order to reduce labour exceptions and take action accordingly. Doing this creates a culture of efficiency and accountability for your whole team, as well as freeing up precious time for your managers.

How this helps combat NMW increases:

Any timekeeping issues can be flagged and resolved quickly and easily, saving you unexpected and unnecessary labour costs and preventing small problems from becoming big ones.

harri

# Don't get caught out: how to avoid accidental wage theft

Any regulation change that directly affects the way you pay your staff leaves room for error, particularly at first. Taking measures to ensure that everybody is paid correctly will allow you to avoid inadvertent wage theft, which would put you at risk of legal and financial penalties.

It goes without saying that avoiding wage theft is also key to maintaining the trust of your employees. 41% of employees cited honesty and 33% cited trustworthiness as a key quality they look for in a potential employer - so laying out the steps you take to prevent wage theft can go a long way in building strong relationships with your employees.

Technology makes this process both simple and transparent, providing a robust "paper trail" for all decision making. Accurate timekeeping and tracking prevents you from overpaying on labour, but it also protects your employees from being underpaid. Automated systems will flag any anomalies as they happen, helping you identify and resolve any potential issues before they become problems that could damage both your bottom line and your reputation.

What employees want from you

41%
cited honesty

33%
cited trustworthiness
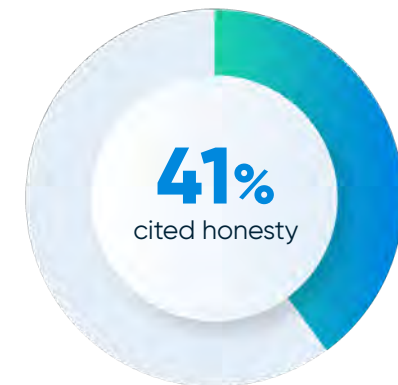
How this helps combat NMW increases:
Taking clear measures to avoid wage theft prevents you from being vulnerable to hefty fines and allows you to build vital trust between yourself and your employees.

3 sure-fire ways to save time for managers

As an industry, hospitality offers rapid progression to high-performing employees. Often, this means that employees are stepping up to manage teams for the first time, and that, paired with the large amount of admin on their plates, can feel like a downside: in 2022, 49% of frontline managers reported feeling burnout on a daily basis.

1 Take the admin off their plates

Tasks like building rotas, running payroll, and sending team communications can mean that managers spend much of their shift holed up in the office and very little of it out on the floor with their teams and guests.

That leads to a new dilemma, whereby managers – especially those with less experience – struggle to prioritise their time and may even feel guilty for not being present on the floor, contributing further to their stress.

By automating administrative tasks some or all of the way, you can free up precious time for your managers and limit margin for human error – which tends to creep in more when managers are overworked and overwhelmed.

2 Self serve the small(er) stuff

Technology can streamline admin like scheduling and time tracking, but it can also put the power in the hands of your employees. Using a platform that allows employees to "self-serve" activities such as shift swapping, payslip access, or holiday requests means that managers save time fielding requests and keeping on top of paper trails.

3 Get stuck into strategy - without the spreadsheets

Managers are keen to get stuck into high-level strategy, but it takes precious time to really get to grips with the numbers. Tech-enabled reporting can consolidate your figures and deliver strategy recommendations for your managers to understand, review and refine before feeding back to relevant stakeholders.

Managers who don't need to spend the majority of their shifts tied up in admin have more time to spend on the floor with guests and teams, helping them to deliver a better experience for your guests and active leadership on the floor.

harri
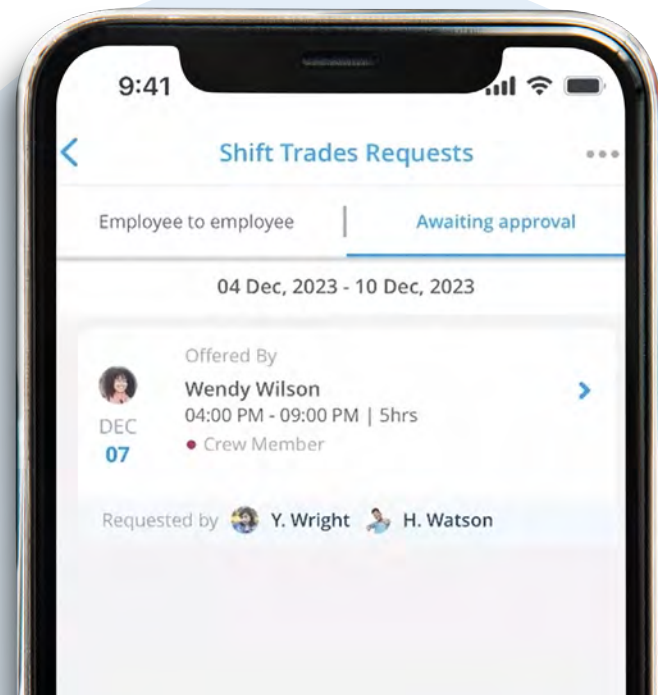
How this helps combat NMW increases:

You'll save money in time spent on admin, your team will be more engaged from top to bottom, and your guests will have an all-round better experience. And we really mean it: one of our customers, US-based franchisee Cafua, saved a whopping 13,000 hours in rota-building. Just think what you could do with all that extra time.

"Using Harri from end-to-end will mean we can do all of our onboarding through one system, which is great because at the moment it takes us a long time. Streamlining the procedure for managers will make their lives easier."

- Jade Berry, Pho

"The managers have responded extremely well. The system is easy to use, it's slick, it's pretty self explanatory for them, and anything that they don't need to do extra with the new system, they can spend time with their customers, with our team, which is ultimately a good thing."

- Sarah Dickinson, Recruitment Manager, Fuller's

Retention strategies that turns jobs into careers

Anyone involved in hospitality knows that hiring and training new staff can be a time consuming and costly exercise. The good news is that the increases to National Minimum Wage should help to make hospitality a more appealing career path: however, once you have a team in place, it's your job to make sure they stay with you as they progress.

As well as taking repetitive and manual tasks out of your team's hands, technology can work in other ways to actively boost your employee experience and drive up your retention rates.

23% have no say on rota or shifts

21% have no time to spend with friends or family

23% of hospitality workers say that having no say on their rota or shifts is one of their biggest challenges at work, and 21% cite having no time to spend with family or friends.

Tech-enabled features like smart scheduling allow you to facilitate a better work/life balance in the following ways:

1 Take individual staff preferences into account when building out rotas

2 React quickly to last-minute changes, allowing you to afford individuals flexibility when needed without sending your whole team into a panic

3 Deliver rotas to teams well in advance, giving your teams plenty of time to plan

How this helps combat NMW increases: Investing time and effort in retention now will help you build a stronger, happier team that delivers consistent results and increased revenue, as well as saving you time and money in hiring and training.

When all is said and done...

We've covered just a few ways that digital solutions can not only make your team's lives easier: they can save you money in the face of rising costs.

While the use of technology in team engagement is increasing, around a third of employees don't think it's advanced or don't see it at all (CGA report). That means there's plenty of room to bring tech into your workplace to expedite processes and automate manual tasks.

To recap, using automation and AI can help you combat NMW increases by:

Limiting margin for error, helping you become and remain compliant in terms of wages, but also timekeeping, scheduling, and labour regulations

Forecasting demand so that your team can deliver a great guest experience and drive up your spend per head

Preventing overstaffing at quiet times, so you're not overpaying for more staff than you need

Removing manual, repetitive tasks from the to-do lists of your managers, freeing up their time for training staff, overseeing the floor and doing what they do best: serving guests

Hospitality as an industry will always have its challenges, but it will also always be full of resourceful, resilient individuals who come together to create something great.

Ultimately, integrating tech into your systems and processes will allow you to build stronger, more efficient teams who are empowered to deliver a better guest experience. Technology will never replace the people that make hospitality what it is: instead, it can complement the strengths of your teams and give them what they need to perform at their best.
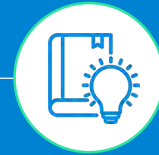
harri

Are you ready? Checklist

This won't be the first or the last regulation change you and your teams have navigated. It's important to have robust processes in place to ensure you can adapt successfully to changing regulations, whether that's an increase to National Minimum Wage or something else.

Here's a checklist you can use to ensure you have all your bases covered and your teams are equipped to successfully navigate changing regulations.

1 Stay up to date on regulatory changes

- ☐ Assign a dedicated person to monitor government or regulatory comms
- ☐ Monitor multiple sources of information, including industry bodies like UKHospitality
- ☐ Assess the impact on your team
- ☐ Update process accordingly

2 Establish clear policies and procedures

- ☐ Determine all affected team members – assign owners at site level if necessary
- ☐ Create a "source of truth" where all staff can see the new NMW rates
- ☐ Communicate the plan clearly to all employees
- ☐ Train those who own areas of compliance, such as payroll

3 Understand requirements & resources

- ☐ Identify all possible compliance gaps
- ☐ Establish a team of consultants, experts, and legal advisors to help where needed
- ☐ Adjust forecasted costs where necessary
- ☐ Deploy necessary updates within payroll systems

4 Implement cost offsetting measures

- ☐ Review gaps in software and digital tooling
- ☐ Review rotas in line with forecasted demand and new pay rates to ensure they are optimised
- ☐ Identify administrative tasks that could be automated
- ☐ Forecast total hours saved by implementing tech solutions

5 Establish a positive compliance culture

- ☐ Train employees and managers
- ☐ Lead by example
- ☐ Communicate often
- ☐ Review process once complete and make note of any learnings for next time

About Harri

Harri is the global leader in Frontline Employee Experience technologies. The Harri platform is built for companies with service at the heart of their business and includes solutions for talent attraction, workforce management, employee engagement, and compliance.

Enabling organizations to intelligently recruit, engage, retain, and manage the best talent to run and improve their business, Harri serves over 55,000 restaurant and hotel locations and four million hospitality employees globally, with emerging growth in retail and healthcare. Harri's customers include Shake Shack, McDonald's, Radisson Hotel Group, Hawksmoor, Hall & Woodhouse, Jersey Mike's, Subway, Dave's Hot Chicken, and more.

Speak to an expert

harri