

- 2 (a) Discuss the likely impact of an increase in the minimum wage on a firm such as Whitbread.

(8)

An increase in the minimum wage from by 10.7% from £6.50 to £7.20 could negatively impact firms such as Whitbread because their average costs will rise. A rise in average costs could lead to firms passing the cost on to consumers which may affect profit sales negatively or internalising the cost which may reduce profit margins. ~~and~~ Therefore higher wage rates may lead to firms being discouraged to invest or expand because of the increased cost and therefore slowing economic growth, as Whitbread is one of the UK's largest employees. Additionally this could lead to firms making people redundant to reduce costs.

Higher minimum wages may positively impact firms like Whitbread in terms of productivity, because with higher wages employees are more likely to be more motivated and productive. As Whitbread is in the service sector e.g. Costa chains and Premier Inn, higher wages could increase the quality of service which could therefore lead to a higher demand for that service/product. This could therefore lead to an increase in sales and result in higher profit margins for the firm.



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