

**6. What are your views on the outlook for the UK economy, including employment and unemployment levels, for the period October 2014-September 2015?**

The current improvement in UK GDP is predicated on a re-inflating of the housing bubble in London and the South East. Specifically, the rise in consumer spending that this “paper” property wealth has fuelled, is precarious and temporary and will inevitably lead to a renewed downturn in due course.

Unemployment has for some time been at, and remains at, unacceptably high levels – especially for young people. With the failure of both government and business to invest significant sums in sustainable and meaningful economic growth, there is little prospect of this situation being reversed soon.

This is the background – but the key point is that pay for work performed has fallen well behind both productivity and the cost of living.<sup>1</sup> There has therefore been an increase in the number of working people dependent on benefits to top up their earnings in order to meet their normal expenses.

**7. Is there anything further you would like to add on the economic context?**

Over the past decade, the UK - and London in particular - proved an attractive destination for young mobile workers from abroad. The large in-flows of this type of worker depressed the value of the labour provided by young indigenous workers. The level of these inflows have diminished and therefore the demand for young workers is set to increase. A rise in the minimum wage youth rates would therefore accord with the underlying economic fundamentals.

**8. What has been the impact of the National Minimum Wage?**

Although the National Minimum Wage has had some positive impact on the lowest paid workers, it is set too low to transform workers’ position overall. Recent indications of cross-party political support for a significant rise in the National Minimum Wage, reflect the failure of the National Minimum Wage (at the current level at which it is set) to meaningfully impact average earnings.

**9. Has this impact varied by sector, and if so how?**

In the shipping sector, the impact of the National Minimum Wage has been markedly more limited than initially promised. For example, some employers continue to flout the spirit and possibly the letter of the law. A case of particular concern to RMT are the rates paid by Condor Ferries (as little as £2.35 per hour) to non-EEA seafarers on lifeline ferry services between Poole and Weymouth and the Channel Islands. Insufficient legal certainty and weak enforcement continue to facilitate poor practice in the shipping sector.

**10. Has this impact varied by the type and size of business, and if so how?**

No response

---

<sup>1</sup> TUC: “Four year real wage fall will cost average worker £6,000”  
<http://www.tuc.org.uk/economy/tuc-21819-f0.cfm>

**11. What has been the impact of the minimum wage on the labour market position of particular groups of workers, including:**

*EM* Positive but insufficiently so

*Migrant workers* Positive but insufficiently so

*Disabled* Positive but insufficiently so

*Older* Positive but insufficiently so

*Unqualified* Positive but insufficiently so

**12. At what level should the adult minimum wage rate be set in October 2014?**

We are pressing for the National Minimum Wage to be set at two thirds the male median wage. In the year to April 2012 the male full-time median hourly wage was £13.27<sup>2</sup>. (Therefore two thirds' male full-time hourly median wage in the year to April 2012 would have been £8.85).

As of 1 October 2013 the main adult rate of the National Minimum Wage is £6.31 per hour. Currently the Living Wage is £8.55 per hour in London and £7.45 per hour outside of London. The Living Wage is set to rigorous standards and is both affordable for employers and reflective of the spending commitments of some of the poorest people in the UK. RMT endorses the campaign for the National Minimum Wage to be set at the level of the Living Wage.

Workers cannot wait for the next election and for manifesto commitments on implementing the Living Wage to be acted upon. The National Minimum Wage should be sharply increased immediately.

**13. Is there anything further you would like to add on the level and impact of the National Minimum Wage?**

EM, migrant workers, disabled and unqualified workers are much more likely to work in the low paid sector. A National Minimum Wage that is set too low therefore has a disproportionately negative impact on those groups. This can be clearly seen in cleaning services. RMT represents large numbers of cleaners working in the transport sector and our experience shows that, even for cleaners based in London, employers treat the National Minimum Wage as a maximum wage.

**14. What has been the impact of the minimum wage on young people and what effect do you think it has on their employment prospects?**

For the period May to July 2013, 960,000 young people aged 16-24 were unemployed, up 9,000 on the previous quarter. The unemployment rate for those aged 16-24 was 21%, up 0.5% points compared with the previous quarter.

Excluding people in full-time education, there were 668,000 unemployed 16-24 year olds in May to July 2013, up 9,000 on the previous quarter. The unemployment rate for 16-24 year olds not in full-time education was 19.4%, up 0.5% points on the previous quarter.

1.7 million 18-24 year olds were economically inactive (not in work and not looking for work) in May to July 2013, an increase of 58,000 on the previous quarter. The unemployment rate for 18-24 year olds was 18.9%, while for 16-17 year olds the rate was 38.0%.

---

<sup>2</sup> Page 7 of [http://www.ons.gov.uk/ons/dcp171778\\_286243.pdf](http://www.ons.gov.uk/ons/dcp171778_286243.pdf)

The reasons for the current high levels of youth unemployment are numerous. The existence of a National Minimum Wage in the UK is not a significant factor in the raised level of youth unemployment the country has been experiencing.

Evidence in support of this contention is provided in the case of The Netherlands. Responding to elevated youth unemployment, the then Dutch government mandated lower minimum wage rates for young workers during the 1980s. However, the introduction of lower rates did not have a proportionally positive impact on the employment levels of young workers.<sup>3</sup>

In terms of higher rates for young workers, similar warnings were issued against introducing any National Minimum Wage at all in the UK. Specifically, it was argued by some that the introduction of a National Minimum Wage would lead to lower unemployment. This was not the case then – and there is no reason to think that it would be the case following paying young workers the adult rate.

### **15. What has been the impact of the Apprentice Rate of the NMW?**

RMT welcomes the recent focus of political parties on increasing the incidence and take-up of apprenticeships. However, the low level of the Apprentice Rate has led to an increase in positions which do not merit the label “apprenticeship”. Specifically, the union is concerned that some employers have labelled posts as apprenticeships in order to be able to lawfully pay younger workers reduced salaries.

### **16. At what level should the minimum wage be set from October 2014 for:**

*16-17 year olds* Two thirds male full-time hourly median wage - currently £8.85 + 2013 actual and projected inflation (c3%) + 2014 projected inflation (c3%)

*18-20 year olds* Two thirds male full-time hourly median wage - currently £8.85 + 2013 actual and projected inflation (c3%) + 2014 projected inflation (c3%)

*Apprentices* Two thirds male full-time hourly median wage - currently £8.85 + 2013 actual and projected inflation (c3%) + 2014 projected inflation (c3%)

We are pressing for there only to be one National Minimum Wage and for it to be set at two thirds the male median wage. In the year to April 2012 the male full-time median hourly wage was £13.27<sup>4</sup>. (Therefore two thirds’ male full-time hourly median wage in the year to April 2012 would have been £8.85).

RMT is in favour of increasing the chances of young people to secure work. However, reducing the earning potential of young people has not generated employment opportunities for that group. In fact, quite the contrary, it stigmatises the contribution of people that age profile as being of lower value. The 16-17 year old, 18-20 year old and apprentice rates should therefore be abolished in favour of a single rate at the level of the Living Wage.

However, workers cannot wait for the next election and for manifesto commitments on implementing the Living Wage to be acted upon. The National Minimum Wage should be sharply increased immediately.

---

<sup>3</sup> Arthur van Soest, (1994) "Youth Minimum Wage Rates: The Dutch Experience", International Journal of Manpower, Vol. 15 Iss: 2/3, pp.100 - 117

<sup>4</sup> Page 7 of [http://www.ons.gov.uk/ons/dcp171778\\_286243.pdf](http://www.ons.gov.uk/ons/dcp171778_286243.pdf)

## **17. Is there anything further you would like to add on young people and apprentices?**

We are pressing for there only to be one National Minimum Wage and for it to be set at two thirds the male median wage. In the year to April 2012 the male full-time median hourly wage was £13.27<sup>5</sup>. (Therefore two thirds' male full-time hourly median wage in the year to April 2012 would have been £8.85).

RMT is in favour of increasing the chances of young people to secure work. However, reducing the earning potential of young people has not generated employment opportunities for that group. In fact, quite the contrary, it stigmatises the contribution of people that age profile as being of lower value. The 16-17 year old, 18-20 year old and apprentice rates should therefore be abolished in favour of a single rate at the level of the Living Wage.

However, workers cannot wait for the next election and for manifesto commitments on implementing the Living Wage to be acted upon. The National Minimum Wage should be sharply increased immediately.

## **18. What is your view of the Commission's position that the current arrangements for the accommodation offset should be retained and that it intends to recommend staged increases in the offset towards the value of the hourly adult rate of the NMW when economic circumstances mean the real value of the NMW is tending to rise?**

### *Shipping sector*

RMT regard the accommodation offset in the National Minimum Wage Act 1998 as a tax on the lowest paid UK seafarers working in the maritime sector, as well as corporate welfare for the shipping industry at the expense of seafarers on the NMW.

We believe that the accommodation offset could act as a deterrent to people wishing to start work as a Merchant Navy rating and could be contributing to the static rate of recruitment of UK seafarers to the industry.

The accommodation offset condones and promotes a culture of low pay and social dumping in the UK maritime sector.

The Low Pay Commission should publish or commission research indicating what impact the accommodation offset has on employment rates for UK seafarers.

RMT oppose the continued existence of the accommodation offset in the National Minimum Wage Act 1998. We would like to see the Low Pay Commission recommend that it be removed from the NMW legislation, in order to end the practice of employers in the shipping industry deducting accommodation costs from employees' wages. The law permits seafarer employees' hourly pay rate to fall (as of 1 October 2013) below the NMW for over 21s of £6.31 per hour and is the only legal benefit in kind that employers can legitimately include in a worker's pay packet.

From 1 October 2013, the accommodation offset is £4.91 per day.

In support of our position we will explore the details of the cases the RMT brought in 2010 for two members against their employer, Clyde Marine Recruitment Ltd. The members were recruited by Guernsey Crewing Services Ltd to work for Clyde Marine on a temporary basis on the P&O European Ferries ship the Pride of Bilbao which operated out of Portsmouth under the Bahamian flag. Their hourly rate of pay was £5.42, 38p per hour below the National Minimum Wage for 2009-10 (which was £5.80 per hour).

---

<sup>5</sup> Page 7 of [http://www.ons.gov.uk/ons/dcp171778\\_286243.pdf](http://www.ons.gov.uk/ons/dcp171778_286243.pdf)

The deductions from our members' wage packets amounted to £31.57 per week and this shortfall was, after a number of enquiries with the employer, described to the members as an 'accommodation offset'. Although legal under the National Minimum Wage Act 1998, there was no mention of what this deduction was for on the members' wage slips and it had not been mentioned to them by either the employment agency or the employer, before or after they started these jobs. In both cases, the employer settled with the claimants out of court.

It is worth noting that the pay of Clyde Marine staff engaged as permanent P&O employees is not subject to the accommodation offset. We support the continuation of that arrangement but would point out that this further illustrates our point that the accommodation offset is a licence for shipping companies to exploit the lowest paid and, therefore, most vulnerable staff.

The number of UK seafarers, ratings and officers, has fallen dramatically over recent decades. For example, in 1980 there were 30,000 Merchant Navy ratings at sea. In 2011, that number had fallen to 11,900.

A further illustration of this maritime recruitment crisis is provided by the crewing of vessels in the UK Government's Tonnage Tax scheme. Since the Tonnage Tax scheme was introduced in 2001, the proportion of UK seafarers employed on vessels in the scheme has fallen from 52% to under a quarter, 23% in 2011.<sup>6</sup>

Obviously there are a number of other disincentives to taking up a career as a seafarer, including the offer of low pay rates at or just above the National Minimum Wage but the accommodation offset is an exploitative mechanism which allows employers to legally claw back the cost of accommodation from the lowest paid members of staff. That this accommodation has to be provided is not in doubt, otherwise employers would clearly be transgressing employment as well as health and safety law.

As part of their tour, a seafarer is required to remain on board 24 hours for either 7 or 14 days continuously. He or she cannot leave the vessel when the shift finishes, even if they are not on duty for another 12 hours. This is because the seafarer remains part of the crew, on the muster list and is therefore still on-call to react to emergencies. Reacting to emergencies would involve any number of safety critical interventions, such as launching lifeboats, distributing life jackets, assisting passenger evacuation and even firefighting using breathing apparatus and operating other specialist equipment. We hope that this clearly demonstrates that seafarers do not have any choice to leave the vessel at the end of their shift and to return at the start of the next shift. They are entirely reliant upon the employer to provide on-board accommodation and this provision is essential to the employer satisfying stringent safety standards in the event of an emergency on ship.

It is our view, therefore, that the shipping industry should be prevented from using the accommodation offset to claw back the costs of accommodation for the lowest paid workers and the Low Pay Commission should issue a recommendation for the accommodation offset to be scrapped.

Domestic law and international shipping conventions are awash with legal loopholes which permit a wide range of discriminatory employment practices. We have seen this most recently in the payment of £2.35 per hour by Condor Ferries to Ukrainian seafarers working on passenger and freight routes from the south of England to the Channel Islands.<sup>7</sup>

The LPC should note that wherever possible, non-EEA seafarers are readily recruited by the UK shipping industry so that they can be paid below the national minimum wage. We regard the accommodation offset as an extension of this culture of exploitation and pay discrimination.

We believe that this practice of deducting accommodation costs from seafarers' wage packets continues to affect both full-time and temporary employees working in the UK shipping and offshore sectors, particularly those on the lowest, i.e. NMW, rates of pay.

RMT call on the LPC to provide an in-depth, independent analysis of the impact of the accommodation offset on seafarers' employment opportunities and wages in the sector.

---

<sup>6</sup> <http://assets.dft.gov.uk/statistics/releases/seafarer-statistics-2011/seafarer-statistics-2011.pdf>

<sup>7</sup> <http://www.bbc.co.uk/news/world-europe-jersey-17758043>

**19. At what level should the accommodation offset be set from October 2014? Please specify if this is per day or per week.**

Nil

**20. Is there anything further you would like to add on the accommodation offset?**

No

**21. How far is there compliance with the minimum wage? Do particular groups experience problems with minimum wage compliance (for example apprentices, or interns/others undertaking work experience)?**

In the shipping sector, there is evidence to suggest that the National Minimum Wage is not being fully complied with. For example, some employers continue to flout the spirit and possibly the letter of the law. As highlighted in our response to Questions 9 and 18, a case of particular concern to RMT are the rates paid by Condor Ferries (as little as £2.35 per hour) to non-EEA seafarers on lifeline ferry services between Poole and Weymouth and the Channel Islands. Insufficient legal certainty and poor enforcement continue to facilitate poor practice in the shipping sector. This obviously impacts upon migrant workers most severely.

**22. Where there is non-compliance with the minimum wage, are there implications for the NMW rates, or other implications (for example for the quality and accessibility of official guidance on the NMW, or the enforcement work of HMRC)?**

Many of the individuals who are paid the minimum wage are vulnerable workers. For example, due to their immigration status or restricted ability to secure alternative work, such individuals are often not confident about challenging employers which have failed to observe the requirements of the National Minimum Wage. More frequent pro-active unannounced inspections, together with more rigorous enforcement action would help address this. We look forward to receiving evidence that the new enforcement powers in relation to the shipping sector are being used to good effect.