

# **Time to end poverty pay**

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**UNISON's submission to the Low Pay Commission**

**October 2013**



## Summary of recommendations:-

1. In October 2014 the National Minimum Wage should be increased substantially to reflect the increased cost of living. After 2014 the National Minimum Wage should move in stages towards a Living Wage for all workers, (currently £8.55 an hour in London)
2. In recognition of the fact that the real value of the National Minimum Wage has fallen in real terms (relative to the Retail Price Index) the increase should at least restore the value lost during the recent period of below inflation increases.
3. UNISON urges the LPC to recommend to the government a new formal third party role for trade unions which treats their reports of breaches of the NMW as a formal complaint. All such complaints would then lead automatically to a formal investigation by HMRC Officials. This “third party” right to report could also be broadened to include the Citizens Advice Bureau, law centres and other Bona Fide Advice agencies.
4. UNISON also believes the current resources and structures allocated to enforcement are inadequate. Instead of freezing funding for enforcement work, UNISON believes resources allocated for this purpose should be dramatically increased
5. UNISON also believes that there should be greater penalties for breaches of the NMW. The current system fines up to £5000 clearly does not provide a great enough disincentive to some unscrupulous employers. The income from higher fines should be used to pay for increased enforcement capacity and advice to employers
6. The development rate for 18-20 year olds should be brought in line with the full adult rate from 2014. 16-17 year olds should be entitled to the ‘development rate’ with a view to harmonising it with the adult rate over time.
7. That in the interests of fairness and simplicity the National Minimum Wage rates for all apprentices across the UK rise from £2.68 in October 2014 to match existing youth rates.
8. The LPC should carry out an inquiry and conduct research into the link between zero hours contracts and the National Minimum Wage. This should consider a de facto weekly/monthly wage for those on zero hours contracts.
9. Given that the law on travel time is clear, yet being contravened in many cases in the social care sector, the LPC should bring forward a package of measures and guidance to ensure that this abuse can be stamped out immediately.
10. The LPC should call on the government to commission an independent review into (i) the extent to which current social care funding levels are sufficient to ensure provision of quality social care and ensure that providers can pay the NMW to their workforce and (ii) the additional funding that would be required to enable them to pay the living wage.
11. UNISON believes that the accommodation offset, which gives employers the ability to reduce the NMW by up to £4.91 a day from October 2013 for employer provided accommodation, should not be increased, particularly where the worker has no choice about taking up the accommodation.
12. UNISON also believes that it is wrong that employers such as those in social care, should be allowed to deduct wages for work uniforms and other equipment. The Commission should make it clear that this is not acceptable practice.

# UNISON Submission to the Low Pay Commission

September 2013

## 1. Introduction

*"I'm not saying that statutory introduction of a living wage would be without its downsides . . . but if phased in over time, the long term economic impact on domestic demand would be overwhelmingly positive and to my mind undoubtedly preferable to alternative approaches to demand management such as fiscal stimulus or further money printing."*

**Jeremy Warner, Assistant Editor of The Daily Telegraph, April 2013**

*"Over a parliament, steep increases to the minimum wage should be implemented to bring it into line with the UK living wage. This would end the ridiculous situation where people without dependents can work full-time and still need public subsidies to achieve a decent living standard. It may feel like a leap of faith, but the economic evidence suggests that higher wages do not destroy jobs."*

**Andy Harrop, General Secretary of the Fabian Society, February 2012**

*"In the early years of the minimum wage, we were successful in tackling some of the worst excesses of low pay and exploitation. This was our number one priority. The challenge for the next 15 years is much harder - how to help people earning above the minimum wage but below the living wage. Yet on current forecasts it looks like the gap between the minimum wage and the living wage could only widen in the coming years. Fresh thinking is going to be needed."*

**Professor Sir George Bain, Former Chair of the Low Pay Commission, July 2013**

"We acknowledge that it would be preferable to avoid the confusion of having separate minimum and living wage rates. With appropriate action it is possible over time that the gap between the two can be narrowed."

**The Social Mobility Commission, September 2013**

UNISON believes that the current level of the National Minimum Wage is failing our members and workers across the UK. Many of our members tell us of the stress and misery which they and their families experience as a result of poverty wages. Parents who do not get to spend time with their children because they are working two jobs. Workers who worry every day about how they are going to put food in the cupboard and pay the utility bills. Or, as one UNISON member put it, "The strain on my family causes arguments and is making enjoyable family time less likely. How can we enjoy a day out, when all I think about is how am I to pay for it?"

In recent years political and public opinion on the issue of low pay has moved. Poverty wages, once tolerated as the acceptable price of economic growth, are now the subject of intense debate. The terms of this debate have moved both in terms of political values and the substantive evidence. It is reflected in the content of political debate and also in the fact that the Secretary of State for Business felt moved to extend the remit of the Commission in 2013, asking it to "look at what economic conditions would be needed to allow the National Minimum Wage to rise by more than current conditions allow." It is important that the Low Pay Commission recognises this shift.

In February 2013, pollsters Survation carried out a study of opinions among 1004 employed people from a variety of backgrounds<sup>1</sup>. The poll found that 60% of the general public supported increasing the Minimum Wage to a Living Wage – making the Living Wage the new legal minimum. Significantly that support crossed the political divide: 71% of Labour voters, 66% of Lib Dems and 44% of Conservatives backed the move. Support persists for this change across all regions and all social class groups. In particular, it should be noted that the group who most strongly agreed with a Statutory Living Wage were the D/E social class group – the group most likely to be paid the minimum wage.

In this submission UNISON calls on the Low Pay Commission to look seriously at the evidence for a significantly higher national minimum. The increase should at least compensate for the decline in the real value of the National Minimum Wage seen over a period of below inflation increases. We make the case for raising the National Minimum Wage, in stages, to the level of the living wage. We believe this is the right thing to do morally *and* to help boost our economy. We also think there is strong evidence to suggest that such an approach is affordable.

Service sector profitability is now close to full recovery, and the 15.0 per cent net profit in the service sector certainly compares very favourably with the return on cash deposits, as the Bank of England base rate is just 0.5 per cent.

Productivity has also recovered from the falls seen during the recession, as overtime was cut and some workers accepted short-time working and reduced hours in order to preserve jobs.

However, both productivity per job and productivity per hour have now grown beyond pre-recession levels. Note also that productivity has grown faster in the service sector than across the whole economy.

UNISON is the UK's largest public service trade union with 1.3 million members, 1 million of them women. Our members are people working in the public services, for private contractors providing public services and in the essential utilities. They include frontline staff and managers working full or part time in local authorities, the NHS, the police service, universities, colleges and schools, the electricity, gas and water industries, transport and the voluntary sector. Many of them are part time and low paid, working in traditionally low paid sectors like care, catering, security and cleaning.

## **2. The crisis of low wages and living standards**

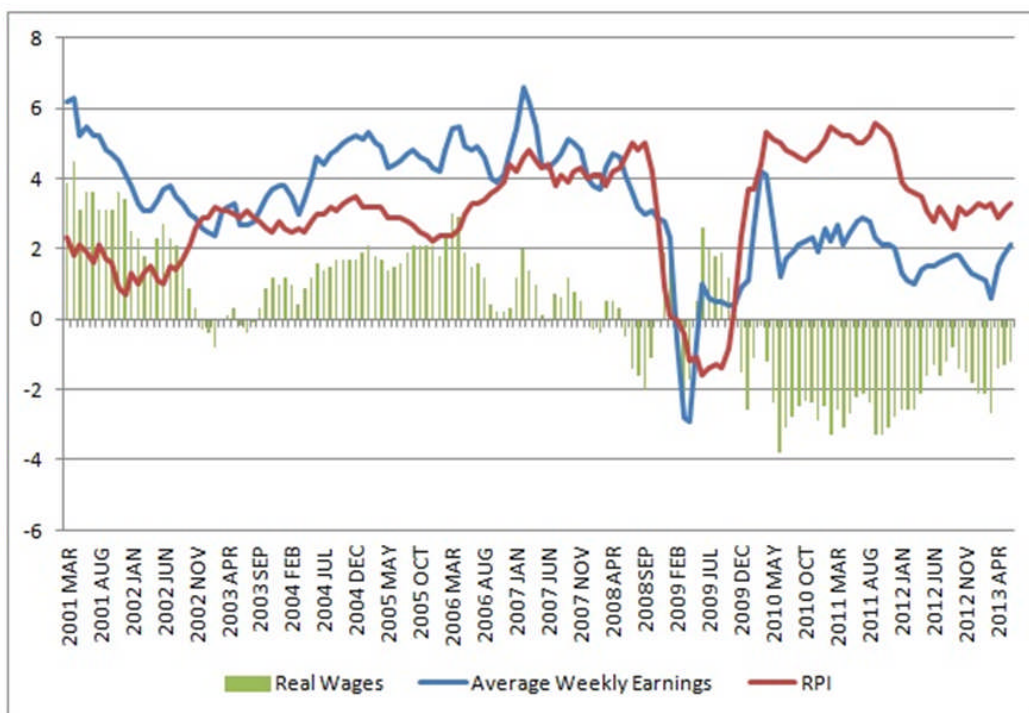
As the table below shows, British workers have suffered over a number of years from a significant gap between rising prices and depressed wages. It is this gap which has contributed to the crisis in living standards which so many people are now experiencing.

**See table overleaf.**

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<sup>1</sup> Survation UK employees survey on behalf of Unions 21: <http://labourlist.org/wp-content/uploads/2013/02/living-wage-data-table.jpg>

**Table 1: Real Wages, Average Weekly Earnings and RPI<sup>2</sup>**



We should be fully aware that inadequate increases in the National Minimum Wage have significantly contributed to this situation. Around a million workers (some 4 % of the workforce) are paid exactly the minimum wage, while a fifth of the UK workforce – 4.8 million people – earn less than the Living Wage. For these people, the LPC’s recommendations in recent years have been a huge disappointment. From 2010 onwards the minimum wage has been reduced in real terms (relative to the Retail Price Index), taking its real value back to 2004 levels.

### 3. UNISON voices on low pay

These are the headline statistics, but we should not forget the human misery which they describe. Below are some quotes from UNISON members describing how this wage gap is affecting their lives. These quotes were submitted to us in a survey of members which was carried out in October and November 2012. For obvious reasons, the names of the respondents have been changed.

**Alison from Birmingham says:** *“I’m a single person household so there is only my income to rely on. For years the cost of basics like heating, food etc have increased, not just a little and on a regular basis while my pay remains frozen. My earnings can only stretch to a certain point to cover this, what happens when no matter what I do they just won’t cover it? What is there to look forward to in a future of no savings, reduced pensions and further living cost increases? I’m scared.”*

**Darren from Doncaster says:** *“I am constantly in debt, I have not been on a holiday for five years. My whole life is reduced to fixing and repairing items that should be binned and replaced as I can’t afford to replace them. The strain on my family causes arguments and is making enjoyable family time less likely. How can we enjoy a day out, when all I think about is how am I to pay for it?”*

<sup>2</sup> Duncan Weldon: [The crisis in living standards & how to solve it](http://touchstoneblog.org.uk/2013/08/the-crisis-in-living-standards-how-to-solve-it), 14<sup>th</sup> August 2013 <http://touchstoneblog.org.uk/2013/08/the-crisis-in-living-standards-how-to-solve-it>

**Jane from Truro says** *“Living in Cornwall, my son works in the leisure industry which pays just above minimum wage. With four young children, he struggles financially. Whatever is left from my salary, I give to him but this is getting harder to do now with the current cost of living without any pay rises to keep up.”*

**Denise from Carmarthen says** *“I am a working single parent . . . [following] the death of my partner, with a disabled child and I am living on a shoe string, I live day to day, robbing Peter to pay Paul. All I want is to be able to put food on the table and heat my home without having to worry if I have enough money last me until the end of the month.”*

**Matthew from Norwich says:** *“I am currently living on my overdraft, struggling to support my partner and myself (despite the fact that she also works and receives funding as a student). The increase in prices of basic commodities has resulted in a real loss of value for our work, hammered home by the pay freeze and the fact that any spare money goes on paying bills, rent and food, leaving nothing to build for the future or to be able to spend on clothes or relaxing outside of work. The need to use my overdraft has resulted in a section of my monthly income being spent on debt and me having to do extra shifts in my own time.”*

**Elsie from Reading says:** *“I hardly earn more than the current minimum wage and have done for many years on the same pay, which is an insult for the job I do. It means on a monthly basis I struggle to make ends meet from having food in my cupboards, putting petrol in my car to be able to get to work, paying utility bills and most importantly paying my mortgage. This needs to change!”*

**Brian from Perth says:** *“My pay has stayed the same for the past 2 years making ends meet are difficult with fuel prices rising all the time. I am paying on average 20% more for gas and electric than I was 2 years ago. I feel I am doing a good job in the health service but am not rewarded for it. Perhaps I should be a banker they get rewarded for performing poorly and it’s not even their money . Makes me sick.”*

#### **4. Growth, the Labour Market and Inflation**

The Office of Budget Responsibility’s growth forecast for 2013 as a whole is 0.6% but rises sharply to 1.8 per cent in 2014. Thereafter growth is expected to rise steadily to 2.8 per cent by 2017. According to the (OBR) *“The pace of recovery is constrained by slow growth in productivity and real incomes, continued problems in the financial system, the fiscal consolidation and the outlook for the global economy.”*

The Treasury’s collation of City Forecasters and other financial analysts suggests RPI inflation could rise as high as 4.0% over 2014, adding to concerns about the gap between prices and wages.

See table 2 on the following page.

**Table 2: Summary of Inflation Forecasts 2014<sup>3</sup>**

Forecasters and dates of forecasts	CPI (Q4)	RPI (Q4)	RPIX (Q4)	Average earnings	
<b>Average of forecasts made in the last 3 months</b>					
Independent	2.4	3.1	3.0	2.38	
New (marked *)	2.4	3.1	3.0	2.32	
City	2.5	3.1	3.0	2.35	
<b>Range of forecasts made in the last 3 months</b>					
Highest	3.7	4.0	4.2	3.56	
Lowest	1.6	2.2	2.1	1.20	
Median	2.4	3.0	2.9	2.35	
<b>OBR</b>	<b>Mar</b>	<b>2.1</b>	<b>2.9</b>	<b>3.1</b>	<b>2.8</b>

The LPC will naturally be most concerned with the jobs market for the lowest paid workers. A strong jobs market in these sectors should give the LPC further comfort that a significant increase in the National Minimum Wage will not cost jobs. It is highly significant then that recently produced research demonstrates that most jobs created since the recession are in low-pay industries such as retail, table waiting and residential care.

Almost eighty per cent of net job creation since June 2010 has been in industries where the average wage is less than £7.95 an hour, according to TUC analysis published in July 2013.<sup>4</sup> Of the 598,000 (net) jobs created since June 2010, 77% are in low-paid industries.

Retail has made the biggest contribution to rising employment levels, with the number of employee jobs in this sector increasing by 234,000. In this sector the average wage in retail is just £7.35 an hour. Residential care, where the average wage is £7.78 per hour, makes the second biggest contribution of 155,000 jobs.

The most important economic indicators for low paid workers relate to the prices of essential household goods and services. For a worker currently struggling to support themselves and/or their family, even a small % increase in the prices of these commodities can have a detrimental effect on their quality of life.

Tables 3 and 4 were produced by the Centre for Research in Social Policy (CRSP) for the Joseph Rowntree Foundation's Minimum Income Standard (MIS) 2013. The MIS project seeks to identify the required budget and earnings for someone to afford the basics of a dignified life. They show how the NMW, minimum budget requirements and minimum earnings requirements have risen, relative to general inflation, over the past year.

According to the CRSP "The pattern of recent years continues, whereby the NMW and general earnings level rise more slowly than inflation, but MIS budgets rise faster than inflation, creating a widening gap between income and needs . . . rising rents and childcare costs play an important

<sup>3</sup> Forecasts for the UK Economy, HM Treasury, July 2013:

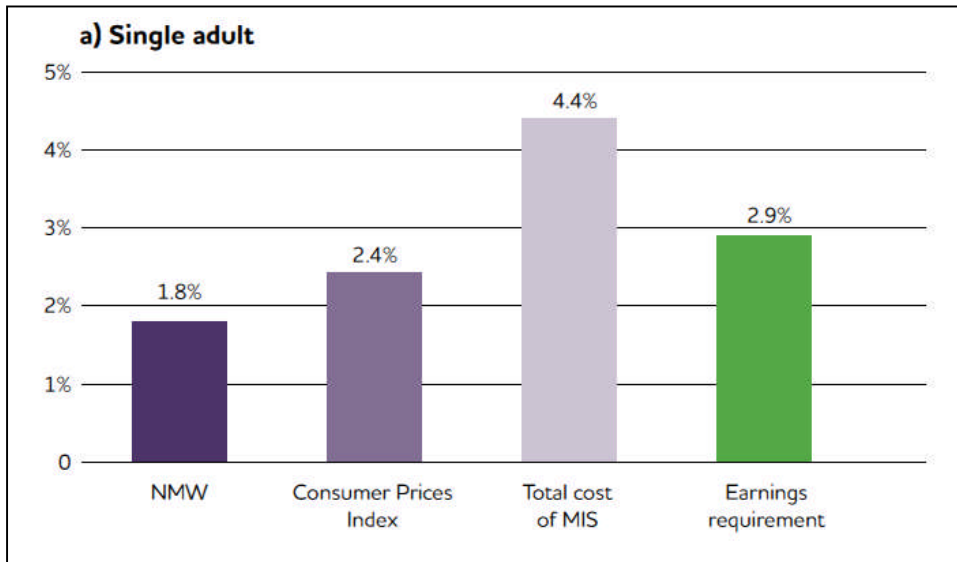
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/213602/201307forecomp.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213602/201307forecomp.pdf)

<sup>4</sup> The UK's Low Pay Recovery, the TUC, July 2013 - <http://www.tuc.org.uk/economy/tuc-22364-f0.cfm>

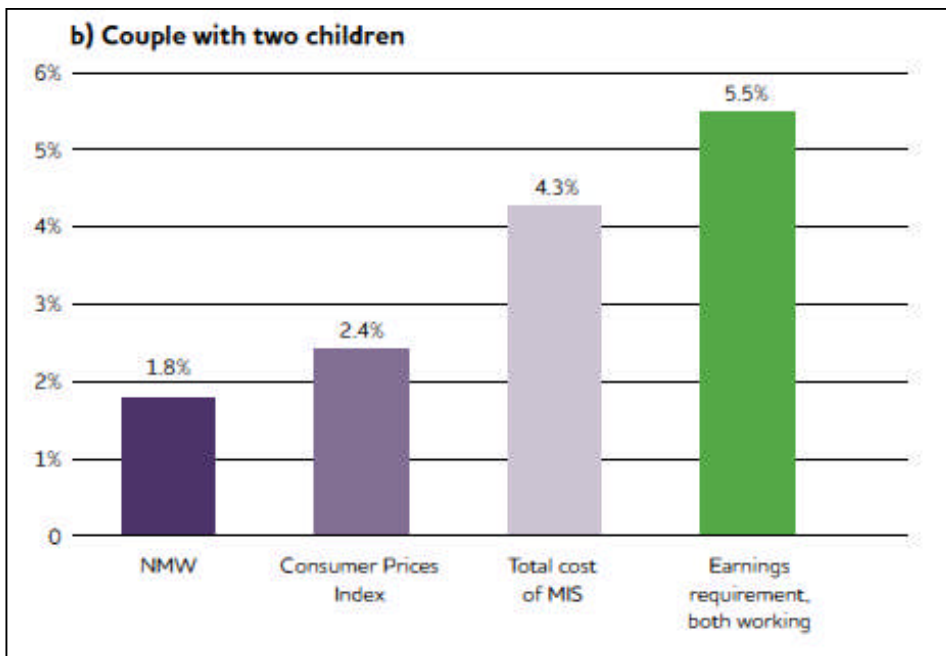
role in this. Again as in previous years, the amount people need to earn to have an MIS budget is not rising at the same rate as the total cost of MIS – the weekly budget required.”

As you can see, the earnings requirement has risen by 2.9% for a single adult and 5.5% for a couple with two children. As the tables make clear, the NMW rise has once again lagged behind.

**Table 3: Percentage increase in NMW, CPI, the Minimum Income Standard and earnings April 2012 to April 2013 (Single Adult)**



**Table 4: Percentage increase in NMW, CPI, the Minimum Income Standard and earnings April 2012 to April 2013 (Couple with Children)**



It is also significant that corporate profits have made a strong return, meaning that companies are in a much stronger position to afford a higher rise in the National Minimum Wage. As the TUC point out in their submission to the LPC, for non-financial companies in the service sector, “profits have risen with the rate of return (14.5 per cent) rising 0.6 per cent on the year meaning the rate is now 1.4 percentage points higher than was the case at beginning of the recession.”



**Table 5: Productivity indices 2008-2013**

	2008	2012	2013	Change since 2008 (per cent)	Change since 2012 (per cent)
Whole economy per job	101.6	101.2	102.3	+2.3%	+1.0%
Whole economy per hour	102.0	101.6	103.8	+1.8%	+3.2%
Service sector per job	100.8	102.6	104.0	+3.2%	+1.4%
Service sector per hour	101.6	102.6	105.3	+3.6%	+2.6%

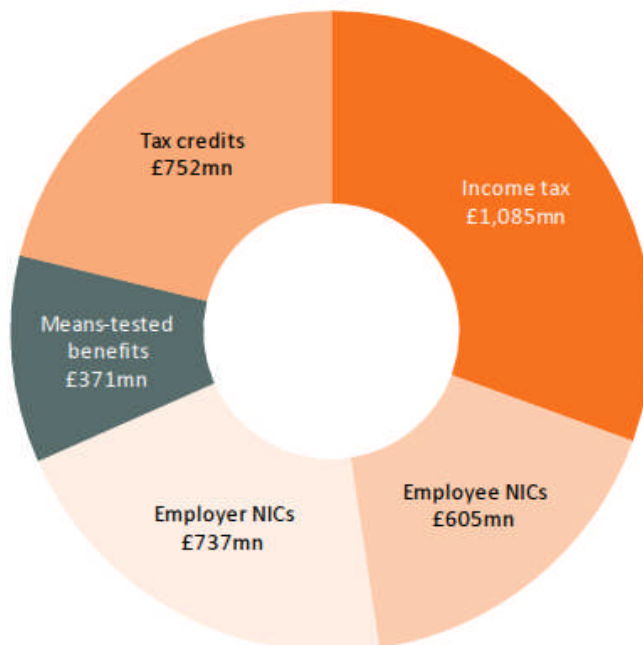
Source: ONS productivity statistics Q1 2013

## 5. The taxpayer subsidy of low pay

The absurdity of low pay in the UK is summed up by the fact that the taxpayer is subsidising employers who pay poverty wages. The IPPR/Resolution Foundation study into the Living Wage “Beyond the Bottom Line” estimates that the Treasury would benefit to the tune of £3.6 billion as a result of introducing a statutory Living Wage, a figure which includes savings on means-tested benefits of £1.1 billion. Table 6 below shows how the £3.6 billion figure breaks down:

**Table 6:**

### Estimated gross savings to Treasury if all employees were paid at least the living wage



In total, we estimate that HM Treasury would make gross savings of £3.6 billion if the living wage was universally applied. The bulk of the upside would come from higher income tax payments and national insurance contributions. Figure 14 makes clear that of those gross savings of £3.6 billion, income tax receipts account for around £1.1 billion, national insurance contributions for As outlined in box 5, this estimate should be seen as an upper bound, not accounting for possible effects on employment, profits or prices.

## 6. Economic Stimulus

Raising the National Minimum Wage can stimulate the economy further by efficiently increasing consumer spending power. There is a growing body of evidence to demonstrate that rises in the minimum wage can act as an economic stimulus, boosting local businesses and their capacity to recruit staff.

A 2011 study by the Chicago Federal Reserve Bank found that minimum wage increases consumer spending, especially triggering the purchase of consumer durables. The report, which examines 23 years of household spending data shows that every dollar increase for a minimum wage worker results in thousands of dollars of *new* consumer spending in the following year.<sup>5</sup>

What is particularly interesting about Living Wage campaigns across the country is that local business forums are beginning to back and even run campaigns for the living wage to be paid by local employers.

- [In Brighton](#), the local Chamber of Commerce has funded a campaign (including a paid organiser) to encourage local businesses to pay the Living Wage.<sup>6</sup>
- [In Dorset](#), the president of Weymouth and Portland Chamber of Commerce has come out strongly in favour of the Living Wage.<sup>7</sup>
- [In Newcastle](#), the North East Chamber of Commerce sat on a Living Wage Commission which recommends a number of measures to the Living Wage<sup>8</sup>
- [In Sheffield](#), the Chamber of Commerce backed a Fairness Commission which recommended promoting the Living Wage throughout the City.<sup>9</sup>

The inadequacy of the current NMW level and the preponderance of poverty wages is becoming so glaring that many employers can clearly see that it is damaging their local economies. Though it is unlikely that all employers would back a statutory Living wage, it is highly significant that groups representing businesses now feel moved to back local Living Wage Campaigns.

A 2005 study by Staffordshire Business School found that for every extra £1 per hour paid to low paid workers in Stoke on Trent, the local economy benefitted by an additional £0.63 of income creation. This multiplier of £1.63 found in Stoke on Trent is consistent with studies in other regions of the UK.<sup>10</sup>

This evidence is now supported by our wider, practical experience of recession caused, in part, by the removal of demand from the economy created by government cuts and the absence of a credible growth strategy.

It is important for the Commission to recognise that the economic arguments have moved on from the neo-liberal consensus which dominated before the economic crisis. Economic commentators are increasingly

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<sup>5</sup> [http://www.chicagofed.org/digital\\_assets/publications/working\\_papers/2007/wp2007\\_23.pdf](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf)

<sup>6</sup> The Brighton & Hove Living Wage Campaign, <http://www.businessinbrighton.org.uk/about/campaigns/living-wage>

<sup>7</sup> The struggle to earn a real living wage,

[http://www.dorsetecho.co.uk/news/10610811.POVERTY\\_SPOTLIGHT\\_The\\_struggle\\_to\\_earn\\_a\\_real\\_living\\_wage/](http://www.dorsetecho.co.uk/news/10610811.POVERTY_SPOTLIGHT_The_struggle_to_earn_a_real_living_wage/)

<sup>8</sup> A Living Wage for Newcastle, [http://www.newcastle.gov.uk/sites/drupalncc.newcastle.gov.uk/files/wwwfileroot/your-council/communications\\_and\\_marketing/a\\_living\\_wage\\_for\\_newcastle\\_-\\_april\\_2012.pdf](http://www.newcastle.gov.uk/sites/drupalncc.newcastle.gov.uk/files/wwwfileroot/your-council/communications_and_marketing/a_living_wage_for_newcastle_-_april_2012.pdf)

<sup>9</sup> Fairness promise to be taken up by council, <http://www.yorkshirepost.co.uk/news/main-topics/local-stories/fairness-promise-set-to-be-taken-up-by-council-1-5820515>

<sup>10</sup> <http://www.lm3online.org/documents/Regeneration%20effects%20of%20fair%20wages.pdf>

criticising the very low increases in the NMW<sup>11</sup>, not because of the negative impact they have on the lives of the low paid, but because of the negative impact they are having on the economic recovery.

## 7. Minimum Pay Rates for UNISON members in the public sector

Table 7:

UNISON Minimum pay rates			
UNISON bargaining groups	From	Rate	Hourly
Local Government (E&W)	01/04/2013	12,266	6.36
Local Government (Scotland)	01/04/2013	14,469	7.50
Sixth form colleges support staff	01/09/2013	14,083	7.30
Police staff council (Scotland)	01/09/2010	12,837	7.50
NHS Agenda for Change	01/04/2013	14,294	7.31
Higher Education	01/08/2012	13,486	6.99
Further Education	01/08/2013	13,491	7.45
Probation	01/10/2012	14,464	7.50
Police staff (E & W)	01/09/2012	14,779	7.66

**Recommendation:** In October 2014 the National Minimum Wage should be increased substantially to reflect the increased cost of living in recent years, presently and expected in 2014. After 2014 the National Minimum Wage should move in stages towards a Living Wage for all workers, currently in the region of £8.55 an hour depending on family size.

**Recommendation:** Given the growing number of employers using the Living Wage as a benchmark, we believe it is time for the Low Pay Commission remit to be amended so that they are responsible for setting a statutory Living Wage and monitoring its enforcement.

## 8. Enforcement

The Government has recently announced changes which it claims will make it easier to take enforcement action against employers who are failing to pay the National Minimum Wage<sup>12</sup>. This includes reducing the criteria which needs to be met in order to name and shame employers. Whilst these changes are welcome, UNISON considers the general approach the Government has taken on enforcement to be woefully inadequate. In particular, UNISON shares the concern voiced by the Low Pay Commission's 2012 report that Government cuts to enforcement and communications budgets is making it easier for rogue employers to avoid their legal responsibilities.

<sup>11</sup> <http://www.guardian.co.uk/uk/2012/mar/21/budget-2012-cynical-deluded-regressive>

<sup>12</sup> <https://www.gov.uk/government/news/national-minimum-wage-rogues-to-be-publicly-named-and-shamed-under-new-plans>

One course of action which could significantly help would be to give trade unions a formal role in the enforcement process. Currently, if a trade union reports an employer for failing to pay the National Minimum Wage via the HMRC Hotline, this is treated only as “intelligence” and does not necessarily lead to a formal investigation. A formal investigation is only carried out if an individual who believes that they are getting less than the NMW personally reports this to HMRC. Even though individuals can make these reports anonymously, many are still very reluctant to do so – because of fears that they will be penalised by their employer.

UNISON urges the LPC to recommend to the government a new formal role for trade unions which treats their reports of breaches of the NMW as a formal complaint. All such complaints would then lead automatically to a formal investigation by HMRC Officials. This “third party” right to report could also be broadened to include the Citizens Advice Bureau, law centres and other Bona Fide Advice agencies.

The Annual Survey of Hours and Earnings for the Office for National Statistics estimates that about 287,000 workers were paid at less than the minimum wage in 2012, while the TUC puts the figure closer to 350,000. Last year HMRC served enforcement notices on a paltry 879 employers

UNISON also believes that the Government needs to start prioritising enforcement work and making it work much more effectively. The current resources and structures allocated to enforcement are inadequate. HMRC spends just over £8 million each year on enforcement. They employ 17 regional teams which includes 153 Compliance Officers and a central team of 20 staff to carry out their work.

As the recent Resolution Foundation Report on pay in social care pointed out “...Birmingham's NMW compliance team, responsible for investigating violations in a city of over 1 million people, comprised of just eight officers including a manager . The resources available in other towns and cities were no larger”. Instead of freezing funding for enforcement work, UNISON believes resources allocated for this purpose should be dramatically increased.

UNISON also believes that there should be greater penalties for breaches of the NMW. The current system fines up to £5000 clearly does not provide a great enough disincentive to some unscrupulous employers. The LPC should look again at this issue and make recommendations for more robust penalties. Higher fines could be used to pay for increased capacity of enforcement machinery and support and advice to employers.

#### **Recommendations:**

- UNISON urges the LPC to recommend to the government a new formal role for trade unions which treats their reports of breaches of the NMW as a formal complaint. All such complaints would then lead automatically to a formal investigation by HMRC Officials. This “third party” right to report could also be broadened to include the Citizens Advice Bureau, law centres and other Bona Fide Advice agencies.
- UNISON also believes the current resources and structures allocated to enforcement are inadequate. Instead of freezing funding for enforcement work, UNISON believes resources allocated for this purpose should be dramatically increased.
- UNISON also believes that greater penalties for breaches of the NMW are necessary. The current system of fines up to £5000 clearly does not provide a great enough disincentive to some unscrupulous employers. . The income from higher fines should be used to pay for increased enforcement capacity and advice to employers.

## 9. Youth rates

Since the introduction of minimum wage legislation, UNISON has consistently called for the elimination of differential rates based on age.

UNISON has generally argued that lower wage rates are discriminatory and conflicts with the principles of equal pay for work of equal value enshrined in European and domestic equal pay legislation. These rates are based on a personal characteristic that have nothing to do with performance of the job. Our own research has repeatedly shown that lower pay levels offered to young workers do not adequately reflect the value of the work they do, and result in real hardship.

In our submission last year we were pleased to be able to note that our views were being echoed by the Employers Forum on Age who argued that different rates that could be applied on the basis of age, irrespective of an individual's job or responsibilities, constituted direct age discrimination.

This year the LPC have been asked by the government to review the contribution the NMW could make to the employment prospects of young people. UNISON, along with the TUC and other organisations, remain very concerned about high levels of youth unemployment. On this issue we would make the following observations.

There is a strong evidence base to show that young people are disproportionately affected by recessions. This is because firms are less likely to invest during downturns, and when they do young people are likely to lose out to those with more work experience.<sup>13</sup>

Research also shows that what works best in tackling youth unemployment is well funded and properly designed welfare to work programmes which provide young people with experience of real work paid at least the NMW.<sup>14</sup> The previous government's Future Jobs Fund provided a good example of this approach. We note that its poorly funded replacement, an unpaid work experience programme with limited access to job search support and training, is less effective.

In this context we are clear that the NMW has not caused or exacerbated the weakness of the youth labour market. We agree with the TUC that the problem of youth unemployment will be best solved by a growing economy where demand is strong – an outcome that an increase in the NMW, for all regardless of age, will help to secure.

**Recommendation:** In keeping with our position, 'fair rate for the job', the development rate for 18-20 year olds should be brought in line with the full adult rate from 2014 16-17 year olds should be entitled to the 'development rate' with a view to harmonising it with the adult rate over time.

## 10. Apprentices

As with our previous evidence to the LPC, we continue to believe that decent pay is intrinsic to better completion rates. We note that the welcome introduction of the NMW apprentice rate in 2010 saw an increase in apprenticeship starts and completions. We note too that there is no evidence that the rate has had any negative effect on employment. Given the government's expansion of apprenticeships we believe the balance of concern needs to be around enforcement and how higher levels of pay can be achieved in order to ensure the expansion of apprenticeships is effective and sustainable.

We also note problems raised by the TUC that need to be addressed:

- apprentice courses being used as a substitute for other training in some adult jobs.
- the introduction of very short apprenticeships in some sectors.
- £80 per week apprenticeships in some sectors (achieved by restricting apprentices to 30 hours per

<sup>13</sup> Bell and Blanchflower (2010) Young People and Recession> A lost generation? CEP

<sup>14</sup> Gregg, P (2009) Job guarantee: Evidence and Design. Low Pay Commission 2013

week).

- employers not complying with the relevant NMW rates.
- deep concerns being raised around whether apprentice rates should be allowed for older workers .

At the same time there is anecdotal evidence from union learning representatives that apprentice employers' compliance with the NMW has declined over the last two years. Whilst these are all issues that might be expected to be more prevalent in the private sector, UNISON will be monitoring experience in the public services (including private and community and voluntary sector providers of public services) .

**Recommendation:** That in the interests of fairness and simplicity the National Minimum Wage rates for all apprentices across the UK rise from £2.68 in October 2014 to match existing youth rates.

## 11. Zero hours, travel time and the National Minimum Wage

The LPC consultation asks whether there has been compliance with the NMW.

For UNISON, as a public services trade union, we have major concerns about the social care sector. We note recent research by the Resolution Foundation estimating that between 160,000 and 220,000 direct care workers are probably being paid less than the NMW.

UNISON's own research, based on 196 responses to Freedom of Information requests to councils in the UK, suggests that 97% of local authorities are commissioning care which doesn't guarantee work for providers from one week to the next. As local authorities have seen their budgets from central government squeezed, so they have responded by restricting access to care and driving down the amount they are willing to pay for it. This has helped fuel a situation in which workers are increasingly being paid only for the contact time that they spend with clients – not the time spent travelling between clients. This is despite the law on travel time being clear, which permits only the exclusion of travel to and from work and breaks from the working day. As such, we are concerned that there is an intrinsic link between zero hours and NMW compliance, and that this is compounded by deeper structural problems within the system for social care funding . This is because government is making unprecedented cuts to local authority budgets. These are then pass ported to social care providers, who pass them onto their workforce and patients.

Recent data from the CIPD suggesting that there could be as many as one million workers on such contracts, between 3% and 4% of the UK labour force.

The CIPD found that voluntary and public sector employers were among the most likely to deploy zero hours contracts, with 35% of education and 27% of healthcare employers utilising zero hours. The private care sector has made particular use of this practice and a recent survey of homecare workers found that 41% are on zero hours contracts, which was in line with the government's recent acknowledgment that 307,000 care sector workers in England face these terms of employment.

**Table 8:**

<b>Estimated number of adult social care workers on zero-hours contracts, by each English region</b>	
<i>Region</i>	<i>Estimated number of workers on zero-hours contracts</i>
Eastern	41,000
East Midlands	23,000
London	56,000
North East	17,000
North West	37,000

South East	50,000
South West	27,000
West Midlands	30,000
Yorkshire and The Humber	27,000
England	307,000
<i>Source: Skills for Care workforce estimates 2011, NMDS-SC May 2013</i>	

Almost all areas of public service are now seeing a rise in zero hours contracts. In the case of the NHS, the new commissioning system which means that providers are not guaranteed any minimum level of work is having the knock-on effect of pushing employers towards contracts that mirror such arrangements. This trend is taking place in occupations traditionally vulnerable to zero hours arrangements, such as cleaning, but also hitting new areas, such as cardiac services, physiotherapy, psychiatric therapy, and hearing services.

For staff, zero hours contracts present huge drawbacks in comparison to permanent regular work.

- There is no guaranteed level of regular earnings that provides any certainty over meeting bills or planning for the future;
- The need to respond to calls to attend work, frequently at short notice, disrupts life outside of work and places a particular strain on families and arranging care for dependants;
- A multitude of employment rights that are usually clearly defined for permanent staff become variable and dependent on the irregular hours of work;
- While weekly income can frequently be inadequate, the need to be available for work when required by the employer hinders the ability of staff to take up other employment;
- The variability of earnings throws into doubt an individual's eligibility to claim various forms of benefit. For example, the working tax credit for a single person can only be claimed if an individual works 16 hours a week, but whether an individual exceeds these hours can vary from week to week under zero hours, creating even greater uncertainty over income.
- Zero hours contracts have also shown themselves to be more open to abuse than regular permanent contracts. For example, scheduling of working hours in the homecare sector that allowed no time for travel time between home visits has led to staff working considerably beyond their paid hours in some cases.

### **UNISON Carers Survey**

Further evidence that the National Minimum Wage legislation is being breached comes from UNISON's 2013 carers survey

The survey, which received 739 responses found that 12% of carers stated that they are sometimes not paid the minimum wage. It is important to note that almost a third, 32% (234 people) said they were not paid for their travel time. Given the low pay rate of homecare workers and that the respondents on average spent 6 hours 49 minutes a week travelling between visits this indicates that a significant number of people wrongly identify as being paid on or above the NMW

Half of the respondents (363) answered that they had to use their personal mobile phone for work purposes and were not reimbursed."

UNISON voices on travel time:

Below are some direct quotes from UNISON members who responded to the carers survey regarding travel time and costs:

**“Petrol is not enough to cover mileage. 10 minutes calls for meds normally should be 15 minutes. Not paid from travelling from client to client. Company’s now have to apply for contracts and the lowest bid wins. This will only make carers conditions worse with pay etc as the company will want profit before carers pay. Every hour a carer works on average will lose 15 minutes pay with travelling.”**

**“They are currently proposing to drop mileage allowance from 40p per mile to 30p per mile and also want to stop paying travel time.”**

**“Under the new contract I think there will be many problems and I think the clients will suffer. No travel time between clients and no lunch time. ”**

**“The job would be a lot better if we didn’t have to rush, we should get paid travelling time as we are still working and we are losing out on money all the time, we can spend more time travelling than caring.”**

**Recommendations:** The LPC should carry out an inquiry and conduct research into the link between zero hours contracts and the National Minimum Wage. This should consider a de facto weekly/monthly wage for those on zero hours contracts.

Given that the law on travel time is clear, yet being contravened in many cases in the social care sector, the LPC should bring forward a package of measures and guidance to ensure that this abuse can be stamped out immediately.

The LPC should call on the government to commission an independent review into (i) the extent to which current social care funding levels are sufficient to ensure provision of quality social care and ensure that providers can pay the NMW to their workforce and (ii) the additional funding that would be required to enable them to pay the living wage.

## 12. Gender Pay gap

Low Pay Commission Reports have showed that raising the National Minimum Wage is a very effective way of closing the gender pay gap and the introduction of the NMW in 1999 had a significant impact in closing it for both part time and full time working women. Indeed two thirds of the beneficiaries of the National Minimum Wage are women. With the Equality Act 2010 (even though implementation has been watered down) ensuring a continued focus on the gender pay gap, the importance of the NMW and keeping it at a decent rate should not be forgotten.

The gender pay gap is currently 9.2% according to the Office for National Statistics. The disproportionate effect of government cuts on thousands of female public sector workers means women's income could start fall as they struggle to find work in the private sector. The gender pay gap in the private sector is twice as high as in the public sector.

It is worth noting that the new calculation of the gender pay gap only relates to comparisons between full time workers. UNISON has evidence, for example, that there is a 30%+ gender pay gap between women



part-time workers and male full time workers in local government. It is highly likely that this will also apply to zero hours and other casualised workers too.

### **13. Accommodation Offset**

#### **Recommendations:**

- UNISON believes that the ability to reduce the NMW by up to £4.91 a day from October 2013 for employer provided accommodation should not be increased, particularly where the worker has no choice about taking up the accommodation.
- UNISON also believes that it is wrong that employers such as those in social care, should be allowed to deduct wages for work uniforms and other equipment. The Commission should make it clear that this is not acceptable practice.