

National Minimum Wage Consultation

Low Pay Commission

Response from YMCA England, September 2012

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1. YMCA England

- 1.1. Working with some of the most disadvantaged young people in local communities, the YMCA provides a place to stay and range of support services to help young people manage the transition to independence. The YMCA is the largest provider of supported housing for young people in England, helping over 9000 young people every night.
 - 1.2. Every year the YMCA intensively supports nearly 215,000 young people and serves over 530 communities across the country. The YMCA will always seek to support a young person holistically, whether it be through providing support programmes for those in our residential accommodation, or by providing access to counselling and training to those who come along to local youth clubs. The YMCA supports nearly 24,000 people every year to engage in education, skills and training to enable them to improve their opportunities in the job market.
 - 1.3. The YMCA believes that young people need the right skills to enable them to achieve their full potential and prepare them for the realities of the current job market. Education is more than just formal schooling. It is about young people having confidence to make the right decisions in their own lives. Young people today are facing difficult employment prospects in an ever changing marketplace. The YMCA's integrated approach of offering a range of education and skills based training, as well as work placements and apprenticeships, meets this challenge head on. The YMCA focuses on creating the right environment to enable young people to flourish.
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2. Summary

- 2.1 We are of the view that the Youth Development Rate of National Minimum Wage (NMW) works for young people. Where we have concerns is how this will link to the new Universal Credit. Under the current benefit system it often does not make sense for a young person to go to work for the minimum wage, as in many cases they will be worse off if they go to work. The new system of Universal Credit will be accompanied by a stricter conditions and sanctions regime which will encourage more young people to take up work at lower pay; however this needs to be accompanied by support for travel costs and work clothes to ensure that work really does pay.
- 2.2 We are concerned that the current system of NMW does not work well for young people who are currently signed up to zero hour contracts. When young people are signed up to zero hour contracts they have serious problems with claiming benefits. Some young people are employed at the minimum wage, but are not guaranteed any number of shifts in a week, and employers will promise for shifts the next week, or the week after, and can drop the young person at a moment's notice. This causes the young person problems if they wait to see if more work will

follow and it can take time before they can get their benefits re-started.

- 2.3 One of the negative points of the NMW is that for young people it has become the maximum wage for unskilled jobs. This is of particular concern in areas of the country where living costs are higher. We do see instances of young people doing the same work as people paid at the adult rate of NMW, so we think it is important that the Low Pay Commission (LPC) and the government do more to promote the youth rate as a pay floor, with the opportunity for employers to pay young people more for the same work. The youth rate should not be seen as a maximum rate of pay for young people, particularly in lower skilled jobs.
- 2.4 We believe that the minimum wage for apprentices is too low. Whilst we understand that in the current economic climate there needs to be a balance with the need to create new jobs, we are of the view that the rate could be increased slightly. Training providers in some areas are already requiring employers to pay a rate of £3.50, so the minimum rate for apprentices has the potential to increase from the current rate. However, this must be balanced to ensure that a minimum wage job without training opportunities for young people isn't a preferable option for employers who take on young people.
- 2.5 We have only answered the key questions that we believe are relevant to our work with young people.

3. What has been the impact of the minimum wage on the labour market position of particular groups of workers, including women, ethnic minorities, migrant workers, disabled people, older workers, and those who are unqualified?

- 3.1 The YMCA works with disadvantaged young people, many of whom receive benefits, including young people in our supported accommodation who receive Housing Benefit. There are current dichotomies within the benefits system, which mean that young people may lose their benefits immediately on returning to work. Going to work at the minimum wage for many young people, does not pay. Whilst the introduction of Universal Credit in October 2013 will increase incentives to work, and improve the tapers at which benefits are withdrawn, there are still several issues with this. The Universal Credit should increase the earnings disregard before benefits are withdrawn, to ensure that young people get to keep more of their earnings.
- 3.2 The minimum wage for young people, particularly the most disadvantaged, as well as apprentices, limits their options in terms of accommodation options. For the most disadvantaged young people, living at home is simply not an option, and due to the cost of independent living, the minimum wage for these young people can be less attractive than living on benefits.

4. How important do you think pay is in influencing labour market outcomes for young people?

- 4.1 Young people have bared the brunt of the recession in the UK and across Europe. Despite a lower minimum wage in comparison to older groups, they are still facing an extremely competitive jobs market. We are concerned about the recent labour market figures to July 2012, which show that 1.02 million young people are unemployed.¹ We believe the employment and jobs outlook for young people will continue to be difficult over the next 2 years.
- 4.2 The NMW youth rate needs to remain lower than the adult rate, as young people are currently facing long term unemployment, which evidence demonstrates will negatively affect them well into their working lives². We therefore recognise that any increase in the NMW for young people

¹ Youth Unemployment Figures, House of Commons Library Standard Note, <http://www.parliament.uk/briefing-papers/SN05871> Accessed 14.09.12.

² Youth Unemployment: The Crisis we Cannot Afford, ACEVO, <http://www.bristol.ac.uk/cmpo/publications/other/youthunemployment.pdf> Accessed 14.09.12.

may hinder their job prospects further, particularly for those with few skills or qualifications. The LPC therefore need to carefully consider how much the youth rate will increase in 2013, as we expect that the job situation will still be difficult for young people at this time. This also needs to be balanced with the understanding that many young people, including the most disadvantaged and lowest paid, also have bills to pay, such as gas and electricity. The rises in fuel bills, as well as higher food costs are hitting the lowest paid workers the hardest. With a gap of more than £1 per hour between the 16-17 year old rate and the Youth Development Rate, as well as another large gap between the Youth Development Rate and the full NMW, there is scope to increase the youth rates more than the NMW, to ensure that those young people can afford to pay their bills.

5. What has been the impact of the minimum wage on young people and what effect does it have on their employment prospects?

- 5.1 There are serious implications for young people who receive unemployment benefits and who are searching for work at the NMW. In many instances they will receive more support whilst they are on benefits. To incentivise the most disadvantaged young people, who do not see a reason to engage in the labour market, the minimum wage needs to be set at a level where they are better off in work, than remaining on benefits. For young people the NMW youth rate often isn't enough to encourage them to go to work, especially when they may be better off on benefits. Whilst we recognise the need for a lower youth rate, it needs to be attractive enough to come off benefits. We are also concerned that there may be implications with a youth rate for Universal Credit being set at 25 years old and under, compared to 21 year olds who receive the adult rate of the NMW.
- 5.2 The LPC could also do more to promote to employers that the NMW is an income floor, and that a living wage or young people may indeed be higher than this, and that if a young person in a NMW proves themselves to be a hard worker, then a slightly higher wage will help them to afford more basic necessities – such as clothes, food and travel costs, as well as gas and electricity bills. The LPC also need to take into account the current jobs market for young people, many employment opportunities at the youth rate of the NMW only offer part-time hours, in many instances there are very few hours of available work per week. This is not enough money for young people to live on, and causes complications with claiming for benefits under the current welfare system. We would like the LPC produce a transparent report as to how they break down the living costs needed by a young person to get by, and to set out how they arrive at the Youth Development Rate and the 16-17 year old rate of the NMW.

Case Study – Exeter YMCA

One 18 year old care leaver (M) finished college recently and got her first job working in a bar on minimum wage, for four hours a week. They said maybe if she is good at the job they may have more shifts for her. In the meantime she has to also sign on for JSA and still look for work as she doesn't have the £56 per week the law says she needs to live on. This demonstrates that the minimum wage for young people is not enough to live on, particularly if they are working part time hours.

6. Do you think there are possible implications for the NMW when the education and training participation age is raised in England from 16 to 18 between 2013 and 2015. If so, what action, if any, do you think should be taken in response?

- 6.1 YMCA England is of the view that despite the education and training participation age rising to 18 years old, a minimum wage rate for 16-17 year olds should remain in place. This is because many young people in this age group will continue to work outside of school or college hours in order to save for university, or disadvantaged young people may be forced to leave home at 16. Therefore it is vital that employers are still given an incentive to employ a younger age group, so that they are still able to compete in the difficult jobs market when they need to.

7. What has been the labour market experience of young people with respect to volunteering and work experience opportunities, including internships?

- 7.1. We have serious concerns about the impact of long-term unpaid internships. For many young people, particularly those who are from lower income families, disadvantaged backgrounds, and even those whose parents don't live close to a city, working for free, including internships is not a feasible option. As longer term unpaid internships are becoming the norm and the only way to gain entry level work into some sectors, only young people who can afford to work for free can take part in them, thus negatively impacting on the social mobility of all young people. There is already ONS data to suggest that university graduates, who cannot find graduate level employment, are beginning to take up the work places of young people with fewer skills at the lower end of the jobs market³.
- 7.2. Short-term work experience opportunities or part-time volunteering may be feasible and improve skills and confidence. We support short-term unpaid work experience as a route for young people to gain skills and bring them closer to the job market – however, they need benefits to support them through this. We also support volunteering, particularly for charities, for instance YMCA shops are run with the support of volunteers, however this is only feasible for one or two days a week, as young people who are out of work need to spend time looking for paid work, or they need to be at work.
- 7.3. The high levels of unpaid full-time and long term internships of up to three months or longer is having a detrimental impact on the jobs market for young people, particularly those who do not have the resources to work without a wage. We are of the view that internships should always be paid at the NMW – be that at the full adult rate for those over the age of 21, or at the youth development rate for the younger interns. At a very minimum travel costs and lunch expenses should be paid.

8. What has been the impact of the introduction of the Apprentice Rate of the NMW, particularly on the provision, take-up, and completion of apprenticeship opportunities?

- 8.1. The YMCA has concerns over the low level of the Apprentice Rate of the NMW. Whilst we recognise that employers face the extra cost of training apprentices, and paying them by the hour for their training whilst they are away from the workplace, we believe that that the rate is too low to live on. At present the rate is set at a symbolic level, to demonstrate that there is a minimum wage for apprentices; however, this does not reflect the work undertaken by an apprentice and has to mean more than a symbolic gesture.

Case Study – YMCA Central Hertfordshire

Central Hertfordshire YMCA has supplemented the rate for an apprentice by an extra 90p per hour to pay £3.50 per hour, rather than the £2.60 minimum rate. The YMCA believes that this is a fairer option for apprentices. A youth work apprentice at Central Herts YMCA who lives with her parents isn't entitled to any Housing Benefit as she lives at home with her parents. However, their Housing Benefit has been reduced as their daughter is now deemed to be working - even though she is only on an apprentice wage.

- 8.2. For young people apprenticeships are becoming an increasingly attractive option, as they get paid, get on the job experience and training, and don't build up debt in the same way as students do. The way that government is funding apprenticeship opportunities for 18-24 year olds is a problem for employers, particularly in ensuring that apprenticeship places are made

³ Graduates in the Labour Market 2012, Office of National Statistics, http://www.ons.gov.uk/ons/dcp171776_259049.pdf Accessed 14.09.12.

available to young people. For example in April this year it was announced that any employer with under

- 8.3. 1000 employees who had received funding for an apprentice previously could no longer receive any funding to provide any more apprentice places. This was recently changed to reduce the funding restrictions so that employers who have not previously employed an apprentice or those who had not been able to employ an apprentice in the previous 12 months could still access a grant to employ an apprentice. The government needs to be more consistent in its approach to ensure that employers continue to engage and provide apprenticeship opportunities for young people, they also need to ensure that the message about available funding and support is advertised well and made clear, as at present the apprenticeships website can be confusing for employers.⁴

9. At what levels should the minimum wages for 16-17 year olds, 18-20 year olds, and Apprentices be set, from October 2013?

- 9.1. In the current year the minimum wage levels were frozen for 16-17 year olds and 18-20 year olds. We are of the view that this should be reflected when the rates for 2013/14 are set. This freeze in the youth rate should be reflected when the new rates are determined.
- 9.2. The apprentice rate needs to be increased, to ensure that the apprenticeship route is a viable option for young people who do not live at home. However, the increase should be limited, to ensure that employers can still afford to offer young people apprenticeships, and to ensure that it is still a viable option in comparison to a normal job at minimum wage which offers no training package. Whilst some training providers are requesting that employers pay £3.50 per hour, this may be too close to the NMW for 16-17 year olds and lead to a reduction in apprentice places available, however the rate needs to be set substantially higher than the current rate of £2.60 and the rate from October 2012 of £2.65.
- 9.3. Other rates also need increasing, whilst real incomes are stagnating, and few people are receiving annual wage increases, it is people at the lower end of the income scale who are being most affected by high rates of inflation. Gas and electricity and food price rises, as well as fuel price rises are hitting those on the lowest incomes the hardest. The increase in NMW in 2013 needs to reflect these concerns.
- 9.4. We would recommend that the adult rate of NMW increases by the current (August 2012) Consumer Prices Index (CPI) inflation levels of 2.5% in October 2013. However, the Youth Development Rate and the 16-17 year old rate should increase at the inflation rate of 2.5% plus 1% to make up for the freeze this year. The apprentice rate should also increase at inflation plus 1%, as it is set at such a low level, which does not reflect the cost of living for a young person.

Wage Type	2012 Level	Recommended Increase	Recommended 2013 Level
National Minimum Wage	£6.19	2.5%	£6.34
Youth Development Rate	£4.98	2.5% plus 1%	£5.15
16-17 year olds	£3.68	2.5% plus 1%	£3.81
Apprentice rate	£2.65	2.5% plus 1%	£2.74

- 9.5. The Low Pay Commission should highlight to employers that whilst rates for young people remain the lowest minimum income floor, it does not guarantee that the young person can afford to live a healthy life at this rate. They may suggest that for young staff earning the NMW they could support them further with help for travel, lunch or work clothing costs.

⁴ Apprenticeships website, information for employers, 2012, <http://www.apprenticeships.org.uk/Employers/Steps-to-make-it-happen/Incentive.aspx> Accessed 14.09.12.