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Low Pay Commission – Consultation on the National Minimum Wage (NMW)

Introduction

The NFU represents 55,000 farm businesses in England and Wales. In addition we have 32,000 countryside members with an interest in farming and the countryside. These farm businesses employ the majority of the 124,000 agricultural workers (excluding farmers, partners, directors and spouses (FPDS)) in England and the 13,000 agricultural workers in Wales (excluding FPDS).

Executive Summary

- This is the first year for the agricultural and horticultural sectors under the National Minimum Wage (NMW) framework, following abolition of the AWB in 2013. Before October 2013 agricultural wages in England were regulated under the Agricultural Wages Order (AWO). This has been a significant period of change for the industry. The NFU has undertaken a considerable amount of work alerting farmers to the changes, and helping the industry to prepare for the new regime, including publishing Post-AWB Information Pack and a set of Key Labour Market Indicators, to help employers determine the appropriate rates of pay for their workers. In addition to this the NFU held 33 large seminars with over 700 members collectively employing approximately 10,400 workers attending these. The NFU's employment service continues to offer support and guidance to agricultural businesses and over 4,500 employment packs have been distributed to members.

- Over the past year, the NFU has monitored developments in the sector, although it is too early to assess the impact of the NMW increases that took effect on 1 October, that now affect the agricultural and horticultural sector.

- The NFU's view is that while UK economy is growing relatively strongly at present, there are still some important downside risks to the recovery including a slowdown in activity in the Eurozone. The situation with Russia and Ukraine also remains an important source of geopolitical uncertainty, as does ongoing conflict in the Middle East. A marked increase in global oil prices could have a significant negative impact on UK GDP growth.

- The NFU believes that commodity price shifts will dent confidence as well as hitting margins. Uncertainty about prices and margins creates uncertainty about profits. Given this uncertainty, the NFU believes that maintaining cost competitiveness versus EU competitors will be critical to the future profitability of farming. With labour costs being one of the main cost components for farm businesses, increases in pay will be a factor in UK farm competitiveness.

- The NFU recommends that prudent caution be the outlook concerning the factor of any increase in the NMW. An increase of three per cent in the adult rate of NMW may limit the growth in the job market and may impact on job prospects of this group. Hence, the NFU recommends that the rise in the adult rate of the NMW should be limited to 2% at this point in the economic cycle and calls for balance in determining the NMW increase in 2015-16, recognising the need to price workers into jobs, especially the younger workforce in the economy.

- The NFU recognises the importance of apprenticeships and see them as valued route into the sector for dynamic and enthusiastic people. Therefore, it is important to achieve the right balance in making sure that apprenticeships are an attractive entry route for dynamic and enthusiastic young people, but at the same time ensuring that a higher apprentice rate does not deter employers from offering apprenticeship places, helping ensure there is sufficient provision.

- The NFU believes that the structure of the Apprentice Rate needs to be as clear and as simple as possible. We are concerned that the current wording, which effectively presents a two tiered system for those between 16 to 18 and for those aged 19 or over who are in their first year, leads to confusion

- The NFU has undertaken a significant amount of work alerting farmers to the changes, and helping the industry to prepare for the NMW. At this time, the NFU is not aware of any particular compliance issues within the industry, but this is still a very new regime for the agricultural industry in England. Where there are compliance issues, the NFU believes that historic underpayments should be calculated on the basis of the rates applicable at the time of the underpayment.

What are your views on the outlook for the UK economy, including employment and unemployment levels, from now through to September 2016?

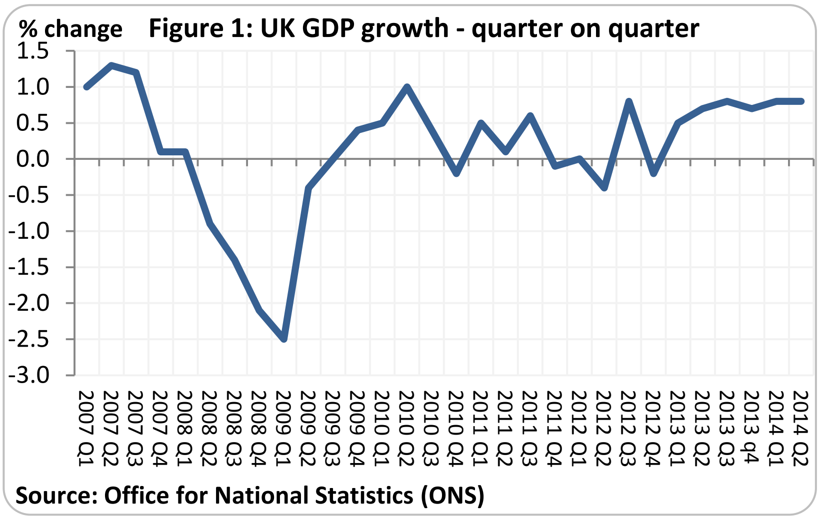


Figure 1: UK GDP growth - quarter on quarter

Source: Office for National Statistics (ONS)

After a period of generally disappointing growth in 2011 and 2012, the UK economy showed clear signs of recovery during 2013 that have continued in the first half of 2014. Growth has been ½ per cent or more per quarter for six consecutive quarters, nearly twice the rate of the 2010–12 periods. The UK economy has finally recovered its pre-crisis size just over six years after the onset of the downturn. Growth has been driven primarily by services over the past five years, but the latest data from both business surveys and official sources indicate that manufacturing and construction are also now on an upward trend. This momentum seems to have carried over into the second quarter of the year.

Looking ahead, the Bank of England in its August 2014 Inflation Report maintained a relatively strong forecast for UK economic growth in 2014 and 2015 with GDP expected to grow by 3.5 per cent this year and 3 per cent next year. Both forecasts were upgraded by 0.1 per cent compared to the previous Inflation Report published in May. This compares very favourably with Europe where recent economic data has been very disappointing with Italy falling back into recession.

The IMF also painted a positive picture for the UK economy. It expects that the economy will grow 3.2 per cent in 2014, 0.4 per cent higher than the previous estimate. The upgrade means that the UK economy is set to grow at almost twice the pace of the US, which is expected to rise by 1.7 per cent and three times that of the Eurozone, predicted to be 1.1 per cent. The UK economy is expected to grow 2.7 per cent in 2015, an upgrade of 0.2 per cent on the April projection.

The latest upward revision for the UK economy, the fifth consecutive upgrade from the IMF, came just a year after it issued a stark warning to the government that it was "playing with fire" and suggested it loosen its austerity programme.

The rate of consumer price inflation (CPI) has drifted down over the past year as import price inflation has moderated and is now below Bank of England’s 2% target rate is projected to remain close to the target in the period ahead. The fall in inflation over the past year or so in part reflects lower contributions from food and energy prices. In the light of sterling’s recent appreciation, import prices, which have been pushing up inflation in recent years, are now falling.

Currently, the case for inflation to stay low for longer is being aided by several factors. Firstly, global oil and commodity prices are low, and likely to stay historically weak due to subdued global demand (especially in key emerging markets such as China) and, in the case of energy, extra supply from the US. Secondly, the strength of sterling compared to a year ago adds further deflationary pressure through lower import costs and finally, supermarket price wars are keeping the average bill at the checkout down.

But it is the CPI measure, used for the Bank target, which will be watched by analysts amid speculation about when interest rates, held at a record low of 0.5% for more than five years, will start to rise.

Lower inflation eases pressure on the Bank for any hike as it considers whether the economy should return to more normal borrowing rates following the financial crisis. Experts are pencilling in an increase for February next year, but a sharper-than-expected change in inflation could shake up the market's expectations.

As for the labour market dynamics, the strong jobs performance observed over the past three years has continued into 2014. Total employment is more than 4 per cent higher than it was at the start of 2008, and the employment rate has returned to its 2005 peak. Although latest labour market figures published on 17 September were more of mixed bag than those of recent months and there are some signs that the labour market may be slowing down. The 74,000 quarterly increases in employment is a marked slowdown compared to the previous six months which saw an average quarterly increase of around 230,000.

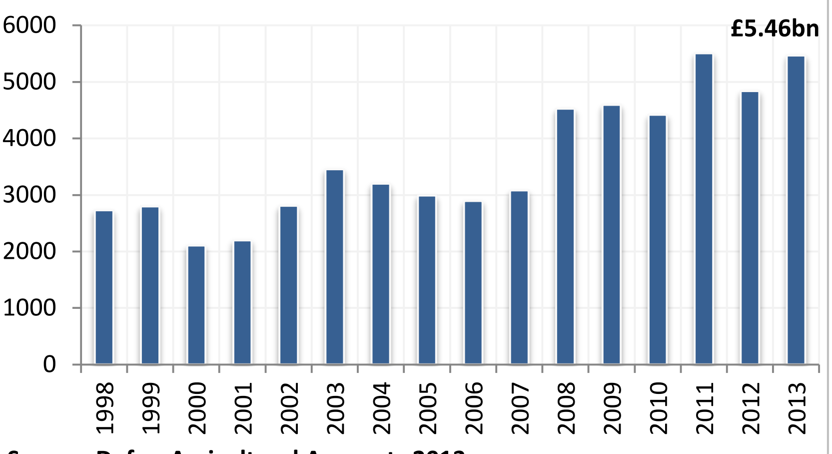
Youth unemployment has fallen, but remains too high. There are still 747,000 unemployed young people, and 489,000 (6.8 per cent of the youth population) who are unemployed and not in full-time education. This remains higher than before the recession. The proportion of unemployed young people (not counting students) who are not claiming Jobseeker's Allowance and therefore are not receiving official help with job search is now 48.5 per cent and has risen by nearly 20 percentage points since October 2012.

The NFU's view is that while UK economy is growing relatively strongly at present, there are still some important downside risks to the recovery including a slowdown in activity in the Eurozone. The situation with Russia and Ukraine also remains an important source of geopolitical uncertainty, as does ongoing conflict in the Middle East. A marked increase in global oil prices could have a significant negative impact on UK GDP growth.

UK agricultural outlook

The aggregate profitability of UK farming recovered in 2013 from the dip in 2012, due to the impacts of the adverse weather conditions. This is similar to the level seen in 2011 when inflation is taken into account. At the same time, agriculture's contribution to the economy as measured by GVA (Gross Value Added) was £9.2 billion. This has grown by £2.3 billion in the five years to 2013 – a 34 per cent increase. At the same time farm output has grown by 31 per cent, to £25.7 billion.

Figure 2: Trends in aggregate farm profitability



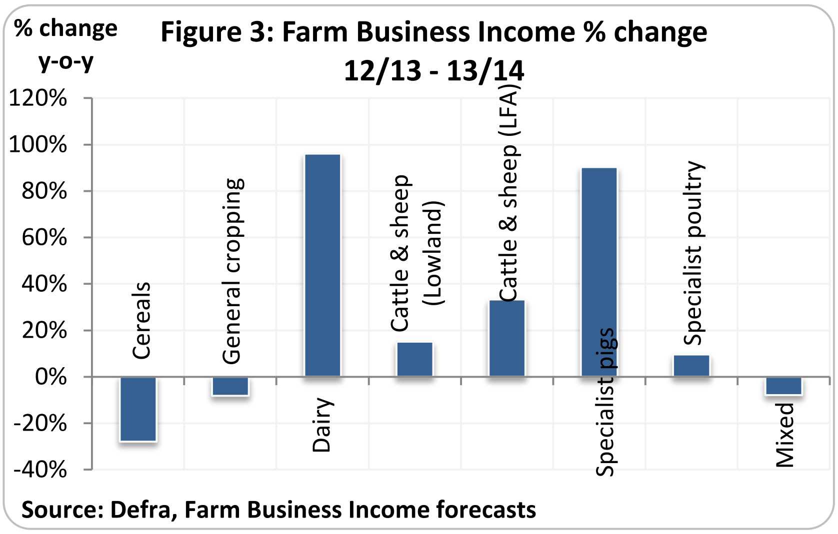
Source: Defra, Agricultural Accounts 2013

However, what stands out from the latest figures is the increasing cost base for the industry. Despite rising output values, livestock industry bared the brunt of rising costs. Agriculture's cost base has now increased 72% since 2006, and a further £892m was spent by farmers on inputs last year.

However, the aggregate profitability figures does not reflect sector specific challenges, particularly given the diversity and increasing volatility observed across the farming sectors. A more accurate picture is given by the Farm Business Income (FBI) data which provides detail on individual sectors.

The forecasts for 2013/14 (figure 3) indicate some sectors are showing signs of recovery, but even with increases in income across the beef and sheep sector, profitability still falls some way short of 2011/12 levels. The average income is expected to fall by 28% on cereal farms and by 8% on general cropping farms.

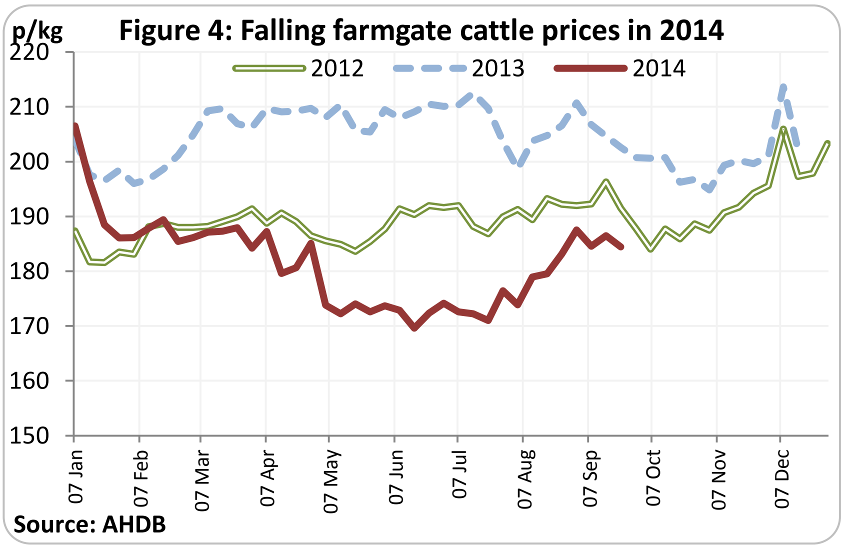
This is the result of the wet conditions in 2012 which prevented the drilling of autumn crops and led to an increase in lower yielding spring sown crops for the 2013 harvest. In addition, as global commodity supplies recovered due to record harvests around the world, cereal and oilseed rape prices fell, meaning that total output for these farms was substantially lower than the previous year.



The financial damage done by 2012 and early 2013 may take longer to repair. Borrowings have risen across most sectors and a period of positive margins will be required to pay these down.

Agricultural markets have been increasingly characterised by market volatility, and the current year is no different. Across the commodities, the industry has seen falling farmgate prices. A combination of global supply and demand factors and continued intense competition at a retail end has put a downward pressure on beef, dairy and cereal sectors.

Cattle prices have come under increasing pressure over the past few months, driven by a reduction in retail demand, increased imports and higher supplies. Currently cattle prices are 9% lower compared with a year levels and have fallen 11% since the beginning of this year.

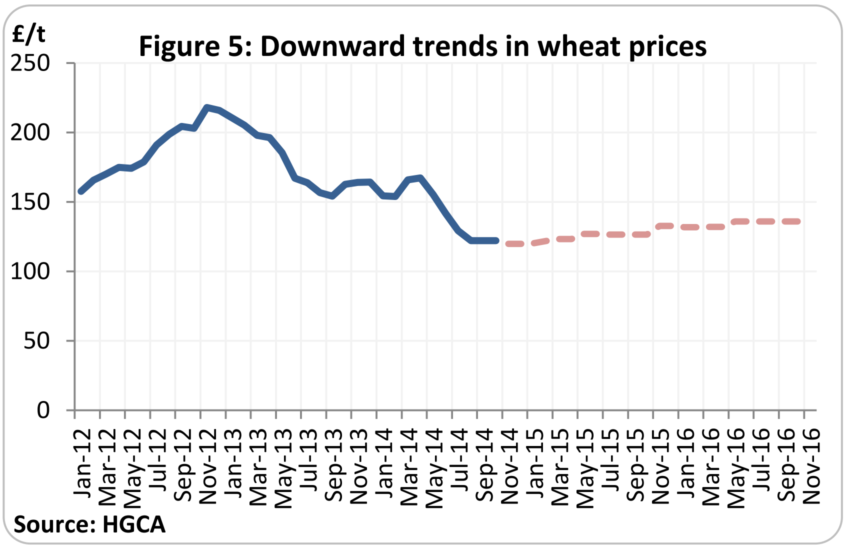


Price cuts have taken place across the board in the dairy sector as wholesale dairy commodity markets have continued to decline, reflecting the pressure on markets across the world. Dairy prices on the Global Dairy Trade auction are some 45% below their February high.

This imbalance in supply and demand has resulted in recent price cuts by UK milk processors who have pointed to weakening world demand. In addition, the Russian ban of all dairy imports from the EU and elsewhere has further destabilised the situation and created uncertainty. The UK market has felt the impact of this global situation.

World grain prices have also been subject to marked downward pressure, driven by a prospect for a record global crop harvest (figure 5). In the UK, wheat prices at £122/tonne, are 22% down on last year and are likely to remain lower into 2015 and 2016. The United States Department of Agriculture (USDA) recently made an upward revision to the global wheat production by 3.9m tonnes, mainly because of higher production in the EU (up 3.1m tonnes) to 150.9m tonnes) and Ukraine (up 2m tonnes to 24m tonnes). World maize output is expected to rise slightly to 987.52m tonnes, with US production up 2.6%

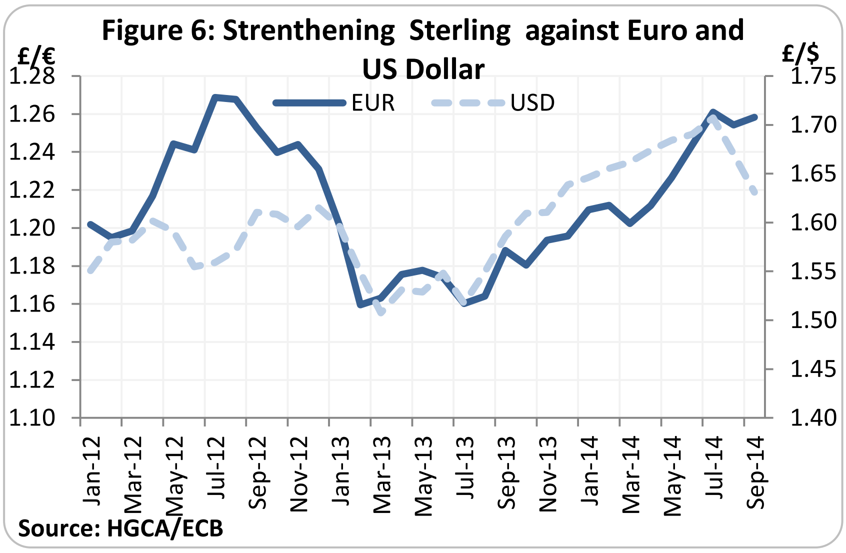
to a record 365.7m tonnes on higher yields. In the UK wheat yields appear to be above average and the planted area rose by 22% for harvest 2014 compared with the 2013 crop, where poor conditions reduced plantings. Consequently current expectations are for a UK crop of around 16m-17m tonnes, approximately 25% higher than in 2013.



The recent fall in prices of major crops is expected to continue over the next two years before stabilising at levels above the pre-2008 period, but markedly below recent peaks, according to the latest Agricultural Outlook produced by the OECD and FAO.

The NFU believes that commodity price shifts will dent confidence as well as hitting margins. Uncertainty about prices and margins creates uncertainty about profits.

Moreover, an important factor in determining agricultural profitability is the exchange rate. Weaker Pound has benefited UK agriculture, encouraging exports and making domestic products more competitive versus imports. It has been a key factor in the improved profitability in recent years.



However, the British Pound has been strengthening against both the Euro and the United States Dollar during the past year, buoyed by the improving economic picture here in the UK. The Pound has risen 10 per cent against a basket of currencies; gaining more than 10 per cent against the Euro, and 11 per cent against the Dollar. A stronger Pound will put further downwards pressure on farm incomes and squeeze the competitiveness of UK agriculture (figure 6).

The NFU believes that maintaining cost competitiveness versus EU competitors will be critical to the future profitability of farming. With labour costs being one of the main cost components for farm businesses, increases in pay will be a factor in UK farm competitiveness. With increased levels of production across the arable sector this year, it is reasonable to assume that there has been extra requirement for labour, leading to increased costs.

The NFU remains concerned about the current volatility in the commodity prices and an uncertain outlook for the agricultural and horticultural sectors. The LPC should be mindful of the challenges famers are likely to face in remainder of this year and beyond when considering recommendations on the wage rates for the period 2015.

What has been your experience of wage growth in the UK during the last year and what do you forecast for the next twelve to eighteen months?

Despite a steady fall in unemployment with record numbers in work, the latest available data shows that productivity is not on a similar path as it remains well below its pre-recession level. Overall real earnings have also been falling with pay in the both private and public sectors remaining relatively flat. However, declining price inflation over the past few months means the squeeze has eased somewhat.

Various forecasts expect earnings growth to gradually trend up over the coming months, with the gains accelerating as 2015 progresses as sustained decent economic growth, easing slack in the labour market and optimism in the outlook causes a growing number of employers to lift pay.

The latest survey by Markit Economics showed that households saw their income from employment rise at the quickest pace in more than a year in August. The boost in earnings helped push the overall monthly Household Finance Index to 42.6 last month, its second-highest reading since the survey was launched in 2009. Salaries grew in both the public and private sectors for the first time since May, but although the growth in income from employment was the joint fastest on record, it remained moderate overall.

The Bank of England has indicated that it will pay close attention to average wage rises when deciding on the pace and the timing of interest rate hikes. The Bank is now forecasting a return to real wage growth by the middle of next year.

What has been the impact of the National Minimum Wage (NMW), (for example, on employment, hours and profits), in particular over the last twelve months? Has this impact varied (for example, by sector, type and size of business or groups of workers (including women, ethnic minorities, migrant workers, disabled people, older workers, and those who are unqualified)), and if so how?

The first anniversary of the abolition of the Agricultural Wages Board (AWB) is approaching. The AWB was abolished in June 2013, although the Agricultural Wages (England and Wales) Order (AWO) 2012 stayed in force until 30 September 2013. This is the first year for the agricultural and horticultural sectors under the NMW framework; therefore it is still too early to assess the impact of the minimum wage increases that took effect on 1 October. We continue to monitor developments in the sector and take appropriate account of them. When there has been sufficient time to fully assess any implications for the NMW we will share the findings with the Low Pay Commission (LPC).

The abolition of the AWB has given farm businesses an opportunity to improve and increase employee engagement with the business. The AWB, by setting the mechanisms for pay, effectively left the employee/employer relationship in neutral with little scope, or will on either side, to try and engage more effectively with the other. Good employee relations can sometimes mean the difference between a business thriving and a business struggling. The abolition has allowed the sector to come in line with the rest of the economy and give farmers a real ability to make employees a far more integral part of their business planning process.

However, given that this was a significant change for the sector and to assist employers and employees with the transition process, the NFU have continued to provide a wealth of information. In addition, to facilitate negotiations between individual employers and workers, we have put in place a package of measures to ensure that farmers have access to right advice and information on their obligations as employers under employment legislation and the conditions that might shape evolution in farm wages. The post-AWB Information packs have been useful source of information for our members over the past year. The pack includes a summary of key differences between workers minimum wage, rights pre and post-abolition, a guide to contract variation, a list of frequently asked questions and up-to-date Key Labour Market Indicators guidance.

In terms of the NMW level, in the recent years the lowest rate, for workers in grade 1, has been set at just above the adult NMW. This grade typically covers casual workers and accounts for an average of 19% of farm workers. Minimum rates of pay for other agricultural workers in grades 2 to 6 have been well above the adult NMW.

Post-AWB, the annual NMW increase could be considered a useful indicator for wage negotiations, along with wage settlements in the wider economy, inflation and sector profitability. Analysis carried out on the AWB and NMW increases show that since 2005, year on year increases in NMW and AWB have been relatively similar and show greater correlation than other frequently used indicators.

Clearly, the importance of wages varies between farm businesses and between sectors. Horticulture is the main employer of grade 1 workers, and the rise in NMW would have most significance to them. It will add upwards pressure to the cost base. At present, the food supply chain and particularly retailers are resistant to wholesale price increases for horticultural crops, with the fresh produce sector a key area of price competition at the consumer level. In the current climate, rising costs of production at the farm level are seldom recognised with higher farmgate prices, with higher wage costs most likely to impact directly on the bottom line.

What do you estimate will be the impact of the 3 per cent increase in the adult rate of the NMW and 2 per cent increase in the youth and apprentice rates in October 2014?

Under the wider NMW framework, the adult rate of the NMW has increased by around 75 per cent since its introduction at £3.60 an hour in April 1999. This is greater than the increase in average earnings or prices over the same period. According to Annual Survey of Hours and Earnings (ASHE), the increase in hourly wages in 2013 was greater than the increase in the NMW. This led to the bite of the NMW, its value relative to the median, falling in 2013 in the economy as a whole and across many industries and all sizes of firm. The bite for the whole economy, however, remained historically high at 52.4 per cent, though 0.4 percentage points below its peak in 2012. The bite remained just under 80 per cent in the low-paying sectors as a whole and was still over 65 per cent for micro firms and close to 60 per cent for other small firms.

The LPC's own research showed that that the NMW has affected hourly and weekly pay, as well as the timing of pay reviews in the low-paying sectors. It also demonstrates evidence that firms have adjusted their pay structures and altered their total reward packages in response to minimum wage increases.

It must be remembered that the reality of the “economic upturn” is tenuous in reality. Of course, a situation of solid and sustainable economic growth make desires for an increase in the NMW both economically legitimate and socially desirable, but the UK, in reality, has not yet reached such a fortuitous state of being. Basically, it is too early at this stage to be confident as to how economic trends will continue.

Therefore, the NFU recommends that prudent caution be the outlook concerning the factor of any increase in the NMW. The recommendations made by the Low Pay Commission play a significant role in preceding wage settlements for individual businesses. An increase of three per cent in the adult rate of NMW may limit the growth in the job market and may impact on job prospects of this group.

As for the youth workforce, the lack of job opportunities among 16 -to24-years-olds remains widespread. Despite steady falls in unemployment, there were still 747,000 young people aged 16-24 unemployed in May to July 2014. The unemployment rate for 16-24 year olds was 16.6%, down 1.9 percentage points from the previous quarter. Long-term youth unemployment is also high. 200,000 people aged 16-24 had been unemployed for over 12 months in May to July 2014, down 40,000 on the previous quarter and down 77,000 on the previous year. 27% of unemployed 16-24 year olds had been unemployed for over 12 months.

A study by the Institute for Public Policy Research (IPPR) and the Confederation of British Industry (CBI), published in August 2014 shows that youth unemployment in the UK has been more than three times higher than adult unemployment rates for over a decade - a ratio higher than almost all other European countries - suggesting that despite youth unemployment falling in recent months, there are still structural and deep-rooted barriers in the labour market for young people.

The NFU calls for balance in determining the NMW increase in 2015-16, recognising the need to price workers into jobs, especially the younger workforce in the economy.

What has been the impact of the Apprentice Rate on pay, provision, take up and completion?

The agriculture and horticulture sectors cannot afford not to plan for the future and like any other sector will need a ready supply of new entrants. The NFU therefore recognises the importance of apprenticeships and see them as valued route into the sector for dynamic and enthusiastic people.

As an industry we are seeing an increase in the number of apprenticeship starts in 'agriculture livestock and crops'. Over the last four years (2009/10 to 2012/13) the take up of apprenticeships in the sector has increased by nearly 40 per cent. This would indicate that the rate of pay is not discouraging people from choosing the apprenticeship route for the agricultural industry. We do however recognise that many employers in the sector will not want to pay the minimum rate in order to attract people to the sector, and others would increase the level of pay in line with experience and skills gained. In reality the attractiveness of the industry to new entrants is not determined by initial wage rates but more by long term prospects and rewards and perhaps by its increased profile in recent years. Other factors, such as higher university fees, may also play their part in people opting for the apprenticeship route.

While apprenticeship numbers have risen in line with the overall trend, the number of apprenticeships offered within agriculture is quite low when compared with the number of agricultural businesses in the sector. More needs to be done to increase the number of apprentices and this includes ensuring that more employers offer apprenticeship places. This has recently been a focus for EDGE, an industry scheme which has been established to boost training opportunities in food and farming to help young people develop careers in agriculture in the East Anglia region. Over the past year they have been successful in attracting and increasing apprenticeship numbers within the region, with many employers paying above the minimum rate, but their focus has recently needed to switch to attracting more employers to offer places to meet the demand and surplus of young people wanting to start an apprenticeship scheme in farming.

We have also heard, anecdotally, that employers are encouraged by the Government age grant when making a decision to take on an apprentice for the first time. While this may be a factor in the increased number of apprenticeship starts, it is helping to encourage more employers to offer apprenticeships. Other factors will be taken into account, especially by micro businesses, when looking to hire an apprentice. This will include the wage structure and rate and many might be deterred from offering places if this is seen as too high, without the support from other incentives or available grants.

The NFU therefore believes that it is important to achieve the right balance in making sure that apprenticeships are an attractive entry route for dynamic and enthusiastic young people, but at the same time ensuring that a higher apprentice rate does not deter employers from offering apprenticeship places, helping ensure there is sufficient provision.

Do you think the structure of the Apprentice Rate should change? Could it be made simpler to help improve compliance? Do you think the Apprentice Rate should apply to all levels of apprenticeships? What do you think might help employers to comply with paying the right pay rate for apprentices?

The NFU believes that the structure of the Apprentice Rate needs to be as clear and as simple as possible. We are concerned that the current wording, which effectively presents a two tiered system for those between 16 to 18 and for those aged 19 or over who are in their first year, leads to confusion. For many agricultural businesses an apprentice may be the first person they recruit for the business outside of family members and they are often required to seek clarification and reassurance regarding the wording and rate that should be paid. Complex and confusing employment regulators can even deter businesses, especially micro businesses that lack an HR function, from offering further employment opportunities.

We believe that a simpler structure should be in place and would suggest that a rate should be in place that applies to the apprentice regardless of age, increasing as they progress through the apprenticeship scheme to reflect the skills they have gained. Clearly the employer should still be able to pay above the minimum rates and will often want to do so to reward development and reflect experience.

To ensure that employers are aware of the rules clearer guidance and signposting should be available through Gov.UK and Apprenticeship website. Trade associations and business representative groups could also be used to communicate and signpost their members to any future guidance. For example, the NFU has developed a business guide for its members on employing an apprentice which provides some background information on apprenticeships as well as setting out key information on wage rates, and employment legislation.

What issues are there for compliance with the NMW? Do particular groups experience problems with NMW compliance (for example, apprentices, or interns and others undertaking work experience)? Does this non-compliance have implications for the level of the NMW rates, the quality and accessibility of official guidance on the NMW, or for the enforcement work of HMRC?

As mentioned already, the NFU has undertaken a significant amount of work alerting farmers to the changes, and helping the industry to prepare for the new regime, including publishing a set of “market indicators”, to help employers determine the appropriate rates of pay for their workers. At this time, the NFU is not aware of any particular compliance issues within the industry, but this is still a very new regime for the agricultural industry in England.

Going forward, Wales has opted to establish an agricultural panel, which will set minimum rates of pay for agricultural workers in Wales. It is important that there is clarity for cross-border farmers, whose workers may spend part of their time in England and part of their time in Wales, so that employers know which rate of pay applies to their workers. Ensuring that there is a clear and practical approach to this issue will be vital, to ensure that employers are able to operate their businesses effectively, and have confidence that they are complying with the law. We hope that the UK Government in Westminster will work with the Welsh Assembly Government to ensure that this issue is properly considered, so that farmers are not unfairly disadvantaged as a result of the different approaches.

Where there are compliance issues, the NFU believes that historic underpayments should be calculated on the basis of the rates applicable at the time of the underpayment. This gives a true and accurate figure for the non-compliance in each particular case. Backdating the current rates gives an inflated figure for the underpayment, and could, therefore, give a false picture of the seriousness of the underpayment, as it applies a higher rate than was in force at the time.

At what level should each of the rates of minimum wage (for adults, 16-17 year olds, 18-20 year olds, apprentices, and the accommodation offset) be set in October 2015?

The NFU recommends that the rise in the adult rate of the NMW should be limited to 2% at this point in the economic cycle. It is our view that an increase in NMW of over 2% may limit the growth in the job market. As always, recommendations made by the Low Pay Commission play a significant role in preceding wage settlements for individual businesses. The reality is that farmers have to pay competitive rates to attract and retain skills, just like any other business.

Although the UK economy is in recovery stage, it has not yet fully solved the problem of youth unemployment. As previously outlined in our response the NFU calls for a cautious approach in increasing the youth rate and believes a balance needs to be achieved in order to ensure that employers are not deterred from hiring and creating positions for young workers.

The NFU would welcome staged increases in the value of the offset towards the value of the hourly adult rate of the NMW. However, was this to happen as a consequence of an increase in the real value of the NMW our support for this proposal would be balanced against our view that the bite of the NMW should not be increased. An increase in the offset towards the value of the hourly limit in terms of the present rates represents an increase of about 25%. An increase of this magnitude would reduce the subsidies paid on accommodation by employers, which might in turn encourage employers to increase the supply or the standards of the accommodation that they supply to their workers.