

TEXTILE SERVICES ASSOCIATION
SUBMISSION TO THE LOW PAY COMMISSION – AUTUMN 2013

Looking now at the questions the LPC asks us to address in the consultation letter of 27th June 2013, we comment on those most relevant to the industry in chronological order.

The last three months or so have seen a return of some confidence in our industry in the outlook for the UK economy, though at best that confidence is modest and qualified with caution. The industry continues to experience continuing consolidation with smaller companies especially either being taken over, or in some cases ceasing to trade, often in the non-metropolitan regions of the UK. Others are downsizing in part due to the continuing decline in domestic laundry, once the bedrock of the industry, but now a very small and specialised niche, mostly in the South of England. The dry cleaning sector has suffered the same rigours as many others in retail, with significant closures, not least because its service is often seen by the public as a discretionary spend, which can be deferred in difficult economic times.

The industry is well accustomed to the concept of a statutory minimum wage as it was served by the Laundry Wages Council for many years prior to the introduction of the NMW. The NMW acts as the baseline of the pay structure for many employers but in the early years of this century many companies were finding it difficult to recruit staff for this low-skilled work, until the flow of migrants from Eastern Europe from 2004 onwards dramatically relieved that problem. However, this effect is wearing off as these workers are now regularly being promoted, moving for better paid jobs, or returning to their home country. The removal of the normal retirement age has presented a sensitive problem for many companies as their older staff find it increasingly difficult to maintain output levels in many of the manual tasks, but younger staff are not joining to replace them.

As this latter comment suggests, the industry is seen as unattractive to many young people and, other than in engineering and maintenance functions, apprenticeships are rare.

Accommodation offset has a negligible impact on the industry.

The industry has experienced occasional problems with the application of the NMW to volunteers, interns and those seeking work experience, but it is a pleasure to report that the quality and clarity of official guidance on the handling of the NMW for these groups has improved greatly, especially from HMRC, reducing significantly the number of quite sensitive problems that have occurred in the past.

Many employers in the industry have been relieved by the pragmatic decisions made by the LPC in their recommendations for the increases in the NMW during the recent long-running recession, but recognise that the steady reduction in real disposable income for those at this wage level has, and is continuing, to cause considerable financial hardship. Clearly, this topic has now become a major subject for political debate and there are many employers in the industry who understand the arguments in support of the Living Wage, but who would find it

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extraordinarily difficult to move towards such a goal without pricing themselves out of a very competitive market.

However, the concept of the Living Wage is linked to a measure of average earnings but, however attractive that might appear, it cannot and should not be a consideration when setting a statutory minimum wage rate. To some extent the problem may reduce when inflation moves downwards, but while RPI is still treated as a desirable benchmark it has not been one that the industry could have afforded over the last 5 years. Rather than an average earnings yardstick many in the industry would be far more comfortable with comparison with the median rate of pay settlements; not only are the statistics more reliable but they are seen as far more relevant to a statutory minimum wage rate. There is also an understandable fear that significant increases in the NMW would prove inflationary, undermining the objective of such increases.

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