

Response to Low Pay Commission consultation on:

The National Minimum Wage (NMW)

September 2014

Introduction

Chwarae Teg exists to deliver our vision of a Wales where women achieve and prosper. We do this by working with women to broaden horizons and build confidence and skills; working with employers to create modern workplaces that are successful by harnessing everyone's contribution; and working with influencers, educators and decision makers to build a society that values, supports and benefits women and men equally.

Key Points

1. Women are more likely to be in low paid, part time work and are more likely to benefit from changes to the National Minimum Wage (NMW) as a result.
2. In recent years we have seen an increase in in-work poverty as wage growth has slowed below the rate of inflation. Women's position in the labour market leaves them particularly vulnerable to in-work poverty.
3. The National Minimum Wage (NMW) can be strengthened and used as a more powerful tool to tackle the problem of low pay and play a vital role in improving women's position in the labour market and closing the gender pay gap.

Chwarae Teg welcomes the chance to respond to this consultation. We did not feel best placed to answer all of the questions outlined in the consultation document but have outlined our responses to the relevant questions below.

Detailed response

- 1. What are your views on the outlook for the UK economy, including employment and unemployment levels, from now through to September?**
 - 1.1. In recent months the economy has been seen to improve in some areas with unemployment decreasing to pre-recession levels. However, there has been

disagreement about the extent to which this recovery is being felt by the majority of people, and in particular those on a low income.

- 1.2. A recent report from the Fawcett Society¹ argues that women are not benefitting as much as men from the economic recovery and improving employment rates. They go on to say that to understand how women are faring in the labour market we must look “beyond headline statistics” to consider what types of jobs and sectors are growing.²
- 1.3. If employment continues to improve in the manner it has done for the past few months’ growth will largely be seen in part time jobs, temporary work and self-employment, often in low wage, feminised sectors of the economy.³
- 1.4. The dominance of women in low paid jobs means that continued economic improvement and rising employment may not deliver higher income for many women.

2. What has been your experience of wage growth in the UK during the last year and what do you forecast for the next 12 to 18 months?

- 2.1. The most recent labour market statistics have shown that wage growth is at its lowest level since records began.⁴ This has been accompanied by the Bank of England halving their estimation for wage growth for 2014 to 1.25%, while inflation remains at 1.9%.⁵
- 2.2. For those on a low income stagnating wages and a rising cost of living could have a significant impact and risks pushing more households into poverty.
- 2.3. ONS statistics published at the end of 2013 also show that the gender pay gap has widened for the first time in 5 years.⁶ The recession has affected women’s position in the labour market in a different way to men’s, which is having a knock-on effect on the gender pay gap.
- 2.4. Many women who have lost jobs in the public sector have had to take up new roles in the private sector which offers lower pay and less flexible working conditions, making it harder for women with caring responsibilities to balance work and home life.
- 2.5. This in turn is a contributing factor to the growing number of people working part time who would like to work full time, placing further pressure on household incomes.
- 2.6. The causes for the widening of the gender pay gap must be identified and addressed to ensure that the trend does not continue for the next 12 to 18 months.

¹ Fawcett Society (2014) “The changing labour market 2: women, low pay and gender equality in the emerging recovery”

² Ibid

³ Ibid

⁴ Office for National Statistics (2014) “UK Labour Market, August 2014”

⁵ <http://www.theguardian.com/business/2014/aug/13/fall-uk-wages-bittersweet-rising-employment>

⁶ ONS (2013) Annual Survey of Hours and Earnings, 2013 Provisional Results”

3. What has been the impact of the NMW (for example, on employment, hours and profits) in particular over the last 12 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?

- 3.1. The NMW has undoubtedly offered protection to many low paid workers throughout the recession. However, it has not kept pace with the cost of living.
- 3.2. In-work poverty is an increasing problem with over half the households living in poverty now being working households.⁷ The causes of in-work poverty differ by gender with women being more likely to experience it due to their own employment situation while men are more at risk depending on their family situation.⁸ Women's position in the labour market, including their dominance in low paid work, is therefore a significant cause of in-work poverty and one that needs to be addressed if poverty targets are to be met.
- 3.3. Recently, calls for a Living Wage have been increasing. While the full impact of introducing a Living Wage is not known, estimates suggest that 4 million low paid workers would likely benefit from an average 15% increase in their salaries.⁹ We also know that a large proportion of this 4 million would be women as they are currently much less likely to be paid a living wage, particularly those working part time.¹⁰

4. Apprenticeship pay (Q 4-7)

- 4.1. Having a set minimum rate for apprenticeships provides much needed protection for apprentices. It's important that all providers are aware of the minimum rate and that compliance is enforced.
- 4.2. Statistics show great variation in the rates of pay received by apprentices in different sectors and of different ages. There also remains a notable gender pay gap for apprentices which is the result of the gender segregation in the types of apprenticeships that men and women opt to do.
- 4.3. Apprenticeship frameworks such as Hairdressing and Early Years Care are more likely to offer relatively low wages and call for unpaid overtime.¹¹ These are also the frameworks which are dominated by women. Those dominated

⁷ Joseph Rowntree Foundation (2013) "Monitoring Poverty and Social Exclusion 2013"

⁸ University of Oxford (2014) "Poverty through a Gender Lens: Evidence and Policy review on Gender and Poverty"

⁹ Joseph Rowntree Foundation (2014) "Employment, Pay and Poverty: Evidence and policy review"

¹⁰ TUC (2014) Analysis of House of Commons Library Figures – Women and the Living Wage
<http://www.tuc.org.uk/economic-issues/labour-market-and-economic-reports/labour-market/equality-issues/living-wage-out>

¹¹ Department for Business, Innovation and Skills (2013) "Apprenticeship Pay Survey 2012: Research Findings"

by men, such as engineering, tend to pay more highly as well as offering a route into higher skilled, better paid long term employment.

- 4.4. Low rates of apprenticeship pay could be prohibitive to women with caring responsibilities, especially for younger women who are most likely to receive the National Minimum Wage Apprentice Rate.

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

- 8.1. Chwarae Teg fully supports the campaign for a Living Wage and would like to see steps to bring the NMW closer to the minimum required for a basic standard of living.
- 8.2. We would also question whether it is appropriate to continue with different rates of pay for adults and those aged 18-20. Paying a lower rate to those aged 18-20 makes an assumption about people's domestic and personal situations and may inadvertently disadvantage young women, particularly those with caring responsibilities.

9. Do you have any other views or evidence about the operation and impact of the NMW?

- 9.1. As outlined in this response low pay is a significant problem for women and their dominance in low paid, part time roles is a contributing factor to the gender pay gap.
- 9.2. Recent reports have highlighted that the recession and real term squeeze on incomes are having a sizeable impact on women. The NMW should be used much more effectively to offer women a more secure position in the labour market and to help move women and their families out of poverty.
- 9.3. A lower minimum wage is not good for the economy as we see increasing reliance on in-work benefits. This problem will increase as we see greater polarisation in the labour market between high skilled, high paid jobs and lower skilled, lower paid jobs. If the NMW remains low it will be much harder for those in lower paid jobs to increase their earning potential.

Conclusion

Women are more likely to work in low paid, part time roles and as a result are more vulnerable to poverty and changes to the NMW. The recession has had a particularly negative impact on women who have lost out through cuts to public sector jobs, public services and welfare changes.

The NMW offers vital protection to workers but in recent years has had less impact on poverty levels as it has fallen further behind the rate of inflation. In the long term we would like to see steps taken to bring the NMW closer to Living Wage rates to

ensure that all workers are earning the minimum required for a basic standard of living.

In the meantime we believe that the NMW can be strengthened to play a more active and effective role in improving women's position in the labour market, closing the gender pay gap and moving households out of poverty.

We are happy to discuss any of the above in more detail. Please contact:

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