Unite Submission to the Low Pay Commission (LPC) Consultation on the National Minimum Wage (NMW) 26th September 2014

Summary of the Main Recommendations

- **Extend Remit of LPC** - Unite believes that the LPC should now have its remit widened beyond advising on the rate of the NMW and look at the causes and consequences of low pay and investigate potential solutions. Areas of investigation should include the gender pay gap and the effect of the abolition of the Agricultural Wages Board (AWB) in England and developments in respect of the AWB in Wales.
- **NMW Rates** - Unite calls for the LPC to increase the NMW by £1.50 per hour – from £6.31 per hour to £7.81 per hour for workers aged 21 and over. From £5.03 per hour to £6.53 per hour for workers aged 18 to 20 and from £3.72 per hour to £5.22 per hour for workers aged 16 to 17. Analysis commissioned by Unite shows that an immediate increase in the NMW of £1.50 an hour is distributionally progressive, would improve the public finances and has the potential to create jobs through stimulating the economy.
- **Apprentice Rate** – Unite believes the Apprentice Rate should increase by more than the Adult Rate in real terms to help close the gap.
- **Accommodation Offset** – Unite would support staged increases towards the value of the adult rate of the NMW when economic circumstances mean that the real value of the NMW is tending to rise in line with what the LPC proposed in their 2014 report.
- **Apprentice Rates for all levels of apprenticeships** - Unite believes the structure of the Apprentice Rate is simple and should remain although at a higher rate. If the LPC believes it is necessary to change the structure then trade unions and sector employer federations should be consulted.
- **Compliance with paying Apprentice Rate** - Unite calls for greater distribution of the information to let employers know what the Apprentice Rate is and who should be receiving it, alongside greater enforcement and penalties for underpayment of the Apprentice Rate.
- **Compliance and Enforcement** - Unite recommends that the Government commits to making real terms increases in current funding for monitoring and enforcement of the NMW.
- **Tribunal Fees Undermine the Ability of Workers to Enforce their NMW Rights via Employment Tribunals** – Unite urges the LPC to support the call for the government to abolish fees for employment tribunals.

- **Unpaid Internships in the Voluntary Sector and the Re-Introduction of Paid Entry Level Jobs** - Unite calls on the LPC to endorse the code and to target enforcement at unpaid internships in the voluntary sector.

- **GOVUK NMW Guidance Website can still be improved** - The text should be looked at again, in consultation with stakeholders. Unite would like the LPC to make similar representations to GOVUK and BIS respectively.

- **Fair Piece Rate** - Unite recommends the removal of the fair piece rate option from the hotel sector because hotel room cleaning work does not constitute "output work" under NMW regulation 5 (1999).

- **Bogus Self Employment in London Hotels** - Unite recommends that the LPC focus on the bogus self employed issue that is becoming increasingly prevalent in employment agencies that are supplying labour to the hotel sector.

- **Enforcement for Vulnerable Workers** - Unite remains concerned that migrant domestic workers continue to be wrongly denied the NMW using the 'family members' exemption. This needs to be addressed. Therefore, Unite calls for clear formal recognition that the requirements of the overseas domestic worker visa preclude a 'family membership relationship' and that this be properly reflected in BIS guidance and helpline advice. The new 'tied visa' of 6 months duration means that obtaining justice on the NMW is fundamentally undermined for migrant domestic workers. Unite calls for a clarification in the law that employers may be prosecuted for not paying the NMW whether their workers have legal contracts or not. Unite would also like to see a situation whereby a trade union can make a representative action on behalf of a group of workers to an employment tribunal and that in such instances HMRC enforcement officers should have access to such workers if they are detained.

- **Agricultural Wages Board (AWB)** – Calls for specific monitoring by the LPC of what is happening to pay and conditions in the agricultural sector particularly in England following the abolition of the AWB, its replacement in Wales and retention in Scotland and Northern Ireland and check to what extent HMRC is equipped with the resources to accommodate these immense enforcement responsibilities.

- **Zero Hours Contracts** - Workers should be paid for the time between appointments and travel time and Unite would ask the LPC and HMRC to continue to take increased action to challenge this behaviour and escalate enforcement action.

- **Enforcement of Sleep-ins and the NMW** - The LPC and HMRC should take steps to improve enforcement on this issue as well, particularly in small and private sector organisations that are less likely to be unionised.

Introduction

This evidence is submitted by Unite the Union. Unite is the UK's largest trade union with 1.42 million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, health, local government and the not for profit sectors.

Unite is pleased to submit evidence to the LPC on its further review of the NMW. Unite considers the establishment of the NMW to be one of the most important successes of the former Labour Government. Its introduction and subsequent increases have not had any adverse effects on the labour market, whilst it has benefited millions of low paid workers.

However a recent poll by Survation on behalf of Unite looking at the experiences of people earning the NMW makes for uncomfortable reading:[1]

- 1 in 5 young (aged 18-34) NMW earners have had someone in their household use a food bank in the last year.
- Over half (54%) of those with credit cards and loans will not be able to make repayments if interest rates rise later in the year.
- 4 in 5 NMW earners want a statutory living wage rather than more benefits.
- Only 1 in 4 believes their employer can't afford to pay them a higher wage.
- Half of NMW earners say the amount they earn varies week by week.

Unite believes that the LPC needs to be bold in setting a NMW rate for 2015 that will have a significant impact on the working poor and start to tackle income inequality in this country at a time when it is needed more than ever.

Unite commissioned Landman Economics to carry out analysis of the economic impact of immediately increasing the NMW by £1.50 per hour in the UK. A copy of the full report is appended and key findings are summarised on page 28 and in other relevant sections of this submission.

The report (September 2014) looks at the impact of increasing the NMW by £1.50 per hour – from £6.31 per hour to £7.81 per hour for workers aged 21 and over, from £5.03 per hour to £6.53 per hour for workers aged 18 to 20 and from £3.72 per hour to £5.22 per hour for workers aged 16 to 17.

The Role of the Low Pay Commission

The LPC has been crucial in successfully co-ordinating the range of views that are shared by the different social partners and has made recommendations that have benefited millions of the most exploited workers. Unite would like to put on record its support for the work that has been done by the LPC and looks forward to being a part of this productive process again.

Unite believes that the Low Pay Commission should now have its remit widened beyond advising on the rate of the NMW and look at the causes and consequences of low pay and investigate potential solutions. Areas of investigation should include the gender pay gap and the effect of the abolition of the AWB in England and developments in respect of the AWB in Wales.

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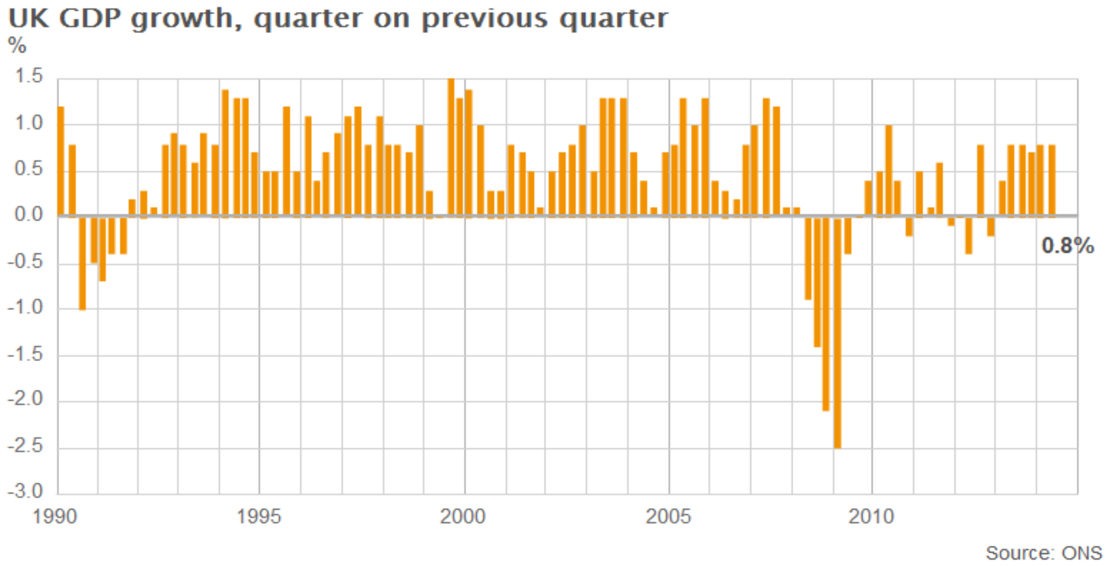
[1] http://survation.com/new-poll-of-minimum-wage-earners-survation-for-unite/

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

Gross Domestic Product (GDP)

GDP increased by 0.8% in Q2 2014, the second consecutive quarter-on-quarter increase of 0.8%. It marks the sixth consecutive quarter of GDP growth and puts the economy past its pre-slump peak. GDP was 3.2% higher in Q2 2014 compared with the same quarter a year ago according to the latest figures from the Office for National Statistics (ONS).[2]



The UK economy will grow faster than expected this year and next, business lobby group the British Chambers of Commerce (BCC) has predicted. The BCC has upgraded its 2014 GDP growth forecast from 3.1% to 3.2% - the highest growth rate since 2007. Growth forecast for 2015 has also been upgraded from 2.7% to 2.8%, but remains unchanged for 2016 at 2.5%.[3]

The Treasury's independent average forecasts made in the last 3 months for GDP are 3.1% for 2014 and 2.6% in 2015.[4]

Unite understands that some employers will still be nervous about the state of the economy. However, now growth has returned to pre-recession levels and is forecast to improve in 2015, it would be wrong to be overly cautious and risk hitting hardest the lowest paid.

[2] www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q2-2014/stb-second-estimate-of-gdp-q2-2014.html
[3] www.britishchambers.org.uk/press-office/press-releases/bcc-economic-forecast-2014-growth-to-reach-seven-year-high-with-slowdown-to-follow.html
[4] www.gov.uk/government/uploads/system/uploads/attachment_data/file/355400/201409forecomp.pdf

Employment & Unemployment

For May to July, there were 30.61 million people in work. This was 74,000 more than for February to April 2014. Comparing May to July 2014 with a year earlier, there were 774,000 more people in work.

For May to July, there were 2.02 million unemployed people, 146,000 fewer than for February to April 2014 and 468,000 fewer, than a year earlier. This is the largest annual fall in unemployment since 1988.[5]

The Office for Budget Responsibility (OBR) forecasts for employment are 30.6 million in 2015, 30.9 million in 2016, 31.2 million in 2017 and 31.4 million in 2018.[6]

The Treasury's independent average forecasts made in the last 3 months for unemployment are as follows:[7]

	Independent average				
	2014	2015	2016	2017	2018
- LFS unemployment (per cent)	6.4	5.9	5.6	5.5	4.8
- Claimant unemployment (mn)	1.19	1.07	1.05	1.02	1.01

Employment and unemployment are currently both heading in the right direction and the forecasts are for this trend to remain for both.

Inflation

According to new Which? Research Britain's poorest households are suffering from higher rates of inflation than official statistics suggest. These findings originate from the Which? 'Lived Inflation Index' and takes into account differences in spending patterns between households.[8]

The index indicates that the poorest households are experiencing higher levels of inflation than the richest households. Those differences mount up over the years. Looking at inflation since 2008, the impact on households suffering high inflation is equivalent to additional costs of £450 a year, compared to households experiencing the lowest inflation rates.

Matthew Oakley, head of economic analysis at Which?, explained: *"Households who experience higher inflation rates tend to spend a higher than average proportion on utilities and rent, and have been more heavily impacted by the above average rises in the cost of essentials.*

'Our analysis shows that inflation is not experienced equally by all households and that the standard headline figures can mask how households in reality are impacted by changing prices, because households spend their money on different things."

[5] www.ons.gov.uk/ons/dcp171778_374770.pdf
[6] http://budgetresponsibility.org.uk/category/topics/economic-forecasts/
[7] www.gov.uk/government/uploads/system/uploads/attachment_data/file/345687/201408forecomp.pdf
[8] www.which.co.uk/news/2014/08/poorest-households-suffer-highest-inflation-377710/

In the year to August 2014 the all items retail price index (RPI) rose by 2.4%. Many essentials have been rising at a far higher rate than RPI inflation, which can be seen below.[9]

Travel Expenditure – Travel costs up 5.6%, fares and other travel costs up 5.2%, rail fares up 3.4%.

Energy Expenditure - Electricity up 5.6%, Gas up 5.1%, fuel and light up 4.4%.

Housing, Clothing & Footwear Expenditure – Clothing & footwear up 7.6%, housing up 3.3%, rent up 2.5%.

The Treasury's independent forecasts for inflation suggest that RPI inflation will remain above CPI inflation and will be around 3.1% in 2015.[10]

	Independent average				
	2014	2015	2016	2017	2018
Inflation rate (per cent)					
- CPI	1.7	2.0	2.1	2.1	2.1
- RPI	2.4	3.1	3.5	3.4	3.4

One thing we can be sure of is that it's the lowest paid who are suffering more than anyone else and they need the LPC to set a NMW rate that will help them during these testing times.

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?

Unite's experience of wage growth as a trade union has seen many deals above 3%, please see some examples below:

Settlement date	Agreement	Standard increase
01/04/14	Mitie (Royal Opera House - Porters & Cleaners)	26.00%
05/09/14	Ritzy Cinema	11.30%
01/01/14	Thermal Insulation Contractors Association (TICA)	5.60%
01/10/13	Churchill (Tyne & Wear Metro Contract)	5.00%
01/05/14	Metroline Driver Trainers	5.00%
03/05/14	Metroline Drivers	5.00%
01/11/13	Wybone	5.00%

[9] www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-323597
[10] www.gov.uk/government/uploads/system/uploads/attachment_data/file/345687/201408forecomp.pdf

Settlement date	Agreement	Standard increase
01/03/14	Glaxo SmithKline (Ware)	4.80%
01/01/14	GlaxoSmithKline	4.80%
01/05/14	Lorne Stewart (Merseyrail)	4.70%
05/05/14	TXM Plant (Machine Operators)	4.60%
01/10/13	Babcock International Marine & Technology (Devonport) Staff	4.57%
01/10/13	Babcock International Marine & Technology Division (Devonport)	4.57%
01/05/14	Wincanton (GSK) Brockworth - Transport Section	4.50%
01/01/14	Technip DSVs	4.40%
13/04/14	Thamesdown Transport	4.40%
01/10/13	Caledonian MacBrayne Clyde Ratings	4.25%
01/10/13	Caledonian MacBrayne Small Ferries	4.25%
01/10/13	Caledonian MacBrayne Western Isles	4.25%
01/11/13	Offshore Divers	4.17%
01/01/14	Dana Spicer Axles UK	4.05%
01/10/13	Greencore (Hull)	4.00%
01/01/14	Rolls Royce Motor Cars	4.00%
01/04/14	VAE (UK) Ltd	4.00%
01/04/14	Post Office - Crown Offices	3.90%
01/09/13	Caterers Offshore Trade Association (COTA)	3.80%
24/11/13	Ford (manual)	3.75%
01/04/14	Meggitt Aircraft Braking Systems	3.75%
01/04/14	Western Power Distribution	3.75%
01/04/14	BM Foods Avonmouth	3.57%
01/01/14	Deep Ocean (Trico Marine)	3.50%
01/01/14	GKN Driveline Birmingham	3.50%
01/09/14	Leyland Trucks	3.50%
01/04/14	Offshore Contractors Association (OCA)	3.43%
01/01/14	First Transpennine Express Contract	3.40%
01/04/14	Scotrail ASLEF	3.40%
06/04/14	Southern (Ex Network Rail Gatwick)	3.30%
01/01/14	DHL Automotive (Jaguar Land Rover contract)	3.25%
01/04/14	Mitie (First Great Western)	3.25%
01/11/13	Thomas Tunnock (Bakers)	3.25%

Settlement date	Agreement	Standard increase
01/04/14	Abellio Greater Anglia	3.20%
01/04/14	Castings PLC	3.20%
01/10/13	Direct Rail Services (DRS)	3.20%
01/04/14	Greater Anglia (Maintenance)	3.20%
01/11/13	Jaguar/LandRover	3.20%
01/04/14	London Underground Ltd	3.20%
01/02/14	Pirelli Tyres	3.20%
01/10/13	Tata Steel UK Bulk Terminal (Immingham)	3.20%
01/01/14	Urenco	3.20%
01/03/14	Amey	3.10%
01/03/14	Amey Consulting Rail	3.10%
01/03/14	Amey Operations Rail	3.10%
01/01/14	Drax Power	3.10%
01/01/14	Grand Central Rail	3.10%
01/01/14	Network Rail (Maintenance)	3.10%
01/01/14	Network Rail (Signallers, Operational and Clerical Grades)	3.10%
01/01/14	Lafarge Cement (Blue Circle)	3.05%
01/01/14	Lafarge Drivers (Blue Circle Drivers)	3.05%
01/04/14	DHL (Long Eaton)	3.02%

According to Incomes Data Services the median pay settlement between May and July across the economy remained at 2.5%. This median figure is consistent with the trend established throughout 2014 for pay awards in the private sector. The median settlements in private services and in the manufacturing sector were also both 2.5% in the three months to July.[11]

According to the Labour Research Department for the three months from May-July, the median increase on the lowest pay rate was 2.5% - the median pay increase on the lowest pay rate for new (unstaged/first stage) settlements was also 2.5%.[12] The Treasury's independent forecasts for average earnings are 2.7% for 2015.[13]

[11] **Incomes Data Services**
[12] **Labour Research Department**
[13] www.gov.uk/government/uploads/system/uploads/attachment_data/file/355400/201409forecomp.pdf

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?

Impact on Employment

There has been previous concern about the NMW decreasing levels of employment within the UK's low paying sectors (Retail, Hospitality, Social Work, Cleaning, Textiles, Agriculture, Security and Hairdressing). However, since the introduction of the NMW this has not proven to be the case. In fact, employment in the lower paying sectors within the UK has increased by 1,144,000 or 17.2%.[14] In the last year employment in the low paying sectors has increased by 228,000 or 3.0%.

Low Paying Sectors	June 1999	June 2013	June 2014	Change Since June 1999	Change Since June 2013
Retail	2,635,000	2,825,000	2,804,000	+169,000 / +6.4%	-21,000 / -0.7%
Hospitality	1,672,000	1,851,000	1,961,000	+289,000 / +17.3%	+110,000 / +5.9%
Social Work & Residential Care	1,183,000	1,665,000	1,729,000	+546,000 / +46.2%	+64,000 / +3.8%
Cleaning (Services to buildings)	534,000	691,000	715,000	+181,000 / +33.9%	+24,000 / +3.5%
Agriculture	262,000	207,000	246,000	-16,000 / -6.1%	+39,000 / +18.8%
Security	133,000	166,000	181,000	+48,000 / +36.1%	+15,000 / +9.0%
Hairdressing	83,000	108,000	107,000	+24,000 / +28.9%	-1,000 / -0.9%
Textiles	143,000	48,000	46,000	-97,000 / -67.8%	-2,000 / -4.2%
All low-pay sectors	6,645,000	7,561,000	7,789,000	+1,144,000 / +17.2%	+228,000 / +3.0%

Unite believes that the evidence continues to show that a NMW in the UK has had a positive effect in the last year on employment levels.

Impact on Hours

Total hours worked per week were 984.4 million for May to July 2014. This was:[15]

- up 2.8 million (0.3%) on February to April 2014,
- up 26.2 million (2.7%) on a year earlier, and
- up 76.8 million (8.5%) on five years previously.

For the whole economy hours have increased. It's difficult to highlight what affect the NMW has had on the low paying sectors but Unite hasn't seen any evidence to suggest that it hasn't had a positive effect.

[14] www.ons.gov.uk/ons/search/index.html?newquery=employee+jobs+by+industry – TableJobs03
[15] www.ons.gov.uk/ons/dcp171778_374770.pdf

Impact on Profitability

The High Pay Centre has recently published figures showing that FTSE 100 bosses are now paid an average 130 times as much as their employees. The average pay realised by a FTSE 100 Chief Executive in 2013 is roughly 174 times that of the average UK worker.[16] So clearly Chief Executives seem to be enjoying the rewards from the profits that their workers have brought them.

Employers are obviously concerned that the NMW reduces their levels of profit. With this said, Unite believes that it is only right that when a company is making profits, that this success should be shared with their employees, especially at a time when despite the recent difficulties being experienced, UK corporations are making profits of £83.5 billion in Q1 2014, which is up by £2.8 billion or 3.5% from £80.7 billion in Q1 2013.[17]

Retail Sector

The Deloitte 2014 Global Powers of Retailing ranked 14 UK retailing companies within the top 250 companies in the world, of which Tesco was the highest UK retailer in 2nd place.[18] Tesco made a staggering £2.3 billion profit before tax to the year-end February 2014, which was up £299 million or 15.3% on the £2 billion in 2013.[19] Notwithstanding the recent announcement concerning an investigation into profit overstatement, Unite would not accept that further increases in the NMW are beyond a company of Tesco's stature.

Beyond the big companies it is difficult to assess what effect the NMW would have had on the profitability of smaller companies, but we do know that within food retailing in the UK, it is increasingly controlled by a small number of multinational corporations. In the UK we now buy 97.9% of our groceries in supermarkets and 73.3% from just four supermarket chains – Tesco (28.8%), Asda (17.4%), Sainsburys (16.2%) and Morrisons (10.9%).[20]

Within the food retail market in the UK there has been consolidation by the major supermarkets, which now dominate the market. Unite would argue that it is this consolidation that is adversely affecting small retailers far more than any additional costs associated with the NMW.

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[16] **http://highpaycentre.org/blog/ftse-100-bosses-now-paid-an-average-143-times-as-much-as-their-employees**
[17] **www.ons.gov.uk/ons/dcp171778_366965.pdf**
[18] **www.deloitte.com/assets/Dcom-Kenya/Local%20Assets/Documents/CB_Global-Powers-of-Retailing-2014.pdf**
[19] **FAME**
[20] **Kantar Worldpanel**

Out of the top 50 employers in the retail sector in the UK, 45 reported a profit in their latest accounts.[21]

Company name	Primary UK SIC (2007) code	Latest accounts date	Latest Operating Revenue (Turnover) th GBP Last avail. Yr	Profit (Loss) before Taxation th GBP Last avail. yr	Latest No of Employees Last avail. yr
TESCO PLC	47110	28/02/2014	63,557,000	2,259,000	391,868
TESCO STORES LIMITED	47110	28/02/2013	42,662,000	921,000	277,684
ASDA STORES LIMITED	47190	31/12/2012	22,814,000	484,000	178,792
WM MORRISON SUPERMARKETS P L C	47110	31/01/2014	17,680,000	-176,000	127,403
J SAINSBURY PLC	47110	31/03/2014	23,949,000	898,000	107,000
SAINSBURY'S SUPERMARKETS LTD	47110	31/03/2013	23,290,000	616,000	104,300
JOHN LEWIS PLC	47190	31/01/2014	9,027,800	126,100	86,600
JOHN LEWIS PARTNERSHIP PLC	47190	31/01/2014	9,027,800	126,600	86,600
MARKS AND SPENCER GROUP P.L.C.	47190	31/03/2014	10,310,000	580,000	85,813
MARKS AND SPENCER P.L.C.	47190	31/03/2013	10,027,000	564,000	81,734
KINGFISHER PLC	47520	31/01/2014	11,125,000	759,000	76,000
SAFEWAY STORES LIMITED	47110	31/01/2013	9,544,000	507,000	57,179
WAITROSE LIMITED	47110	31/01/2014	5,640,900	109,100	54,335
SAFEWAY LIMITED	47110	31/01/2014	9,108,000	485,000	53,543
NEXT RETAIL LIMITED	47710	31/01/2014	3,656,520	585,855	43,100
DIXONS RETAIL PLC	47540	30/04/2014	7,217,700	132,900	32,400
DEBENHAMS PLC	47190	31/08/2013	2,282,200	154,000	30,163
PRIMARK STORES LIMITED	47710	30/09/2013	2,583,515	237,147	29,753
B & Q PLC	47599	31/01/2014	3,589,500	138,600	29,381
WOOLWORTHS GROUP PLC	47190	31/01/2008	2,969,600	11,700	29,312
NEXT PLC	47190	31/01/2014	3,740,000	695,200	28,568
ARGOS LIMITED	47599	28/02/2014	3,872,446	43,992	27,086
DEBENHAMS RETAIL PLC	47710	31/08/2013	2,075,600	228,100	26,835
HOME RETAIL GROUP PLC	47190	28/02/2014	5,663,000	71,200	24,432
TRAVIS PERKINS PLC	47789	31/12/2013	5,148,700	312,600	21,937
WILKO RETAIL LIMITED	47520	31/01/2014	1,462,843	27,612	21,648
DS SMITH PLC	47789	30/04/2014	4,035,000	167,000	21,464
NEW LOOK RETAIL GROUP LIMITED	47710	31/03/2013	1,484,000	3,100	21,148

[21] FAME

Company name	Primary UK SIC (2007) code	Latest accounts date	Latest Operating Revenue (Turnover) th GBP Last avail. Yr	Profit (Loss) before Taxation th GBP Last avail. yr	Latest No of Employees Last avail. yr
DSG RETAIL LIMITED	47540	30/04/2013	3,997,900	62,300	19,695
MARTIN MCCOLL RETAIL LIMITED	47260	30/11/2013	869,416	-1,655	18,769
HIGHLAND GROUP HOLDINGS LIMITED	47190	31/01/2014	731,700	-2,000	18,194
NEW LOOK RETAILERS LIMITED	47710	31/03/2013	1,248,464	121,909	17,548
LLOYDS PHARMACY LIMITED	47730	31/12/2012	1,720,857	17,967	17,446
HOUSE OF FRASER (STORES) LIMITED	47190	31/01/2013	680,500	18,600	17,384
HOMEBASE LIMITED	47520	28/02/2013	1,355,013	-6,702	16,851
MATALAN RETAIL LTD.	47710	28/02/2013	1,125,400	17,600	16,373
TJX UK	47789	31/01/2013	1,814,600	80,500	14,421
ICELAND TOPCO LIMITED	47110	31/03/2014	2,710,600	23,500	14,404
SPORTS DIRECT INTERNATIONAL PLC	47640	30/04/2013	2,185,580	207,226	14,076
ICELAND FOODS LIMITED	47110	31/03/2014	2,699,261	161,459	13,969
C. & J. CLARK INTERNATIONAL LIMITED	47721	31/01/2014	876,400	88,800	12,036
BHS LIMITED	47190	31/08/2013	675,653	-69,612	11,939
ALDI STORES LIMITED	47110	31/12/2012	3,885,278	157,900	11,799
POUNDLAND GROUP HOLDINGS LIMITED	47190	31/03/2013	880,491	21,697	11,757
POUNDLAND LIMITED	47190	31/03/2013	880,491	34,313	11,735
B & M RETAIL LIMITED	47190	31/12/2012	935,229	88,323	11,374
EV RETAIL LIMITED	47190	31/12/2012	935,229	83,930	11,374
LIDL LIMITED	47110	28/02/2013	212,216	56	10,630
JD SPORTS FASHION PLC	47640	31/01/2014	1,330,578	57,850	10,508
RIVER ISLAND CLOTHING CO. LIMITED	47710	31/12/2012	739,700	93,300	10,478

Hospitality Sector

Price Waterhouse Cooper's (PwC's) hotel sector forecast has high hopes that the growth momentum seen in 2013 will continue in 2014 with further economic recovery forecast in 2015.[22]

PwC's cited:

- Improved economic prospects in Europe and North America
- UK GDP back above pre-recession level in Q4 2014
- Pick-up in corporate travel
- Rate negotiations starting to favour sellers
- Continued consumer focus on holidays despite shrinking wallets
- Inbound tourism showing further growth

In London, 2013's strong finish should continue this year and we anticipate 2014 will see records broken as 3.8% RevPAR (Revenue Per Available Room) growth takes RevPAR to £117.10, an all-time high. This will be driven almost entirely by ADR (Average Daily Rate) growth of 3.4% as rates climb to £141.60 in 2014. In 2015 we expect things to get even better as hoteliers capitalise on the good times. A 5% jump in rates takes ADR to £148.70 and RevPAR growth of 5.2% to £123.20 – again higher than anything we have seen before (in nominal terms). London will see high occupancies averaging almost 83% – the highest since the mid 1990s.

In the Provinces we anticipate 2013's healthy growth will be sustained, albeit at a slower pace this year with RevPAR growth of 3% to £44.60 – the highest since 2007 in nominal terms. Occupancy is expected to keep nudging up, by 0.9% and 0.3% in 2014 and 2015, as occupancy tops 73%, the highest level recorded. ADR could see further growth of 2% this year lifting rates over £60 – the highest since 2008. In 2015, forecast ADR growth of 4% would be well above the average, lifting rates to over £60 and restores the Provinces' fortunes somewhat. RevPAR growth of 4.3% in 2015 takes RevPAR to £46.50.

As for the restaurant part of the hospitality sector, the UK eating-out market is expected to be worth £82.8bn in 2014, a rise of 2.8% from last year – the highest growth rate 'since well before the recession' according to Allegra's Strategies report 'Eating Out in the UK, 2014'.[23]

[22] www.pwc.co.uk/hospitality-leisure/uk-hotels-forecast/uk-hotels-forecast-update-2014-and-2015.jhtml
[23] www.bighospitality.co.uk/Venues/Independent-restaurants-could-suffer-as-eating-out-market-grows

Out of the top 50 employers in hospitality in the UK, 35 reported a profit.[24] Although this is not as impressive as the retail sector's performance, it is clear that the majority of the top 50 hospitality employers are profitable.

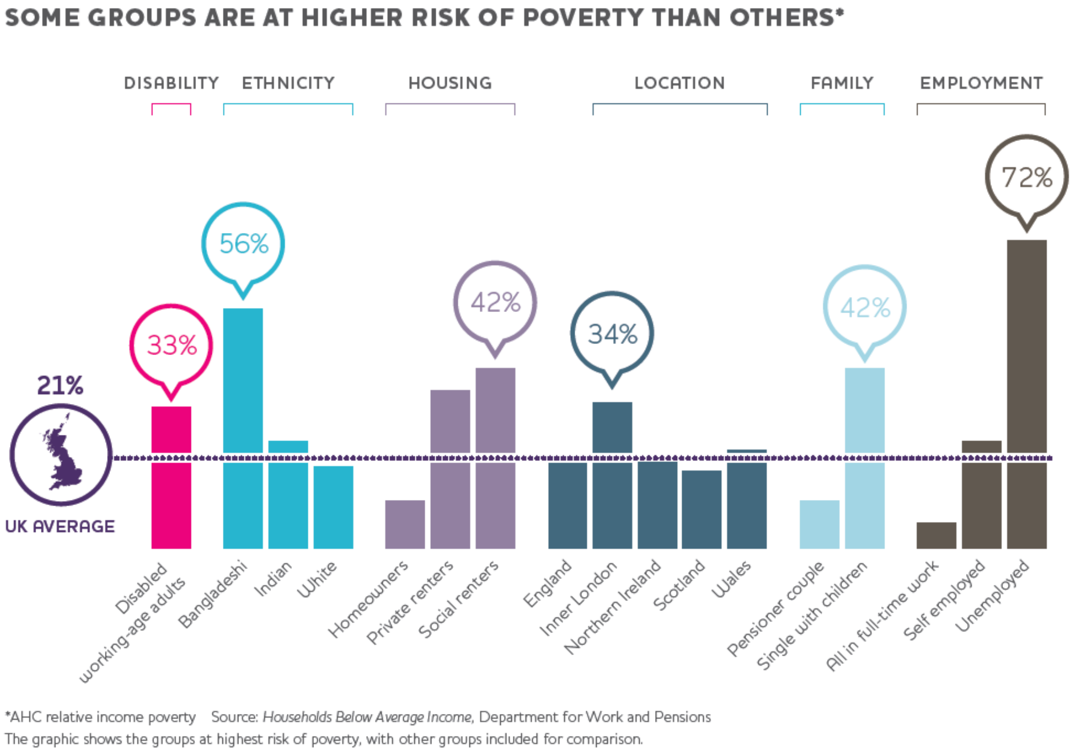
Company name	Primary UK SIC (2007) code	Latest accounts date	Latest Operating Revenue (Turnover) th GBP Last avail. Yr	Profit (Loss) before Taxation th GBP Last avail. yr	Latest No of Employees Last avail. yr
COMPASS CONTRACT SERVICES (U.K.) LIMITED	56210	30/09/2013	1,557,953	-49,868	47,790
MITCHELLS & BUTLERS PLC	56302	30/09/2013	1,895,000	150,000	41,325
MCDONALD'S RESTAURANTS LIMITED	56102	31/12/2013	1,497,573	244,885	37,796
WHITBREAD GROUP PLC	55100	28/02/2014	2,294,300	342,800	36,447
MITCHELLS & BUTLERS RETAIL LIMITED	56302	30/09/2013	1,611,000	119,000	33,892
SSP GROUP PLC	56103	30/09/2012	1,737,500	14,400	29,796
ISS FACILITY SERVICES LIMITED	56102	31/12/2013	661,422	26,930	28,400
GREENE KING PLC	56302	30/04/2014	1,301,600	105,200	22,577
SPIRIT PUB COMPANY PLC	56302	31/08/2013	758,200	71,700	16,800
ISS MEDICLEAN LIMITED	56290	31/12/2013	389,427	25,554	16,290
J D WETHERSPOON PLC	56302	31/07/2013	1,280,929	57,143	15,402
GREENE KING RETAILING LIMITED	56302	30/04/2013	602,000	-22,000	12,302
THE RESTAURANT GROUP PLC	56302	31/12/2013	579,589	72,685	12,295
BOURNE LEISURE HOLDINGS LIMITED	55300	31/12/2012	838,601	107,802	12,197
WESTBURY STREET HOLDINGS LIMITED	56290	31/12/2013	534,818	1,994	11,840
MILLENNIUM & COPTHORNE HOTELS PLC	55100	31/12/2013	1,037,500	263,600	10,353
MARRIOTT HOTELS LIMITED	55100	31/12/2012	183,421	448	9,585
SELECT SERVICE PARTNER UK LIMITED	56103	30/09/2013	603,120	6,803	9,584
PIZZA HUT (U.K.) LIMITED	56101	30/11/2013	230,106	-968	9,343
PIZZAEXPRESS HOLDINGS LIMITED	56101	30/06/2013	369,375	41,428	9,325
PHH 1 LIMITED	56101	30/11/2013	247,418	4,154	9,137
NANDO'S CHICKENLAND LIMITED	56101	28/02/2013	431,369	71,297	8,860

[24] FAME

Company name	Primary UK SIC (2007) code	Latest accounts date	Latest Operating Revenue (Turnover) th GBP Last avail. Yr	Profit (Loss) before Taxation th GBP Last avail. yr	Latest No of Employees Last avail. yr
PIZZAEXPRESS (RESTAURANTS) LIMITED	56101	30/06/2013	334,619	61,279	8,851
THE RESTAURANT GROUP (UK) LIMITED	56101	31/12/2012	416,107	58,701	8,844
ARAMARK LIMITED	56290	30/09/2013	308,489	2,346	8,791
INTERCONTINENTAL HOTELS GROUP PLC	55100	31/12/2013	1,149,000	362,000	8,179
KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED	56101	30/11/2013	446,400	40,112	8,062
STARBUCKS COFFEE COMPANY (UK) LIMITED	56102	30/09/2013	399,405	-20,465	7,726
TRAGUS GROUP LIMITED	56101	31/05/2013	294,815	-36,122	7,275
TRAGUS BIDCO LIMITED	56101	31/05/2013	294,815	-20,509	7,273
ELIOR UK PLC	56210	30/09/2013	190,842	5,461	6,662
BAXTERSTOREY LIMITED	56290	31/12/2013	303,463	20,933	6,448
GONDOLA RESTAURANTS LIMITED	56101	30/06/2013	193,947	4,897	4,851
LINDLEY CATERING HOLDINGS LIMITED	56210	31/05/2013	54,838	-4,537	4,395
MITCHELLS & BUTLERS RETAIL (NO 2) LIMITED	56302	30/09/2013	195,911	16,810	4,319
LRG HOLDINGS LIMITED	55100	31/12/2012	327,271	-8,000	4,235
LINDLEY CATERING LTD	56210	31/05/2013	46,690	-7,002	3,996
MACDONALD HOTELS LTD	55100	31/03/2013	138,639	-6,496	3,877
ORCHID PUBS & DINING LIMITED	56101	31/12/2012	127,721	-11,912	3,824
BUTLINS SKYLINE LTD	55300	31/12/2012	194,576	18,295	3,690
NERO HOLDINGS LIMITED	56102	31/05/2013	197,539	20,011	3,618
FULLER SMITH & TURNER PLC	56302	31/03/2014	288,000	33,500	3,610
DPGS LIMITED	56103	31/03/2013	70,001	-818	3,586
INTERSERVE CATERING SERVICES LIMITED	56210	31/12/2012	66,596	2,578	3,538
YOUNG & CO'S BREWERY PLC	56302	31/03/2014	210,768	26,560	3,357
MABEL TOPCO LIMITED	56101	30/04/2013	145,367	-24,949	3,354
QMH LIMITED	55100	31/12/2012	229,900	-66,000	3,298
PREZZO PLC	56101	31/12/2013	166,541	18,449	3,285
TRAVELODGE HOTELS LTD	55100	31/12/2013	426,400	37,300	3,231
TOWN AND CITY PUB GROUP LIMITED	56302	30/09/2013	145,984	-7,189	3,221

Has this impact varied (for groups of workers (including women, ethnic minorities, migrant workers, disabled people, older workers, and those who are unqualified)), and if so how?

The NMW is vital for many groups of workers but particularly women, ethnic minorities, migrant workers, disabled people, older workers, and those who are unqualified due to the high concentration of these groups of workers in low paid jobs and particularly in part time jobs.



Source: http://www.jrf.org.uk/sites/files/jrf/uk_without_poverty_summary.pdf

Gender

Despite the significant potential impact of the NMW on the gender pay gap, the reality is that we are years away from a position of parity between the genders.

A new report by the Fawcett Society 'The changing labour market 2: women, low pay and gender equality in the emerging recovery' suggests that low paid women, who comprise 1 in 4 of all female employees in the UK have so far been shut out of the recovery.[25]

[25] **www.fawcettsociety.org.uk/wp-content/uploads/2014/08/The-Changing-Labour-Market-2.pdf**

Key findings include:

- Since the start of the crisis in 2008, almost a million (826,000) extra women have moved into types of work that are typically low paid and insecure. Since 2008, female under-employment has nearly doubled (to 789,000) and an additional 371,000 women have moved into self-employment, which is typically very low paid. 1 in 8 low paid women now describe themselves as on a zero hour's contract.
- The increasing levels of women in low paid work, along with the declining value of low pay, is contributing to the widening inequality gap between women and men. Last year the gender pay gap increased for the first time in five years and now stands at 19.1 per cent for all employees.
- Low paid women are feeling the cost of living crisis sharply: nearly 1 in 2 say they feel worse off now than five years ago; nearly 1 in 10 have obtained a loan from a pay day lender in the last twelve months; nearly 1 in 12 low paid women with children have obtained food from a food bank in the past twelve months.
- High levels of low paid women are working significantly below their skill or qualification level: 22 per cent of those on low pay are educated to degree level and 36.8 per cent describe themselves as 'overqualified and over-skilled' for their current job.

Commenting on these findings, Dr Eva Neitzert, Deputy CEO at the Fawcett Society - said:

"The evidence is clear: after five years of decline, the UK economy is back on the upswing. Employment is up, unemployment is down and GDP is improving. However, as our research shows, low paid women are being firmly shut out of the recovery.

"We are concerned that at a time when the numbers of women on low pay are increasing, the value of their pay is declining in real terms, meaning they are struggling more than ever to makes ends meet. 1 in 2 low paid women told us that they felt worse off than five years ago. Even the planned increase to the national minimum wage this October will only increase the value of the wage to 2005 levels in real terms. It is clear that work is not providing a sufficient route out of poverty for low paid women: almost half are being forced to rely on benefits to top up inadequate wages, 1 in 10 are accessing pernicious pay day loans and 1 in 12 low paid women with children are having to resort to food banks.

"We urgently need to tackle the unacceptably low wages paid to women by substantially increasing the value of national minimum wage. Government should also take the lead in supporting the take-up of the Living Wage by encouraging local councils to adopt it and through instating it across Whitehall.

"Last month we warmly welcomed the announcement by the Liberal Democrat party that they will be including a commitment in their manifesto to

enact section 78 of the Equality Act which requires big businesses to publish information on their gender pay gaps. This is a long-standing Fawcett demand, and will help lift the lid on unequal pay for at least 1,750,000 employees in the UK. We would now like to see all the other major parties match this commitment and show that they too are serious about addressing the scandal of the widening gender pay gap."

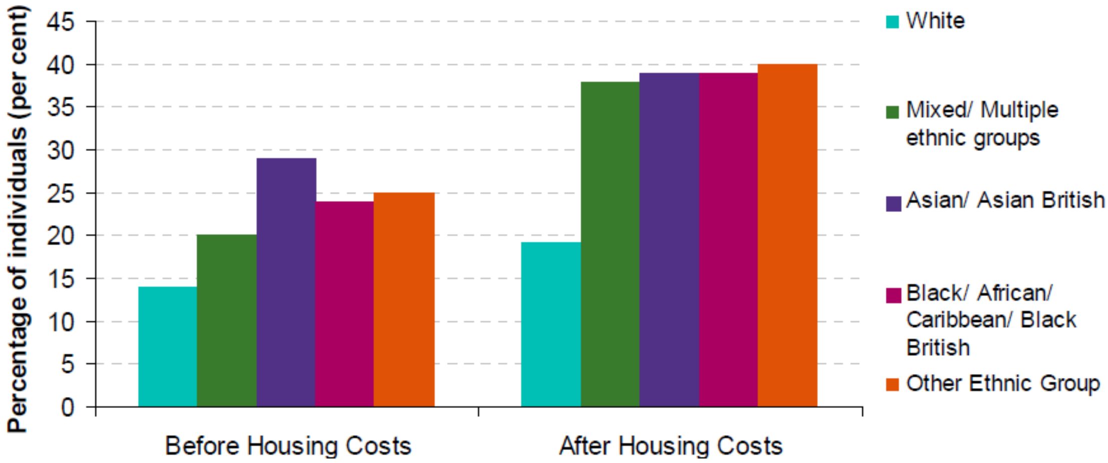
Analysis conducted for Unite by Landman Economics finds that an immediate increase to the NMW of £1.50 an hour gives women greater gains per hour worked than men. (The report is referred to in more detail on page 28 of this submission and a full copy is appended.)

Therefore Unite believes that a rise in the NMW will have a beneficial impact in addressing the gender pay gap. **Unite would also like to see the remit of the LPC to include low pay and the gender pay gap.**

Ethnic Minorities & Migrant Workers

Individuals living in households headed by someone from an ethnic minority were more likely to live in low income.[26]

Percentage of individuals in relative low income by ethnic group, 2012/13, UK (3-year average)



This was particularly the case for households headed by someone of Pakistani or Bangladeshi ethnic origin. It is possible this may be because individuals living in workless households face very high risks of living in low income and employment rates vary by ethnicity, with high rates of worklessness among individuals of Pakistani and Bangladeshi origin.

The end result of all this is that some minority ethnic groups still have equivalent incomes that are well below those of the rest of the population and many still remain below the official poverty line.

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[26]**See Table A09 of Labour Market Statistics, available at www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-263579 which shows economic activity by ethnic group.**

So clearly the NMW has a key role to play in tackling social exclusion with a high proportion of ethnic minority and migrant workers in the low paying sectors of the economy.

Analysis conducted for Unite by Landman Economics finds that an immediate increase to the NMW of £1.50 an hour has a progressive distributional impact across all ethnicities with particularly large net gains per hour worked for asian workers. (The report is referred to in more detail on page 28 of this submission and a full copy is appended.)

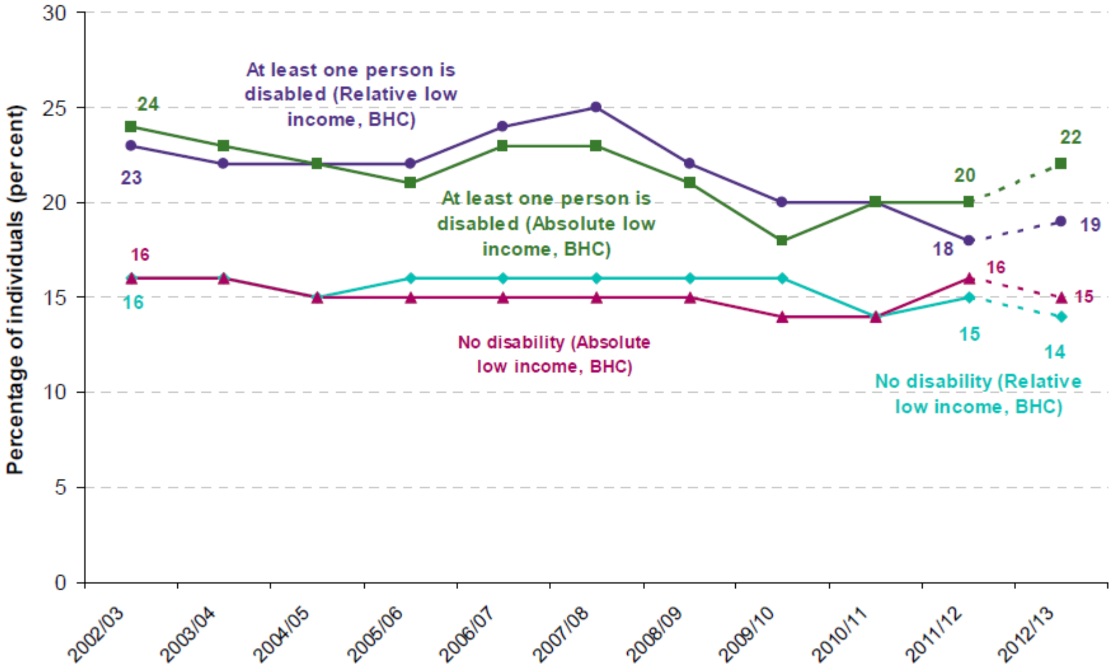
Therefore Unite believes that a rise in the NMW would help in trying to tackle the ethnic pay gap.

Workers with Disabilities

The percentage of individuals in relative low income Before Housing Costs (BHC) in families where at least one member is disabled increased by 1 percentage point to 19 per cent in 2012/13, which, although not statistically significant, was in contrast to the downward trend since 2007/08.[27]

The percentage of individuals in absolute low income in families where at least one member is disabled increased from 20 to 22 per cent BHC, continuing increases seen since 2009/10. These recent changes may be affected by the revised disability questions.

Percentage of individuals in relative and absolute low income, BHC, by family disability status, 2002/03 to 2012/13, UK



While the NMW alone cannot provide more employment opportunities for disabled people, it can ensure that disabled workers who are disproportionately in lower paid work are more fairly paid, and a decent increase will help the thousands of disabled workers who are in employment.

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[27] www.gov.uk/government/uploads/system/uploads/attachment_data/file/325416/households-below-average-income-1994-1995-2012-2013.pdf

Older workers

Out of work older people can find it more difficult to get a job and they are more likely than younger people to remain unemployed for longer. For example, around 46% of unemployed people aged over 50 have been unemployed for 12 months or more compared with around 30% of Jobseeker's Allowance claimants aged 18 or over (Office for National Statistics Labour Market Statistics, January 2014).[28]

There is also a commonly held misunderstanding that increasing employment for older people blocks jobs for younger workers. However, a recent report by the Institute for Fiscal Studies concluded there was 'no evidence of long-term crowding-out of younger individuals from the labour market by older workers'.

Thriving businesses, large and small from across all sectors, report the benefits of employing younger and older workers:

- McDonald's have 20% higher performance in those outlets that employ workers aged over 60 as well as younger workers.
- South Wales Forgemasters have no retirement age – they say there are no concerns about reduced progression opportunities and the process of training new staff has been improved greatly by involving experienced, skilled workers as trainers on the company's apprenticeship scheme.

Analysis conducted for Unite by Landman Economics finds that an immediate increase to the NMW of £1.50 an hour produces the largest net gains for older and younger workers, especially those aged over 65 and those aged under 25. (The report is referred to in more detail on page 28 of this submission and a full copy is appended.)

Unite has not seen any evidence that the NMW has caused any detriment to older workers and believe the NMW offers older workers opportunity and flexibility.

Those who are unqualified

With the NMW providing the rate of pay for the skill floor for workers there is an obvious link between the NMW and the unqualified. It is important to note that because a worker has no qualifications, this doesn't mean they have no skills. However, it is accepted that it is more likely you will find a lower skilled worker in a NMW job then a more highly skilled worker. Although the two are obviously not mutually exclusive.

However, Unite has not seen any evidence that the NMW has caused any adverse effects to those who are unqualified and see the NMW as a key tool to help raise people's perceptions and expectations.

[28] **www.gov.uk/government/policies/helping-people-to-find-and-stay-in-work/supporting-pages/helping-older-people-who-want-to-find-or-stay-in-work**

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?

Unite believes that the low paying sectors can afford these increases and that bolder increases were possible. Unite's experience of wage growth as a trade union has seen many deals above 3%, as listed on pages 6-8.

In our 2014 Report, we made an additional assessment of the future path of the NMW. This looked at what economic and business conditions needed to be in place to allow a faster increase in the minimum wage rates taking into account the implications on employment. Do you have any comments on that assessment? What economic and business conditions do you think need to be in place for faster increases in the NMW?

Unite notes the LPC's economic and business conditions that need to be in place to allow a faster increase in the minimum wage rates. Unite welcome that the economic data suggests positive trends in this regard. However, analysis of the impact of a £1.50 per hour increase to the NMW carried out by Landman Economics for Unite shows the stimulus effects of such a measure including the potential to create at least 30,000 jobs. (Full report appended to this submission.)

What has been the impact of the minimum wage on young people and what effect do you think it has on their employment prospects?

Young People in the Labour Market

For May to July 2014, 3.76 million 16 to 24 year olds were in work (including 812,000 full-time students with part-time jobs). This was up 2.7% or 10,000 on the previous quarter.

For May to July 2014, the unemployment rate for 16 to 24 year olds was 16.6%. This was:

- down from 18.5% for February to April 2014,
- down from 21.0% for a year earlier, but
- higher than the pre-downturn trough of 13.8% for December 2007 to February 2008.

Looking in more detail at youth unemployment, there were 747,000 unemployed people aged from 16 to 24 for May to July 2014. This was 106,000 fewer than for February to April 2014 and 213,000 fewer than for a year earlier. These were the largest quarterly and annual falls in youth unemployment since comparable records began in 1992.

Unite is pleased to see an improvement in the last year in the labour market statistics for young people. Unite does not think there is any evidence that the NMW has had a negative impact on youth employment.

Young People and Pay

Unite's young members tell us that pay is the number one determining factor in why they choose to initially go for or stay in a job. Unite would ultimately like the NMW to apply as a flat rate from age 16 upwards on a 'rate for the job basis.' Unite believes that the principle of equal remuneration for work of equal value is an important one.

Previous research by the Employer's Forum on Age (EFA) has attempted to address some of the common objections and showed that equalising the development NMW rate with the adult NMW rate would not have detrimental effects. Some of the EFA's members including Marks and Spencer and B&Q removed their age bands a number of years ago.

Where Unite is organised, part of our bargaining strategy is for the abolition of youth rates where they apply. In those areas where Unite has abolished youth rates by negotiation there is no evidence that this has led to a decrease in young people employed. This is largely because many companies are prepared to abolish youth rates in recognition that doing so aids recruitment, retention, motivation and productivity.

Analysis conducted for Unite by Landman Economics finds that an immediate increase to the NMW of £1.50 an hour produces the largest net gains for older and younger workers, especially those aged over 65 and those aged under 25. (The report is referred to in more detail on page 28 of this submission and a full copy is appended.)

Unite believes that the UK should move towards a position where workers are not discriminated against on the basis of age, but are paid the rate for the job.

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

Unite believes that apprentices should be paid at least the National Minimum Wage for their work as this is the national baseline wage for all workers in the UK regardless of their skill level, age or legal status, below which no worker should fall.

Many employers already pay apprentices more than the Apprentice Rate. Unite members in construction, local authorities, graphical trades, manufacturing and engineering receive minimum rates of pay that are above the Apprentice Rate for their age from day one. Some examples can be seen as follows:-

Agreement	Minimum	Maximum	Progression	Hours
Painting Trade Scotland (Scottish Decorators Federation)	£3.60 ph	£9.06 ph	Year 1 £3.60 ph Year 2 £4.84 ph Year 3 £6.70 ph Year 4 £9.06 ph	38
Agriculture (Scotland)	£3.88 ph	£6.99 ph	Apprentice Farm Worker £3.88 ph Worker with employer for 26 weeks or less (all ages) £6.32 ph Worker with employer for more than 26 weeks (all ages) £6.99 ph	39

Electrical Contracting JIB	£4.19 ph	£10.40 ph	Shop Rate 1st Stage £4.19 ph Shop Rate 2nd Stage £6.10 ph Shop Rate 3rd Stage £8.83 ph Travel Rate 1st Stage £5.27 ph Travel Rate 2nd Stage £7.42 ph Travel Rate 3rd Stage £10.40 ph	37.5
Rolls Royce	£5.45 ph	£10.58 ph	Standard Rate Stage 1 £5.45 ph Standard Rate Stage 2 £6.40 ph Standard Rate Stage 3 £7.52 ph Standard Rate Stage 4 £8.84 ph Red-circled Rate Stage 1 £5.84 ph Red-circled Rate Stage 2 £7.51 ph Red-circled Rate Stage 3 £8.76 ph Red-circled Rate Stage 4 £10.58 ph	37
Plumbing (England & Wales) JIB	£5.69 ph	£11.37 ph	1st year of training £5.69 ph 2nd year £6.53 ph 3rd year £7.37 ph 3rd year with NVQ Level 2 £8.96 ph 4th year £9.07 ph 4th year with NVQ Level 2 £10.30 ph 4th year with NVQ Level 3 £11.37 ph	37.5
Engineering Construction (NAECI) NJC	£6.14 ph	£12.28 ph	Year 1 £6.14 ph Year 2 £7.96 ph Year 3 £10.23 ph Year 4 £12.28 ph	39

Source: Labour Research Department

Unite is pleased to see there were 510,000 apprenticeship starts in the 2012/13 academic year. This is 10,000 less than the number of starts in the 2011/12 academic year, but 231,000 more than in the 2009/10 academic year.[29]

As Unite has said previously, we do not believe it would be accurate to attribute previous dramatic increases in apprenticeships down to the new Apprentice Rate. Equally, Unite does not believe that a small 10,000 reduction in starts has been caused by increases to the Apprentice Rate.

Apprenticeship Success Rates by Level and Age (2004/05 to 2011/12)

Level	Age	2004/05 Full Year	2005/06 Full Year	2006/07 Full Year	2007/08 Full Year	2008/09 Full Year	2009/10 Full Year	2010/11 Full Year	2011/12 Full Year
Intermediate Level Apprenticeships (Level 2)	16-18	*39.0%*	*51.8%*	*60.3%*	*64.2%*	*68.3%*	*71.1%*	*72.2%*	*71.9%*
	19+	*36.2%*	*50.9%*	*60.1%*	*64.8%*	*72.8%*	*75.6%*	*78.0%*	*73.0%*
	Total	***37.9%***	***51.5%***	***60.2%***	***64.4%***	***70.4%***	***73.4%***	***75.3%***	***72.6%***
Advanced Level Apprenticeships (Level 3)	16-18	*38.1%*	*44.5%*	*56.9%*	*60.7%*	*73.6%*	*76.2%*	*79.0%*	*76.5%*
	19+	*30.7%*	*41.4%*	*56.0%*	*64.5%*	*71.2%*	*74.0%*	*78.4%*	*76.4%*
	Total	***34.0%***	***42.9%***	***56.4%***	***62.8%***	***72.1%***	***74.8%***	***78.6%***	***76.5%***
Higher Apprenticeships (Level 4+)	16-18							*83.2%*	*64.4%*
	19+							*84.8%*	*73.2%*
	Total							***84.6%***	***72.6%***
All Apprenticeships	16-18	*38.8%*	*49.7%*	*59.5%*	*63.3%*	*69.6%*	*72.4%*	*74.0%*	*73.1%*
	19+	*34.1%*	*46.9%*	*58.5%*	*64.7%*	*72.2%*	*75.0%*	*78.2%*	*74.2%*
	Total	***36.7%***	***48.6%***	***59.0%***	***63.9%***	***70.9%***	***73.8%***	***76.4%***	***73.8%***

Notes

1) Age is calculated based on age at start of the programme rather than based on 31 August.

2) For further information on these tables please see the accompanying notes page.

Unite also notes that there has been a reduction across the board in success rates.[30] However, Unite does not see any evidence that this reduction can be attributed to the Apprentice Rate.

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[29] **www.parliament.uk/briefing-papers/SN06113.pdf**

[30] **www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships--2**

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?

Although Unite would not agree with the level of the Apprentice Rate, Unite believes the structure of the Apprentice Rate is simple and should remain in terms of the Apprentice Rate applying to all levels of apprenticeships.

In England there are 3 recognised levels of apprenticeships which are:

Intermediate – equivalent to 5 GCSE passes
Advanced – equivalent to 2 A level passes
Higher – lead to NVQ Level 4 and above or a Foundation Degree

If there is a progressive proposal that is going to suggest 3 minimum Apprentice Rates based on levels then it is important where the rates are set.

Many sectors already have agreements like this which trade unions are signatories to, some of which have already been highlighted above. **If the Low Pay Commission believes it is necessary then trade unions and sector employer federations should be consulted.**

What do you think might help employers to comply with paying the right pay rate for apprentices?

Other than replacing the Apprentice Rate with the appropriate NMW rates of pay, there is no quick fix. Some rogue employers will always claim they did not know and that they just made a mistake.

Unite wants to see greater distribution of information to let employers know what the Apprentice Rate is and who should be receiving it, alongside greater enforcement and penalties for underpayment of the Apprentice Rate.

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?

Compliance and Enforcement

Since the NMW introduction in 1999 more than £54 million in NMW arrears for over 229,000 workers has been identified. Over £4.6m in wage arrears has been paid to 22,610 workers this year, as part of HMRC's National Minimum Wage (NMW) enforcement efforts.[31]

[31] www.gov.uk/government/policies/making-the-labour-market-more-flexible-efficient-and-fair/supporting-pages/setting-and-enforcing-the-national-minimum-wage

Figures have shown that HMRC conducted 1,455 investigations into failure to comply with NMW regulations in 2013/14. It found arrears in 47% of cases investigated and recovered average arrears of around £205 per worker, sending 652 employers automatic penalty charges and fining 52 employers the previous maximum of £5,000.

Unite believes that this success clearly warrants increased funding for NMW enforcement, especially when you consider the greater strain placed on enforcement with an extra 100,000 new apprentices and 90,000 plus agricultural workers, from the abolition of the Agricultural Wages Board that covers England.

Therefore Unite recommends that the Government commits to making real terms increases in current funding for monitoring and enforcement of the NMW.

Tribunal Fees Undermine the Ability of Workers to Enforce their NMW Rights via Employment Tribunals.

Previously a TUC report has highlighted how the impact of tribunal fees has undermined the ability of workers to enforce their minimum wage rights via Employment Tribunals.

The report showed that the introduction of fees has had a devastating impact for working people's access to justice, with the overall number of employment tribunal claims falling by at least 79% in 2012.[32]
An analysis of official statistics reveals that women have been the principal losers, while low-paid workers have also been priced out of justice due to the government's restrictive fee remissions scheme.

The introduction of fees means that many workers simply cannot afford to take valid claims to an employment tribunal. Those seeking to recover unpaid wages or holiday pay have to pay up to £390. They no longer have an effective means of enforcing their rights, allowing rogue employers free to flout the law with impunity, creating unfair competition for law-abiding firms.

More up to date figures show an 85% fall in the number of claims for unpaid wages in 2013.[33] Faced with such dire statistics, **Unite urges the LPC to support the call for the government to abolish fees for employment tribunals. Working people should not have to wait for the government to carry out a review before their rights to justice are restored.**

[32] www.gov.uk/government/policies/making-the-labour-market-more-flexible-efficient-and-fair/supporting-pages/setting-and-enforcing-the-national-minimum-wage
[33] http://www.bbc.co.uk/news/business-27807516

Unpaid Internships in the Voluntary Sector and the Re-Introduction of Paid Entry Level Jobs

Unite believes that unpaid internships are still on the increase. Unpaid internships aren't just wrong but in many cases they are illegal. Under employment law, people who work set hours, do set tasks and contribute value to an organisation are "workers" and are entitled to the NMW but many employers in the voluntary sector are paying their interns nothing.

Unite is also strongly urging all reasonable employers who care about their workers to sign up to a voluntary code that pledges they will end unpaid internships and pay all interns at least the NMW.[34]

Unpaid internships are still a major issue in the not for profit sector and there needs to be much greater clarity on what is legitimate volunteering and what is not. Unite recently surveyed a sample of just over 500 members across the Community, Youth Workers and Not for Profit sector and here are some of the results:

A significant minority – roughly 35% highlighted that volunteers are being used to replace previously paid jobs.

Some quotes from the survey:

"We have unpaid interns. They are supposed to be restricted to 3-6 months, max 21 hrs per week (no compulsory out of hours), education and training given and not to be given work to replace existing staff. As workplace reps we are trying to monitor that this as a minimum is enforced, but sometimes little appetite from senior management and there are line managers who will exploit situation. Interns do get lunch and £150 per month travel paid for."
Member in a Professional Body

"Insist that organisations offer volunteers contracts and ban unpaid internships, which are inherently detrimental to creating a diverse socioeconomic workforce."
Member from a sector umbrella body

"I have noticed an increase in the last few years of volunteering seeming to be a substitute for paid work. Unpaid internships in particular worry me because they mean that the workforce supporting the most vulnerable members of society disproportionately consists of the most privileged sections of society. I'm not sure what could improve it. Perhaps a best practice process or kitemark."
Member from a sector umbrella body

"Volunteers at our office have found it much harder to use their experience to move into paid work. Unpaid internships need to be challenged. Workfare needs to be resisted."
Member from a campaigning organisation

[34] http://www.unitetheunion.org/uploaded/documents/UniteInternAware11-10685.pdf

“Recently I saw a private language school advertising for a volunteer ESOL teacher!!! They didn't even bother to justify why the person should do it for free - but a lot of teachers aren't given experience while training, they are not well-supported by employees - whoever they are and so they feel they have to volunteer first. Unpaid internships should be banned and workfare is a joke - it is free/cheap labour for big business - how much training do you need to stack shelves in Poundland? The minimum wage should be the same for all regardless of age and "apprenticeships". The minimum wage needs to be increased to above the living wage.”
Member in a community organisation

“Crack down on zero hours contracts and free labour. Volunteering and unpaid internships are different things and there are too many shades of grey still occurring. Unpaid labour is vile. Volunteering should be a choice - not the only option. I have never worked for free but I volunteer every week.”
Environmental organisation

“I have done unpaid internships in the past. I agree that there is a need to tighten up the regulations on this, to avoid exploitation. It has become too embedded in the sector as 'normal' but this should be challenged. Unfortunately is remains a sad truth that it is difficult to enter the not-for-profit sector without this kind of unpaid experience.”
Member in an international aid organisation

Unite calls on the LPC to endorse the code and to target enforcement at unpaid internships in the Voluntary sector.

GOVUK NMW Guidance Website can still be improved

Unite is pleased to see that following the representations that we made about the GOVUK NMW guidance website that it has been improved by adding links to some of the older text.

However some areas including tips are still hard to find at the moment and it is incomplete. The “tips at work” section of the guidance is only available as a click-through on the right hand side of the NMW pages. This section of the guidance does not make it clear that the same considerations also apply to gratuities, service charges and cover charges. Unite also has experience as set out above, which suggests that the advice helpline is incorrectly applying the family exemption to migrant domestic workers.

Guidance has a very important role to play in explaining rights and duties to workers and employers alike. Unite is sure that the LPC shares Unite’s desire to ensure that it provides an authoritative statement with sufficient detail to ensure that everybody knows the right thing to do.

It is vital that the Government gives good guidance on this very important area of law. The text should be looked at again, in consultation with stakeholders.

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?

Unite commissioned Landman Economics to look at the economic impact of an immediate increase in the NMW by £1.50 per hour in the UK – from its current rate of £6.31 per hour for workers aged 21 and over to £7.81 per hour, with an equivalent cash increase for younger workers. The results show that a £1.50 per hour increase in the NMW would benefit around 4.6 million workers, 60% of whom are women. The average gain in net income per worker from the NMW increase is £813 per year. (A full copy of the report is appended.)

The analysis uses the 2011/12 Family Resources Survey and the IPPR/Landman Economics tax-benefit model to estimate the number of workers affected, the distributional impact on household incomes and net wages of the workers affected, and the impact of increasing the NMW on public finances.

Increasing the NMW is a progressive policy in distributional terms, with the largest percentage increases in net household income for households in the poorest decile, and much bigger percentage gains in the bottom 60% of the income distribution than in the top 40%.

The impact on household income is particularly beneficial for low-income households containing people who work in the hospitality, retail and cleaning industries, which have large numbers of workers on very low pay rates. The distributional impacts are progressive across all ethnicities with particularly large net gains per hour worked for asian workers; migrant workers also make particularly large net gains per hour worked. Across the age distribution, average net gains from increasing the minimum wage are largest for younger and older workers, especially those aged under 25 and those aged over 65.

Increasing the NMW by £1.50 per hour would also benefit the public finances through increased income tax and National Insurance Contributions receipts, increased receipts from expenditure tax (due to higher consumer spending by workers with higher net wages) and lower in-work benefit and tax credit spending. Overall, this report estimates that the public finances would improve by around £2.1 billion as a result of the minimum wage increase.

While increases in the minimum wage are often opposed on the grounds that they would lead to job losses, the analysis in Section 5 of this report shows that once the potential stimulus effects of increasing the minimum wage are taken into account there is a potential for modest gains in employment – at least 30,000 jobs.

Overall, the analysis presented in the report makes a powerful economic case for an immediate increase in the NMW of £1.50 per hour; it is distributionally progressive, would improve the public finances, and has the potential to create jobs through stimulating the economy.

Unite would like to see the LPC increase the NMW by £1.50 per hour – from £6.31 per hour to £7.81 per hour for workers aged 21 and over. From £5.03 per hour to £6.53 per hour for workers aged 18 to 20 and from £3.72 per hour to £5.22 per hour for workers aged 16 to 17.

Apprentices Pay

Unite believes that the Apprentice Rate should increase by more than the Adult Rate in real terms, to help close the gap between them.

Accommodation Offset

In principle Unite is opposed to charges for accommodation being deducted from the NMW. Having workers accommodated on site is to the employers' benefit and therefore the employer should be fully responsible for the cost. However, Unite is aware that ill-thought through deregulation without effective enforcement guidelines could lead to further exploitation.

In June 1998 the LPC recommended that accommodation should be the only benefit in kind to count towards the NMW. This recommendation was designed to be a protective measure. By recommending an accommodation offset, the LPC intended to discourage employers from recouping the NMW paid to a worker by levying excessive accommodation charges. When recommending the level for the accommodation offset, the LPC did not seek to reflect the actual cost to the employer or the actual value of renting accommodation for the worker. Allowing a market rate would not have recognised the advantages to the employer of providing accommodation.

Unite would support staged increases towards the value of the adult rate of the NMW when economic circumstances mean that the real value of the NMW is tending to rise in line with what the LPC proposed in their 2014 report.

Do you have any other views or evidence about the operation and impact of the National Minimum Wage?

Fair Piece Rates

Unite has highlighted examples of agencies who are abusing the fair piece rate by underpaying the NMW in the hotel industry to the LPC before. Unite unfortunately has to report that the situation has not improved in the past year.

Clearly the hotel industry has been trying to avoid their financial responsibility by employing agencies and contract cleaning companies for room cleaning services which were previously directly employed. The hotel industry must not be allowed to transfer the blame anymore.

Many of the piece rates for cleaning rooms in the hotel industry have been set at unattainable levels, which make it impossible for workers to achieve the NMW. One way to stop this would be to remove the fair piece rate option from the hotel sector because it can be argued that hotel room cleaning work does not constitute "output work" under NMW regulation 5 (1999).

It has become standard practice for hotels to ask the cleaning agencies to invoice them based on an agreed figure for each room cleaned. Evidence provided by housekeeping staff shows one agency charging an agreed sum of £3.88 for each room cleaned. So if the agency cleaners clean two rooms per hour in line with the productivity requirements of hourly paid staff the agency profit per hour is £1.45 (£3.88 x 2 = £7.76 less NMW of £6.31 paid to the worker = £1.45.)

However if the agency can impose a 3 room per hour requirement onto agency staff then their profit per hour is £5.33 (£3.88 x 3 = £11.64 less NMW of £6.31 paid to the worker = £5.33). So the incentive is always there for the agency to increase the piece rate. The fixed rate per room fee is clearly linked to the NMW because it is always revised and renegotiated when the NMW rate increases in October each year.

Unite recommends the removal of the fair piece rate option from the hotel sector because it can be argued that hotel room cleaning work does not constitute "output work" under NMW regulation 5 (1999).

Bogus Self Employment in London Hotels

The situation in London Hotels and the employment standards in force have been described by union leaders as "the race to the bottom". This situation has been fed by widespread out-sourcing to employment agencies. This means that every time a client hotel puts up for renewal an out-sourcing contract this puts wages and terms and conditions under pressure. The possibility of reputational damage to brands and hotels is minimised by the ability of client hotels to "blame the agency" if breaches of employment law like underpayment of the NMW or irregular workers are found working in hotels.

The Central London Hotel Workers branch of Unite is now seeing evidence of bogus self-employment rise across the industry. A typical situation would be as follows:

- agency recruits migrant workers either legally or via student visa or via precarious workers;
- worker would be given one or two weeks training as an employee;
- the worker would then be told how to become "self employed" and would carry on working but with a different status;
- students would be rotated so the 20 hours per week limit would not be breached;
- problems with the client would be met by the worker being moved to a different employer;
- with no employment rights, no complaints will be made about underpayment of the NMW for instance.

Unite recommends that the LPC focus on the bogus self employed issue that is becoming increasingly prevalent in employment agencies that are supplying labour to the hotel sector.

Enforcement for Vulnerable Workers

The new 'tied' 'Domestic Workers Visa' limits the stay to 6 months, and prevents domestic workers from changing employer as most domestic workers only ever challenge NMW abuses at the point they leave their employer to work for someone else. Additionally, legal challenge now requires tribunal fees, and together with the time involved, migrant domestic workers are effectively prevented from enforcing their rights. The implications of this are that the NMW would not really be enforceable in private households, which leaves domestic workers with very long hours for poverty pay, part pay or no pay at all in extreme cases.

Unite does not believe that any worker should be exempt from basic employment rights. Unite believes that employers should face penalties for paying below the NMW, and noting that a migrant domestic worker fleeing abuse who is unable to change employer effectively loses her/his documented status, calls for such penalties to apply whether their workers are documented or not. Unite's experience is of employers capitalising on the fear and insecurity of these workers and often only becoming interested in their status if a worker complains.

More widely, Unite is clear that the maintenance of the NMW is dependent on all workers, irrespective of their employment status, to be paid no less than the NMW level. The current position encourages employers to recruit migrant workers (documented or otherwise) precisely because they are able to get away with paying significantly less than the NMW. This has had a downward (deflationary) pressure on the wages of indigenous workers at the lower end of earnings in the economy. This is clearly an unintended gap in the enforcement of the NMW and employment rights per se.

It is unacceptable that an employer who commercially benefits from paying low wages to an undocumented worker on the basis of illegality of contract, can escape subsequent penalties based on the same illegal contract to which they were (as employers) party. Clearly, undocumented workers will not make a complaint if they believe that the involvement of the authorities may lead to their detention and deportation, so enforcement in this case cannot rely on individual complaints by workers.

In practice, this means that each case is being treated separately and each individual is being required to prove they are covered by the NMW before their particular circumstances can be looked at, which is time consuming and creating additional barriers to these workers receiving the NMW they are entitled to.

Unite remains concerned that migrant domestic workers continue to be wrongly denied the NMW using the 'family members' exemption. This needs to be addressed. Therefore, Unite calls for clear formal recognition that the requirements of the overseas domestic worker visa preclude a 'family membership relationship' and that this be properly reflected in BIS guidance and helpline advice. The new 'tied visa' of 6 months duration means that obtaining justice on the NMW is fundamentally undermined for migrant domestic workers. Unite calls for a clarification in the law that employers may be prosecuted for not paying the NMW whether their workers have legal contracts or not. Unite would also like to see a situation whereby a trade union can make a representative action on behalf of a group of workers to an employment tribunal and that in such instances HMRC enforcement officers should have access to such workers if they are detained.

Abolition of the Agricultural Wages Board (AWB)

The Government abolished the Agricultural Wages Board for England and Wales in 2013. AWBs for Scotland and Northern Ireland, set up under separate legislation, continue.

Abolition was supported by the big agricultural and market gardening businesses in England, but not by smaller farmers or by the NFU in Wales, which actively opposed abolition.

In England the call for abolition was driven by the NFU, and we believe this was down to their horticultural industry members. This part of agriculture was under pressure from the supermarkets to supply fruit and vegetables at ever tighter margins, and the industry was seeking to cut their costs at the expense of workers. Abolition was not supported by smaller farmers.

In Wales the Farmers Union of Wales, by contrast, actively opposed abolition, which helped give support to the creation of the Agricultural Wages (Wales) Bill (2013), to keep alive the Agricultural Wages Board for Wales only. The Bill was delayed for some time because it was referred to the Supreme Court. However, the Supreme Court found in favour of the Welsh Assembly in July 2014.

So a new Agricultural Wales Board for Wales will be set up for around 10,000 agricultural workers. Previous estimates by the Government were that the abolition of the old body would reduce agricultural workers earnings in Wales by £1 million over the next decade. So clearly this is a victory for workers. However in England agricultural workers have not been so fortunate.

Unite calls for specific monitoring by the LPC of what is happening to pay and conditions in the agricultural sector particularly in England following the abolition of the AWB, its replacement in Wales and retention in Scotland and Northern Ireland and check to what extent HMRC is equipped with the resources to accommodate these immense enforcement responsibilities.

Housing and Residential Social Care

Unite is urging the LPC to look into widespread issues facing workers particularly in Housing and Residential Social Care sectors. Workers in these sectors can be notoriously isolated and with over 40,000 separate organisations now competing to delivering social care (ranging from large national providers to micro providers) There is also a regular churn of organisations entering and exiting the market[35] and union density is often insufficient to stem these problems.

[35] *Care of Elderly People UK Market Survey 2010* (Laing & Buisson) shows changes in new registrations and deregistrations since 1989 (Table 4.2). This evidence shows that there were 175 deregistrations in 2010, 162 in 2009 and 219 in 2007. Looking back to 2004, there were 638 closures and in 2005 there was 711. In terms of new registrations, there were 142 new registrations (8,093 beds) in 2010, 160 (8,770 beds) in 2009, and 114 (5,552) in 2008. This evidence demonstrates that there is some consolidation within the sector, with a trend for new residential care homes to be larger.

Social care is a labour intensive service by its very nature; the workforce accounts for 80% of social care expenditure in the UK and it tends to be that savings are therefore found from the workforce, either through reduction in numbers, or cutting pay, terms and conditions. The workforce is predominantly female, with a high density of migrant works in parts of the country and, despite warm phrases from many in Government about the vital work they perform, this has never translated into good pay, terms and conditions and status within society.

Zero Hours Contracts

It has been a feature of the social care workforce that staff have been paid on the 'task and tick' contracts where staff are paid for appointments with social care users, but not the travel time in between. Unite has had increased reports of moves to 'zero hours' contracts[36] in the sector and there is a widely recognised concern now with the impact of these contracts on workers – particularly due to underpayment of the NMW. Unite has submitted its evidence to the Labour Party's 'Kingsmill review' which goes into more details of this issue and also includes numerous quotes from workers in the sector.[37]

Workers in the sector should be paid for the time between appointments and travel time and Unite would ask the LPC and HMRC to continue to take increased action to challenge this behaviour and escalate enforcement action in the sector.

Enforcement of Sleep-ins and the NMW

There have recently been a number of legal challenges made through the Appeal Tribunal with regard to wages paid to workers who do sleep-ins. The Tribunals have concluded that workers must be paid a minimum of the National Minimum Wage for every hour of the sleep-in and not a flat rate 'allowance'.

Some of the arguments put forward by companies on why workers have been paid below the minimum wage include:

- Time spent sleeping should not be paid.
- If sleep-in payments are added to the salary and divided by the entire number of hours worked, workers are averaging more than the minimum wage per hour.
- The payment for sleep-ins constitutes an allowance and is not therefore subject to National Minimum Wage regulations.

However, tribunals have ruled:

- Because workers are on the premises, must stay on the premises, and cannot leave, they are 'working' for the entire period and whether or not they are asleep for any period of the sleep-in is irrelevant.

[36] Hussein (2011) 'Estimating Probabilities and Numbers of Direct Care Workers Paid under the National
Minimum Wage in the UK: A Bayesian Approach', Social Care Workforce Periodical, December 2011

[37] **http://centrallobby.politicshome.com/fileadmin/epolitix/stakeholders/Unite_submission_to_the_Kingsmill_Review_of_Exploitation_in_the_Care_Sector_January_2014.pdf**

- Because sleep-ins do not constitute salaried work but rather, ‘time work’, hours and salaries cannot be averaged out and National Minimum Wage must be paid for each and every hour of the sleep-in.
- Allowances are appropriate for certain things like working in a hazardous atmosphere. They are not the appropriate/legal payment for a sleep-in and therefore, National Minimum Wage regulations apply.

The LPC and HMRC should take steps to improve enforcement on this issue as well, particularly in small and private sector organisations that are less likely to be unionised.

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For clarifications and more information please contact:

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