CWU SUBMISSION TO LOW PAY COMMISSION CONSULTATION ON THE NATIONAL MINIMUM WAGE 2014

Introduction

1. The Communication Workers' Union (CWU) is the largest union in the communications sector in the UK, representing over 200,000 employees in the postal, telecoms and related industries.

2. The majority of CWU members work in well-unionised workplaces and enjoy basic rates of pay above the October 2013 National Minimum Wage (NMW) of £6.31 per hour. However, a number of our members are on, or close to, the NMW and below the level of a 'living wage' at which we believe the NMW should be set.

3. The Low Pay Commission (LPC) has been asked by the Government to consider the different National Minimum Wage (NMW) wage rates from October 2014 and to review the contribution the NMW could make to the employment prospects of young people. In making recommendations in these areas the LPC has been asked to take into account the state of the economy, including employment and unemployment levels.

4. In addition, on 16 September 2013 the Secretary of State for Business, Innovation and Skills asked the LPC to work with the Government to examine over a longer time horizon what business and economic conditions are needed to allow further increases in the NMW.

CWU position

5. The CWU is a strong supporter of the NMW and of the work of the LPC. We believe that a minimum wage is a vital component of a fair labour market and we recognise the important role the NMW has played in improving the position of the lowest paid. Nevertheless we believe there is scope for it to go further.

6. As we outline in this submission, the CWU believes that:

   - The LPC should conduct a full analysis of the minimum level of acceptable pay in both real and relative terms
   - The LPC should commit to raising the NMW to a 'living wage' rate and recommend a significant increase in 2014 - at least above inflation and average earnings - as an interim step towards reaching such a wage; and
   - The Development, 16-17 year old and Apprentice NMW rates should be brought into line with the Adult NMW.

7. In advocating a transformation of the NMW to a living wage, we recognise that we are calling for a change in the approach the LPC has taken to its remit in recent years. However, we do not believe that recommending a living wage – or for the LPC to consider the standard of living which someone in receipt of the minimum wage can afford – falls outside of its scope and the broad task referred to the Commission by the Government. The LPC has been specifically directed to take into account the state of the economy and employment and unemployment levels in the short and longer term; however, we believe that inflationary trends, levels of in-work poverty and living standards form a central part of any such analysis of the state of the economy and the labour market.

8. We therefore reiterate calls in previous submissions for the LPC to conduct a full analysis of the minimum level of acceptable pay in both real and relative terms, because without this we do not believe it is possible to state whether the NMW is set at an appropriate level. Increasing amounts of research on fair pay and living standards is being undertaken by organisations across the political spectrum; however, we believe it is the LPC who should be seen to be leading the way. Notably, the Government-appointed Social Mobility Commission recently proposed that Government Ministers should develop a low pay strategy, including strengthening the NMW and broadening the remit of the Low Pay Commission.[1]

9. The LPC has an important role in informing the Government, the public and businesses about the position of the lowest paid in society, as well as for setting the tone of the debate on low pay issues. Whilst recommendations in previous years have focused on benchmarking NMW levels in line with average wage growth, it is now time for the LPC to embrace a more holistic approach. Whilst we welcome the Business Secretary's direction for the LPC to consider what longer term economic and business conditions would be needed to allow for further increases in the NMW, we firmly believe the Commission should also assess NMW levels and further increases on the principle that anyone in work should be able to afford a socially acceptable standard of living for themselves and their family.

10. In our submission to the LPC's 2013 report last year, we advocated a set of staged increases, above inflation and average earnings, in the NMW in order for it to reach the level of a living wage within a few years. We reiterate the call for such an approach for the LPC's 2014 recommendation. We believe both the short and longer term economic, business and labour forecasts referenced in later sections of this submission support such an approach and would be useful benchmarks for the LPC to consider in assessing the longer term case for further NMW increases.

<u>The gap between the NMW and a living wage</u>

[1] Patrick Wintour, 'Social Mobility Commission reveals plans to tackle low pay', The Guardian, 10 September 2013: http://www.theguardian.com/society/2013/sep/10/social-mobility-commission-tackles-low-pay

11. There is a growing consensus that more needs to be done to tackle low pay in the UK. As well as the Labour Party's pledge to strengthen the NMW[2] and the Business Minister's recent directive to try to facilitate further increases in the NMW, the Conservative party - which opposed the introduction of the NMW fifteen years ago - is now also considering ways to raise the NMW, in recognition of the standard of living crisis for many people in low paid work.[3] There are a number of 'living wage' models; most notably the London Living Wage set by the Greater London Authority currently at £8.55 per hour, the Living Wage for the rest of the UK set by the Centre for Research in Social Policy at Loughborough University at £7.54 per hour, and the Minimum Income Standard set by the Joseph Rowntree Foundation.

12. Although the methodologies differ the goal is the same – to determine the minimum level of basic pay at which employees and their families can lead decent lives. Notably all of the methodologies deliver a minimum wage level far higher than the current NMW rate of £6.19 per hour that is due to rise modestly to £6.31 in October 2013.

13. The gap between the NMW and the Living Wage is affecting greater numbers of people. Despite efforts to increase employers' voluntary uptake of the Living Wage, the recent economic downturn has pushed a further 1.4m employees below the Living Wage.[4] There are now 4.8m people – one in five of all employees – who earn below the Living Wage, up from 3.4m in 2009 at the height of the recession.[5] Women, young workers and all those working outside London and the South East are most likely to be paid below the Living Wage.

14. There is also a significant gap between the NMW and the Joseph Rowntree Foundation's Minimum Income Standard, which is based on what the general public think needs to be paid to employees in order to achieve an acceptable standard of living. This finds that for people to reach a decent standard of living in 2013, single people must earn at least £16,850 a year before tax and couples with two children at least £19,400 each.[6]

15. This is far higher than an annual salary on the adult NMW rate from 1 October 2013 of £12,347 based on a 37.5 hour week. Comparing the two salaries, workers on the NMW will be taking home £86 less per week than they need to achieve a socially accepted standard of living if they are single, and £135 less per week if they are part of a couple with two children.

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[2] http://www.theguardian.com/politics/2013/sep/21/ed-miliband-labour-minimum-wage
[3] Allegra Stratton, 'Conservatives 'considering ways to raise the minimum wage'', BBC News, 2 September 2013: http://www.bbc.co.uk/news/uk-politics-23934721
[4] Whittaker, Matthew & Hurrell, Alex, 'Low Pay Britain 2013', Resolution Foundation, September 2003: http://www.resolutionfoundation.org/publications/low-pay-britain-2013/
[5] Ibid.
[6] Joseph Rowntree Foundation, A Minimum Income Standard for the UK in 2013: Summary, June 2013, pg.1: http://www.jrf.org.uk/publications/MIS-2013

16. It is important to note that both the Living Wage rates and the JRF Minimum Income Standard are not excessive and cover basic spending on rent, food, and minimal personal goods and services. Bridging the gap between the NMW and living wage rates would cover basic subsistence costs that are currently not being met - not provide for luxuries.

The impact of inflation on low paid workers

17. The gap between inflation and NMW increases in recent years has been pronounced. In the three years between July 2010 and July 2013, the Retail Price Index increased by 11.6%, whilst over the same period the Adult NMW increased just 6.7%.[7] This has led the architect of the NMW, Professor Sir George Bain, to state that the NMW is no longer working because its value has fallen and therefore a "fresh approach" is needed.[8]

18. Without a new approach, the value of the NMW looks set to decline, with significant implications for our society. In July 2013, the Resolution Foundation suggested that, based on Office for Budget Responsibility (OBR) growth forecasts, the minimum wage will rise to £7.12 an hour in 2017 – the equivalent of £6.12 an hour in today's prices and less than the £6.33 an hour it was worth back in 2004.[9] It's clear a new approach to NMW setting is needed now if we are to avoid further declines in its value in the coming years.

19. Both the LPC's 2012 and 2013 reports recommended an increase in the NMW which the Commission expected to maintain the relative incomes of the lowest paid, whilst recognising that, like other workers, they would be likely to see some reduction in their real incomes.[10] However such an approach does not properly reflect the fact that inflation hits those on low incomes far harder than other workers.

20. A 2011 Institute for Fiscal Studies (IFS) report on the spending patterns and inflation experience of people on low incomes showed that these households tend to spend a greater share of their weekly income on fuel and water – areas where inflation rates have been particularly high. The IFS concluded that, on average, lower-income households had experienced higher inflation rates over the last decade than higher-income households.[11] Therefore when recommending

[7] Calculations based on data in the ONS Consumer Price Inflation Reference Tables, July 2013: http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-295367 and Low Pay Commission historical rates: http://www.lowpay.gov.uk/

[8] Andrew Grice, 'Inflation has killed the minimum wage, says its chief architect Sir George Bain', The Independent, 30 July 2013.

[9] James Plunkett & Alex Hurrell, 'Fifteen years Later: A discussion paper on the future of the UK National Minimum Wage and the Low Pay Commission', Resolution Foundation, July 2013: http://www.resolutionfoundation.org/media/media/downloads/FINAL_Future_of_the_minimum_wage_discussion_paper.pdf

[10] Low Pay Commission Report 2013, 'National Minimum Wage', April 2013, pg. XV: http://www.lowpay.gov.uk/lowpay/report/pdf/9305-BIS-Low_Pay-Accessible6.pdf

[11] Levell, Peter & Oldfield, Zoe, 'The spending patterns and inflation experience of low-income households over the past decade', Institute for Fiscal Studies, June 2011: http://www.ifs.org.uk/comms/comm119.pdf

NMW increases, the LPC needs to give far more consideration to the way low income workers are particularly vulnerable to inflation.

21. There is increasing evidence that those on the NMW and their families are struggling to meet even their most basic needs and will continue to face an uphill battle. Under current Government policies child poverty is expected to rise from 2.6m currently to 4.7m by 2020,[12] whilst in-work poverty has already risen by a fifth in a decade to include 6.1m working-age adults.[13] Food bank organisation the Trussell Trust also saw a 170% increase in the number of people given food boxes in the twelve months to April 2013.[14]

22. Whilst delays in benefit payments and Government changes to benefit rules are fuelling a significant portion of the increasing reliance on food banks, there are reports that food banks are being accessed by people in low-paid work. A report entitled 'Walking the Breadline' produced by Oxfam and Church Action on Poverty and endorsed by the Trussell Trust, recently concluded that the NMW (and benefit levels) need to rise at least in line with inflation, "in order to ensure that families retain the ability to live with dignity and can afford to feed and clothe themselves and stay warm."[15]

23. In such a climate any repeat of a below-inflation NMW rate rise for 2014 should be unthinkable, particularly as there is evidence that the squeeze on living standards is being caused by wage stagnation as much as the impact of inflation.[16]

24. The latest independent inflation forecasts gathered at the beginning of June 2013 by Incomes Data Services (IDS) show that RPI is expected to drop to around 3% at the beginning of 2014 and to remain at this level until October 2014.[17] Medium term inflation forecasts published by HM Treasury in August 2013 also show that RPI is expected to be at 3.1% in 2013 and 2.9% in both 2014 and 2015.[18] Medium term HM Treasury forecasts show CPI is expected to be at 2.6% in 2013, 2.3% in 2014 and 2.2% in 2015.[19]

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[12] Child Poverty Action Group, 'Facts and Figures': http://www.cpag.org.uk/child-poverty-facts-and-figures
[13] Department for Work and Pensions, 'Households below average income (HBAI)', 14 June 2013: https://www.gov.uk/government/organisations/department-for-work-pensions/series/households-below-average-income-hbai--2
[14] http://www.trusselltrust.org/stats
[15] Cooper, Niall & Dumpleton, Sarah, Oxfam and Church Action on Poverty, 'Walking the breadline: the scandal of food poverty Britain in the 21st Century' May 2013, pg.3: http://www.church-poverty.org.uk/foodfuelfinance/walkingthebreadline/report/walkingthebreadlinefile
[16] Duncan Weldon, 'The crisis in living standards & how to solve it', TUC Touchstone blog: http://touchstoneblog.org.uk/2013/08/the-crisis-in-living-standards-how-to-solve-it
[17] IDS, 'Forecasters expect inflation to ease slightly', 13 June 2013: https://ids.thomsonreuters.com/pay-reward/features-analysis/forecasters-expect-inflation-ease-slightly
[18] HM Treasury, 'Forecasts for the UK Economy: August 2013' pgs 18: https://www.gov.uk/government/publications/forecasts-for-the-uk-economy-august-2013
[19] Ibid.

The outlook for the economy and labour market

25. Government policy and international economic difficulties held the UK economy back in recent years as it battled to emerge from recession. Independent economists have recently suggested that without a politics of austerity, UK real output would now be steadily climbing at a far higher rate.[20] However, although recovery is still slow in comparison to previous recessions, the economic news of late has been more positive – helped in part by improved global economic conditions and a slowing in UK deficit reduction.[21]

26. HM Treasury's short-term average forecast for August is for 1.2% growth in GDP, whilst medium-term forecasts are for growth of 1.8% GDP in 2014 and 2% GDP in 2015.[22] The Office for Budget Responsibility (OBR) forecasts, despite revising down the 2013 forecasted growth to 0.6%, predict a growth rate of 1.8% in 2014 rising steadily to 2.8% in 2017.[23]

27. Data from August 2013 also showed the trade deficit narrowing, greater than expected expansion in the construction and services sectors and higher output from UK factories.[24] These signs of a more sustained recovery mean economists now expect forecasts of overall economic growth to be revised upward.

28. Employment rates have also improved, although the net jobs growth is still expected to be relatively slow. The latest labour market statistics from the ONS for May to July 2013 show 29.84m people aged over 16 in employment - up 80,000 from February to April 2013 and up 275,000 from a year earlier.[25]

29. This is in line with OBR forecasts from March 2013, which also predict another 100,000 rise in 2014 and a 200,000 rise in 2015.[26] Similarly the CIPD's latest report on the outlook for the labour market appear to show some growth in business confidence, with 69% of organisations saying they expected to recruit new staff in the three months following the survey.[27]

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[20] Òscar Jordà & Alan M. Taylor, 'The Time for Austerity: Estimating the average treatment affect of fiscal policy', The National Bureau of Economic Research, Working Paper No.19414, September 2013: http://www.nber.org/papers/w19414

[21] Jonathan Portes, 'The Deficit is falling...' National Institute of Economic and Social Research, 23 April 2013: http://niesr.ac.uk/blog/deficit-falling#.Ui4Yij-LVJI

[22] HM Treasury, 'Forecasts for the UK Economy: August 2013' op, cit. Pg. 3

[23] OBR 'Economic and Fiscal Outlook – March 2013', pg 5: http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2013/

[24] Claire Jones and Neil Dennis, 'UK recovery starts to gain altitude', Financial Times, 9 August 2013: http://www.ft.com/cms/s/0/7cd360fc-0112-11e3-a90a-00144feab7de.html#axzz2e1suRKnx

[25] ONS Labour Market Statistics, September 2013: http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/statistical-bulletin.html

[26] OBR 'Economic and Fiscal Outlook March 2013 Executive Summary', pg 9: http://budgetresponsibility.independent.gov.uk/wordpress/docs/March-2013-EFO-executive-summary-5784556.pdf

[27] CIPD, 'Labour Market Outlook: Summer 2013', August 2013: http://www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-summer-2013.aspx

30. The Jobseeker's Allowance (JSA) claimant count for August 2013 was 1.4 million, down 32,600 from July and down 168,100 from a year earlier. The unemployment rate has also reduced – at 7.7% for May to July 2013, down 0.4% from a year earlier. [28]

31. These signs of improvement are encouraging but will mean little if the benefits of growth are reserved for the more well-off members of society. There are concerns that employment growth is being concentrated in low-paid temporary, part-time and controversial 'zero contract' jobs that fail to give people security or provide decent living standards. Although some of these areas may fall outside the LPC's current narrow remit, on wage levels the Commission can play an important role in boosting living standards and economic output.

32. Real wages fell between 2009 and 2012 by 8.5% according to the ONS,[29] whilst the IFS recently reported that one-third of workers experienced nominal wage freezes or cuts between 2010 and 2011, with 70% having experienced real wage cuts.[30] This has played a significant role in declining output, with the TUC estimating wage cuts to have taken £52bn out of the UK economy.[31] Depressed wages have led to compressed consumer spending and so both households and businesses have been affected by wage stagnation in recent years.

33. Prices have continued to outstrip earnings over the last year. Average total pay rose 1.1% and average regular pay 1% between May to July 2012 and the same period in 2013,[32] whilst RPI and the Consumer Price Index (CPI) rose by 3.1% and 2.7% respectively between July 2012 and July 2013.[33] However, the OBR forecasts improvements in average earnings over the next few years, with 2.7% growth expected in 2014 and 3.6% in 2015.[34]

34. In our submission to the LPC's 2013 report, we said that we would expect to see the LPC move away from its cautious approach during the recession if there were signs of economic growth in

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[28] ONS Labour Market Statistics, 'Claimant Count' and 'Unemployment' September2013: http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/statistical-bulletin.html

[29] ONS 'Real wages down by 8.5% since 2009', Part of Regional Economic Analysis, Changes in real earnings in the UK and London, 2002-2012 release, April 2013: http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/sum-real-wages-down-by-8-5--since-2009.html

[30] Blundell, R., Crawford, C. & Wenchao, J. 'What can wages and employment tell us about the UK's productivity puzzle?' IFS Working papers, June 2013: http://www.ifs.org.uk/publications/6749

[31] TUC research for the 'Britain needs a pay rise' campaign: http://www.tuc.org.uk/economy/britainneedsapayrise.cfm

[32] ONS Labour Market Statistics – 'Earnings', September 2013: http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/statistical-bulletin.html

[33] Calculations based on data in Tables 6a and 36 in 'Consumer Price Inflation Reference Tables, July 2013: http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-295367

[34] OBR 'Economic and Fiscal Outlook March 2013 Executive Summary', pg 9: http://budgetresponsibility.independent.gov.uk/wordpress/docs/March-2013-EFO-executive-summary-5784556.pdf

2013. We believe the current economic climate supports such a shift. As stronger growth returns to the economy, wage growth rates are expected to increase. Combined with predicted lower inflation, real earnings growth is likely to return in 2014. Workers whose wages have stagnated in recent years, and especially low paid workers who have been the hardest hit by inflation, should share in the proceeds of any such economic growth.

35. It is important to also note that as household consumption is currently responsible for 62% of UK GDP,[35] an increase in the NMW that is above inflation and average earnings would help to accelerate growth and improve the economic picture further.

Many companies can afford to pay a higher minimum wage

36. The majority of CWU members are employed by Royal Mail and BT and for the 2012/13 year CWU represented grades in the two businesses received pay increases of 3.5% and 3% respectively. Both companies saw improvements in their profitability over the same period. Royal Mail Group saw profits more than double in the last year, to £403m from £152m in 2011/12.[36] Whilst BT Group posted profits for the 2012/13 year of £2,088m, up from £1,837m in 2011/12.[37]

37. Across the whole economy the median pay award in the three months to the end of July 2013 was 2.5%, where it has been since the end of 2012.[38] However IDS analysis of the distribution of pay increases in June found there is now an even stronger trend for pay reviews to produce outcomes of 2%-2.99%.[39] Awards at this level made up just under half of awards (46%), up from 42% in the three months to May 2013. Nearly a third of pay awards were for 3% and above increases (30%).[40]

38. Whilst the majority of our members receive basic rates of pay above the current NMW, we believe that employers of our lowest paid members can afford to meet the costs of an increase. To illustrate, we have members earning at or close to the minimum wage employed in the following three businesses:

[35] UK National Accounts table c2, 'GDP by categories of expenditure'
[36] Royal Mail Group Annual Report and Financial Statements 2012-13: http://www.royalmailgroup.com/sites/default/files/Annual_Report_and_Accounts_2012_2013.pdf
[37] BT Group plc Annual Report 2012-2013, pg 44: http://www.btplc.com/Sharesandperformance/Annualreportandreview/pdf/2013_BT_Annual_Report.pdf
[38] IDS, 'Median Pay increase unchanged in quiet pay-setting period', 15 August 2013: https://ids.thomsonreuters.com/pay-reward/features-analysis/median-pay-increase-unchanged-in-quiet-pay-setting-period
[39] IDS, 'Pay awards centred on 2.5% for the first half of 2013', 18 July 2013: https://ids.thomsonreuters.com/pay-reward/features-analysis/pay-awards-centred-25-first-half-2013
[40] Ibid.

- Capita – which in 2012[41] made an underlying pre-tax profit of £425.6m (up from £385m in year 2011) and paid dividends of £152m (up from £130m in 2011).[42]
- ISS Eaton - which is part of ISS Group which in 2012[43] made global operating profits of DKK 4.4bn (around £500m) up from DKK 2.3bn (around £260m) in 2011.[44]
- Manpower UK – which is part of Manpower Group which made global profits of $467.1m and paid dividends of $67.8m in 2012.[45]

39. Profitability in the service sector, where many NMW jobs are concentrated, is now close to full recovery following the recession. Net profits were at 15% in the first quarter of 2013 – the highest point since 2008.[46] Overall profitability for private non-financial companies was also slightly higher than was typical over the last 4 years, with a 12% rate of return.[47] These figures show both that the NMW has not hindered economic performance and that companies can afford to pay their workers the NMW.

NMW impact on jobs and youth employment

40. As the LPC noted in their 2012 report, there is no evidence of a significant adverse impact on employment from the NMW and this remains the case today. In fact, four in five jobs created since June 2010 have been in industries where pay is generally low.[48] Unemployment is not driven by the NMW; it is a more complex picture that encompasses low demand, lack of confidence, reduced investment and the stockpiling of capital.

41. The evidence so far is that employers have also been able to absorb any increase in the NMW rate without any adverse effects, even during recession. A recent Resolution Foundation and Institute for Public Policy Research (IPPR) report also indicates that there is much more room to increase the minimum wage than most employers would be willing to admit.[49]

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[41] Capita annual reports quoted are for each year ended 31 December.
[42] Capita plc, Annual Report 2012: http://investors.capita.co.uk/~/media/Files/C/Capita-IR/documents/Capita_AR12_web-v2.pdf
[43] ISS Group annual reports quoted are for each year ended 31 December.
[44] ISS Group Annual Report 2012: http://files.shareholder.com/downloads/ABEA-5ASMJV/2677739148x0x643191/62f49785-04f6-4238-aade-cf7675513337/ISS_Annual_Report_2012.PDF
[45] Manpower Group Annual Report 2012 (for the year ended 31 December 2012): http://files.shareholder.com/downloads/MAN/2677758969x0x648084/0293B1D4-61C0-4702-8467-9E60BF4D9344/MAN_Annual_Report_2012.pdf
[46] ONS Statistical Bulletin, 'Profitability of UK companies, Q1 2013', pgs 1 & 4: http://www.ons.gov.uk/ons/rel/pnfc2/profitability-of-uk-companies/q1-2013/stb-profitability-of-uk-companies-2013q1.html
[47] Ibid.
[48] TUC 'The UK's Low Pay Recovery', 12 July 2013: http://www.tuc.org.uk/economy/tuc-22364-f0.cfm
[49] Lawton, K. and Pennycook, M., "Beyond the bottom line: the challenges and opportunities of the Living Wage, IPPR (2013), pgs 27-8: http://www.ippr.org/publication/55/10162/beyond-the-bottom-line-the-challenges-and-opportunities-of-a-living-wage

42. As economic conditions improve - albeit more slowly than during previous recessions - we can expect the profitability of employers to also improve. There is therefore even less reason to assume that a significant NMW increase to redress the living standards decline for low paid employees in recent years would have a negative impact on jobs. Such an increase is more likely to have the opposite effect, as greater consumer spending would help to boost economic growth.

43. Similarly, we find no evidence that increases in the NMW compromise growth in jobs for young people in particular. Statistics on youth unemployment present a complex picture because of involvement in full-time education. Amongst 16 and 17 year-olds, unemployment for May to July 2013 fell by 6,000 over the year and yet the unemployment rate rose 1.2% over the same period.[50] However the LPC should note that the participation age for education and training in England will rise this year and is likely to reduce youth unemployment to some degree.[51]

44. Unemployment for 18-24 year olds for May to July 2013 has dropped 51,000 in the last year to 765,000, as has the unemployment rate for this group, which dropped 0.7% to 18.9%.[52] Whilst the latest statistics for young people not in employment, education of training (NEETs) also show an improvement in the last year, down 104,000 (1.3%) in April to June 2013 from a year earlier.[53]

45. As we have outlined in previous submissions to the LPC, we believe that all employees, irrespective of age, should be paid equally for work of equal value and that all working time, including that spent training, should be subject to the NMW. Consequently, we believe the 16-17 year old rate and the Development rate of the NMW should be brought into line with the Adult NMW and phased out.

46. There is growing evidence that youth rates are declining in the sectors that have traditionally used them, such as the retail sector. IDS has reported that Tesco, Waitrose and the Co-operative have removed youth rates altogether since 2010 - with Sainsbury's and Morrison's also taking steps in that direction.[54] They found that youth rates of the NMW are, "used only in rare instances and firms' rates for young people are usually above this level."[55] They also said

[50] ONS Table A05: Employment, Unemployment and Economic Activity by Age Group, September Labour Market statistical release: http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-276583
[51] Department for Education, 'Raising the participation age (RPA): http://www.education.gov.uk/childrenandyoungpeople/youngpeople/participation/rpa
[52] ONS Table A05 op cit.
[53] ONS Statistical Bulletin, 'Young people not in education, employment or training (NEET), August 2013: http://www.ons.gov.uk/ons/rel/lms/young-people-not-in-education--employment-or-training--neets-/august-2013/statistical-bulletin.html
[54] IDS, 'Are the minimum wage youth rates too high?' May 2012: https://ids.thomsonreuters.com/pay-reward/features-analysis/are-minimum-wage-youth-rates-too-high
[55] Ibid.

that since 90% of employers make no use of the national minimum wage youth and development rates, they cannot really be considered a 'barrier to jobs'.[56]

47. The Commission's 2013 report indicated that larger increases for young people would be recommended when economic conditions had eased.[57] We believe the early signs of economic and labour market improvement make such action appropriate for the LPC's 2014 recommendation. At the very least, we would like to see the youth rates increased in 2014 by more than inflation or average earnings - whichever is the higher. However, we will continue to urge the Commission to phase out the NMW youth rates and commit to a fair day's wage for a fair day's work.

Apprentice rates

48. We remain concerned that the Apprentice NMW rate is so low, at just £2.68 from October 2013, and fails to provide adequate support for someone in work. This rate needs to be raised substantially in 2014, and we note that both the two major employers in which the CWU has members – Royal Mail and BT – employ apprentices across their business at a higher rate of pay than this statutory minimum. Royal Mail apprentices are paid the CWU-represented grade appropriate to their entry age, with national basic pay rates for apprentices therefore ranging from £11,256 per annum for 16 year olds to £16,884 for adult recruits aged 18.[58] BT pays its apprentices £11,039 per annum at the lowest grade to £18,860 at the highest grade for a 36 hour week.

49. We also note that the freeze in the Apprentice rate recommended by the LPC in the 2013 report was rejected by the Government, who instead increased it by 1%. Given improved economic forecasts and the Government's previous response to the Commission's recommendations we would expect the LPC to recommend an increase for the Apprentice NMW at a much higher rate for 2014 and ultimately to bring it into line with the adult NMW.

Conclusion

50. Our view is that the LPC should, after reviewing what constitutes a fair minimum pay rate for all workers, commit to significant staged NMW increases to bring it into line with the Living Wage, the Minimum Income Standard or an equivalent measure that affords people dignity in work. As part of this approach, the youth rates and apprentice rates should be brought into line with the Adult NMW and then phased out.

51. This should be undertaken in order to combat increasing levels of poverty in our society, to boost consumer spending and stimulate growth, and to release the Government from having to

[56] Ibid.
[57] Low Pay Commission Report 2013, op cit., pg XVI
[58] Calculations based on weekly wages of £215.71 for 16 year olds and £323.57 for adult recruits aged 18.

prop up low wages from companies who can afford to pay their workforce more – funds that could be better spent creating jobs and improving education and training prospects.

52. In examining which longer term conditions would allow for further increases in the NMW, we believe the LPC should look not only to sector profitability and medium and longer term forecasts by HM Treasury, the ONS and the OBR, but also to projections for in-work poverty rates, the real value of the NMW in relation to inflation and qualitative evidence of the experiences of families living on low wages. We also believe current conditions support a significant rise in the NMW now.

53. It is important to note that current Government attempts to reduce public spending are thwarted whilst the incomes of the low paid are held down and topped up by in-work benefits – with tax payers effectively subsidising the profits of low paying employers. Even the LPC's very modest 2013 increase in the NMW is expected to save the Government £183m,[59] so a more significant rise in 2014 would deliver far greater savings.

54. There is clear evidence that employers can afford to pay their staff more and that, despite Government policies, economic performance is likely to improve over the next few years and deliver stronger wage growth. This should not be a recovery solely for the well-off, with the low paid continuing to suffer the effects of austerity.

55. We believe that the below-inflation NMW increases recommended by the LPC due to come into force in October 2013 were far too low. Based on inflation forecasts, we believe they will resign many low paid workers to yet another real terms pay cut.

56. Therefore, in making recommendations to the Government for the 2014 increases, we urge the Commission to seek to redress years of squeezed living standards for low-paid workers by supporting an increase beyond inflation and average earnings. In addition, we call on the Commission to give far more consideration to the wider role it could play in making sure work pays fairly for everyone, by signaling a commitment to bring the NMW in line with a living wage through a set of staged increases in coming years.

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[59] Low Pay Commission Report 2013,' National Minimum Wage', pg 170: http://www.lowpay.gov.uk/lowpay/report/pdf/9305-BIS-Low_Pay-Accessible6.pdf

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