The Big Bite!

Why it's time for the minimum wage to really work

SUBMISSION TO THE LOW PAY COMMISSION
BY UNISON AND YMCA ENGLAND
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Executive Summary and Recommendations

Introduction

UNISON and YMCA England are responding to a request for evidence from the Low Pay Commission (LPC), who have been asked to recommend rates for the National Minimum Wage (NMW) for October 2005 and October 2006.

Background

The NMW was introduced in April 1999 at £3.60 an hour for those aged 22 or over and £3.00 for those aged 18-21. The current rates are £4.85 for those aged 22 or over, £4.10 for ages 18-21 and £3.00 for 16 and 17 year olds.

UNISON has a long record of making submissions to the LPC and in 2003 joined with YMCA England to make the case for a minimum wage for 16 and 17 year olds.

Low Pay and the UK Labour Market

Since 1999 between 1.0-1.3 million jobs have benefited from the minimum wage. This has been less than the 2 million workers the LPC originally intended to reach. Often overlooked is the fact that low paid workers have more than one job. The LPC has had problems with the statistics and forecasting earnings in to the future.

The economy has performed reasonably well since 1999 and there have been no job losses due to the minimum wage contrary to what the critics said. The public finances have benefited in the form of extra tax revenues and savings in benefits.

Recommendations:

- **That the LPC review why they have consistently under estimated the number of jobs benefiting from the minimum wage.**
- **That the LPC publish two estimates, one for jobs and one for workers, of NMW beneficiaries.**
- **That in response to the statistical shortcomings, past over caution and persistent under estimation of beneficiaries the LPC act decisively and recommend two significant NMW increases ahead of average earnings.**

The Target Rate

UNISON considers a variety of factors when choosing the target rate for the NMW. Half male median earnings will reach about £6.43 in 2006. Tax credits are effectively setting an hourly rate of £6.50 for those that qualify. The Family Budget Unit calculate that a single earner with a partner and two children needs to earn £7.75 an hour to have a 'Low Cost but Acceptable' budget. A single adult with no dependants needs £5.82 an hour.

Recommendation:

- **Therefore, after considering all these factors, UNISON believes that the minimum wage should reach £6.50 an hour by October 2006.**

Low Pay in the Public Services

The public services still have a problem with low pay. All major collective agreements now have starting rates above £5.00 an hour and most will approach £6.00 by 2006. We have concerns about term time workers and student nurses and midwifery students falling through the net.

The Living Wage

UNISON has consistently argued that a minimum wage should be set at a rate which provides a 'living wage', that is sufficient income to secure an adequate living standard, without dependence on in-work benefits. We believe that there should be a minimum income standard for healthy living.

The Costs of Low Pay

Low pay has a social cost which translates into reduced life expectancy and wider social problems. We believe there is a link between poverty and infant mortality; deaths in accidents; truancy and low achievement; mental illness; inadequate housing; poor diet; greater contact with the Police and limited social mobility. Low paid jobs are less likely to have access to training, security, pensions or family friendly policies.

Race, Ethnicity and Religion

Ethnic minorities are more likely to be unemployed and paid less than their white counterparts. The minimum wage has benefited Pakistani and Bangladeshi workers in particular.

The LPC and Inland Revenue enforcement agency need to urgently tackle the exploitation of migrant workers in the UK.

Women

The minimum wage helped close the gender pay gap by 1% in 1999 and two thirds of NMW beneficiaries were women. The gender pay gap is currently 19.5% and starts when teenagers get their first job. We believe that a minimum wage of £6.50 would close the gender pay gap by 4%.

Disabled Workers

Disabled workers are more likely to benefit from NMW rises than the average worker but at the same time have higher living costs. The issues facing disabled workers are numerous, not only lower pay, complex benefit rules and discrimination but also high living costs and problems with accessibility of workplaces, equipment, transport, ICT and access to training.

Youth Rates

Young workers are vulnerable and need to be protected from exploitation in the labour market.

For young workers trying to live independently there are financial traps that make it difficult for them to navigate work, study and benefits.

We do not believe that the lower rate for 18-21 year olds is justified.

Modern apprenticeships are growing but our experience is that the training quality is variable and the minimum training allowance at only £40 per week is inadequate.

School children and young workers need to be made aware of their NMW rights and employment rights and more education on employment rights should be provided in schools.

Recommendations:

- **In keeping with our position, "fair rate for the job", the development rate for 18-21 year olds should be brought in line with the full adult rate.**

- **That 16 and 17 year olds be entitled to the 'development rate', currently £4.10, with a view to harmonising it with the adult rate over time.**

- **The minimum wage should be extended to those undertaking modern apprenticeships, so that no-one is expected to do a full-time job on as little as £40 a week.**

- **The Government should seek to do more to raise awareness among young people, strengthen the current enforcement mechanisms and build capacity for supporting young people in taking action against exploitative employers.**

Childcare

The is strong case for affordable and quality childcare to help both workers, children and employers.

However pay in nurseries, both public and private, is low and wages need to be raised if the Government childcare strategy is to be a success.

Conclusion

We believe there is a strong case for the LPC to push ahead with two large increases in the minimum wage. UNISON's target figure of £6.50 an hour would have a major impact on in-work poverty and disproportionately help women, black, ethnic minority and disabled workers.

Introduction

The Low Pay Commission (LPC) is currently reviewing the National Minimum Wage (NMW) with the aim to make recommendations to Government for implementation in October 2005 and October 2006.

From October 1st 2004 the NMW rates are £4.85 an hour for those aged 22 or over, £4.10 for those aged 18-21 and £3.00 for those above the compulsory school leaving age and under 18 year olds.

There is also a ‘development’ rate of £4.10 an hour for those who have reached the age of 22, and have started a new job with a new employer, and are taking part in accredited training. This rate can only be paid for the first six months of a new job, after which the worker must get at least the standard minimum wage of £4.85 an hour.

Patricia Hewitt MP, Secretary of State for Trade and Industry, has given the LPC the following remit this time:

> *To continue to monitor and evaluate the impact of the national minimum wage, with particular reference to the effect on pay, employment and competitiveness in low paying sectors and small firms; and the effect on pay structures; and*
>
> *To review the levels of each of the different minimum wage rates and make recommendations, if appropriate, for change.*
>
> *In making its recommendations for any future rate changes, the Commission should have regard to the wider social and economic implications; the likely effect on employment levels, especially within low-paying sectors and amongst disadvantaged people in the labour market; the impact on the costs and competitiveness of business; and the potential costs to industry and the Exchequer.*
>
> *When evaluating the impact of the national minimum wage to date, the Commission is asked to report on the effect that the minimum wage has had on the gender pay gap and the pay of ethnic minority and disabled workers since its introduction.*

The report is due in February 2005 and the Government usually make a decision on whether to accept or reject the recommendations within weeks. The reason for the quick response is that the NMW rates need to be finalised before the Chancellor makes his annual Budget statement because of the effect of the NMW on the tax-benefit system.

UNISON and YMCA England, therefore, welcome the opportunity to contribute evidence to the LPC.

UNISON is the UK’s largest union with 1.3 million members working across the public services in local government, health, schools, higher and further education, police, utilities, quango's and the community and voluntary sector. The majority of our members are women and we have a large proportions of members who are low paid and part time. We have a history of campaigning for a minimum wage for over 30 years and further believe that it should be a “living wage”.

Established in 1844, the YMCA is at the forefront of voluntary sector work amongst many of the most vulnerable communities in England and today there are over 150 local YMCAs working in over 240 communities. Increasingly, the YMCA is involved with service delivery; it is the largest provider of supported accommodation for young people in England, as well as being the largest single voluntary provider of sport, health, exercise and fitness programmes in England. Work is assessed and developed in the context of local need and as a result, many YMCAs are working in new and often surprising contexts, in childcare, in schools, and in prisons. Our work brings us into contact with many young people who for various reasons, have experienced disadvantage and who are battling to overcome obstacles, often financial obstacles, which prevent them from fulfilling their potential.

This is the second time UNISON and YMCA England have collaborated. The first was in 2003 when joint evidence[1] was submitted to the LPC on why 16 and 17 year olds needed a minimum wage.

This submission makes the case for, firstly, the Low Pay Commission not to retreat from its commitment to increase the number of people benefiting from the minimum wage, and to continue with two significant increases. Secondly to set a rate that ends in-work poverty and a reliance on in-work benefits and abolishes the separate youth rates. Thirdly UNISON is calling for a rate, £6.50, that enables the minimum wage to achieve economic justice for women, ethnic minority and disabled workers, and a rate that promotes individual and community social inclusion in the areas of health, housing and education.

Therefore it is time for a big increase in the minimum wage. Time to take a big bite out of poverty.

[1] *Not Just Child's Pay: Why young workers need a minimum wage*. UNISON & YMCA England, November 2003.

Background

Brief History of the NMW and the LPC

The National Minimum Wage came into force on 1st April 1999 after the election of a Labour Government and the setting up of a Low Pay Commission to advise them.

They decided to have a separate youth rate for 18-21 year olds and initial rates set were very cautiously at £3.60 and £3.00 an hour (see Table 1).

Table 1: UK National Minimum Wage Rates 1999-2004

Date of Change	Main Rate	Development / Youth Rate	Rate for Young Workers (16/17)
1 April 1999	£3.60	£3.00*	-
1 June 2000	£3.60	£3.20	-
1 October 2000	£3.70	£3.20	-
1 October 2001	£4.10	£3.50	-
1 October 2002	£4.20	£3.60	-
1 October 2003	£4.50	£3.80	-
1 October 2004	£4.85	£4.10	£3.00

* Originally the NMW was £3.00 for those under 22-years-old and the 6 month development rate for those over 22 receiving training was £3.20.

There were initial problems in the first year because the Government had not set up any up-rating mechanism and rises in the NMW were ad hoc and small. Eventually the LPC was made permanent and the current two year cycle was established. The LPC reports every two years in February and makes recommendations to be implemented in the coming October and the October of the following year.

Initially the LPC wanted to close the gap between the youth rates and adult rates and to make the youth rate apply only from ages 18-20 not 18-21. On this second point the Government rejected LPC recommendations twice and made it clear that the youth rate was here to stay. After this the LPC decided to stretch the gap between the adult and youth rates (now 75p) and was asked to consider a separate rate for 16 and 17 year olds.

UNISON has documented how few workers were actually benefiting from the minimum wage because the initial rate (chosen in 1998) was too low by April 1999, uprating was slow and inadequate whilst the economy boomed and the statistics available were poor, overestimating the number of beneficiaries.

The last Low Pay Commission report (2003) responded to this by saying:

"We … believe that there is a case for increasing the effective level of the minimum wage, implying a series of increases for a number of years above average earnings, and increasing gradually the number of people benefiting." [2]

They decided to have two consecutive annual rises, ahead of average earnings, of between 7-8% each in 2003 and 2004.

The CBI have already strongly counter attacked[3], saying NMW rates are a cause of concern for business and that they would like low rates of increase next time.

Therefore, this report is a critical one for the LPC. Do they consolidate, under pressure from the CBI, or do they continue to push the NMW further so it takes a bigger bite of the labour market and benefits more workers.

History of UNISON submissions

This is UNISON's 6th submission to the Low Pay Commission since 1997.

While the focus of each submission has varied, all of them have called on the government to:

- set the rate at a level which provides a living wage, and has a real impact on poverty pay
- establish a mechanism to uprate the minimum wage automatically in line with at least average earnings and for regular reviews by the LPC.
- establish a robust enforcement mechanism.
- pay the full rate to all those who do a full job, regardless of age.
- commission research to establish the minimum income standards needed by all adults and children to live without experiencing poverty
- recognise the contradictions between the stated government policy of eradicating poverty and the perpetuation of low pay and benefit dependence through an inadequate minimum wage.

A summary of the previous submissions is available at Appendix 1.

This is the second time that YMCA England has contributed to the work of the Low Pay Commission. In 2003, YMCA England prioritised the issue of a minimum wage for young people, following a clear mandate from its National Assembly. Our research has revealed just how big an issue low pay can be for the young workers that we engage with. YMCA England offers over 7300 bed spaces, the majority of which are offered as supported accommodation to vulnerable young people. We also provide move-on accommodation, informal education and skills training and financial advice. The message coming through from those on the frontline is that we must continue to argue for an increase in the minimum wage, if these young workers are to have the opportunity to become financially self-sufficient.

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2 *The National Minimum Wage - Building on Success*: The fourth report of the Low Pay Commission, 2003, p173.

3 "Firms worried about minimum wage", BBC News website, 13th September 2004.

This submission builds on the previous ones and makes the case for the LPC to be bolder in the name of social justice.

Low pay and the UK Labour Market

How many jobs and workers have benefited?

There is no doubt that the minimum wage has had an impact in raising wages at the bottom of the UK labour market. The problem has been predicting and measuring exactly the impact in terms of both numbers of jobs and workers.

Ever since its establishment in 1997 the LPC has found it difficult to accurately predict the number of people who will benefit from the minimum wage up to two years ahead, whilst using current earnings statistics that are often a year or more old. When setting future rates for the NMW and estimating the number of beneficiaries the LPC has to estimate how well the economy will do in the future and how much the earnings of low paid workers will go up naturally through negotiations or pay reviews and then estimate how many will benefit from a particular level of the minimum wage. If the economy is doing unexpectedly well (as in the late 1990s) then less low paid workers benefit than intended. If the economy does worse than expected then more might benefit, providing there hasn't been a significant increase in unemployment. Since 1997 the economy has done better than expected and the number of beneficiaries has always been less than expected (See Table 2 below).

Another problem for the LPC has been that the Office for National Statistics have been improving their measurement methodology and this has resulted in consistent downward revisions of beneficiaries over time. UNISON has been consistently critical that the LPC has on almost every occasion underestimated the number of jobs benefiting from the minimum wage, never once over estimating.

What also is frustrating is the regular confusion between workers and jobs as though they are exactly equal. In fact 1.2 million workers have second jobs[4]. In the early days the LPC didn't appreciate this point, though they do now, and mistakes in the statistics were made by both the LPC and ONS. The groups most likely to have second jobs are men in well paying full time jobs and women in low paying part time jobs. Being low paid in your main job is associated with low pay in your second job. Therefore we estimate that the 1.5 million jobs benefiting are actually held by only about 1.35 million workers. However the DTI and ministers continue to assert that one job equals one worker in all the public pronouncements and consistently give a misleading picture to Parliament and the public.

Table 2: The predicted and actual number of jobs benefiting from the UK national minimum wage, 1999-2004

Year of NMW increa	Predicted jobs benefiting (million)	Actual jobs benefiting (million)

[4] "People with second jobs", ONS *Labour Market Trends* May 2002, page 239.

se		
1999	2.0	1.2
2000	1.5-1.7	0.9
2001	1.3-1.5	1.3
2002	1.1-1.3	1.0
2003	1.3	Not available yet
2004	1.7	Not available yet

Source: Low Pay Commission

The proportion of jobs benefiting has been in the range of only about 4-6% of the workforce, compared with the very first estimate in 1998 of 9%.

The LPC have learned from this and made two slightly larger increases to the NMW in 2003 and 2004 to catch up. Because of the problems of reliability they now tend to publish ranges (e.g. 1.3-1.5 million jobs) for their estimates of beneficiaries, preferring to use the mid point or lower end of the range based on their experience to date. The confusion arises because the DTI and ministers in speeches, public statements and answers in the Houses of Parliament invariably use the upper figure of any range.

The DTI press release of 30th September 2004 claimed up to 2 million workers could benefit from the rises in the NMW rates on October 1st 2004. To the 1.7 million they added 40,000 extra 16 and 17 year olds benefiting from the new £3.00 rate and the addition of up to 100,000 home workers bought under the scope of the NMW due to changes in regulations. However the DTI claims are undermined because the LPC have already admitted in their March 2004 report[5] that they again underestimated the expected number of beneficiaries in October 2003.

The other point to make is that these estimates represent high points of the number of beneficiaries at the exact date of a NMW rise and thereafter the numbers decline, due to pay awards and natural earnings growth, so that six months after a rise in the NMW less jobs are actually benefiting.

Of course the recent rises have had a bigger bite than previously. A recent survey by IDS showed that in some sectors that the NMW had become the starting wage floor, but for others there were indirect benefits because employers had increased bottom rates to stay just ahead of the NMW. IDS observed a "mezzanine level" where a large group of employers had starting rates at £5.00 an hour.

UNISON and others submitting written evidence have a problem making a detailed assessment of the numbers benefiting because the New Earnings Survey and its new improved replacement the Annual Survey of Hours and Earnings (ASHE) are due out on October 28th 2004, three days after the deadline for written submissions. The creation of ASHE has meant another revision to some of the low pay estimates[6]. Already, the early release of ASHE backdated tables has meant a revision of the pay gap between men and women from 18 to 19.5%.

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[5] *Protecting young workers*, LPC, March 2004, foreword, page iii.
[6] http://www.statistics.gov.uk/articles/nojournal/Final_low_pay.pdf October 15th 2004

The LPC estimates the number of jobs benefiting but ONS also independently publishes the number of jobs being paid below NMW rates in April of each year. In April 2003 they estimate that 260,000 workers were being paid below NMW rates[7]. This is not a measure of non-compliance with the minimum wage because apprentices, those receiving training or subsidised accommodation may be either ineligible or legitimately being paid below the NMW. The TUC have estimated that 150-170,000 of these jobs are being illegally underpaid.

Finally, this long litany of shortcomings that have set back the low paid must be put in further context. Initially in 1998 the LPC, deliberately acting cautiously at the point of introduction, was expecting 2 million workers to benefit from the minimum wage. Therefore both the LPC and Government must have envisaged scenarios whereby the minimum wage, once accepted, could be increased from a low base to benefit a greater number of workers (i.e. between at least 2 and 3 million jobs).

Therefore, given the unreliability of the predictions to date, the LPC must act decisively to improve their evidence base and to recommend two more consecutive large increases to both correct past misjudgements and for the NMW to fulfil its potential.

Recommendations:

That the LPC review why they have consistently under estimated the number of jobs benefiting from the minimum wage.

That the LPC publish two estimates, one for jobs and one for workers, of NMW beneficiaries.

That in response to the statistical shortcomings, past over caution and persistent under estimation of beneficiaries the LPC act decisively and recommend two significant NMW increases ahead of average earnings.

[7] http://www.statistics.gov.uk/CCI/nugget.asp?ID=591

The Economy

Contrary to what the sceptics said, the minimum wage has not cost jobs. In fact since 1999 the number of employees in the UK has risen by 6% or 1.4 million. There have been increases in retail, hospitality and social care which have more than offset the decline in textiles.

Nor has there any noticeable decline in company profitability or investment. The NMW hopefully has forced some employers to use staff more effectively and invest in skills. There have been small improvement in productivity statistics and certainly not a decline which theoretically you might associate with higher labour costs.

The prospects for 2005 according to IDS are:

- Inflation 3.5% (but housing, fuel and travel fare costs ahead of this, items which represent a large proportion of a low paid worker's budget)
- Economic growth 3.5% in 2004 and 2.5% in 2005
- Average earnings to rise by 4.5%

Public Finances

The critics of the NMW often talk about the extra costs to employers but what is often not appreciated is that public finances benefit through extra revenue.

The Treasury estimated[8] that a 30p rise in the adult NMW in 2003 would bring savings of £260 million (£200m of extra income tax and National Insurance and £60 less tax credits and benefits paid out).

[8] LPC fourth report, March 2003, page 195.

The Target Rate

UNISON is guided by a variety of measures and members experiences when setting minimum wage and collective bargaining targets:

- the current minimum rates across the key UNISON agreements;
- the current and planned rate of NMW;
- half-male median earnings;
- average earnings in the public sector;
- minimum rates in comparator groups (such as Civil Service, teachers, police);
- the national Low Cost but Acceptable (LCA) figure;
- the negotiating policies of the service groups;
- UNISON's policy priorities.

One of the measures we use as a guide is half male median earnings[9].

Table 3: Half male median earnings 1999-2006

Date	Half male median earnings (£ an hour)
April 1999	4.79
June 2000	4.94
Oct 2000	5.10
Oct 2001	5.38
Oct 2002	5.56
Oct 2003	5.68
Oct 2004	*5.92
Oct 2005	*6.17
Oct 2006	*6.43

*projected

In 2003 the figure for half of male median earnings was £5.68 an hour, £215.95 a week, £11,260 a year. We have projected forward and believe half male median earnings will be about £6.43 in October 2006. A minimum wage set at this level in 2006 for all those aged 18 or over would benefit about 5.7 million job holders (20% of the workforce) according to our estimates. This shows the scale of the problem of poverty pay in the UK. Most of these jobs are based in the service sector and we believe employers in both the public and private sectors can absorb higher wages through better use of staff, higher prices or less profits and that Government could chose to recycle savings in benefits and extra taxation to benefit employers.

UNISON evidence[10] to the Local Government Pay Commission in 2003 raised major issues about tax and pensions credits for public service workers. It found that:

- "A £1 hourly increase in pay would cost local government employers £1.23 pence, but only 42 pence to the public purse overall, as a result of savings from tax credits

[9] UNISON calculate this figure differently than the LPC.
[10] "All credit to you: how working and pension tax credits affect local government workers" by the New Policy Institute, pages 89-110 of UNISON submission to NJC Local Government Pay Commission, April 2003.

and increased tax revenues. Local Government's 'pain' is the Treasury's 'gain' of 81 pence;

- Tax credits, while enhancing income for claimants to a certain limit, constitute an earnings ceilings for the low paid and a disincentive to increase working hours;
- However tax credits establish an effective hourly minimum wage of around £6.50 for a couple with children and £5.20 for a single person with no children
- Older workers, those working fewer than 30 hours a week and those with no dependant children do not benefit equally. Credits could be seen to undermine the notion of equal pay for work of equal value and 'the rate for the job'."

It will not be lost on Adair Turner, Chair of both the LPC and the Pensions Commission, that a final salary pension from the Local Government Pension Scheme (LGPS) will be based on paid salary and not that obtained through credits. Also that the introduction of the Pension Credit, with the first £60 of LGPS income being only worth £36 due to the loss of Pension Credit, has implications for low paid workers and pension funds.

The Family Budget Unit (FBU) at York University regularly calculate what a 'Low Cost but Acceptable' (LCA) budget would be for different family groups. It is a carefully researched measure, which costs the minimum income needed by a family or individual to ensure good health, adequate child development and social inclusion. The FBU has recently completed a study for UNISON (see later chapter for full details) which sets the national LCA level for a single earner with a partner and two children at £7.75 an hour, and for a single adult with no dependants at £5.82 an hour, if they were not to be dependant on in-work benefits.

Recommendation:

Therefore, after considering all these factors, UNISON believes that the minimum wage should reach £6.50 an hour by October 2006.

Low Pay in the Public Services

Impact on UNISON members

UNISON has 1.3 million members, three quarters of whom are women. A third of our women members work part-time.

The last two substantial increases in the NMW have begun to put upward pressure on the lowest UNISON pay rates. However, large numbers of staff in the public services remain on rates well below our target of £6.50 an hour, while those carrying out public services for private contractors are frequently paid at or just above the minimum wage.

Pay settlements in major UNISON agreements in 2004 will bring most minimum rates well above £5 an hour. Minimum rates in some services will approach or reach £6 in 2005 as a result of multi-year deals, as can be seen in Table 4 below.

New pay structures in local government, the NHS, further and higher education are tackling deeply rooted pay inequalities, many of which involved undervaluing of low paid, women's jobs. The 2004 pay settlement in Local Government, for example, included a commitment by employers to complete pay and grading reviews aimed at achieving equal pay by 2006 – changes that were originally promised in the 1997 Single Status agreement. Agenda for Change, if agreed, will transform the pay and grading systems in the National Health Service through a national job evaluation scheme, harmonisation of staff on different grading structures and the introduction of knowledge and skills frameworks. Similarly, Higher Education's new National Framework will draw together manual and non-manual grades and provide for job evaluated pay structures in each institution. All of these changes are bound to have a profound effect on jobs at the bottom of the pay hierarchy.

But these improvements are being built on a very low base and there are still major areas of low pay in UNISON sectors. For example, over 10% of local government workers will still earn less than £6.00 an hour when their current three-year deal ends in 2006. Pay amongst NHS Ancillary workers was so low that it had to be boosted to meet the new NMW rate in October 2004, ahead of the possible implementation of Agenda for Change. Manual staff in Higher Education remain the lowest paid in the public service.

Recognising that continuous payment of percentage increases had widened pay differentials, Further Education employers took measures to narrow the gap. From 2000 to 2003, colleges awarded flat rate increases to their lower paid employees, resulting in a three-year increase for the lowest paid of over 16%. The Modernising Pay agenda in Further Education will introduce a £6 hourly minimum rate from 1 April 2005. Despite this, UNISON estimates that a third of Further Education colleges have failed to implement the August 2003 pay settlement promising a minimum rate of £5.33 to their 95,000 support staff. Meanwhile cleaning and catering jobs in the sector have been contracted out to companies such as Compass (Scolarest) paying at or near the minimum wage.

Some sectors have remained untouched by major pay restructuring and are struggling to meet their basic pay obligations. While employers in Sixth Form Colleges agreed a minimum rate of £5.45, to take effect in September 2004, many cleaning and catering jobs are paid on spot rates of around £4.90 with no increments. And differentials between support staff salaries and those of teaching staff have grown. Teaching staff have benefited from significant increases as a result of the 2002 reform of teaching staff pay, but support staff have only been awarded minimal cost of living rises over the same period.

Even in relatively well paid sectors such as the utilities, some minimum pay rates continue to fall below £6.00 an hour. For example, as part of this year's pay negotiations in the Environment Agency it was agreed to delete the bottom range in Grade 1, lifting the lowest annual salary from £9934 to £11428. But even this 15% pay increase leaves the minimum rate in the Environment Agency just below £6.00 and hour.

Table 4: Minimum pay rates in UNISON collective agreements

Settlement	Effective date	Minimum	
		Annual	Hourly
Local Government Single Status	1 April 2004	£10, 560	£5.47
	1 April 2005	£10,872	£5.64
	1 April 2006	£11,193	£5.80
Scottish Local Government	1 April 2004	£10,360	£5.36
	1 April 2005	£10,666	£5.52
Ofsted	1 April 2004	£13,500	£7.00
NHS Whitley Council	1 October 2004	£9,863	£4.85
NHS Agenda for Change[11]	1 October 2004	£11,126	£5.69
	1 April 2005	£11,498	£5.88
Further Education	1 August 2004	£10,563	£5.48
	1 April 2005	£11,544	£6.00
Police Staff	1 September 2004	£10,872	£5.64
Higher Education	1 August 2004	£10,440	£5.41
Sixth Form Colleges	1 September 2003	£10,234	£5.30
British Energy	1 July 2004	£12,563	£6.34
Scottish and Southern	1 April 2004	£10,993	£5.55
Southwest Water	1 April 2004	£12,793	£6.63
British Gas	1 January 2004	£13,039	£6.76
Transco	1 April 2004	£12,110	£6.28
Environment Agency	1 July 2004	£11,428	£5.92

Falling through the net

We noted in previous submissions that certain UNISON groups had failed to secure a minimum wage because they have fallen through the regulatory net.

Nursing and midwifery students

Nursing and midwifery students are in a unique position as they work on the wards but do not have employment rights, and are students but do not adhere to a typical student calendar. To qualify as a registered nurse they are required to squeeze 4,600 hours of learning in to three years. More than half of that will be on practice placement.

Had nursing students retained their right to salary when training moved into higher education in 2000, they would now be earning more than £10,500 per year and benefiting from employment status. Currently students are required to do their practice placement working 37.5 hours a week for £3.39 per hour. Many nursing students work additional hours as Health Care Assistants to survive the financial hardship they face. This is often exhausting and potentially detrimental to their studies. Even more worrying, nursing and midwifery students throughout the UK are struggling to pay their rent and are facing eviction from their nursing homes, while a large number of others face huge rent increases.

[11] Subject to outcome of current review and consultation

The current bursary system allows for sick leave, but stops payments if a trainee takes maternity leave. UNISON has recently taken cases to Employment Appeal Tribunal for three trainee midwives who have been left with no income while on maternity leave.

While some progress has been made in tackling the problems faced by nursing and midwifery students, the effort to move them on to employed status when on placements has so far been unsuccessful.

Term time only staff

In 2002 UNISON published a study showing that school support staff were overwhelmingly on term-time only contracts. Unlike teachers they were only paid for the weeks school was in session. This overwhelmingly female occupational group are often on part-time, temporary and casual contracts on the lowest points of the local government scale. Because these low salaries are spread over the full year for school payroll purposes, they frequently fall below the statutory floor. Compounding this problem, school support staff have great difficulty getting any holiday work and are denied job seekers allowance because they have an annualised salary. A UNISON study found that 40% of schools did not pay teaching assistants during all holidays.[12]

Since September 2003, under the Raising Standards—Tackling Workloads national agreement, schools have been transferring a range of clerical and administrative tasks to appropriate support staff. From next year teachers will be guaranteed time within the school day for preparation, assessment and planning. As a result of these changes, support staff numbers are expected to grow by 50,000, from the current base of 200,000 full-time equivalents, and support staff will take on greater responsibility for supporting teaching and learning in the classroom.

To meet this growing demand for support staff, a framework for new career structures has been laid down by the National Joint Council for Local Authority Services. An update of the 2002 UNISON study indicates that there has been significant growth in the number of school support staff, with a corresponding widening of their roles and responsibilities. While the implementation of career development structures have improved pay rates for staff in London, and widened the range of salaries generally, the real value of teaching assistants' salaries has not increased in the majority of schools.[13]

There are also concerns that the new role for school support staff has been insufficiently funded by the government. Schools wanting to expand support staff numbers, improve pay levels or spend more on training are concerned about the funding implications of remodelling. Because of falling rolls, some even expect to lose staff or having to reduce paid hours. In some cases nursery nurses who were previously on full year contracts have been moved to term-time contracts to bring them in line with other school support staff.

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[12] *Teaching Assistants: A report on the role, training and employment conditions of teaching assistants*, UNISON, 2002.

[13] *School support staff survey 2004: : A report on the role, training, salaries and employment conditions of teaching assistants*, UNISON, June 2004

The Living Wage

UNISON has consistently argued that the minimum wage should be set at a rate which provides a ‘living wage’, that is sufficient income to secure an adequate living standard, without dependence on in-work benefits. The living wage should be based on what people need to live and not on what businesses can afford.

Despite the hundreds of submissions received by the Low Pay Commission since it was established in 1997 and the excellent research it has commissioned, no consideration has been given to the minimum income needed for healthy living in setting the rate for the minimum wage. As Dr. Jerry Morris of the School of Hygiene and Tropical Medicine points out, “During the massive public and parliamentary discussion [of the NMW] there was virtually no reference to the health needs that such an income has to meet. This was all the more disappointing in view of long-running widespread media coverage of the relationship between morbidity and mortality and incomes and living standards. Surely the income required to maintain health should be a determinant in setting a minimum wage.”[14]

The Family Budget Unit at York University has recently completed research calculating the national Low Cost but Acceptable (LCA) level for April 2004. This figure is an extremely modest estimate of the income needed by a worker to provide adequate nutrition, housing, personal security, child development and social inclusion for themselves and their family. It is based on families living in social housing, having no debts or exceptional expenses and not running a car. A further LCA figure has been developed for a single man, aged 21-25, living in private rental accommodation.

The minimum needed by full-time workers to reach LCA level ranges from £5.82 an hour for a single man with no dependants, to £10.21 an hour for a single mother with two children. A full-time worker, with a partner working part-time, would need to earn £6.91 an hour to reach LCA level.

[14] J.N. Morris and C. Deeming, *Minimum Income for Healthy Living (MIHL): next thrust in UK social policy?,* Policy & Politics, 2004

The Low Cost but Acceptable (LCA) budgets for the different family types are set out below. Calculations made with no means tested benefits.

Table 5: Gross weekly earnings need to meet 'Low Cost but Acceptable' levels for different family types

LCA Budget (with alcohol/no car), £ per week

Tenure	Couple Boy 10, Girl 4 LA Tenant	Couple Boy 10, Girl 4 LA Tenant	Lone Mother Boy 10, Girl 4 LA Tenant	Single man Private Tenant
Work situation Full time 38.5 hours/Part time 17 hours	2 Earners 1 full +1 part-time	1 Earner Full-time	1 Earner Full-time	1 Earner Full-time
LCA budget (with alcohol/no car)	**317.01**	**262.13**	**325.75**	**184.85**
Gross weekly earnings to meet this budget	342.48	298.25	393.22	224.01
Tax payable	33.77	40.87	61.77	24.52
NI payable	19.25	22.8	33.25	14.63
Net earnings required to meet this budget	289.46	234.58	298.20	184.86
Child Benefit payable	27.55	27.55	27.55	0
Total net income	317.01	262.13	325.75	184.86
Hourly rate required rounded	**6.91**	**7.75**	**10.21**	**5.82**
Hourly rate required second wage earner	**4.50**			

The Costs of Low Pay

In assessing the level of the minimum wage, the LPC has generally focused on the labour market, risks of unemployment and the costs to business. This narrow remit limits the Commission's ability to examine the wider social and economic impact of the minimum wage.

At the most basic level, low income translates into reduced life expectancy. An unskilled manual worker can currently expect to live 7.4 years less than their male professional counterparts, while female manual workers have a life expectancy 5.7 years shorter than higher paid women.[15]

This difference in life chances is perpetuated by high rates of child poverty. Poor children in the UK are poorer than those of any other developed country. The poverty of the British child is 11% worse than the American child and nearly 30% worse than in France. And this is not just a problem of worklessness. More than half the children living in poverty in the UK have a parent in work. "For more than a million parents, working has not proved a route out of poverty."[16] The problem is even worse for ethnic minority children. Seventy percent of Bangladeshi and Pakistani children in the UK are living in poverty, two and a half times the rate of white children. The poverty rates among Bangladeshi and Pakistani children with a working parent are higher than among white children with no working parent. [17]

Low income for disabled workers also contributes to child poverty. One in three children in poverty live in a household with at least one disabled adult.

Given the recent furore over the growing level of obesity, it is interesting to note that poverty contributes directly to the rise of fast food consumption. A study by children's charity Barnardo's found that poorer families relied on fast food because it was cheaper. The research also discovered that poor families were struggling to feed their children in the school holidays when they could not rely on free school meals. Barnado's estimated that food could cost as much as £25 more per week in the holidays for a family with three children. This finding has been echoed by anecdotal evidence from YMCA England. Young residents, some with children, will often admit to having a poor diet. While some school programmes, such as breakfast clubs and free fruit schemes are going some way to combat this, the problem persists out of school hours and especially in the holidays. Poor health brought on by inadequate child nutrition ensures that the gap in life chances between those at the top and bottom of the income ladder will carry on into the next generation.

Three recent papers on low pay and inequality from leading economic think tanks IPPR, Catalyst and New Policy Institute, all point out the relationships between low pay and wider social problems[18]. Citing a wide range of evidence, the reports point to the link between poverty and infant mortality; death in accidents and fire; truancy and low educational achievement; mental illness; inadequate housing; poor diet; greater contact

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[15] Ben Jackson and Paul Segal, Why Inequality Matters, Catalyst, 2004
[16] Madeline Bunting, "A job is not enough", The Guardian, 11 October , 2004
[17] Madeline Bunting, as above
[18] Will Paxton and Mike Dixon, The state of the nation, IPPR, 2004; Ben Jackson and Paul Segal, Why Inequality matters, Catalyst, 2004; Peter Kenway and Catherine Howarth, Why Worry about the Low Paid, New Policy Institute,2004

with the police; and limited social mobility. Low paid jobs are more likely to have limited access to training, job security, pensions or family friendly policies. Poor neighbourhoods suffer higher rates of social disorder. Unequal societies, where the gap between the highest and lowest income earners is greatest, suffer the lowest levels of social cohesion.

While the NMW cannot solve all of these problems, it has a central role to play in raising the incomes of the lowest paid, and doing so without the poverty trap created by in-work benefits. The recently published Social Exclusion Unit report points up the existence of "in-work poverty"[19].,

"The benefits of moving into work can sometimes be limited if the work is of poor quality, low paid, or for too many hours. Some households do not always see themselves as clearly 'better off' after moving into work due to decreases in discretionary income and loss of entitlements to free services."

The numbers tell the story. "In London, thanks to high living costs, the financial gain from taking work at the minimum wage is often non-existent. To be just £24.65 per week better off than on benefit, a lone parent with child-care costs to pay in London needs to earn £7.43 per hour on a full-time basis. Outside London, a single person living in private rented accommodation working a 35 hour week at the national minimum wage is £15.60 a week better off than they would be on benefits. In London this gain disappears altogether."[20]

Furthermore, the Social Exclusion Unit report also recognises that a large proportion of people moving into work following the New Deal require ongoing financial support. 76% of lone parents moving into work between 2000 and 2001 received Working Families' Tax Credit to supplement their pay.

Given that the **majority** of lone parents coming off the New Deal remain dependent on the state once they are in employment, it is evident that financial independence will only be achieved with a substantial increase in the minimum wage to reflect basic living costs.

[19] *Breaking the Cycle: Taking stock of progress and priorities for the future*, Social Exclusion Unit (September 2004), p. 58
[20] Bivand P et al (2004) Making Work Pay in London Centre for Economic and Social Inclusion, cited in Kenway and Howarth, Why Worry about Low Pay?, New Policy Institute, 2004.

Race, ethnicity and religion

Ethnic minorities will account for half the growth in working age population over the next ten years. The non-white population of the UK was 7.9% at the time of the 2001 Census. It was highest in London at 28.9%. The UK working-age employment rate for non-whites was 57.3% in 2002/3 compared to 75.5% for whites. For Indian ethnic groups it was 68.4%, Pakistani/Bangladeshi 42.9% and Black 60.2%. These rates vary widely by local area[21].

Ethnic minority men with children earn 80% of income of white men. Without children they earn 55%.

Initially, ethnic minorities in general were disproportionate beneficiaries of the NMW according to the LPC. However, the LPC later revised this to say that ethnic minorities as a whole did not, but particular groups did benefit more than the average, e.g. Pakistani/Bangladeshi workers.

The 2001 Census shows that 14% of male Muslims are unemployed compared to 4% amongst Christians. Sixty eight percent of Muslim women are not working compared to 25% of Christian women.

The need to purchase higher cost traditional food and clothing may compound the problem of low income for ethnic minority groups. A study by the Family Budget Unit of expenditure patterns of Muslim women in East London, found that even taking into account lower alcohol and leisure spending, Muslim families had higher living costs than their British equivalents. When compared to other households living in the East End, Muslim two-parent families were £21 worse off, lone mother families were £25 worse off. “Following Muslim traditions, food in particular is more expensive for Muslim families than for other UK families living at the poverty threshold”.[22]

Migrant labour, both legal and illegal from inside and outside the European Union, is growing public policy issue. They have been high profile cases of workers being exploited in restaurants, construction, food processing, textiles and by gangmasters in agriculture. The most high profile being the tragic death of Chinese cockle pickers in Morecambe Bay. The LPC need to work with the Inland Revenue enforcement agency to develop a strategy to target these sectors

UNISON has been at the forefront of trying to protect migrant workers in the public services. For example, the union has found NHS jobs for qualified Philippine and Indian nurses being exploited by recruitment agencies charging extortionate fees and being compelled to work in unsuitable care homes in return for a visa.

[21] See “Labour market data for local areas by ethnicity”, *Labour Market Trends*, ONS, October 2004, page 405.

[22] Low Cost but Acceptable; A minimum income standard for the UK: Muslim families with young children, Family Budget Unit, 2001.

Polly Toynbee has been critical how the UK has encouraged migrant labour in to low wage jobs whilst having the least regulated and protected work environment in Europe. "People are right to fear immigration if it is used as a way to keep pay down" she says[23].

UNISON branches and faith groups in East London came together in 2000 to form The East London Communities Organisation (TELCO). TELCO has led a high profile community campaign for a living wage. They have had notable successes raising wages for hospital contract staff, the vast majority of whom are low paid, black and minority ethnic women. TELCO has also won important victories for contract staff in the private finance sector, persuading Barclays Bank and HSBC to accept responsibility for minimum pay and conditions for contractors' staff at their Canary Wharf offices. The agreements will provide contract cleaning staff with minimum rates of £6.00-£6.50 an hour, along with pensions, sick pay, bonuses, training and additional holiday. Research by UNISON London Region into migrant workers reveals that the biggest multi-national cleaning contractor, ISS, believes that half its cleaning workforce migrated to the UK.

[23] "The real reason why we should fear immigration: Labour is using foreign workers to deny everyone a living wage" by Polly Toynbee, *The Guardian*, Wednesday February 11, 2004.

Women

Roughly two thirds of minimum wage beneficiaries have been women (two thirds of them working part time) and the introduction of the minimum wage helped close the gender pay gap by 1% in 1999. Revisions to the statistics in October 2004 show that the gap is wider (19.5%) though than previously thought.

White women (with children) earn 70% of income of white men (with children). Without children the figure is 86%. These feeds through into later life with women's average retirement income 53% that of men.

Low pay and equal pay are massive issues for UNISON as almost 1 million of our members are women and there is a significant gender pay gap in the public services. We are campaigning and bargaining strongly for the introduction and funding of equality proofed pay systems. The cost of back pay alone owed to women in Local Government is estimated at £2 billion if every Council implemented the Single Status agreement today.

Research by the EOC in the early 1990s showed that the privatisation of public services disproportionately disadvantaged the pay, conditions and pensions of women. UNISON has been successful in recent years in negotiating national and local agreements to end the two tier workforce in contracted out services. In contracts covered by the Best Value Code of Practise on Workforce Matters in England and Wales this provides a wage floor that mean contractors cannot bring in new starters on less pay than those that transferred under TUPE. If extended to the health service as promised, it should stop the current practise of private contract staff receiving pay at or just above the NMW, the legal minimum of holidays (20 days including bank holidays) and no sick pay or pension. Women will benefit and many workers will receive parity with public service pay levels. There are still groups of workers not covered by these agreements and it will only apply as contracts are tendered or renewed. To prevent public contracting causing low pay and inequality there should be national fair wages legislation (as existed until 1983).

In the summer of 2004 the Government announced the establishment of a Women and Work Commission to be chaired by Margaret Prosser, an LPC Commissioner. As we submit our evidence there has been a flurry of Government activity to coincide with a "women and productivity" seminar organised by the Chancellor. Patricia Hewitt has used the event to announce a plan to encourage women into information technology, construction and engineering. The TUC published research[24] showing that the entrenched split between "male" and "female" careers is as glaring amongst teenagers as amongst older workers, Teenagers are choosing jobs along gender lines and in their first job women are paid 16% less than their male counterparts. The Equal Opportunities Commission, a supporter of compulsory equal pay audits, said business productivity was suffering because women's skills were being under-used[25].

Given that it is Government policy to close the pay gap, and the minimum wage has been shown to be effective in this regard, it makes sense for the LPC to recommend two large rises in the minimum wage.

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[24] "Gender pay gap 'as glaring as ever among teenagers' ", by Lucy Ward, *The Guardian,* 26th October 2004, page 6.
[25] **'*Britain's Competitive Edge: women, unlocking the potential*'**, EOC, October 26th 2004.

Disabled workers - low pay and high living costs

Disabled workers are disproportionately likely to benefit from rises in the NMW according to the LPC. In 2001 the LPC expected 13% of disabled workers to benefit compared to the 8% national average.

The issues for disabled workers are numerous, not only lower pay, complex benefit rules and discrimination but also high living costs and problems with accessibility of workplaces, equipment, transport, ICT and access to training.

Research from the Joseph Rowntree Foundation[26] indicates that disabled people face significant extra living costs. For example, the overall budget for minimum essential needs can be up to £1,513 a week for a person with high-medium mobility and personal support needs. Deaf people face particularly high costs due to the need for interpreter/communicator services (up to £1,336 a week), whilst those with low to medium needs require around £389.

The Government has also signalled it's intent to 'crack down' on people claiming Incapacity Benefit[27]. This could force disabled people off benefits and into work despite the fact that a disabled person working 20 hours a week at minimum wage levels could face unmet costs of up to £189 a week (for those with medium-high needs)[28]. This will compound the financial problems and social exclusion that disabled people face. Already, 29% of households with disabled people are below the poverty line, compared with only 17% of those without disabled people.

However nine years after the introduction of the Disability Discrimination Act, disabled workers still only get 87% of the average gross hourly pay that non-disabled workers receive. The average hourly rate for a disabled worker is £8.53, compared with £9.80 for a non-disabled worker[29].

[26] *Disabled people's costs of living: 'More than you would think',* JRF, 21st October 2004. Available at www.jrf.org.uk.
[27] See TUC Briefing, *Defending Incapacity Benefit,* October 2004, for a good defence.
[28] Joseph Rowntree Foundation, op cit.
[29] ONS Labour Force Survey 2002.

Youth rates

YMCA England and UNISON warmly welcome the introduction of a minimum wage for 16 and 17 year olds, affirm the statement made by the Low Pay Commission in its 2004 Report that, "the case in favour is that it will prevent exploitation" and share with the LPC, the concern that many 16 and 17 year olds are currently offered very low rates of pay and little or no training.[30]

We continue to argue against discrimination and for the equalisation of the minimum wage. We would like to draw attention once again to the research carried out for the joint UNISON/YMCA-England submission in 2003, *Not Just Child's Pay: Why Young Workers Need a Minimum Wage*, and will actively monitor the impact of a £3 minimum wage on the most vulnerable and disadvantaged young people.

This chapter will, in particular, draw attention to the financial difficulties faced by young people on modern apprenticeships. It will also discuss the effectiveness of the development rate, especially in light of other benefit rules which may work against young people.

Protecting the most vulnerable – young people and the minimum wage

Young people, entering the employment market for the first time are among some of the most vulnerable. Research carried out by UNISON in November 2002 revealed that thankfully, the majority of 16 and 17 year-olds in employment were already being paid above £3 an hour, generally at or near the development rate of the NMW.[31] The survey indicated a median hourly salary of £3.64 at 16 and £4.00 at 17 years of age.

We are concerned that having set the minimum wage 16 and 17 year-olds so low, we may start to see a downward restructuring of pay scales in accordance with the minimum wage levels. The most recent report from Incomes Data Services[32] has found that the national minimum wage has now become the lowest rate on which many pay structures are built – we will be monitoring the 16 and 17 year-old rate with interest to see if it produces a similar trend.

For those young workers who have been working for wages well below £3 an hour, as low as £1 in some cases, the minimum wage is a welcome development. YMCA England would stress however that the minimum wage in itself means very little if the enforcement procedure lacks teeth. The young people who have been exploited by low-paying employers in the past are the least likely to take enforcement action in the future.

Enforcement is a clear problem – the same UNISON research from November 2002 revealed at that time, a substantial number of 18 year olds who were receiving wages below the development rate. This finding highlights the need for strong pro-active enforcement in sectors where young workers are concentrated.

[30] Low Pay Commission, 2004 Report, p.69
[31] *Not Just Child's Pay: Why Young Workers Need a Minimum Wage,* Unison and YMCA England, (November 2003)
[32] IDS Pay Report 913, 2004

YMCA England would support the idea of a Fair Employment Commission as recently advocated[33] by Citizens Advice Bureau.

Financial incentives – the wider context

YMCA England works with some young people who are not in education, employment or training (NEET). At the end of 2003, this included 9% (177,000) of 16-18 year olds.[34] Some of these young people may be hostel residents, others may be ex-offenders, others single parents. More often than not, they can feel as if the system is stacked against them.

The following case-study is just one of many stories from YMCAs around the country. Sarah's case is typical of many vulnerable young people trying to move into sustainable employment.

Sarah has just turned 17 and is living in a South London YMCA hostel for young people. She recently got a job working 40 hours per week in a warehouse. She is paid about £150 per week (net) for this. The full rent in her hostel is about £180 per week (of which £160 is paid by Housing Benefit for people on JSA or Income Support).

Sarah's actual rent each week, now she is working, is about £85 per week, because she gets caught in the Housing Benefit taper. She has to be at work by 9am and so she needs a £25 travelcard each week.

This leaves her with £40 per week to pay for clothes, lunch, toiletries, prescriptions, and any other expenses she has.

Her hours vary from week to week depending on when her boss needs her in. As a result during some weeks she gets considerably less money. However, because the Housing Benefit system is so unwieldy she still ends up paying the same amount of rent each week. On these weeks she has no money, whatsoever, left over.

Sarah is scared to resign from the job in case she gets sanctioned by the Benefits Agency. As she is working full-time, it is hard for her to find time to search for a new one. But even if she does she is only going to be 33p better off for each pound she earns in extra salary. So even if she gets a job with £200 net per week, she is only going to be £17 better off.

Sarah has looked into cheaper accommodation. However, private landlords want 1 month's rent up front and 1 month's deposit for a bedsit. This comes to over £1000. Because of her lack of income this will take forever for Sarah to save. Sarah's keyworker tells her that she can't move into her own Housing Association tenancy until she is 18 at the earliest. She also says there is a real shortage of these places at the moment.

Sarah took this job, so she would not have to claim benefits and wanted to be independent. Now she feels absolutely trapped and can see no way out…

As a result of these financial traps, it is understandable why some young people will choose to stay on Job-Seekers' Allowance, where this remains a possibility.

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[33] *Somewhere to turn:* The *case for a fair employment commission.* CAB Briefing, October 2004.
[34] *Participation in Education, Training and Employment by 16-18 year olds in England: 2002 and 2003*, DFES (June 2004)

"I would be less reluctant to forego my JSA if I received a better financial incentive to do so" – Resident, Mendip YMCA

18-21 Year Olds

Many of the difficulties faced by 16 and 17 year-olds trying to negotiate the benefits system are similar for 18 and 21 year-olds. Additionally however, 18 year-olds in particular, find themselves in unique position with regard to their housing needs.

The Homelessness Act 2002 placed a statutory duty on local authorities to house 16 and 17 year-olds. Along with care leavers, 16 and 17 year-olds were considered to be "priority need". As a result, provision for the most vulnerable young people has improved; the flipside however has been the increased competition for decent housing among those aged 18 and over. It is people in this category who are increasingly becoming our "hidden homeless", unable to find anywhere to sleep apart from a friend's sofa. With low wages and limited housing benefit, a young person in this situation has no chance of moving into the private rental sector.

In order to help tackle this problem, we would like to see the development rate equalised with the adult rate.

We would also urge the Government to abolish the single room rent and to acknowledge that those rental costs for young people under 25 are no different from those over 25.

Modern apprenticeships

The number of people on modern apprenticeships at the end of 2003 was 238,000. This is a growing area and the number of participants is up 3.5% on the 2002 figure.[35] A recent survey carried out by the Greater Manchester Low Pay Unit of 3,132 job vacancies at Careers Services across the UK found that 28.5% were modern apprenticeships, and that in total, almost a third of vacancies were exempt from the minimum wage.[36]

There are many positive experiences of modern apprenticeships. The opportunity to receive high quality training, while gaining the necessary work experience, is in principle, a very attractive option to young people. YMCA England is itself actively involved in training provision. Ashton-in-Makerfield YMCA is a good example of our commitment to quality training in childcare and is currently working with 68 young people on modern apprenticeships and a further 40 who are progressing towards NVQ qualifications.

Jemma, 19, from Wigan, is a single parent, a part-time nursery worker and an advanced modern apprentice. She has spoken in a very encouraging way about her experience,

"I've had a lot of support from the YMCA and the staff are brilliant. I struggled to find an employer who could be flexible enough to accommodate my needs as a parent as well as a student. The YMCA worked with me to find hours that suited both of us."

Unfortunately however, stories from young people on modern apprenticeships remain varied. The door is still open to exploitation, poor pay and poor training.

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[35] Statistical First Release, Learning and Skills Council, *ILR/SFR03* (March 2004)
[36] *The Youth Labour Market: The Impact of the Minimum Wage,* Greater Manchester Low Pay Unit, April 2004

"I couldn't complete my modern apprenticeship – I wasn't getting enough money and wasn't being treated fairly. Apprentices get given all the worst tasks", - Resident, Doncaster YMCA

We welcome the modern apprenticeship initiative but believe that more needs to be done to encourage retention. Success rates are increasing but it is still disappointing to note that the majority of young people on modern apprenticeships fail to complete the full framework. In 2002/3, the framework completion rate across all levels of apprenticeships was only 27%, although a further 13% were successful in achieving their NVQ qualification.[37]

It is interesting to note that the success rates are considerably higher at an advanced level. In Health, Social Care and Public Services, there was a level 2 completion rate in 2002/3 of just 14%, compared with 27% at advanced level.

From this we can deduce that there is something fairly unsatisfactory about many young people's *initial experiences* of modern apprenticeships.

YMCA England believes that financial viability is a large contributory factor in work-based learning outcomes. This is particularly the case for young people on level 2 Apprenticeships. In contrast to the general pay levels of 16 and 17 year-olds, many of the young people who we spoke to across the country are on or have been on modern apprenticeships where they have been paid well below £3 an hour. In most instances, these young people have also been aware of others, usually older people, who are being paid a higher wage for the same work.

One 17-year old male, involved with his local YMCA, receives a total of £60 a week on his modern apprenticeship. He currently works a 7_ hour day for the local council in the parks department, a job which involves heavy lifting and operating machinery. He is only able to afford the apprenticeship as his parents are subsidising his accommodation. He has been working for some time and has yet to be given any information about his training course.

Other young people have expressed their frustration at doing the same job as others and getting paid less.

"I'm paid £3.20 to do exactly the same job as my colleagues who are paid £6.50. I can't see how that is fair" – Participant, Chelmsford YMCA

For a foyer resident or a young offender wanting to take up work-based training opportunities, modern apprenticeships are not financially viable. A minimum training allowance of £40 a week will not go very far.

We believe that the minimum wage must be extended to those on modern apprenticeships, thus extending opportunity to all.

Youth Awareness

The minimum wage will only be fully successful in protecting young workers if awareness is heightened, especially among 16 and 17 year olds.

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[37] Statistical First Release, Learning and Skills Council, *ILR/SFR04* (June 2004)

We welcome some of the efforts to communicate effectively with young people through the internet, the press and through established channels such as Connexions. We would urge for further work to be done in this area, making full use of schools, integrating information about employment rights into citizenship education and into informal education programmes which may be carried out in hostels, in prisons and through other voluntary organisations.

Moreover, we would like to draw attention to some of the confusing messages that have been sent out in advance of the October 2004 changes. It has become clear that the minimum wage rate for young people applies to workers who have ceased to be of compulsory school age, a threshold which differs between England & Wales, Scotland and Northern Ireland. Given that the publicity for the minimum wage has explicitly mentioned 16 and 17 year olds, we do anticipate some confusion and would urge the Government to communicate the message more clearly in future publicity.

Recommendations:

- **In keeping with our position, "fair rate for the job", the development rate for 18-21 year olds should be brought in line with the full adult rate.**

- **That 16 and 17 year olds be entitled to the 'development rate', currently £4.10, with a view to harmonising it with the adult rate over time**

- **The minimum wage should be extended to those undertaking modern apprenticeships, so that no-one is expected to do a full-time job on as little as £40 a week**

- **The Government should seek to do more to raise awareness among young people, strengthen the current enforcement mechanisms and build capacity for supporting young people in taking action against exploitative employers**

Childcare

It is well known that childcare is both expensive for working parents and a low paying sector. UNISON increasingly bargains for childcare in collective agreements and represents childcare workers[38]. As part of the Government's "Making Work Pay" strategy great efforts have been made to expand the formal and informal sector and to lower the costs through workplace and individual tax credit subsidies. We still need more childcare that is of a high quality standard and affordable.

The case for childcare

Forty percent of workers have dependent children yet there is only one registered childcare place for every five children under eight years old. Only one in twenty workplaces have a nursery and only one in ten employers give any childcare support.

Many parents can't rely on family and friends to help and in 2001 42% of lone parents were prevented from taking jobs because of a lack of childcare or its prohibitive cost. A typical nursery place for a child under two in 2004 was £134 a week or nearly £7,000 a year. The lack of childcare widens the gender pay gap. Quality child care has been shown to benefit children and improve educational outcomes.

There is also a business case for childcare, one which is about reduced staff turnover and higher productivity.

The main funding for intervention must come from the Government and businesses. But a higher minimum wage would help low paid workers to afford child care and to make entering the labour market more attractive to those outside.

Pay in Nurseries

Pay in both public and private sector nurseries is low. Only half of the staff in any nursery have to hold qualifications (typically NNEB or NVQ level 3). It is not a coincidence that the workforce is young and overwhelmingly female. Nursery Assistants are paid less than qualified nursery nurses.

Most authorities follow the national pay spine but decisions at both LEA and school level determine where staff are placed on the pay spine. A recent UNISON survey[39] in England and Wales found that median salary range (full time equivalent) for nursery nurses in schools was £12,765-£14,532 and for LEAs £11,361-£14,196 pa. As mentioned elsewhere the majority of school support staff are part time and not paid during the holidays so the full time equivalent figures can be misleading.

In Scotland nursery nurses belonging to UNISON have been involved in a bitter dispute, including strike action, with the employers (COSLA) to raise local salaries from between £10,000-£13,800 pa to a national pay rate of £18,000. They argued that the pay rates did not reflect the skills and responsibilities of nursery nurses. Through a series of local settlements average increases of £4,000 pa were agreed.

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[38] *Bargaining for childcare,* Support Guide, UNISON, February 2004.
[39] School Support Staff Survey, UNISON, June 2004.

In the independent sector wages are lower than the public sector and under the influence of the NMW bottom rates have risen over the last two years by around 10-11 percent according to IDS[40]. In March 2004 median pay levels were £4.50 to £4.80 for nursery assistants and £4.92 to £5.30 for nursery nurses. A third of organisations reported problems with both recruiting and retaining staff. Businesses have absorbed rises by putting up fees. IDS found greater use of age related pay rates, including the lowering of pay for 18-21 year olds who had previously received the going rate but were now being used to offset rises due for older workers.

There is also a direct connection between the pay of childcare workers and the success of 'child-related' government programmes. The national childcare strategy has created a million childcare places since 1997 and is a cornerstone of the government's plan to end poverty by encouraging parents to work. Such a vital project is being undermined, however, by the low levels of pay and training common amongst nursery staff. Nursery staff, often themselves only in their teens, are allowed to take care of very young children, with minimal qualification beyond "evidence that they are not convicted paedophiles, plus a tolerance for long hours, minimal wages and life in a sector where leadership, support and funding have lagged way behind expansion."[41] In this and other examples, a decent rate of pay for childcare workers, coupled with improved training and career development, would benefit children of all ages.

[40] IDS Pay Report 909, July 2004.
[41] Mary Riddell, The Observer, 15 August 2004

Conclusion

UNISON and YMCA England root our submissions in the experiences of our members. They tell us repeatedly that they want a fair wage, an income sufficient to provide for them and their families. Low pay not only blights lives but also has expensive hidden costs to society and the exchequer in terms of poverty, health, housing, educational achievement and social exclusion. That is why UNISON has invested in the work of the Family Budget Unit and the need to establish minimum income standards.

UNISON members are supporters of the welfare state. Those with families with children and/or low paid welcome the income from tax credits even if the application and re-application process can be complicated. Nevertheless they express a preference that the money for basic living was earned through the pay packet and not through means tested transfers.

We believe that there is strong case to resist the arguments of the CBI and to push on with two large increases in the minimum wage. Furthermore, that the minimum wage needs to be at a higher level where workers are not reliant on in-work benefits.

That is why UNISON is recommending a single national minimum wage of £6.50 an hour by October 2006 with no lower rates linked to age if you are doing the full job. This would have a major impact on pay poverty, reducing the means-testing and disincentives associated with in-work benefits. We believe that this would benefit about 5.7 million jobs, about 20% of the workforce. It would also close the widening pay gap between men and women by 4% and disproportionately benefit black, ethnic minority and disabled workers.

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Previous UNISON submissions to the Low Pay Commission and a minimum wage fact sheet can be found on the UNISON website www.unison.org.uk .

To join UNISON call UNISONdirect on 0845 355 0845.

To find out more about the work of YMCA England you can visit the website www.ymca.org.uk .

Appendix 1: History of previous 5 UNISON submissions to the Low Pay Commission

1. UNISON's First Submission, October 1997, target rate £4.26, Half male median earnings £4.26

UNISON first submitted evidence to the Low Pay Commission in the run up to the introduction of the National Minimum Wage Bill. The Labour Party had pledged that it would introduce the NMW, but had left the details of the legislation to the LPC. This included consideration of the rate and decisions about coverage and enforcement.

Key issues covered in that submission were: the rate -- business opposition to the NMW was still very strong and the CBI was arguing for the lowest possible rate (£3.50). We provided evidence that the minimum wage would not cost jobs, but would actually encourage employers to move to a 'high pay, high skill' economy. The submission drew on research UNISON had done in campaigning for the implementation of the NMW to make the case for a rate that provided a 'living wage'. We also argued for a single national rate with no variations by region, age, occupation or contract status. The submission advocated the establishment of a robust enforcement mechanism.

The submission detailed the number of UNISON members earning less than the NMW target of £4.26, based on half male median earnings. We also drew on research done by a number of regions into their local labour markets. The Office for National Statistics (ONS) provided us with specially commissioned figures from the 1997 New Earnings Survey indicating the number of people below various low pay thresholds. This gave us a clear picture of the impact the NMW would have, depending on the rate set.

2. The Case for the Living Wage; UNISON's Submission to the Low Pay Commission, 1999, target rate £5.00 an hour

The second submission was done in October 1999 just after the NMW came into force. It assessed the impact up to that point. This submission made a strong case for a higher rate, introducing the research done by the Family Budget Unit to support the argument that the rate should reflect the 'living wage'. It also stressed the inequity of the youth rate and provided evidence based on our first survey of young workers.

In assessing the impact of the NMW to date, the submission argued that the low initial rate had benefited far fewer workers than the government had predicted. It also raised concerns that gains made by staff as a result of the NMW had frequently been recovered by employers using a wide range of strategies such as reduction of hours, elimination of paid breaks and freezing of the pay of groups just above minimum wage level. The submission noted that the government's legislation designed to move people out of poverty, improve educational achievement, introduce family friendly policies and protect workers' rights, would be undermined by a low minimum wage.

The submission was our first response to the new legislation and was used as a basis for UNISON campaigning and lobbying on the NMW and related issues. The research we carried out on the pay and conditions of young workers had a major impact on UNISON policy, convincing us that the NMW should be extended to 16 and 17 year olds. Evidence we collected on enforcement problems was fed back to the Department for Trade and Industry via our participation in the TUC NMW Enforcement Working Group.

3. Next Steps: UNISON's third submission to the Low Pay Commission, November 2000, NMW target £5 an hour.

This submission focused on the failure of the LPC to accurately predict the number of people who would benefit from the increased rate. Special tables commissioned from the ONS showed the number of people below various low pay thresholds, by gender, region, age and sector. These statistics showed that a large number of workers – particularly women and part-time workers – were not benefiting from the NMW because the rate had been set too low.

We also noted that loopholes in the legislation meant that term time only workers and student nurses, were being effectively denied the minimum wage.

The submission included a case study of private residential care. This showed that pay and conditions of staff deteriorated rapidly after the transfer to private ownership, and the lack of fair wages legislation left new starters with no protection. We asked that consideration be given to establishing rules on public procurement that would require public contractors to pay 'fair wages', in order to encourage economic development and ensure that private sector employees could earn a living wage.

The submission noted that the lack of a pay floor and of other related employment legislation in the 1980s and 1990 had prompted some sectors to develop practices based on the exploitation of low paid, low skilled labour, with high levels of turnover and low bargaining power. This has been exacerbated in some sectors by the requirements of privatisation, which have demanded that price, not quality, be the defining variable. A wider pay strategy was needed which would raise skill levels career progression in previously low paid areas of the economy.

4. Justice, not charity Why workers need a living wage: Submission to the Low Pay Commission by UNISON and the Low Pay Unit, October 2002 Target rate: £6 an hour by October 2004

This submission again raised the failure of the ONS to accurately predict the number of workers benefiting from the NMW. We argued that the LPC should request an immediate review of minimum wage statistics by the new independent Statistics Commission in order to keep on improving their quality, transparency and accessibility.

The submission included evidence that privatisation of public services had created serious downward pressure on earnings. We called on the government to enact 'fair wages' legislation which would guarantee pay and conditions to contract staff that were no less favourable than for those in the public sector.

For this submission we repeated the study on young workers carried out for the 1999 evidence. Results of the survey confirmed earlier conclusions that young workers were doing full jobs, working long hours at low pay, and receiving little or no training. We concluded that young people were a growing presence in the labour market and needed protection.

We called on the government to abolish the youth rate for 18-21 year olds and replace it with the adult rate. In addition, we argued that 16 and 17-year-olds should be given full coverage under minimum wage regulations. This research was expanded further for our special submission on the extension of the minimum wage to 16 and 17 year olds.

Evidence was presented that certain UNISON groups had failed to secure a minimum wage because they have fallen through the regulatory net. While some progress had been made in tackling the problems faced by student nurses, the majority remain on bursaries worth £2.70 an hour. Term-time only staff also continue to experience severe difficulties. A case study outlining the particular problems suffered by agency staff included in the submission.

The submission also presented evidence to show that many employers continued to evade minimum wage regulations or claw back increases from low wage workers. We argued that the Enforcement Agency should have wider proactive enforcement powers and that consideration should be given to the establishment of a labour inspectorate to go beyond enforcement of the NMW.

5. Not Just Child's Pay: Why young workers need a minimum wage, November 2003

UNISON worked with YMCA England to submit evidence to the Low Pay Commission on the pay, conditions and financial responsibilities of16 and 17 year olds in response to consultation by the Low Pay Commission on whether to extend the minimum wage to 16 and 17 year olds.

UNISON carried out a survey of nearly 1700 young workers between the ages of 13 and 21. The results confirmed that young workers frequently did responsible jobs for low pay and little training. Building on these results, UNISON and YMCA England carried out joint focus groups with young people involved with YMCA programmes. These explored the nature of the work that young people are engaged in, and how their jobs interact with education, training and the benefit system.

Results of our study showed that young workers were performing tasks equivalent to those of adult workers and contributing to the economic success of the organisations they work for. In addition, our research uncovered serious problems for young workers on Modern Apprenticeships who are expected to do full-time jobs on as little as £40 a week, and for young people who are dependant on benefits. Focus groups also showed that there were particular problems caused by the current benefit rules for young people.

The submission recommended that the minimum wage be extended to 16 and 17 year olds, including those on Modern Apprenticeships. We also called for research into the equalisation of benefits for all people, regardless of their age and the abolition of the limits on Housing Benefit for those under the age of 25.

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