

Crunch time?

Why the LPC cannot ignore the 'heat or eat' dilemma

**UNISON Submission to the Low Pay
Commission**

October 2008



Executive Summary and Recommendations

UNISON, the UK's largest public service union, has over recent years developed a strategic approach to setting our National Minimum Wage (NMW) target. This involves examining all the economic indicators, as well as taking into consideration our bargaining and policy objectives and the 'living wage' figure developed by the Family Budget Unit.

There has been a continuous period of high price inflation, with energy, food, transport and housing costs particularly high. Inflation in these core goods has meant that inflation rates for low paid workers are much higher than the official figures for the economy. We believe strongly that the Low Pay Commission (LPC) need to reflect this in their recommendation to government. They cannot ignore the 'heat or eat' dilemmas faced by several million low paid workers and their families.

Average earnings in 2008 have been running at around 3.7%, though public sector earnings have now fallen behind those in the private sector, and RPI inflation has been between 4-5%.

Pay settlements are averaging around 3.2% across the economy, with pressure from the Treasury to hold public service increases to 2%, which has met widespread trade union resistance. The 2% figure is based on the inflation target using the Consumer Prices Index (CPI) and does not include housing costs, a critical factor.

Current minimum rates in large UNISON sectors range from £6.00 in local government (NJC April 2007) to £6.91 in Further Education.

The minimum wage is currently £5.73 an hour (October 2008). By comparison, the amount a worker needs an hour to achieve a 'living wage' without recourse to in-work benefits has been calculated by the Family Budget Unit to be £7.37 for a two earner family with two children.

The new Mayor of London, Boris Johnson, has recently confirmed (July 2008) the London Living Wage figure to be £7.45 an hour.

We repeat our position that the different age bands of the NMW for young workers are discriminatory and recommend their removal.

We continue to be concerned about the extra costs and difficulties experienced by disabled workers.

Enforcement of the NMW and other employment regulations at the bottom end of the labour market are still a priority and we would want the LPC and Government to act on all the recommendations of the TUC Commission on Vulnerable Employment (COVE).

RECOMMENDATIONS:

- Based on the evidence, UNISON calls for a National Minimum Wage of £7.45 an hour by 1 October 2010.
- 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’, with a view to harmonising it with the adult rate over time.
- That the current apprentice exemption from the National Minimum Wage Act be removed.
- That apprentices be entitled to the full minimum wage for the hours they work.
- That there be tighter controls over the quality of training offered to apprentices.
- That examples of best practice, such as the North Yorkshire County Council scheme, be publicised as widely as possible.
- That the LPC consider the higher living costs experienced by disabled workers when making their recommendations.
- That the budget for NMW enforcement continues to be increased to allow for more proactive and targeted enforcement, especially in those sectors where migrant workers predominate.
- That agency staff be given the same employment rights as permanent staff, to protect both local and migrant workers from exploitation.
- That employment agencies be made a priority target for enforcement.
- That the remit of the Gangmasters Licensing Authority be widened to include other sectors with a high proportion of migrant workers.

UNISON Submission to the Low Pay Commission 2008

1) Introduction

UNISON is the UK's largest public service trade union with 1.3 million members. Our members are people working in the public services, for private contractors providing public services and in the essential utilities. They include frontline staff and managers working full or part time in local authorities, the NHS, the police service, colleges and schools, the electricity, gas and water industries, transport and the voluntary sector.

This is our eleventh submission on the National Minimum Wage (NMW) to the Low Pay Commission (LPC), something we started campaigning for in the 1980s. Already, this year we have made a separate submission¹ on why apprentices should not be exempt from the NMW. 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.

With energy and food prices rising rapidly in 2007 and 2008, and with low paid workers having an effective inflation rate on the goods and services they consume nearer 10% on average (far higher than the Retail Price Index for the whole population) then the LPC needs to make a key decision. Are they going to acknowledge the 'heat or eat' dilemmas faced by many and recommend a rate that reflects this experience? UNISON believes they should.

The Low Pay Commission remit for this review is to recommend rates for October 2009 and October 2010 and to:

- Monitor, evaluate and review the NMW and its impact, with particular reference to the effect on pay, employment and competitiveness in the low paying sectors and small firms; the effect on different groups of workers, including different age groups, ethnic minorities, women and people with disabilities and migrant workers and the effect on pay structures.
- Review the levels of each of the different minimum wage rates and make recommendations for October 2009. The Commission is also asked to make provisional rate recommendations as appropriate for October 2010.
- Review the current apprentice exemptions and advise whether they are still appropriate. The Commission is asked to bear in mind the Government's ambition to increase the number of apprentices to 500,000 and the need to ensure that sufficient employed places are available when the education participation age is raised in 2013.

¹ "Fair pay or cheap labour", UNISON, August 2008

In this submission we make the case for a minimum wage rate of £7.45 an hour by 2010.

2) Background

The NMW was introduced in April 1999 by the Labour Government who also set up the Low Pay Commission² to provide them with regular recommendations. There have been no widespread job losses as predicted by the critics, in fact employment increased.

UNISON believes the NMW was introduced too cautiously and has only benefited about 1-1.1 million jobs instead of the 2 million initially intended. After a slow start the LPC recommended rises above average earnings growth to give the NMW slightly more bite.

The rates of the NMW so far have been:

Table 1: Historical rates of the National Minimum Wage, 1999-2008

Adult Rate (for workers aged 22+)		Development Rate (for workers aged 18-21)		16-17 Year Olds Rate	
1 Apr 1999	£3.60	1 Apr 1999	£3.00	-	-
1 Oct 2000	£3.70	1 June 2000	£3.20	-	-
1 Oct 2001	£4.10	1 Oct 2001	£3.50	-	-
1 Oct 2002	£4.20	1 Oct 2002	£3.60	-	-
1 Oct 2003	£4.50	1 Oct 2003	£3.80	-	-
1 Oct 2004	£4.85	1 Oct 2004	£4.10	1 Oct 2004	£3.00
1 Oct 2005	£5.05	1 Oct 2005	£4.25	1 Oct 2005	£3.00
1 Oct 2006	£5.35	1 Oct 2006	£4.45	1 Oct 2006	£3.30
1 Oct 2007	£5.52	1 Oct 2007	£4.60	1 Oct 2007	£3.40
1 Oct 2008	£5.73	1 Oct 2008	£4.77	1 Oct 2008	£3.53

3) The Target Rate

UNISON is guided by a variety of measures and members' experiences when setting a minimum wage target:

- 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;
- UNISON's policy priorities.

² See www.lowpay.gov.uk for more information.

The sections below provide some of the evidence we considered when setting our NMW target.

4) Inflation and the cost of living

Retail Prices Index (RPI) inflation fell to 4.8 per cent in August, down from 5.0 per cent in July. The government's preferred measure of inflation - the consumer prices index (CPI) – was 4.7 per cent in August, up from 4.4 per cent in July. CPI excludes housing costs, which can make up half of peoples' expenditure, and therefore is unsuitable for guiding pay policy and bargaining.

According to analysts at the bank Credit Suisse First Boston: "We are now close to the peak in RPI given the recent move in oil prices. We could see RPI coming down over the course of this year and early next year." The IRS forecast is "RPI will fall from its third-quarter peak of 5.1% to 4.8% in the final quarter of 2008. The rate will continue to decline through 2009, reaching 3.5% by the second quarter."

The minimum wage rose 3.3% between 2007 and 2008. Meanwhile, in the year to August the all items RPI rose by 4.8%. It has been above 4% almost continuously since November 2006. But economists say that the real rate of inflation for much of the country is closer to 6% -- even higher for those on low pay because they spend a higher proportion of their income on basics, like housing, food, fuel and petrol, which are rising steeply.

Croner Reward estimates that the average level of income required for a family to maintain its current standard of living in the UK has increased by 9.7% over the past 12 months¹.

Prices of staple items at the big supermarkets are rising by an average of 19% a year, adding up to £750 to an average family's food bill. Bread and milk cost 22% more than it did a year ago. Butter costs 40% more than it did, and meat prices are up too.³

A report in June 2008 by USwitch, an independent price comparison service, said that above-inflation increases on basics like food, fuel, energy will push monthly household costs up by £148 over the next year, while average earnings will rise by £44 a month. That prediction looks conservative in the light of recent announcements of energy price increases of 35% this winter.

³ ONS, *Consumer price indices First Release*, August 2008

The New Policy Institute estimates that the rises in energy prices has roughly doubled the number of households in fuel poverty, from 1.5 million in 2005 to 3.0 million in 2007. They note that these calculations show how important fuel prices are to the scale of fuel poverty: the increase of gas prices by around a third between 2005 and 2007, plus the increase in electricity prices by around a quarter, has doubled the numbers in fuel poverty.

Results of a major research project funded by the Joseph Rowntree Foundation published on 2 July 2008 show that even a single person with no dependants living in council housing needs at least £13,400 a year before tax to afford a basic, but acceptable standard of living. That would amount to approximately £257 a week.⁴

Workers using their own car for work purposes, a common practise in local authorities and the NHS, have had no increase in the HMRC rate for car allowances since April 2002 when it was set at 40p a mile for the first 10,000 business miles driven, and 25p mile for all annual miles exceeding this - regardless of engine size or type of car driven. Meanwhile the cost of petrol alone has gone up by 51% over that period. According to the ONS, petrol and oil prices have risen by 21% over the past year.

5) Earnings

The IRS measure of pay awards - the midpoint in the range of basic pay deals - stands at 3.5% in the three months to 31 July 2008, according to the latest provisional analysis .

This is 0.2 percentage points up from the revised figure for the previous rolling quarter (3.3%). However, the headline pay award is now 1.5 percentage points below RPI inflation, which stood at 5% in July.

IRS notes that: "Despite an increase in the level of pay awards over the past month, the faster pace of growth in inflation leaves employees' pay rises some way below the level of increase in prices."

Average earnings excluding bonuses rose by 3.7% in the year to July, the same figure as the previous month. Average earnings including bonuses rose by 3.5% in the year to July 2008, up 0.1% from June..

In the year to July, pay growth (including bonuses) in the private sector stood at 3.5 % compared with 3.3 % for the public sector. Excluding bonus payments, private sector growth stood at 3.7 %, which is the same as in the public sector.

According to ASHE 2007 the median hourly rate earned by 16 and 17 year olds is £4.91 an hour, with 80% of young workers under the age of 18 earning less than £6.00 an hour. Median hourly pay for 18-21 year olds is £6.25, with 40% of workers in this age group earning less than £6.00. Median hourly earnings for 16/17 year olds constitute only 48% of the median for all workers, while the median for 18-21 year olds is 61% of that for workers of all age groups.

⁴ www.minimumincomestandard.org

UNISON and other unions in the energy sector have negotiated the following pay settlements that are closer to the rate of inflation:

Accuread – 4.9%

British Energy – 5%, July 2008

EDF Energy – 4.5%, April 2008

National Grid – 2 yr of deal-4.7%

British Gas, some higher grade staffs at 3.3% from 1/1/08 or 1/4/08 (market related)

Scotia Gas Networks – 4.6%, July 2008

Wales & West Utilities – 4.6%

Scottish and Southern – 4.6% plus £500, April 2008

In other areas annual pay awards for UNISON members have been between 2-4% pa.

UNISON also have succeeded in bargaining with a large number of facilities management multi-national companies in England who have NHS contracts for portering, cleaning, laundry and catering and to significantly increase the hourly rates of pay to match (by over a £1 an hour in many cases) the NHS Agenda for Change agreement for directly employed staff. The point here is that, under pressure over the last 2 years, the companies have been able to afford to pay staff much more without damaging their considerable profits.

6) Poverty

The government has focused much of its attention on the proportion of children and pensioners living in poverty, but little attention has been paid to the growing numbers of single working people without dependent children who live in low income households. According to the New Policy Institute, the proportion of working-age adults without dependent children living in low income households has remained unchanged, at around 16-17%, while absolute numbers of working-age adults in low income households has increased by 500,000 since 1994/95, with most of this increase being among single adults.

Single working-age adults without dependent children are now more likely to live in low income households than the population on average. They are also twice as likely to be in low income as working-age couples without dependent children (23% compared to 11%). A third of all people in low income households are now working-age adults without dependent children, and the majority of these are single adults rather than couples.⁵

The debacle over the 10p income tax rate in the spring of 2008 revealed that it was this group of low paid adults without children under the age of 18 who were the biggest losers and the Chancellor made a formal reference to the LPC to look at the issue of young workers under the age of 25 who would not be eligible for Working Tax Credit.

⁵ New Policy Institute, Low income by age group
<http://www.poverty.org.uk/03/index.shtml>

Results of a major research project funded by the Joseph Rowntree Foundation published on 2 July 2008 show that even a single person with no dependants living in council housing needs at least £13,400 a year before tax to afford a basic, but acceptable standard of living. That would amount to approximately £257 a week or £6.76 an hour for a 38 hour week.⁶

7) Low Pay & Living Wage

i) Low Cost but Acceptable

On 1st July 2008 a new report was published by the Joseph Rowntree Foundation. “A minimum income for Britain” describes a threshold of a socially acceptable income according to judgements made by members of the public. The project was undertaken by the Centre for Research in Social Policy (CRSP) at Loughborough University and the Family Budget Unit at York University.

The report is the culmination of two years of research, based on work with 39 focus groups involving more than 200 people, who were actively engaged in shaping the research, in combination with input from experts on heating and nutrition. The report sets out a series of minimum income standard budgets for 4 household types: single adults, couples with two children, lone parents with one child and couple pensioners.

In the past UNISON has used the Family Budget Unit’s Low Cost but Acceptable threshold as one of the indicators for our NMW and collective bargaining target. The new Minimum Income Standard (MIS) will now take over as the source of data for our calculation. According to the new study, a family with two children and two adults working full time would need £7.37 an hour to meet the MIS standard.

ii) Living Wage

On 28 July the Mayor of London Boris Johnson confirmed that all Greater London Authority employees and those working for new GLA contractors are to be paid the new London Living Wage of £7.45 per hour.

The London Living Wage has been calculated yearly for each of the past four years and recognises the higher costs of living in the capital which are not reflected in the National Minimum Wage. All GLA staff – both directly and indirectly employed - are currently paid the 2007 Living Wage rate of £7.20 per hour. The London Living Wage is also being paid by contractors at four London health trusts and three universities, along with a number of private and voluntary sector institutions.

⁶ www.minimumincomestandard.org

8) Minimum pay in the public sector

Table 2 Minimum Pay rates in the public sector

	Annual (£)	Hourly (£)	Details
NHS	12,517	6.40	Based on 2008/09 agreed deal
Further Education	13,288	6.91	Based on 2008/09 agreed deal
Police staff	12,138	6.29	Deal effective from 1st September 2007
Higher Education	12,461	6.46	These figures are effective from May 2008. In October there will be a further increase. The annual minimum will then be £12773 at an hourly rate of £6.62
Probation	13,203	6.84	<u>From 1st April 2007</u>
NJC Local Government Single Status	11,577	6.00	<u>From 1st April 2007</u>

Above are just a few of the minimum rates in some of the main bargaining groups.

9) Government Pay Policy

The Comprehensive Spending Review (CSR) covering the three years from 2008 to 2011 was tighter than previous years and confirmed the pay policy (below). The three year CSR settlement has led the government to encourage departments and employers to try and conclude multi-year deals.

The exact phrase used in the CSR report was that Government departments would conduct their pay and workforce policies along the following principles:

- “maintaining macroeconomic stability in order to promote growth and employment, with public sector pay settlements consistent with the achievement of the Government’s inflation target of 2 per cent..
- “ensuring total pay bills represent value for money and are affordable within departments overall expenditure plans, taking into account other spending that is key to service improvements and the ability of staff to do a good job, such as equipment and new technologies; and
- “maintaining the necessary levels of recruitment and retention needed to support service delivery, taking into account the wider labour market conditions relevant to the public sector.”

The problem is that the government departments (despite their varying CSR settlements) and the Treasury have interpreted this as a 2% limit on pay settlements, in order to help them find savings for spending on other priorities.

Strictly speaking, average earnings (which always runs about half a percentage point above settlements) can be much higher than 2% and be consistent with the government hitting their inflation target (as measured by the EU compatible Consumer Price Index (CPI) that excludes housing costs). Ever since Bank of England independence in 1997 the economy was relatively stable with RPI inflation typically averaging about 3% pa and average earnings about 4.5% pa and in all the that time the Bank only missed the monthly inflation target range once (in early 2007).

Since the credit crunch the economy has been more unstable in 2008 and the inflation target has now been missed several times. The annual private sector rate (representing about 80% of the workforce) has tended to be a little higher than the public sector rate of average earnings growth over the last decade but not always, between 2002 and 2004 for example the public sector was higher. The point is that throughout the last decade public sector wage settlements and average earnings have been higher than 2% pa and with no threat to the inflation target. Many eminent economists contest the government view that public sector pay causes inflation, indeed some wrote to the Financial Times saying they would fail any student who suggested this in an essay. The LPC therefore, despite the current economic woes, should discount any government evidence received that suggests wage restraint by low paid workers is necessary to curb price inflation, which is largely caused by rising world energy and commodity prices.

10) NMW and young workers

a) Youth rates

Since the introduction of minimum wage in legislation in 1997, UNISON has consistently called for the elimination of differential rates based on age. In our 2007 submission we wrote:

“UNISON believes in the “rate for the job” and would like the full NMW rate to begin at age 16. We believe this could be achieved in two stages lowering the adult rate to 18 and then 16.

We remain disappointed with the government for rejecting on at least three occasions recommendations from the Low Pay Commission for 21 year olds to be eligible for the adult rate. We believe that there could be exceptions to our policy where young workers are receiving quality apprenticeships leading to qualifications and higher wages. However, due to our current concerns about quality, completion rates and exploitation we would like apprenticeships bought immediately under the current NMW regime.⁷”

We welcome the fact that the Labour Party at their National Policy Forum at Warwick University in July 2008 shifted their policy on the issue of 21 year olds receiving the adult rate and therefore if the LPC were to repeat this recommendation again then it is very likely to be accepted by Government.

UNISON has generally argued that lower age rates are discriminatory. They are based on a personal characteristic that has nothing to do with the performance of the job. Our own research has repeatedly shown that lower pay levels offered to young workers do not adequately reflect of the value of the work they work they do, and result in real hardship for young workers.

In preparation for this submission, we repeated a survey carried out originally in 2004 and 2005. Young workers aged 16 to 19, doing a range of jobs across all sectors of the economy were asked to provide details of their jobs, pay levels, hours and responsibilities. They were asked whether their job involved training, whether the number of hours they worked affected their studies, and how they spent their earnings. Approximately 50 responses were received, a number of which were followed up to obtain more detail.

As in previous years, the responses told a tale of young people working long hours doing highly responsible jobs for low pay and receiving little in the way of training from their employers.

Far from being heavily supervised, many young workers are left to function on their own. A 17 year old woman working 13 hours a week as an administrator

⁷ UNISON has provided evidence on the need to extend minimum wage to apprentices, see previous footnote.

in a leisure centre answering phone calls, and dealing with clients' queries, said, "I had to learn on the job because they were short-staffed. I'm responsible for opening up on a Saturday (turning on the computers and so forth), only the cleaners are there already.

Another was responsible for shutting up shop at midnight, along with only a pharmacist and one security guard. Although a supervisor would be nearby, a young steward could find herself controlling a crowd of up to 500 people. A 17 year old sailing instructor teaches adults and can often be the only qualified person in the boat. And finally one 17 year old is regularly covering for the manager and depositing large sums of cash, in one instance, what he believes, was up to £10,000.

The survey also pointed up the fact that many young people were receiving only minimal training from their employer. A number of those surveyed thought their training was insufficient and would have preferred more time to find their feet. Six people's training was in fact their first day being used as an induction, and for one it was the second-leg of their interview. One person said that they had been given two weeks training, but that this was unpaid and for a lot of the time just felt like he was working, or practising, by himself. In only two cases was some kind of qualification needed before they could start the job.

Average pay rates varied from £4.94 for 16 year olds to £6.07 for 19 year olds.⁸

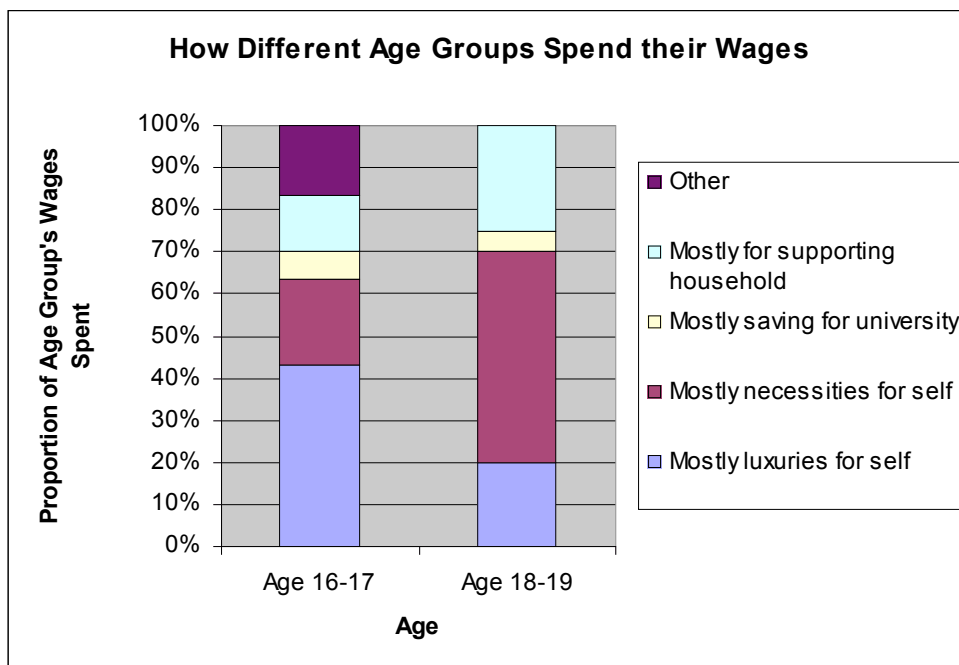
Chart 1: Different average pay rates, aged 16 -19 in UNISON Survey



⁸ Approximately 50% of the respondents worked in the Greater London area, possibly inflating average pay rates somewhat.

Contrary to the assumption that young people are working to pay for luxuries, a high proportion of respondents – 40% of the 16/17 year olds and 80% of the 18/19 year olds said that they used the money to buy necessities for themselves, to put toward savings for university or to contribute to their family’s income.

Chart 2: How different age groups spend their wages



Source: UNISON Young Workers Survey

b) Youth rates being used to reduce pay

At least one example has come to light of an employer using the development rate of the minimum wage to reduce the pay rates of young workers. Bath University employs over 2,000 casual workers to undertake work as and when required. The university has proposed a new pay system to simplify the grading structure for casual staff, linking them to the university grading structure which has been developed using the national Higher Education framework pay agreement. In most cases casual staff will be assimilated onto the bottom point of university scales, with one exception: they are proposing to use age related and adult minimum wage rates for their bottom grade posts. The University projects that they will save approximately 6% on their casual pay bill for 2008/9. The savings will come from a 15% reduction in the rates paid to the bulk of staff on the lowest grade by implementing the age related National Minimum Wage Rates for these staff. Under this proposal, jobs that will pay £4.77 an hour to 18-21 year olds will include casual fitness instructor and casual lifeguards.

The list of tasks and proposed pay rates are below:

Table 3: University of Bath casual staff pay structure 2008/9

CASUAL PAY STRUCTURE	HOURLY RATE	JOB DESCRIPTION	TASKS TO INCLUDE (BUT NOT LIMITED TO)
CW A*	£4.77 (+ holiday pay at 9.2%) (Minimum wage 18-21 years of age)	Prescribed, straightforward support work performing basic tasks as directed, with minimum instruction. No training required outside of local procedures.	Casual Filing Clerk
			Casual Fitness Instructor
			Casual Food & Beverage Support
			Casual General Assistant
			Casual Lifeguard
CW B*	£5.73 (+ holiday pay at 9.2%) (Minimum Wage)		Casual Mail out Assistant
			Casual Receptionist
			Casual Retail/Shop Assistant
			Casual Student Ambassador
			Casual Tour Guide/ Usher

A 15% reduction in pay is likely to cause real hardship for the many students who are working to pay their living costs while at university. Reducing the rates will force them to work more hours, damaging their academic work – a contradictory position for a university aiming to ensure academic excellence.

c) Employers oppose age discrimination

UNISON’s views have been echoed by The Employers Forum on Age (EFA), an independent network of leading employers with over 240 member organisations that collectively employ over four million people in the UK (more than 14% of the UK workforce). Core members include B&Q, Barclays, British Airways, BT, Cabinet Office, Cadbury Schweppes, Centrica, Chartered Institute of Personnel & Development, Co-operative Group, Craegmoor Healthcare, Department of Work & Pensions, Department for Transport, GlaxoSmithKline, HBOS, HSBC, Manpower, Marks & Spencer, Procter & Gamble, Nationwide, Royal Bank of Scotland Group, Royal Mail, Sainsbury's, Shell and Transport for London.⁹

⁹ <http://www.efa.org.uk/about/default.asp>

Because development rates can be applied irrespective of an individual's job or responsibilities, the EFA believes that "this constitutes direct age discrimination". They call on the government to equalise NMW rates at 18. While this might lead to a short term rise in costs to the employer, the EFA asserts that "this would, in many instances, be off-set through the subsequent increase in labour supply. Higher wages would bring more candidates to the workforce giving the employer a greater number from which to choose the most productive workers. In addition, the increased rate of pay could increase the overall productivity of each worker, benefiting the medium and long term outputs and profitability for the employer."

The EFA also discounts arguments that a higher minimum wage for young people will cause significant job or lead to more young people leaving higher education. They believe instead that higher rates will draw more young people off benefits and into the labour force and provide incentives for employers increase training for young workers. Far from being a drain on the economy, EFA estimates that the multiplier effect in the economy, where a rise in spending leads to a rise in national income, would benefit economic activity by approx £227 million a year."

RECOMMENDATION:

- 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', with a view to harmonising it with the adult rate over time

11) Apprentices

As mentioned previously, UNISON made a separate and full submission on apprentices in August 2008 and the contents are summarised here for completeness.

Currently apprentices under the age of 19 and older workers in their first year of apprenticeship are exempt from the minimum wage.

Information gathered from UNISON members indicates that recommended pay rates for apprentices remain well below the youth minimum wage levels and significantly below nationally negotiated rates in the public services. While there were some outstanding examples of good practice, many of our survey respondents felt that the payment of apprentices did not accurately reflect the work they were expected to do. In most cases apprentices did a full-time job, carrying out the same tasks as their colleagues, but for significantly less money. Training quality was inconsistent and professionals advising young people on apprenticeships reported frequent misuse of the training rate. We recognise that quality has improved over recent years, as have completion rates (60%), and support the government expansion of apprentices. We also welcome the rise of the

LSC minimum apprentice rate in England next year to £95 pw. However we still believe that apprentices should all be covered by the NMW and the NMW enforcement regime.

Recommendation:

- That the current apprentice exemption from the National Minimum Wage Act be removed;
- That apprentices be entitled to the full minimum wage for the hours they work;
- That there be tighter controls over the quality of training offered to apprentices;
- That examples of best practice, such as the North Yorkshire County Council scheme, be publicised as widely as possible.

12) Disabled Workers

We are pleased to respond on this issue as disability has been specifically mentioned in the LPC remit.

Welfare reform proposals in the Green Paper “No One Written Off Reforming Welfare to Reward Responsibility” propose huge implications for disabled people in setting a target of an 80% employment rate and one million people off incapacity benefits by 2015. UNISON’s concern about the proposed threat to The Access to Work Scheme being withdrawn from public services can be relaxed as new DWP information advises that it will continue to be available across all sectors and resources doubled. We may however need to question if doubling resources will be sufficient to preserve access needs for our members jobs, and at the same time, be sufficient to support access needs of those disabled people making the transition from incapacity benefit into paid employment.

Historically disabled people who are in paid work have been concentrated in low paid occupations with little opportunity for training and other career progress. The Government’s Office for Disability Issues reports in “Experiences and Expectations of Disabled People” that disabled people in employment are 25% less likely than the working population as a whole to be employed as managers or in professional occupations, but 39% more likely to be working in elementary occupations - a classification covering a wide range of jobs including labourers, waiters porters and cleaners. Although the Disability Discrimination has raised disabled members expectations about anti discrimination provisions they remain clearly disadvantaged economically due to the additional cost of disability. Minimum wage rates presume that people will be working full time, for some disabled people this will not be the case, particularly those with stamina or fatigue issues.

High price inflation has a particularly negative impact on disabled people. Disabled people have a disproportionate risk of being poor, i.e. of having an income below 60 per cent of the national median average. Department for Work and Pensions statistics for 2002-03 showed that 29 per cent of households with disabled people were poor,

compared with 17 per cent of households without disabled people. However, these statistics underestimate the true extent of poverty among disabled people because they are based solely on income (including disability benefits), and do not take into account the additional costs disabled people may incur because of their disability. More recently Citizens Advice Scotland (July 06) reported its research findings that the additional cost of disability is condemning thousands of Scots to poverty and deprivation, forced to reduce heating, lighting or cooking because of difficulties paying for fuel.

a) The additional cost of disability

Disabled people experience additional costs in most areas of everyday life, from major expenditure on equipment essential for independence, to ongoing higher expenses for, for example, food, clothing, utilities and recreation. According to research undertaken by the Joseph Rowntree Foundation “Disabled people’s cost of living; More than you would think” shows poverty among disabled people is seriously under funded; research findings illustrate weekly budget standards required for disabled people as follows:

- £1,513 for a person with high-medium mobility and personal support needs
- £448 for a person with intermittent or fluctuating needs (i.e. from relatively negligible needs to higher needs)
- £389 for a person with low-medium needs
- £1,336 for a person with needs arising from hearing impairment
- £632 for a person with needs arising from visual impairment.
- Deaf people face particularly high costs due to their need for interpreter/communicator services.
- The weekly income of disabled people who are solely dependent on benefits is approximately £200 below the amount required for them to ensure an acceptable, equitable quality of life.
- Unmet weekly costs for disabled people who work 20 hours per week at the minimum wage are up to £189 (for those with high-medium needs).

JRF’s research compared that **paid work and the highest and lowest disabled person budget standards** were compared with the wage of someone working 20 hours per week at the minimum wage, taking into account Working Tax Credit, Housing Benefit, Council Tax Benefit and DLA as appropriate. For disabled people on this minimum wage, unmet costs remained very high. Even if PA costs are excluded and it is assumed that full Housing and Council Tax Benefits are received, unmet costs would be between £118 and £189 per week.

Table 2: Minimum wage model compared with disabled person budget standards (excluding PA and housing costs)

	Total income per week (£)	Disabled person budget standard per week (£)	Unmet costs per week (£)
High-medium needs	278	467	189
Low-medium needs	161	279	118

Source: Disabled people's costs of living

Source: JRF

b) Our members’ experiences

Some of UNISON’s disabled black members report particularly high disability related costs and relatively poorer job prospects when there is a genetic condition within the family. Time off work for hospital treatment, time off work to attend their children’s’ treatment impacts on employers sickness and attendance records, performance appraisals rarely recognise such disability related reasons as reasonable adjustments and career opportunities are reduced. Additional personal costs met as a result of limited NHS prosthetics including wigs is reported as well as expensive and limited camouflage make up that rarely reflects need beyond Caucasian skin tone. Language barriers are highlighted by Deaf and disabled black members particularly where good nutrition is fundamental to cell regeneration a speedy recovery and both groups raised the high cost of fresh produce as a consideration when meeting the cost of other household commitments.

Disabled members advise that there is great disparity in experience of spending power in relation to medication costs. Gordon Brown’s speech at Labour Party conference on Wednesday 23 September advised that from April 2009 prescriptions for cancer medication will be provided free. Free prescriptions are already available for disabled people who have Diabetes and some other long term health conditions but not others such as Rheumatoid Arthritis which can make a considerable dent in the household income, one member reported the need for 14 prescription drugs per month and others raised poverty relating to expensive surgical dressings and orthotic footwear (£1800 per pair). There is also inadequate publicity for reduced prescription arrangements and many of our own members didn’t know they may be eligible for full exemption charges.

Transport is cited as one of the greatest factors in members’ quality of life whether it’s to get them to and from work, to help manage shopping or more generally for socialising. Disabled members have also raised concerns about the impact of rising energy costs as fuelling poverty and isolation. For many disabled people, using buses and trains is not viable: public transport may be inaccessible or run too infrequently. Often, the ability to remain mobile and independent depends solely on having a car. The situation is reported by members to be even more depressing for those who live in rural areas where public transport services run less frequently, and with fewer route options.

Disabled people often have to buy larger vehicles to transport wheelchairs and scooters. People who drive with hand controls also have to have an automatic. Large automatic cars are about the worst for fuel consumption: for example, on “What Car?” website, a Vauxhall Corsa 1.3 CDTI has an average mpg of 62.8. If diesel is taken at £1 .30 a litre, it costs £58.44 to fill for a journey of 622 miles, AVW Caravelle 2.STDI, with an average

34mpg, costs £104 to fill for a journey of 598 miles. The threat of the car sitting idle due to fuel costs has been described as being like under the threat of house arrest.

Domestic fuel is a core good for many disabled members; reduced mobility, additional laundry needs and the need to recharge essential electrical aids and adaptations (beds, hoists and wheelchairs) have a significant impact on the household budget especially where members have had to reduce their working hours for impairment related reasons. Members have commented that they face the stark choice of eating or heating this winter. For those living in social housing many members report extra fuel costs due to poorly maintained insulation in doors, windows and roofs, the added cost of fuel bought through fuel keys (rather payment than via direct debit) and the essential need for tumble drying as there is often lack of accommodation space to dry clothes naturally.

Clearly considering just the hourly rate for a minimum wage will not address the poverty experienced as a result of disability but then NMW is significant and the LPC should factor the disabled workers experience in to their recommendations. Again they should not be afraid to make other recommendations to Government about measures for an anti-poverty strategy that enhances disabled workers income and working experience.

13) Gender Pay Gap

Low Pay Commission reports have showed that raising the National Minimum Wage is a very effective way of closing the gender pay gap and the introduction of the NMW in 1999 had a significant impact with two third of the beneficiaries being women.

So far between 1997 and 2006 the gender pay gap between women and men's average full time earnings reduced by 3.5% but the gap between men's full time average earnings and women's part time average earnings did not reduce at all in that time. The current Government can be lauded for the emphasis it has placed on tackling the causes and consequences of the gender pay gap – not since Barbara Castle introduced the Equal Pay Act in 1970 has so much attention been paid to tackling it – but the Government has shied away from taking the necessary action that could substantially reduce it, particularly in the public service under its direct control. The are limited proposals in the new Equalities Bill and the 2007 Comprehensive Spending Review was a missed opportunity. Belatedly some local authorities are being allowed to borrow extra amounts to fund their equal pay obligations to staff.

In one of its last acts before Equal Opportunities Commission becomes part of the new Commission for Equality and Human Rights they published a report¹⁰ showing that the pay gap for full time women is 17% and 38% for part time. Taking 20 and 25 years respectively to close at the current rates of progress.

14) Vulnerable workers and enforcement

There is growing concern in official quarters regarding vulnerable workers in the UK economy. Many vulnerable workers are not getting their legal rights. Even more are not

¹⁰ “The Gender Agenda”, Equal Opportunities Commission, July 2007

getting their proper paid holiday rights. The government has set up a vulnerable workers Forum and some new measures came in to force in April 2008 about giving the right to agency workers to opt out of paying for expensive services, such as transport, equipment and clothing, from agencies. The number of NMW and agency inspectors has been increased and the Gangmasters Licensing Authority has made a good start.

However, the TUC backed Commission on Vulnerable Employment (COVE) produced a hard hitting report¹¹ in 2008 showing that there was much more to do to end exploitation.

A deal between the CBI and TUC on agency worker rights has paved the way for the deadlock in Europe around the Agency Workers Directive to be broken and it is hoped that this reaches a conclusion under the French EU Presidency which ends in December 2008. However due to the slow legislative process in EU and UK extra agency worker rights may still be some time off.

The current Employment Bill contains measures to enhance the NMW penalty regime to act as more of a deterrent and this may come in to force in April 2009.

Migrant workers are particularly at risk. Evidence collected by UNISON and London Citizens reinforces the conclusion that unscrupulous employers and employment agencies are continuing to take advantage of migrant workers despite the strengthening of enforcement measures in this area.

RECOMMENDATION:

- That the budget for NMW enforcement continues to be increased to allow for more proactive and targeted enforcement, especially in those sectors where migrant workers predominate.
- That agency staff be given the same employment rights as permanent staff, to protect both local and migrant workers from exploitation.
- That employment agencies be made a priority target for enforcement.
- That the remit of the Gangmasters Licensing Authority be widened to include other sectors with a high proportion of migrant workers.

15) Conclusion

UNISON's submission to the Low Pay Commission in October 2008 is calling for a minimum wage of £7.45 by 1 October 2010.

We believe that the LPC should recognise the high cost of living for low paid workers in the current economic climate and raise the national minimum wage accordingly.

¹¹ "Hard work, hidden lives", TUC Commission on Vulnerable Employment

16) Further Information

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