



Low Pay Commission Consultation on the NMW Unite Evidence

Summary of the Main Recommendations

- **Adult Rate** - A rise of 6.1% in 2012 that brings the adult rate to a minimum of £6.45 and as near to £6.84 as possible by October 2012.
- **Development Rate, 16 – 17 Year Olds Rate and Apprentice Minimum Wage Rate** - These rates should increase by more than the Adult Rate in real terms, to help close the gap between them and the Adult Rate.
- **Fair Piece Rate** - Unite would like to recommend the removal of the fair piece rate option from the hotel sector because it can be argued that hotel room cleaning, work does not constitute “output work” under NMW regulation 5 (1999).
- **Bogus Self Employment in London Hotels** - Unite recommend that the LPC focus on the bogus self employed issue that is becoming increasingly prevalent in employment agencies that are supplying labour to the hotel sector.
- **Enforcement for Documented and Undocumented Migrant Workers** - Unite recommends the LPC focus on the issue of enforcement for documented migrant workers and undocumented migrant workers and calls for a clarification in the law that employers may be prosecuted for not paying the NMW whether their workers have legal contracts or not.

- **Agricultural Wages Board** – Unite would like the LPC to recommend that the Government reverses its decision to abolish the Agricultural Wages Board.
- **Clarity for Workers and Employers** - Unite feels any tinkering with the current format would be unnecessary and runs the risk of confusing workers and employers alike.
- **Compliance and Enforcement** - Unite recommends that the Government commits to making real term increases in current funding for monitoring and enforcement of the NMW.

Introduction

This evidence is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, food, agriculture, education, health and not for profit sectors.

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

The last rise in the adult rate of 2.5% was welcome¹, however the 2.5% increase has failed to keep pace with current inflation, which was 5.2% in the year to August 2011². This difference has seen low paid workers fall further behind and has allowed inequality to rise in the past year instead of being reduced.

¹ www.incomesdata.co.uk/pay-employment-data/national-minimum-wage.aspx

² www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/august-2011/index.html

Unite would ultimately like the NMW rate to apply as a flat rate from age 16 upwards on a 'rate for the job basis and believes that the LPC needs to be bold in setting a NMW rate for 2011 that will have a significant impact on the working poor and start to tackle income inequality in this country at a time when it is needed more than ever.

The Role of the Low Pay Commission

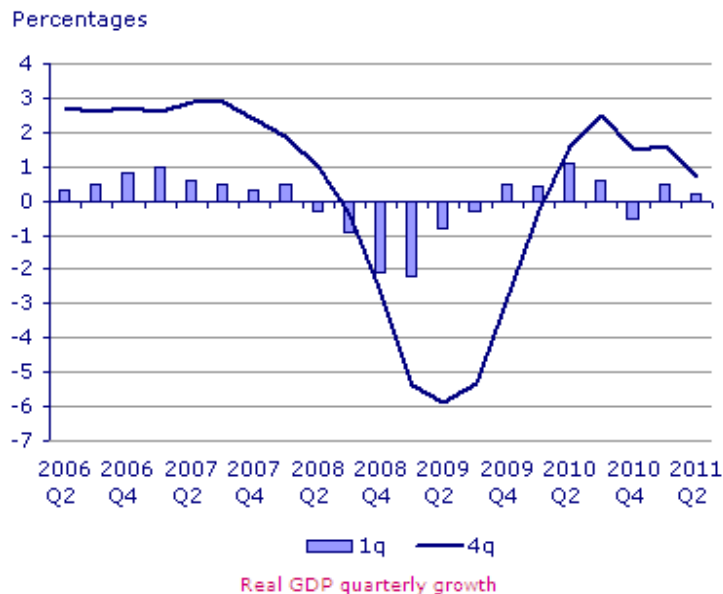
The LPC has been crucial in successfully co-ordinating the range of views that are shared by the different social partners and has made recommendations that have benefited millions of the most exploited workers. Unite would like to put on record its support for the work that has been done by the LPC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

Level and Impact of the National Minimum Wage

The Economy

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) increased by 0.2% in the second quarter of 2011, following an increase of 0.5% in the first quarter of 2011.³



³ www.statistics.gov.uk/cci/nugget.asp?id=192

The Chancellor forecast in the March 2011 Budget that the economy would grow by 1.7% in 2011, 2.5% in 2012, 2.9% in 2013 and in 2014 and 2.8% 2015.⁴ In August 2011 the Bank of England lowered its economic growth forecast for the UK from 1.8% to about 1.5% growth for 2011.⁵ The Treasury's latest independent forecasts for growth are 1.2% in 2011 and 2.0% in 2012.⁶

Unite believes that now growth has returned and is forecast to remain it would be wrong to be overly cautious and risk hitting hardest the lowest paid.

Inflation

In the year to August 2011 the all items retail price index (RPI) rose by 5.2%.⁷ Many essentials have been rising at a far higher rate than RPI inflation, which can be seen below.⁸

Food Expenditure

- Lamb up 24.2%
- Processed fruit up 19.6%
- Butter up 19.5%
- Coffee & other hot drinks up 18.4%
- Cheese up 11.0%
- Potato products up 10.7%
- Pork up 9.7%
- Fresh fish up 8.9%
- Soft drinks up 8.9%
- Poultry up 7.6%
- Bread up 7.0%

⁴ http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf

⁵ www.financemarkets.co.uk/2011/08/10/bank-of-england-lowers-economic-growth-forecast/

⁶ www.hm-treasury.gov.uk/d/201108forecomp.pdf

⁷ www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/august-2011/index.html

⁸ www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-223807

- Beef up 6.2%
- Milk products up 6.0%

Travel Expenditure

- Vehicle tax and insurance up 18.6%
- Petrol & oil up 17.0%
- Motoring expenditure up 8.5%
- Bus & coach fares up 7.2%
- Rail fares up 6.6%
- Fares & other travel costs up 5.9%

Household Expenditure

- Oil & other fuels up 24.7%
- Furnishings up 10.2 %
- Household consumable up 8.6%
- Fuel & light up 8.6%
- Other household equipment up 8.2%
- Gas up 8.1%
- Household goods up 7.1%
- Furniture up 5.6%

The Treasury's independent forecasts for inflation suggest that RPI inflation will remain above CPI inflation and will be around 3.4% in 2012.⁹

	Independent average				
	2011	2012	2013	2014	2015
Inflation rate (per cent)					
- CPI	4.4	2.6	2.0	2.0	2.1
- RPI	5.1	3.4	3.1	3.3	3.2

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

⁹ www.hm-treasury.gov.uk/d/201108forecomp.pdf

Impact on Employment

Low Paying Sectors Employment

There has been previous concern about the NMW decreasing levels of employment within the UK's low paying sectors (Retail, Hospitality, Social Work, Cleaning, Textiles, Agriculture, Security and Hairdressing). However, since the introduction of the NMW this has not proven to be the case. In fact, employment in the lower paying sectors within the UK has increased by 829,244 or 12.6%.¹⁰ In the last year employment in the low paying sectors has increased by 123,300 or 1.7%.

Low Paying Sectors	June 1999	June 2010	June 2011	Change Since June 1999	Change Since June 2010
Retail	2,607,000	2,750,000	2,755,000	+148,000 / +5.7%	+5,000 / +0.2%
Hospitality	1,654,000	1,747,000	1,815,000	+161,000 / +9.7%	+68,000 / +3.9%
Social Work & Residential Care	1,179,000	1,570,000	1,639,000	+460,000 / +39%	+69,000 / +4.4%
Cleaning (Services to buildings)	528,000	599,000	597,000	+69,000 / +13.1%	-2,000 / -0.3%
Textiles	143,000	61,000	59,000	-84,000 / -58.7%	-2,000 / -3.3%
Agriculture	260,000	257,000	224,000	-36,000 / -13.8%	-33,000 / -12.8%
Security	132,000	195,000	181,000	+49,000 / +37.1%	-14,000 / -7.2%
Hairdressing	95,664	125,608	157,908	+62,244 / +65.1%	+32,300 / +25.7%
All low-pay sectors	6,598,664	7,304,608	7,427,908	+829,244 / +12.6%	+123,300 / +1.7%

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

¹⁰ www.ons.gov.uk/ons/publications/rereferencetables.html?newquery=*&newoffset=25&pageSize=25&contentType=Reference+table&edition=tcm%3A77-222431 Table JOBS03: September 2011 (UK Totals)

Impact on Profitability

Employers are obviously concerned that the NMW reduces their levels of profit. With this said Unite believe that it is only right that when a company is making profits that this success should be shared with their employees. Especially at a time, when despite the recent difficulties being experienced UK corporations are making profits of £78.6 billion in Q1 2011.¹¹

Retail Sector

The Deloitte 2011 Global Powers of Retailing ranked 15 UK retailing companies within the top 250 companies in the world, of which Tesco's was the highest UK retailer in 4th place.¹² Tesco's made a staggering £3.5bn record profit before tax to the year end February 2011, which was 11.3% higher than the year before.¹³ Tesco's has since reported a 7.8% rise in group sales including petrol (8.4% at constant exchange rates) for the 13 weeks to 28th May 2011.¹⁴ So Unite would not accept that further significant NMW increases are beyond a company of Tesco's stature for instance.

Beyond the big companies it is difficult to assess what affect the NMW would have had on the profitability of smaller companies but we do know that within food retailing in the UK it is increasingly controlled by a small number of multinational corporations. In the UK we now buy 97.6% of our groceries in supermarkets and 75.6% from just four supermarket chains – Tesco (30.6%), Asda (17%), Sainsburys (16.1%) and Morrisons (11.9%).¹⁵

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

¹¹ www.statistics.gov.uk

¹² www.deloitte.com/assets/DcomGlobal/Local%20Assets/Documents/Consumer%20Business/GlobPowDELOITTE_14%20Jan.pdf

¹³ FAME

¹⁴ www.tescopl.com/media/165314/tesco_q1_ims_final.pdf

¹⁵ Kantar Worldpanel

Out of the top 50 employers in the retail sector in the UK, 43 reported a profit and 35 improved their financial position in comparison to their previous financial year's figures.¹⁶ This clearly demonstrates the profitability of the top 50 employers within the retail sector in the UK and is even more impressive when we consider the slow growth since the recessionary period.

Company Name	 Primary UK SIC (2003) Code	Last Year	Turnover th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Year - 1	Number of Employees Last avail. Yr.
TESCO PLC	5211	28/02/2011	60,931,000	3,535,000	3,176,000	384,389
TESCO STORES LIMITED	5211	28/02/2010	38,742,000	2,419,000	1,748,000	260,679
ASDA STORES LIMITED	5212	31/12/2009	19,819,000	571,000	497,000	168,666
ASDA GROUP LIMITED	5227	31/12/2009	19,836,000	799,000	520,000	168,666
WAL-MART STORES (UK) LIMITED	5227	31/12/2009	19,836,000	512,000	360,000	168,666
WM MORRISON SUPERMARKETS P L C	5211	31/01/2011	16,479,000	874,000	858,000	132,074
J SAINSBURY PLC	5211	31/03/2011	21,102,000	827,000	733,000	99,300
SAINSBURY'S SUPERMARKETS LTD	5211	31/03/2011	21,100,000	775,000	562,000	98,700
MARKS AND SPENCER P.L.C.	5212	31/03/2011	9,740,300	780,600	702,700	78,169
KINGFISHER PLC	5246	31/01/2011	10,450,000	671,000	566,000	78,000
JOHN LEWIS PLC	5212	31/01/2011	7,361,800	173,100	154,900	74,800
JOHN LEWIS PARTNERSHIP PLC	5212	31/01/2011	7,361,800	173,400	306,600	74,800
SAFEWAY STORES LIMITED	5211	31/01/2010	8,514,000	502,000	352,800	65,820
SAFEWAY LIMITED	5211	31/01/2011	8,951,000	492,000	505,000	64,454
MARKS AND SPENCER GROUP P.L.C.	5212	31/03/2011	9,740,300	780,600	702,700	54,675
WAITROSE LIMITED	5211	31/01/2010	4,317,200	154,000	129,000	41,100
BOOTS UK LIMITED	5231	31/03/2010	6,303,000	337,000	287,200	40,768
NEXT RETAIL LIMITED	5242	31/01/2010	3,204,066	359,795	247,990	39,283
DIXONS RETAIL PLC	5245	30/04/2010	8,532,500	112,700	-140,400	38,746
NEXT PLC	5242	31/01/2011	3,453,700	551,400	505,300	37,220
B & Q PLC	5244	31/01/2011	3,711,700	144,700	400,400	31,254
HOME RETAIL GROUP PLC	5244	28/02/2011	5,851,900	265,200	293,000	27,373
DEBENHAMS RETAIL PLC	5242	31/08/2010	1,956,200	229,700	210,000	27,195
KESA ELECTRICALS PLC	5245	30/04/2010	5,124,100	69,600	-81,800	26,569
NEW LOOK RETAIL GROUP LIMITED	5242	31/03/2011	1,461,200		36,000	23,939

¹⁶ FAME

<u>Company Name</u>		<u>Primary UK SIC (2003) Code</u>	<u>Last Year</u>	<u>Turnover th GBP Last avail. Yr.</u>	<u>Profit (Loss) before Tax th GBP Last avail. Yr.</u>	<u>Profit (Loss) before Tax th GBP Year - 1</u>	<u>Number of Employees Last avail. Yr.</u>
PRIMARK STORES LIMITED		5242	30/09/2010	1,985,735	191,905	51,286	23,707
WILKINSON HARDWARE STORES LIMITED		5246	31/01/2010	1,556,210	64,951	29,461	23,384
ICELAND FOODS GROUP LIMITED		5211	31/03/2011	2,388,380	129,307	110,125	22,953
BUY WISE DISCOUNT STORE LIMITED		5211	30/06/2010	1,078	-46	n.a.	22,348
DSG RETAIL LIMITED		5245	30/04/2010	4,110,495	-2,136	-86,879	21,564
ARCADIA GROUP BRANDS LIMITED		5242	31/08/2010	1,553,726	255,245	239,171	21,094
NEW LOOK RETAILERS LIMITED		5242	31/03/2010	1,167,055	157,951	180,623	18,713
HOMEBASE LIMITED		5246	28/02/2010	1,477,990	41,322	-302,371	17,313
WH SMITH PLC		5247	31/08/2010	1,312,000	89,000	82,000	16,858
LLOYDS PHARMACY LIMITED		5231	31/12/2009	1,740,517	105,120	76,830	16,535
MATALAN RETAIL LTD.		5242	28/02/2011	1,096,500	72,800	103,200	16,144
WH SMITH RETAIL HOLDINGS LIMITED		5247	31/08/2010	186,480	-30,507	45,578	16,076
LEWIS TRUST GROUP LIMITED		5242	31/12/2009	1,026,167	60,575	106,797	16,073
TJX EUROPE LIMITED		5242	31/01/2010	1,320,917	87,902	69,072	14,201
HMV GROUP PLC		5248	30/04/2010	2,016,600	68,900	61,300	14,154
TJX UK		5242	31/01/2010	1,194,312	78,293	48,878	13,382
ICELAND FOODS LIMITED		5211	31/03/2011	2,333,984	168,820	150,480	12,887
BHS LIMITED		5212	31/08/2010	794,883	-7,238	-62,109	12,457
MARTIN MCCOLL RETAIL GROUP LIMITED		5247	30/11/2010	771,299	4,896	21,553	12,090
RIVER ISLAND CLOTHING CO. LIMITED		5242	31/12/2009	735,570	130,564	137,876	11,676
C. & J. CLARK INTERNATIONAL LIMITED		5243	31/01/2010	741,500	73,800	76,000	11,380
SPORTS DIRECT INTERNATIONAL PLC		5242	30/04/2010	1,451,621	119,502	10,656	10,919
THE GAME GROUP PLC		5248	31/01/2011	1,625,034	23,105	84,211	10,218
COMET GROUP P L C		5245	30/04/2010	1,586,368	-2,951	-7,837	9,666
FIRST QUENCH RETAILING LIMITED		5225	30/06/2008	687,361	-1,679	7,500	9,532

Hospitality Sector

According to the latest HotStats Hotel Confidence Monitor by TRI Hospitality Consulting confidence amongst UK hotel general managers remains positive in 2011.¹⁷ Looking towards the next three months, respondents are expecting an improvement in occupancy and room rate, with 63% either optimistic or very optimistic about their hotel's trading performance.

The latest HotStats Hotel Confidence Monitor reveals that general managers across the UK are expecting an increase both in the volume and value of corporate and leisure-related room nights in Q2 2011 compared to Q2 2010.

Average room rate and RevPAR expectations for Q2 2011 are positive with approximately 80% and 72% expecting an increase or no change. The trend is unquestionably positive and is reflected in the latest HotStats UK Chain Hotels Market Review, with growth in average room rate and RevPAR of 4.3% and 3.5% respectively for the calendar year to March 2011.

¹⁷ www.hospitalitynet.org/file/152004580.pdf

This quarter's gross operating profit (IBFC) expectations have remained broadly the same across the UK with 37% of general manager expecting an increase in Q2 2011 compared with Q2 2010.

“Hoteliers continue to be confident, with strong occupancy and room rate performance expectations. However, this is not being reflected in hotel profitability, as controlling costs remains a major challenge.” said Mark Dickens, managing director HotStats.

In terms of this quarter's staffing levels, approximately 72% of respondents have either increased or maintained in the last three months (Q1 2011). Furthermore, of the 297 general managers who completed the HotStats Hotel Confidence Monitor survey, 88% do not expect to reduce staffing levels during Q2 2011 in comparison to the previous year.

As for the restaurant part of the hospitality sector the UK eating-out market is expected to be worth £42bn in 2011, a rise of 2.8% from last year according to Allegra's Strategies report 'Eating Out in the UK, 2011'.¹⁸


Allegra attributed the rise to an increase in frequency of visits at the low to mid value end of the market, rather than higher spending per head on the same number of visits. 2013 is expected to be better, with a predicted fall in inflation and rise in average earnings as the economy strengthens.

Out of the top 50 employers in the hospitality sector in the UK, 33 reported a profit and 32 improved their financial position in comparison to their previous financial year's figures.¹⁹ Although this is not as impressive as the retail sectors performance it is clear that the majority of the top 50 hospitality employers in the UK are profitable and have improved their financial position in the past year.

¹⁸ www.caterersearch.com/Articles/2011/07/08/339273/Fast-casual-lunch-drives-16342b-eating-out-spend.htm

¹⁹ FAME

Company Name		Primary UK SIC (2003) Code	Last Year	Turnover th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Year - 1	Number of Employees Last avail. Yr.
COMPASS GROUP PLC		5552	30/09/2010	14,468,000	913,000	773,000	428,202
COMPASS CONTRACT SERVICES (U.K.) LIMITED		5552	30/09/2010	1,663,779	-11,390	64,292	54,982
MITCHELLS & BUTLERS PLC		5540	30/09/2010	1,980,000	-127,000	-10,000	44,600
MCDONALD'S RESTAURANTS LIMITED		5530	31/12/2010	1,184,462	157,211	114,048	39,296
MITCHELLS & BUTLERS RETAIL LIMITED		5540	30/09/2010	1,633,000	-25,000	1,000	36,350
SODEXO LIMITED		5552	31/08/2010	971,347	61,376	106,246	29,601
SSP GROUP LIMITED		5552	30/09/2010	1,628,100	112,900	-682,100	29,496
WHITBREAD PLC		5510	28/02/2011	1,599,600	271,200	208,000	27,923
GREENE KING PLC		5540	30/04/2010	984,100	101,900	54,300	18,480
PUNCH TAVERNS PLC		5540	31/08/2010	1,283,000	-159,100	-405,700	17,484
PIZZA HUT (U.K.) LIMITED		5530	30/11/2009	365,346	-12,122	-13,306	16,967
ARAMARK LIMITED		5552	30/09/2010	367,151	2,314	9,242	12,031
J.D. WETHERSPOON PLC		5540	31/07/2010	996,327	60,458	45,029	11,959
MARSTON'S PLC		5540	30/09/2010	650,700	52,500	21,400	11,952
MILLENNIUM & COPTHORNE HOTELS PLC		5510	31/12/2010	743,700	128,600	81,900	11,232
BOURNE LEISURE HOLDINGS LIMITED		5522	31/12/2009	791,653	87,994	55,835	10,697
THE RESTAURANT GROUP PLC		5530	31/12/2010	465,704	56,478	48,334	10,480
GREENE KING RETAILING LIMITED		5540	30/04/2010	544,300	-32,200	-16,600	10,190
DE VERE VENICE LIMITED		5510	31/12/2009	465,127	-486,166	-150,507	9,227
MARRIOTT HOTELS LIMITED		5510	31/12/2009	158,390	-569	652	8,801
PIZZAEXPRESS (RESTAURANTS) LIMITED		5530	30/06/2010	314,747	62,094	59,071	8,668
STARBUCKS COFFEE COMPANY (UK) LIMITED		5530	30/09/2010	396,288	-34,236	-52,221	8,647
ELIOR UK LIMITED		5552	30/09/2010	241,750	3,172	-1,744	8,437
INTERCONTINENTAL HOTELS GROUP PLC		5510	31/12/2010	1,040,000	254,000	-40,000	7,858
CITY CENTRE RESTAURANTS (UK) LIMITED		5530	31/12/2009	325,170	32,369	36,886	7,199

Company Name		Primary UK SIC (2003) Code	Last Year	Turnover th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Last avail. Yr.	Profit (Loss) before Tax th GBP Year - 1	Number of Employees Last avail. Yr.
AVENANCE PLC		5552	30/09/2010	197,591	7,279	2,184	6,971
KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED		5530	30/11/2009	360,109	41,987	27,854	6,749
NANDO'S CHICKENLAND LIMITED		5530	28/02/2010	278,753	23,872	7,818	6,508
MITCHELLS & BUTLERS RETAIL (NO 2) LIMITED		5540	30/09/2010	291,772	-98,175	6,384	5,692
CENTER PARCS LIMITED		5523	30/04/2010		3,707		5,303
LRG HOLDINGS LIMITED		5510	31/12/2009	316,593	-16,654	-80,322	5,230
BAXTERSTOREY LIMITED		5552	31/12/2010	239,804	18,050	13,393	5,185
OP REALISATIONS (OPOL) LIMITED		5540	31/12/2007	130,454	25,893	3,335	4,917
MOTO HOSPITALITY LIMITED		5530	31/12/2010	848,464	-64,110	-69,768	4,811
ASK RESTAURANTS LIMITED		5530	30/06/2010	195,419	17,272	17,906	4,682
ORCHID PUBS & DINING LIMITED		5530	31/12/2009	135,812	-3,143	n.a.	4,072
INITIAL CATERING SERVICES LIMITED		5552	31/12/2010	68,453	3,620	2,741	4,034
LAUREL PUB EQUITY HOLDINGS LIMITED		5530	31/08/2008	327,415	-11,816	-27,116	4,031
MACDONALD HOTELS LIMITED		5510	30/09/2009	128,422	5,229	-9,399	4,010
SUN HOTELS INTERNATIONAL		5510	30/06/1992	56,905	15,908	395,000	3,885
WELCOME BREAK HOLDINGS LIMITED		5530	31/01/2010	549,361	8,015	1,913	3,808
BARRACUDA PUB GROUP LIMITED		5540	30/09/2010	153,553	-18,611	-336	3,533
ARAMARK IRELAND HOLDINGS LIMITED		5552	30/09/2010	159,852	1,792	1,330	3,526
DE VERE VILLAGE TRADING NO 1 LIMITED		5510	31/12/2009	150,773	-35,558	-10,921	3,488
HOLIDAYBREAK PLC		5522	30/09/2010	461,700	26,000	5,400	3,480
BUTLINS SKYLINE LIMITED		5522	31/12/2009	171,720	11,021	9,126	3,448
ENDELL GROUP HOLDINGS LIMITED		5510	31/12/2010	335,100	232,700	-101,700	3,445
TRAVELODGE HOTELS LIMITED		5510	31/12/2010	331,700	14,600	66,500	3,395
QMH LIMITED		5510	31/12/2010	254,400	-12,600	-13,000	3,314
LRG HOTELS LIMITED		5510	31/12/2009	175,643	23,168	32,357	3,206

Closing the Gender, Ethnic Minorities & Workers with Disabilities Pay Gap

Unite are pleased that the LPC has been asked to report on the effect that the NMW has had on gender, ethnic minorities and workers with disabilities.

Gender

The NMW has become a vital tool in trying to reduce the gender pay gap due to the high concentration of women in low paid jobs and particularly those women in part time jobs. Over the lifetime of the NMW the gender pay gap has been reduced from 20.5% in 1999 to 15.5% in 2010, this cannot all be attributed to the NMW but there is no doubt that the NMW has been a positive influence in helping to close the gender pay gap.²⁰

Year	Hourly earnings excluding overtime				Pay gap	
	Men		Women		Women/Men	
	Median	Mean	Median	Mean	Median	Mean
1999	9.07	11.10	7.58	8.83	16.4	20.5
2000	9.35	11.53	7.83	9.20	16.3	20.2
2001	9.84	12.24	8.23	9.79	16.4	20.0
2002	10.26	12.92	8.67	10.32	15.5	20.1
2003	10.58	13.28	9.04	10.70	14.6	19.4
2004*	11.09	13.76	9.53	11.27	14.1	18.1
2004	10.96	13.52	9.37	11.12	14.5	17.7
2005	11.29	14.05	9.82	11.65	13.0	17.1
2006	11.71	14.64	10.23	12.10	12.6	17.4
2006**	11.64	14.58	10.14	12.02	12.8	17.5
2007	11.97	14.95	10.48	12.42	12.5	17.0
2008	12.50	15.63	10.92	12.92	12.6	17.3
2009	12.97	16.07	11.39	13.44	12.2	16.4
2010	13.01	16.25	11.68	13.73	10.2	15.5

* Results for 2004 and earlier exclude supplementary surveys

** In 2006 there were a number of methodological improvements made to the survey design.

Source: ONS

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

²⁰ www.statistics.gov.uk/pfdir/ashe1210.pdf

Therefore Unite believes that a significant rise in the NMW above projected RPI inflation and average earnings will have a beneficial impact in addressing the gender pay gap.

Ethnic Minorities

According to Government Equalities Office research²¹ Pakistani and particularly Bangladeshi women have very low average income when both individual and equivalent income are considered.

The report also illustrates some strikingly different poverty risks across women of different ethnic groups. All groups of ethnic minority women experience excess poverty. That is, women from all minority groups have higher average poverty rates than women on average. However, poverty rates are particularly high for Pakistani and Bangladeshi women, though they are also high for Black African women and relatively high for Caribbean and Indian women.

Moreover, Bangladeshi men are the only group of men whose average individual incomes among those with dependent children are lower than the overall group average.

The end result of all this is that some minority ethnic groups still have equivalent net incomes that are well below those of the rest of the population. Those from Bangladeshi and Pakistani households have a median equivalent net income of only £238 per week, compared to the national median of £393. Nearly half are below the official poverty line.²²

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

Therefore Unite believes that a rise above projected RPI inflation and average earnings would help in trying to tackle the ethnic pay gap.

²¹ www.homeoffice.gov.uk/publications/equalities/research/ethnic-minority-women's-poverty?view=Binary

²² http://sticerd.lse.ac.uk/dps/case/cr/CASereport60_summary.pdf

Workers with Disabilities

Unite has noted with concern Conservative MP Philip Davies claim that allowing employers to pay a lower wage to disabled people would help them to get jobs: "My view is that for some people, the national minimum wage may be more of a hindrance than a help", he said.²³

Unite believes this isn't just morally wrong, it's bad labour market policy as well. After the national minimum wage was introduced without excluding disabled people, employment rates rose for disabled people and the employment gap between disabled and non-disabled people came down.

Mr Davies says he decided that disabled people would be better off without the minimum wage after visiting a surgery run by Mind, the mental health charity, where people with mental health problems had "accepted" that they would have difficulty competing for jobs with non-disabled jobseekers.

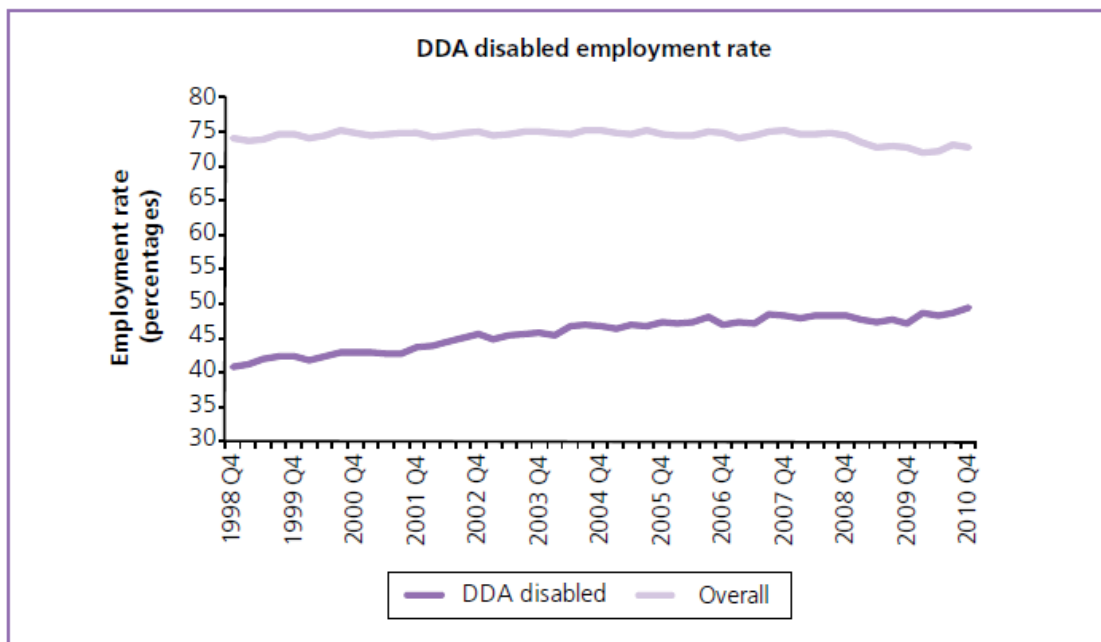
This was Mind's robust response:

"It is a preposterous suggestion that someone who has a mental health problem should be prepared to accept less than the minimum wage to get their foot in the door with an employer. People with mental health problems should not be considered a source of cheap labour and should be paid appropriately for the jobs they do."

Recently, Liz Sayce's report on the employment of disabled people for the Department of Work and Pensions, noted the "gap between disabled and non-disabled people's employment rates has shrunk over the past 12 years". The report includes a very useful chart, showing the employment rate for disabled people, compared with the overall population:

²³ www.bbc.co.uk/news/uk-politics-13809620

Figure 1.1: Disability employment rates



Source: 'Getting in, staying in and getting on' - Disability employment support fit for the future June 2011

The proportion of disabled people in work has steadily risen and has so far stood up during the recent economic downturn. Figure 1.1 shows the employment rate for disabled people (defined under the Equality Act 2010) compared with the overall population but a significant discrepancy remains.

Unite believes that a significant increase above the projected rise in RPI inflation and average earnings is desperately needed, in the NMW to not only encourage more workers with disabilities into work but at the same time get nearer to the pay of their non-disabled working colleagues.

Setting a Bold Target for the Adult Rate

Recent studies on minimum pay levels including from the Mayor of London's office with the 'London Living Wage' and from the Joseph Rowntree Foundation have added evidence to the need for bolder minimum wage rates to be set.

The 'London Living Wage', is an independently calculated (GLA Economics) minimum income that determines an ***“adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents.”*** This equates to £8.30 per hour, which will be £2.22 per hour or 36.5% above the NMW rate for adults of £6.08 as of the 1st of October 2011.²⁴

London mayor Boris Johnson has insisted that employers in the capital would not be putting jobs or the economy at risk by increasing low earners salaries. Johnson said: ***“Paying the London Living Wage is not only morally right - with the potential to massively reduce child poverty in London - but also it makes good business sense. What may appear to a company to be an unaffordable cost in a highly competitive market is more appropriately viewed as a sound investment decision. I believe that paying decent wages reduces staff turnover and produces a more motivated and productive workforce. As in previous years, this report takes a systematic approach to identifying what is a Living Wage in London. It shows how a wage earner paid less than about £7.25 an hour will be living in poverty, even after benefits and tax credits are taken into account. This means that in London an hourly wage rate of 22per cent above the National Minimum Wage (NMW) rate of £5.93 is necessary just to take the wage earner above the poverty level.***

However, this provides no margin to meet the kind of day-to-day challenges which those of us who are better off can take in our stride. As before, a margin of 15 per cent has therefore been added to the poverty threshold wage. The result is a London Living Wage of £8.30 per hour - an increase of 5.7 per cent on last year's figure and a 24 per cent increase in the six years since its introduction (at £6.70).²⁵

²⁴ www.london.gov.uk/sites/default/files/living-wage-2011.pdf

²⁵ www.london.gov.uk/sites/default/files/living-wage-2011.pdf

A report from the influential Joseph Rowntree Foundation offers one of the most meaningful reports on poverty and income for some time. “A minimum income standard for the UK in 2011”, discovered that according to members of the public, a single person in the UK today needs to earn £7.67 an hour to afford a basic but acceptable standard of living.²⁶ £7.67 per hour, is £1.59 per hour or 26.2% above the £6.08 NMW as of the 1st of October 2011.

Half median earnings is a figure that has been commonly used for years to calculate low pay thresholds, this is also Unites policy for the NMW. The last ONS figures showed that full time male median earnings were £13.01 an hour as at April 2010.²⁷ After uprating by average earnings of 2%²⁸ to April 2011 and then projecting forward in line with Treasury’s independent forecasts for earnings growth of 2%²⁹ for the rest of 2011 and 2.2%³⁰ for 2012, half male median earnings will be around £6.84 by October 2012.

To this end Unite asks the LPC recommends a rise of 6.1% that brings the adult rate to a minimum of £6.45 and as near to £6.84 as possible by October 2012.

²⁶ www.jrf.org.uk/sites/files/jrf/minimum-income-standard-2011-full.pdf

²⁷ www.statistics.gov.uk/pfdir/ashe1210.pdf

²⁸ Uprated by Average Earnings Index (AEI) from April 2010 – 451 to April 2011 – 460 by 2%.

²⁹ www.hm-treasury.gov.uk/d/201108forecomp.pdf (1.33% for 8 months in 2011 of 2% used)

³⁰ www.hm-treasury.gov.uk/d/201108forecomp.pdf (1.65% for 9 months of 2012 of 2.2% used)

Young People, Apprentices and Interns

Young People in the Labour Market

Clearly the current labour market statistics do not make comfortable reading. The unemployment rate for 16 to 24 year olds was 20.2% of the economically active population in the three months to June 2011, up 0.2% from the three months to March 2011.³¹

There were 949,000 unemployed 16 to 24 year olds in the three months to June 2011, up 15,000 from the three months to March 2011. The number of unemployed 16 to 17 year olds decreased by 5,000 on the quarter to reach 206,000 and the number of unemployed 18 to 24 year olds rose by 20,000 on the quarter to reach 744,000.

Excluding people in full-time education, there were 671,000 unemployed 16 to 24 year olds in the three months to June 2011, up 25,000 from the three months to March 2011. The unemployment rate for 16 to 24 year olds not in full-time education was 18.8% of the economically active population, up 0.5% from the three months to March 2011.

However despite these poor labour market statistics for young people Unite does not think there is any evidence that the NMW has had a negative impact on youth employment. Unite believe the fall in youth employment over the period of the NMW is in large part due to more young people staying on in full-time education, rather than the NMW and more recently the negative fallout from the recession as well as the slow growth since which has not helped to improve young peoples employment opportunities.

Young People and Pay

Unites young members tell us that pay is the number one determining factor in why they choose to initially go for or stay in a job. Unite would ultimately like the NMW to apply as a flat rate from age 16 upwards on a 'rate for the job basis.'

³¹ www.statistics.gov.uk/pfdir/lmsuk0811.pdf

Unite believe that the principle of equal remuneration for work of equal value is an important one.

Previous research by the Employer's Forum on Age (EFA)³² has attempted to address some of the common objections and showed that equalising the development NMW rate with the adult NMW rate would not have detrimental affects. Some of the EFA's members including Marks and Spencer's and B&Q removed their age bands a number of years ago.

Unite believes that a removal of the development rate would have minimal negative impacts on employment for 18 to 20 year olds and that any positive impacts would more than offset any negative impacts.

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

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

Apprentice Rate of the National Minimum Wage

Firstly Unite is pleased to see the exemption that stops apprentices from receiving the NMW has been removed. By bringing apprentices under the scope of NMW legislation, hopefully by being under the NMW enforcement regime it will go some way to exposing and ultimately stopping the exploitation that has seen some apprentices being paid as little as £1.54 an hour.³³ It was clear that some employers were using the exemption as a loophole to pay low wages, which

³² Employers Forum on Age – 'Equalising the NMW.' Page 1-4, 2008.

³³ www.tuc.org.uk/extras/apprenticepay.pdf

impacts adversely on take up and completions and at the same time was reinforcing the gender pay gap, with low pay particularly affecting female apprentices.

However Unite is disappointed at the £2.50 per hour starting rate (£2.60 from 1st October 2011), that the Apprentice Minimum Wage was set at. Unite believes that apprentices should be paid at least the National Minimum Wage for their work as this is the national baseline wage for all workers in the UK regardless of their skill level, age or legal status, below which no worker should fall.

In terms of the impact of the introduction of the Apprentice rate of the National Minimum Wage on the provision, take-up, and completion of apprenticeship opportunities.

Unite is pleased to see that the coalition Government exceeded its target of creating 203,200 apprenticeships for people over 19 in the 2010-11 financial year, creating 257,000 new apprentices, according to figures released in June. Research by the House of Commons library shows that the increase is due to a "striking rise" in apprentices over 25.³⁴

The analysis reveals a 10% increase in teenage apprentices this year, compared with the academic year which started in September 2009. Teenage apprentices rose from 93,700 to 102,900. There was a 21% rise in apprentices aged 19-24, from 85,100 to 102,800. But the number of apprentices aged over 25 nearly quadrupled, from 36,300 to 121,100. The research, commissioned by Labour, shows that the biggest increases in apprenticeships are in health and social care and retail.

One of the most dramatic increases was in the "cleaning and support service industry", where 1,930 apprentices were created in the academic year 2010-11, compared with 360 in the previous academic year. Unite hopes that these are

³⁴ www.guardian.co.uk/education/2011/aug/14/increase-in-apprentices-over-25

genuine apprenticeships that have sprung up in these sectors which contain proper training programs.

Unite does not believe it would be accurate to attribute the dramatic increase in apprenticeships down to the new apprentice rate of the National Minimum Wage but clearly it could have had a positive affect.

However many employers pay apprentices more then the Apprentice rate of the National Minimum Wage anyway. Unite members in construction; local authorities, graphical trades, manufacturing and engineering receive minimum rates of pay that are above the NMW for their age from day one.

One example from the construction industry can be seen below:-

Agreement	Details	Minimum	Maximum	Progression	Hours
Plumbing (England & Wales) JIB	Apprentice	£5.20 ph	£10.55 ph	1st year of training £5.20 ph 2nd year £6.06 ph 3rd year £6.85 ph 3rd year with NVQ Level 2 £8.32 ph 4th year £8.43 ph 4th year with NVQ Level 2 £9.56 ph 4th year with NVQ Level 3 £10.55 ph	37.5

Source: Labour Research Department

In general Unite believes that the Development Rate, 16 – 17 Year Olds Rate and Apprentice Minimum Wage Rate should increase by more then the Adult Rate in real terms, to help close the gap between them and the Adult Rate.

Simplification of National Minimum Wage Regulations

Fair Piece Rates

Following Unites submission to the LPC last year where Unite highlighted examples of agencies who are abusing the fair piece rate by underpaying the NMW in the hotel industry. Unite unfortunately has to report that the situation has not improved in the past year, based on our experiences.

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

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

Therefore Unite would like to recommend the removal of the fair piece rate option from the hotel sector because it can be argued that hotel room cleaning, work does not constitute “output work” under NMW regulation 5 (1999).

Bogus Self Employment in London Hotels

The situation in London Hotels and the employment standards in force have been described by union leaders as “the race to the bottom”. This situation has been fed by widespread out-sourcing to employment agencies. This means that every time a client hotel puts up for renewal an out-sourcing contract puts wages and terms and conditions under pressure. The possibility of reputational damage to brands and hotels is minimised by the ability of client hotels to "blame the

agency" if breaches of employment law like underpayment of the NMW or irregular workers are found working in hotels.

The Central London Hotel Workers branch, are now seeing evidence of bogus self employments rise across the industry. A typical situation would be as follows:

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

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

Enforcement for Documented and Undocumented Migrant Workers

The Government are planning to change the 'Domestic Workers Visa' - preventing them from changing employer - as most domestic workers only ever challenge NMW abuses at the point they leave their employer to work for someone else. The implications of this would be that the NMW would not really be enforceable in private households which leaves migrant domestic workers with poverty pay.

The most vulnerable workers in our economy are undocumented migrant workers, many of whom are being paid below the NMW. Unite does not believe

that any worker should be exempt from basic employment rights. Unite believes that employers should face penalties for paying below the NMW whether their workers are documented or not. Unites experience is of employers capitalising on the fear and insecurity of these workers and often only becoming interested in their status if a worker complains.

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

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

In practice, this means that each case is being treated separately and each individual is being required to prove they are covered by the NMW, before their particular circumstances can be looked at, which is time consuming and creating additional barriers to these workers receiving the NMW they are entitled to. As a minimum Unite would like to see a situation whereby a trade union can make a representative action on behalf of a group of workers to an employment tribunal and that in such instances HMRC enforcement officers should have access to such workers if they are detained.

Unite recommends the LPC focus on the issue of enforcement for documented migrant workers and undocumented migrant workers and calls for a clarification in the law that employers may be prosecuted for not paying the NMW whether their workers have legal contracts or not.

Abolition of the Agricultural Wages Board (AWB)

Opponents of the AWB argue that the legislation is unnecessary now that there is a NMW. This entirely misses the point of the AWB. Whilst it is true that Grade 1 rates are only 1p an hour more than the NMW (2p an hour more from 1st October 2011), only 20% of workers covered by the AWB are on Grade 1. 80% of the 154,000 workers covered directly by the AWB are on Grades 2-6 at rates from £6.58 an hour (£6.77 from 1st October 2011) to £8.88 an hour (£9.14 an hour from 1st October 2011).

Opponents of the AWB also conveniently forget that the Agricultural Wages Order also covers grading arrangements; skills and qualifications; overtime; training costs; apprenticeships; allowances and grants; holidays and other leave; sick pay and much more besides. Most significantly, the Agricultural Wages Act also regulates the provision of tied housing, which 30% of farm workers live in, protecting workers from punitive rent rises and eviction from their homes. All this protection would be lost with abolition.

The call for abolition has been driven by the NFU, and we believe that this is down to their horticultural industry members. This part of agriculture is under pressure from the supermarkets to supply fruit and vegetables at ever tighter margins, and the industry is seeking to cut their costs at the expense of workers. We have asked the NFU how wage rates would be set for grades 2-6 if abolition goes ahead, and how the industry would attract the 60,000 new entrants over the next ten years, which Lantra, the Sector Skills Council for agriculture, says are necessary just to stand still. There has been no response from the NFU and it is

clear that they have given no thought to how wages would be negotiated or set post-abolition.

We have argued that industrial action would be inevitable as the union fought to maintain and improve pay and conditions. For the first time since 1923 agricultural strikes are a real possibility.

Tom Blenkinsop, Labour MP for Middlesbrough South and East Cleveland has tabled an Early Day Motion on the Agricultural Wages Board, EDM 754:

“That this House believes that the Agricultural Wages Board has played an important role in setting wages and terms and conditions of employment for farm workers and in developing a highly skilled workforce in the rural economy; notes that the existence of the Agricultural Wages Board has promoted harmonious industrial relations between farmers and farm workers, so contributing directly to greater food security; and therefore opposes the Government’s proposal to abolish the Agricultural Wages Board for England and Wales.”

Therefore Unite would like the LPC to recommend that the Government reverses its decision to abolish the Agricultural Wages Board.

Clarity for Business

Unite would firstly like to make the point that the current coalition Governments remit to the LPC on ‘clarity for business’ should not overlook the importance of providing ‘clarity for the worker’ receiving the NMW.

Unite believes that the current yearly assessment and recommendation format is appropriate and allows for the current economic climate and inflationary pressures to be assessed and then recommended on in appropriate time.

Therefore Unite feels any tinkering with the current format would be unnecessary and runs the risk of confusing workers and employers alike.

Compliance and Enforcement

Unite would firstly like to congratulate HM Revenue & Customs (HMRC) enforcement team. Since the NMW introduction in 1999 more than £42 million in NMW arrears for over 149,000 workers has been identified. In 2009/10 £4.4m of arrears for over 19,000 workers was recovered. The average arrears per worker for the year were £228, which is 18% higher than the previous year (the average arrears per worker for 2008/9 were £193).³⁵

Unite believe that this success clearly warrants increased funding for NMW enforcement. Especially when you consider that in the coming year between 125,000 - 150,000 apprentices and now 100,000 plus agricultural workers, due to the abolition of the Agricultural Wages Board are being brought under the scope of NMW legislation.

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

Diana Holland

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Assistant General Secretary

Unite the Union

For clarifications and more information please contact:

John Neal

Researcher

Unite the Union

128 Theobald's Road, Holborn, London, WC1X 8TN

Tel: +44 (0)207 611 2633

Fax: +44 (0)207 611 2746

Email: John.Neal@unitetheunion.org

Internet: www.unitetheunion.org.uk

³⁵ www.bis.gov.uk/assets/biscore/employment-matters/docs/10-678-nmw-compliance-strategy & www.bis.gov.uk/assets/biscore/employment-matters/docs/d/10-280-delivering-results-national-minimum-wage-report-2010.pdf