

## Low pay commission consultation: Community Union Response

### About you

- 1. Please provide information about yourself or your organisation. If possible, include details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.**

*Community is a general union with membership in sectors across the economy including steel and manufacturing, education, logistics, justice and custodial, the third sector, finance and professional services and many more.*

*In May 2022 we carried out a survey of our members to which we received 1239 responses. Whilst the majority (55%) of responses came from individuals within recognised branches, 36% came from individuals who are union members but do not experience the benefits of a collective bargaining agreement with their employer.*

*Of the members who responded, 9% earned the national living wage of £9.50 per hour or below, 10% earned between the national living wage and the real living wage (as calculated by the living wage foundation) £9.51-£9.90, 29% earned between the real living wage and the the London living wage of £11.05 and 43% earned more than the London living wage. Members in recognised branches were significantly more likely to be on higher wages compared to those in unrecognised branches.*

*Our responses to this consultation reflect the results of this survey as well as our wider experiences negotiating for good work and better pay for our members across sectors.*

### Economic outlook

- 1. What are your views on the economic outlook and business conditions in the UK over the next 12-24 months? We are particularly interested in:**
  - the conditions in the specific sector(s) in which you operate.
  - the effects of Government interventions to support the economy and labour market.
  - the state of the labour market, recruitment, and retention.
  - wage growth and inflation in the last year, and expectations for the next couple of years.

*We are deeply concerned that wage growth is not keeping up with the high levels of inflation that we are currently seeing. We are concerned that as inflation expectations are continually surpassed, wage settlements which were, at the time of negotiation above inflation, become eroded. Our members are facing a rapidly increasing cost of living, particularly in respect to the costs of energy and fuel.*

*With speculation growing that the UK could enter into a recession, and with the rate of growth in job vacancies slowing, we are concerned that workers' bargaining power could be threatened as competition for available vacancies increases. Whilst many of our sectors have experienced high demand for staff over the last 24 months, and significant upward pressure on wages as a result of labour shortages, this positive progress towards achieving good rates of pay could be placed at risk.*

*The government's track record of supporting (in the main) incomes during the pandemic has not continued into 2022, and it is our view that current support for households' finances is currently inadequate.*

**2. To what extent have employers been affected by other major trends in the economy and labour market: for example, rising energy costs, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK.**

*In particular sectors, employers have been severely affected by Brexit, particularly with respect to labour shortages in key industries such as logistics where employers have found it difficult to recruit and retain staff for key roles. Further challenges have come from trade difficulties and shortages of raw materials especially in manufacturing. Rising energy costs have significantly affected our steel sector.*

**3. What is your experience over the past year in the following areas?**

**a. Profits**

*There has been a mixed picture over the past year in terms of profits. A proportion our employers have had bumper years, having emerged from the pandemic, and made record profits.*

**b. Prices**

*Prices have been rising rapidly. Particular concerns have been raised in the manufacturing industry where the costs of raw materials have increased, and in the steel industry, which has been significantly affected by high energy prices.*

**c. Productivity**

**d. Pay structures and differentials**

*Some members have expressed concerns that differentials have not been preserved in recent years.*

*Many of the pay deals we negotiate through collective bargaining arrangements replicate (either absolutely or proportionally) rises to minimum wage and the national living wage for those on higher grades to ensure that differentials are preserved and that those with greater skills or experience continue to be rewarded for their contribution. However, this isn't the case everywhere and within workplaces that lack collective bargaining arrangements it may be a particular problem. Some members raised concerns that "the minimum wage in my company has been increased but not any other wages" and some even called for the abolition of the NLW with one arguing "It detracts from skilled roles as unskilled uneducated folk get closer all the time". It is concerning when employers are not providing adequate pay rises on low wages which are just above or close to the minimum wage.*

*We are particularly concerned by the lack of reward for those doing critical jobs in our society.*

*One member told us: "My issue with minimum wage is the fact it has now caught up with a lot of "Professional" wages. My Mrs has worked as a qualified Dental nurse and Radiographer for 30 years and now the minimum wage has caught these people up. Then on top of that they have to pay their indemnity, personal liability insurance and Professional affiliations, so they are technically on less than minimum wage. So based on that you may as well just get a cleaning job and not bother."*

*It is concerning that those who are doing key jobs in healthcare and other sectors are finding their wages are being eroded to what is de facto below minimum wage and that the size of their contribution to society is not being adequately recognised. This points to wider problems with the adequacy of pay for key workers in the UK.*

*It is our view that the NLW has been a force for good, but it is important that collective bargaining rights are strengthened across the economy to ensure that other groups are able to secure adequate pay which supports dignity and prosperity, keeps up with increases in the cost of living and reflects their skills and experience.*

- e. Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)**
- f. Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)**
- g. Progression and job moves**
- h. Training**
- i. Investment**
- j. Business debt**

**4. Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal credit/other benefits or access to transport.**

*The key factor that we find drives pay in low wage sectors is primarily demand for staff and concerns about recruitment and retention. This is particularly the case within sectors such as logistics.*

### **The National Living Wage**

**5. What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours, and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 3.**

*We have found that increases to the national living wage have been widely accepted by employers. We have not found employers reducing hours to keep pay bills constant, as did happen when the national minimum wage was initially introduced. Instead, employers that we work with are paying the minimum wage and national living wage rates and paying them without reduction in hours or employment.*

**6. To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities, and those with disabilities) and migrant workers?**

*The national living wage has been particularly key for groups with protected characteristics as these groups are more likely to be amongst the lowest earning groups.*

**7. How has the NLW's impact varied across different geographical areas of the UK?**

*Our members stressed the differences in the cost of living across different geographical areas, particularly in relation to housing costs. One member told us that "It would cost my twice the value of my two-bed flat to get a two-bed bungalow in my area. For young people the first-time buyer price for a small flat here would buy a house in the north."*

*The NLW has had the most transformative effects in areas with lower cost of living.*

*For those in London in particular the National Living Wage falls far short of securing an acceptable cost of living. Our members who work in the social care sector are particularly affected, and for this group in particular the London Living Wage is the minimum acceptable wage to ensure that an adequate standard of living can be achieved. This is crucial if employers want to avoid an exodus of*

*staff from such low paid sectors and should be a key priority for the UK government to address given the ongoing crisis in adult social care.*

*One member reported that “The living wage now seems to be the benchmark or the most companies will pay. While it is a good thing I think it can be a way of not paying the real living wage needed.” This reflects concerns that rates of the National Living Wage do not in fact provide income sufficient for an adequate standard of living, or necessarily reflecting the level of skill and experience that our members in low paid sectors have.*

**8. The Government’s remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.95. What are your views on this target?**

*It is our view that the current projected NLW is not adequate to ensure that people can afford a basic standard of living in the current challenging economic climate, that will still be putting pressures on working people by April 2024. Rather than a metric based on a proportion of median earnings, we recommend exploring targets for the national living wage based on minimum acceptable lifestyle standards. This could be modelled on any of the following approaches which seek to measure income adequacy, for example:*

- *the PLSA’s retirement living standards model (adapted to reflect the different spending profiles of working age households)*
- *the Joseph Rowntree Foundation’s minimum income standards*
- *the Living Wage Foundation’s Real Living Wage*

*Such an approach would reflect high levels of agreement among our membership to statements such as: “A person who works full time should be able to afford to go on holiday every year” (91% agreement with this statement) and “Housing costs should not take up more than half a month’s wages for someone who works full time” (94% agreement).*

*When we asked members how much they thought the current NLW should rise by, 42.78% thought it should rise in line with the rate of increase to the cost of living, whilst 55% said that it should increase by more than the rate of the cost of living. Less than 2.5% of members thought rates should remain the same, and only 0.6% said it should reduce. If the current national living wage rate were to rise by the rate of projected inflation for the next two years, then the target of £10.95 would be an above inflation increase. However, members also regard the current living wage to be inadequate in terms of supporting living standards. For this reason, a moderately above inflation increase to NLW is not sufficient.*

*When we asked our members what they believe is the minimum necessary wage to ensure that they and people like them could afford to pay for housing and necessities. The median response to this question was £12.00 per hour. The two most frequently provided responses were £12.00 per hour (22%) and £15.00 per hour (25%). Only 13% of respondents gave a figure of £10.95 or less. Accounting for inflation the median £12 figure would point towards a target of approximately £12.63 by April 2024. To be acceptable to our members a target of higher than £10.95 must be implemented.*

*In sum, we regard the £10.95 target to be inadequate, and believe that further work needs to be done to ensure that NLW targets reflects workers’ abilities to live with dignity. Furthermore, to advance dignity through work we must recognise the need for unions to bargain for better terms and conditions, to supplement the NLW and to achieve further benefits.*

## **9. How have employers responded to the lowering of the NLW age threshold to 23?**

*Employers have not significantly responded to the lowering of the NLW age threshold either in terms of changes to the profile of staff, or in terms of pay or hours. This is a positive sign and reflects broader acceptance of minimum wage and NLW rates.*

## **10. At what level should the NLW be set from April 2023? Our current central projection for the on-course rate is £10.32.**

*The current projection for the April 2023 NLW is insufficient, and a figure of above £10.32 is necessary in order to provide what our members would regard to be a minimum adequate standard of living. Rates must reflect the rapidly rising cost of living, as well as the inadequacy of the current rates to provide dignity and an acceptable standard of living.*

### **Young people**

## **11. What do you think has been the effect of the minimum wage on young people and on their employment prospects?**

*Broadly this move has been of benefit to our members, although we do have concerns that some employers may have been discouraged from hiring less experienced staff in the absence of the incentive of reduced wages. However, generally, we support equal pay for equal work as a critical principle and believe that young people deserve to be paid an adequate wage. When we asked our members, 84% agreed that "It does not matter how old you are, you should be paid the same for an hour's work".*

## **12. Last year saw the creation of a new 21-22 Year Old Rate, to remain in place until the NLW age threshold is lowered again to 21.**

**a. To what extent do employers use the 21-22 Year Old Rate?**

**b. When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?**

*We believe that the NLW age threshold should be lowered to 21 in a phased approach. Consideration should be given to the principles of fairness, adequacy, and the impact on young peoples' employment.*

**c. At what level should the rate be set from April 2023?**

## **13. How widely used are the other NMW youth rates (the 18-20 Year Old Rate and the 16- 17 Year Old Rate)?**

## **14. At what level should these rates be set from April 2022?**

### **Apprentices**

Community is not responding to these questions.

## **15. What is the outlook for the recruitment and employment of apprentices?**

## **16. How widely used is the Apprentice Rate? What are the characteristics of apprentices paid the rate?**

## **17. How common is it for employers to set the pay of first-year apprentices below the NLW/NMW rates?**

**18. The Apprentice Rate increases this year to £4.81, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?**

**19. At what level should the Apprentice Rate be set from April 2023?**

**Compliance and enforcement**

**20. What issues are there with compliance with the minimum wage and what could be done to address these?**

*We asked our members whether the government was doing enough to make sure that the minimum wage and NLW were being enforced. 76% told us that they didn't think that it was.*

*The comments provided by our members demonstrate that insecure work and the systemic problems in the labour market are the reasons that many workers are reluctant to enforce their rights. The below comments paint a picture of job and income security.*

*Notably our member service centre has not received a significant of complaints regarding compliance indicating that workers who have the protection of a union are less likely to face challenges.*

*Comments from our members included:*

- *Too many unregistered casual worker opportunities for current enforcement staff to deal with.*
- *There is no real enforcement or random checks on salaries. It's an ideal not an enforced law*
- *I know someone who has worked at the same place for 11 years with no pay rise and is currently working below minimum wage, as an example.*
- *No, some businesses will prefer to pay cash in hand to avoid paying tax etc.*
- *Lots of jobs still advertised at rates less than minimum should be, so it's obviously not monitored*
- *Our workers still using own car to get to people and don't get paid for travel time. Also, the rate of mileage hasn't risen with the cost of fuel. People in retail having to work over every day to cash up but not getting paid for it. Overtime not paid for its always time off in lieu. Money taken for uniforms from wages. Professional jobs that are part time with full time responsibilities and job descriptions. This has prevented me from applying for a lot of jobs as the list of things employers want you to do within 2.5 days of pay means they can get away with paying you half the amount for a full-time job. There are jobs that take money of you for training and other things you need to do your job. Not being paid to be 'on call' People working full time on casual contracts and often over 40 hours per not given sick leave pay or proper working conditions as in a permanent contract.*
- *Many companies ask employees to come in early/ stay later without extra pay. Companies are stringent when we owe them time/ money but when that is reversed we just have to accept that.*
- *Not dealing with loopholes around the gig economy and exploitation of seasonal worker*
- *Workers being paid cash in hand for a days work. No choice but to accept as there are others waiting in line.*
- *Having worked in numerous places in my working life, I have had first-hand experience of people on zero hour contracts which means they fall beneath the minimum wage, and have also experience sexual inequality of wages working alongside people in the exact same role as myself. I cannot recall any government inspector ever checking any workplace that I have worked.*

- *I am aware of many under the radar companies paying less than the minimum wage. Even allegedly legitimate care organisations have loopholes where staff aren't paid for journey times between clients leaving them even more out of pocket and undervalued.*

*We believe that ensuring that collective bargaining coverage is increased is the most effective way to address these challenges.*

**21. What comments do you have on HMRC's enforcement work?**

*HMRC's work could benefit from increased visibility to ensure that workers are aware of their rights and their routes towards enforcement action.*

**Accommodation Offset**

Community is not responding to these questions.

**22. What evidence can you provide on how the Accommodation Offset is applied? We believe the offset is most commonly applied in the agriculture, horticulture and hospitality sectors.**

**23. Are there other sectors where employer provide accommodation to workers and deduct the offset?**

**24. What has been the effect of recent increases in the offset on employers' decisions? Please consider both how common it is for employers to provide accommodation and the quality of the accommodation provided.**

**25. What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted? Are there particular groups of workers who are more likely to be affected by the offset?**

**26. Are there particular issues for compliance created by the current design of the offset?**

**27. What approach should we take in recommending the offset rate in the future?**

Please direct any questions to [research@community-tu.org](mailto:research@community-tu.org)