



**Official Response to  
the Low Pay Commission  
consultation on**

**April 2024  
National Minimum Wage Rates**

**June 2023**



## About

1. Please provide information about yourself or your organisation.

## About **Community Trade Union**

Community is a trade union recognised and registered in the UK. We were formed in 2004 from the merger of the Iron and Steel Trades Confederation and National Union of Knitwear, Footwear and Apparel Trades but have continued to grow and now represent workers in many sectors of the UK economy including steel and manufacturing, education and early years, logistics, justice and custodial, the third sector, finance and professional services and many more.

This Official Response has been prepared on behalf of Community members and is a public document that will be published on our website following the conclusion of this consultation.

In June 2023 we carried out a survey of our members to which we received 886 responses. 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.

Of the members who responded, 6% earned the national living wage of £10.42 per hour or below, 23% earned between the national living wage and the real living wage (as calculated by the living wage foundation) £10.42-£11.16, 12% earned between the real living wage and the London living wage of £11.95 and 46% earned more than the London living wage. As with our previous findings, members in recognised branches were statistically more likely to be on higher wages compared to those in unrecognised branches.

**Whilst responses varied from £11 per hour to £18 the majority of members suggest that a minimum wage of £14-15 is needed in the current economic climate.**

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## The National Living Wage

2. What has been the impact of the National Living Wage (NLW) in the past year, including the rise to £10.42? 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 below:
  - a. Profits
  - b. Prices
  - c. Productivity
  - d. Pay structures and differentials
  - e. Progression and job moves
  - f. Training
  - g. Investment
  - h. Recruitment
  - i. Job quality and security
3. 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?
4. How has the NLW's impact varied across different areas of the UK?
5. At what level should the NLW be set from April 2024? Our current central projection for the on- course rate is £11.16 within a range of £10.90 and £11.43.

*There has been a mixed picture over the past year in terms of profits. Continuing the emergence from the pandemic and into a cost-of-living crisis with higher-than-expected energy and resource costs some of our employers have had bumper years and made significant profits.*

*Prices have been rising rapidly. Inflation peaked at 11.1% in October which has caused cost increases for the manufacturing industry and the steel industry, which has been significantly affected by high energy prices. There have also been significant impacts on Public Sector employers who have also seen significant increases in costs of resources and energy which cannot be met in the existing funding envelope.*

*Some members have expressed concerns that differentials have not been preserved in recent years. This is most notable in sectors where the national living wage has caught up with the range of professional salaries – such as in health and education.*

*It is concerning that those who were applauded as key workers are finding their wages are being eroded through no fault of their own. The resultant impact is an increase in the number leaving these sectors fuelling a recruitment crisis. This points to wider problems with the adequacy of pay for key workers in the UK.*

*Many of the pay deals we negotiate through collective bargaining arrangements are directly or indirectly influenced by the rises to the national living wage. Our survey results indicate that there has been a subtle increase for workers just above the level of the National Living Wage but still below the Real Living Wage (as determined by the Living Wage Foundation), but this increase has not been sustained through all pay ranges.*

*It is vital that those on higher grades also see pay improvement and that those with greater skills or experience continue to be rewarded for their contribution. However, we know that 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 highlighted the impact that this has on those who are just above the National Living Wage, but who are paid a negligible difference despite the significant rise in the demand of their job roles. For example, the difference between a specialist classroom TA working with child with special educational needs, and those providing cleaning services to the same school will not be obvious through the pay structure. And it is worth highlighting again that those who are most frequently affected by this are women.*

*We are also worried that those in the most critical industries – such as carers, the health service and education as well as those in logistics are often subject to additional mandatory overtime expectations which can dramatically reduce their hourly rate causing it to fall below the minimum required by law.*

*Your geographic location also plays a major part in your standard of living. Members stress that housing costs, energy efficiency and therefore energy costs, and transport costs can be radically different across the UK. For those in London in particular the National Living Wage falls far short of securing an acceptable cost of living. Members who work in the social care sector are particularly affected, and for this group in particular, even the London Living Wage can be insufficient to secure an adequate standard of living. It is crucial, that if employers want to avoid an exodus of staff from low paid sectors such as early years and childcare, education, health and adult social care that wages are more than sufficient to sustain existence, and this must be a key priority for the UK government to address given the ongoing recruitment and retention crises.*

*There is widespread support for the National Living Wage, and it is true that it has had the most transformative effects in areas with lower cost of living. There are concerns amongst members that employers see the National Living Wage as an acceptable minimum regardless of the necessary cost of living. In some parts of the UK, the National Living Wage does not provide income sufficient for an adequate*

*standard of living, nor necessarily reflect the level of skill and experience of our members working in low paid roles. 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.*

*It is our view that the National Living Wage has been a force for good, but it is important that its success is not to the detriment of those in slightly higher paid roles who may only be just about managing. We need to see collective bargaining rights strengthened across the economy to ensure that all employees are able to secure adequate pay which reflects their skills and experience, supports dignity and prosperity, and maintains parity with the cost of living.*

*We asked members what the minimum wage per hour would need to be so that others like them could afford housing and necessities. Responses varied quite widely, from £11 per hour to £18 and £20 per hour with the majority suggesting that £14-15 was needed in the current economic climate. One member commented:*

☞ *Why would a growing family not be able to survive on one person's basic wage? It's become a time that to survive you need two full time wages plus overtime to survive normal living costs and excluding any form of luxury i.e. holidays or days out as a family etc.*

*Of those who responded to our survey:*

*51% respondents were part of a recognised union branch;*

*38% were individual union members; and*

*11% were non-working or retired.*

## Experience of low-paid workers

6. What has happened to quality of work recently? For example, have workers experienced changes in contract types, flexibility, workplace harassment and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to a higher standard etc.).
7. What has been workers' experience of the wider benefits available to workers (including premium pay and non-pay benefits across the workforce)?
8. What are the barriers preventing workers from moving to a new job, particularly one that is better paid?
9. What are workers' views on the recruitment difficulties reported by many employers since the pandemic? Why have employers found it difficult to recruit?
10. How has access and cost of childcare and transport affected workers' ability to move into work or to a better-paying job?
11. What opportunities are there for progression to better-paid work for low-paid workers and how common is promotion?
12. What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Has this influenced workers' approach to how many hours they work?
13. How has the rising cost of living affected workers on or close to the NMW and NLW and how, if at all, has this affected workers' needs and expectations of their employment and pay?

*Costs have risen rapidly across many industries and sectors over the past twelve months. In particular, the cost of childcare, food and fuel costs and the cost of transport have affected our members and their ability to eke a living.*

*The cost of energy has caused more than half (56%) of adults to less fuel in their homes. (ONS 2 June 2023)*

*We know that early education and childcare can have a critical impact both on helping children to develop and in supporting parents to work. The Institute for Fiscal Studies reports that childcare costs also have a "significant impact on the disposable income – and, hence, living standards – of families with very young children."*

*They go on to note that "16% of families using formal childcare for a pre-school-aged child report finding it difficult or very difficult to manage the costs. [And] among all families with a child aged 0–4 (regardless of whether they use formal childcare), a tenth report difficulty meeting childcare costs". This is exacerbated by the high cost of childcare in England compared to other countries but is not reflected by high wages for the staff working in this provision.*

*The rising cost of fuel and the knock-on effect that this has on public transport and the wider transport network must not be overlooked. As fuel costs increase the cost of journeying to work also increases with public transport having to pass the cost increases onto passengers. Again this affects those in the lower wage bands disproportionately as they are often the least likely to be able to work from home.*

*Increases in fuel costs also directly impact on food costs, again most notably impacting those on the lowest pay.*

*We asked our members what they expected to be able to do with their pay:*

- ☛ *89% of respondents felt that a person who works full time should be able to afford to go on holiday every year;*
- ☛ *85% felt that an hour's work should pay for a day's food and drink; and*
- ☛ *96% believed that housing costs should not take up more than half of a month's wages for someone who works full time.*

*We note that the latest data from the Office for National Statistics (2 June 2023) is showing a slight fall in energy costs, though prices are still between 40%-60% higher than they were 12 months ago.*

*It is incumbent upon fuel companies and energy suppliers to pass these savings onto businesses and consumers in order to ease this cost-of-living crisis.*

## Young people

14. What has been the effect of changes in the minimum wages for young people on their employment prospects?
15. How do the youth minimum wage rates influence employers' decisions about hiring and young people's decisions about employment?
16. What other factors determine pay for young people aside from the rates? For example, job role or length of time in the job?
17. Why do employers use the NMW youth rates? To what extent has this been affected by the recent tight labour market (difficulties in recruiting)?
18. To meet the Government's 2024 target, the NLW age threshold would be lowered to 21 in 2024. What impacts do you think this would have, including on employment?
19. At what level should the NMW youth rates be set from April 2024?

*The introduction of the National Living Wage has broadly been of benefit to our youngest 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.*

*As a critical principle we support equal pay for equal work and as noted by one of the respondents to our survey, the:*

- ☛ *Minimum wage should be the same across the board for all age groups as someone who is 18 will be doing the same job as someone who is 30, 40, or 70!*

*And 79% respondents stated that it does not matter how old you are, you should be paid the same for an hour's work (including under 23). With this in mind we believe that the National Living Wage threshold should be lowered to 21 in a phased approach with consideration given to the principles of fairness, adequacy, and the impact on young peoples' employment throughout the next couple of years as this is implemented.*

*However, other members survey commented:*

- ☛ *In line with living costs and taking into account responsibilities at that point in life i.e. an 18-year-old with no responsibility is totally different from an 18-year-old trying to support a family including disabled parents, children or siblings in need*
- ☛ *Often, I've found employers paying the minimum wage will only hire younger staff as they can pay them less, with the view that by the time they cross the next minimum age bracket they've either stepped up into supervisory roles above those wages or left/been pushed out.*



## Minimum wages after 2024

*Since 2020, our remit for the NLW has been to recommend a rate consistent with reaching the target of two-thirds of median hourly earnings by 2024. We are now gathering evidence to inform the Government's decisions on policy options for the future beyond 2024. We are seeking evidence and views on:*

20. The purpose of the NMW and NLW.
21. The role of the Low Pay Commission.
22. The range of policy options and how these might work (for example, a further target; or an approach not driven by targets).
23. The potential effects of further minimum wage increases and risks we should consider.
24. The levels and existence of different age-related minimum wages.
25. The evidence that should inform future policy decisions.

*Like pensions and their 'triple-lock' the National Living Wage needs to have an in-built connection to the state of the economy, inflation and the cost of living in order to continually have a positive impact on the lowest paid.*

*As we have already noted, members felt that a person who works full time should be able to afford to go on holiday every year (89%) and yet with the cost of social and leisure activities rising, this is become less and less achievable. 85% of respondents felt that an hour's work should pay for a day's food and drink but again the cost of basic items of food such as eggs and tinned staples such as baked beans have risen by, in some instances, as much as 34%.*

*The cost of housing continues to rise with mortgages and rents affected by the higher interest rates. According to research from Propertymark, in March 2019, on average around 30 properties were available to rent per estate agent branch, but by March 2022, that number had almost halved to just 15.6. The situation is such that people are being evicted from their homes with alternative, affordable accommodation is becoming increasingly scarce.*

*To be able to accommodate anything close to these rising costs, the National Living Wage needs to rise by at least the value of inflation each year. In fact, 49% of respondents commented that the National Living Wage actually needed to exceed the rate of increase to the cost of living in order for the standard of living for the lowest paid to be improved.*

## Apprentices

*An annex to this letter sets out background on apprentice pay and the coverage of the minimum wage among this group. We are particularly interested in the effects of the Apprentice Rate on those groups more likely to be low-paid: apprentices under the age of 19, and those working towards level 2 qualifications.*

26. What is the outlook for the recruitment and employment of apprentices?
27. How widely used is the Apprentice Rate? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at the Apprentice Rate) lead to?
28. The Apprentice Rate increases this year to £5.28, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?
29. What criteria should we use when considering whether to keep or remove the Apprentice Rate?
30. What would be the effect of removing the Apprentice Rate (so that minimum wages for all apprentices were the same as for other workers the same age)?

*Community is not responding to these questions.*

## Compliance and enforcement

31. What issues are there with compliance with the minimum wage and what could be done to address these?
32. What comments do you have on HMRC's enforcement work?

*We asked our members whether the government was doing enough to make sure that the minimum wage and NLW were being enforced. As in previous surveys over 70% 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.*

*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 include:*

- 🗣 *People getting minimum wage are really struggling to make ends meet. There should be more government support for people who are working and not managing to pay bills.*
- 🗣 *This government doesn't do anything for working people. The government support tax evasion and use the American style trickle-down economics to increase the wealth gap.*
- 🗣 *I am not aware of any measures that the government currently undertake to enforce minimum wage requirements.*
- 🗣 *Not enough businesses are being prosecuted - there is no incentive to comply and no protection for whistleblowers.*
- 🗣 *It's too complicated with different rules for different ages and contracts.*
- 🗣 *Hidden overtime in some professions where people are paid the minimum wage means that although their contractual hours are paid at the minimum wage, they are given tasks to do which take longer than this.*
- 🗣 *I know people who have contracts that allow employers to make people work 80 hours a week for a set amount of money, making their pay less than minimum wage.*
- 🗣 *Too many companies are using "bonus schemes" or salaries "based on x hours worked//week" which don't relate to actual hours worked, and hourly rate based on unpaid breaks which staff aren't taking due to working pressures applied on them.*

☛ *The government lacks the capacity to oversee businesses which pay cash-in-hand or otherwise have irregular pay structures. In addition, the problem is not so much that in the majority of the legitimate economy the minimum wage is not enforced, but that it is so low that many employers alter their pay offer at the lowest bands roughly in line with minimum wage increases. Having to work 50 hours a week to save any kind of money is bad for peoples' health and is generally only possible for people that don't already have children or other dependants. In some sectors (TAs in state schools) their pay structure is effectively below minimum wage.*

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

*HMRC's work could benefit from increased visibility and media attention to ensure that workers are aware of their rights and of the fact that prosecution does happen.*

### **Accommodation Offset**

33. What has been the effect of recent increases in the offset on employers' decisions over providing accommodation?
34. What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted?
35. Last year we recommended that a quality standard and suitable enforcement regime are put into place as soon as possible. This would need to be implemented before we could recommend further significant changes to the offset. What would the impact of this policy be for employers and how would it affect the accommodation they provide?
36. We also recommended a minimum hours requirement before accommodation costs can be deducted. If implemented what would the effect of this policy be and what should be considered when setting a minimum hours requirement?

*Community is not responding to these questions.*

## Economic outlook

37. What are your views on the economic outlook and business conditions in the UK for the period up to April 2024? 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 current state of the labour market, recruitment and retention.
38. To what extent have employers been affected by other major trends in the economy and labour market: for example, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?
39. 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 and other benefits or access to transport.
40. How has inflation and the cost of living factored into wage setting? What has been your experience of wage growth and inflation in the last year, and what are your views on forecasts for the next couple of years?

*We are deeply concerned that wage growth is not keeping up with the record levels of inflation that we continue to experience. Even as inflation begins to settle, its impact is still felt through price rises on household essentials and energy costs. At the time of writing, inflation was still 8.9%. Those wage settlements which were, at the time of negotiation above inflation, become eroded pushing the lowest paid further into deprivation.*

*According to PwC:*

- *UK forecast to see 0.1% growth in 2023 and resume towards trend growth rates by end of next year with 1% growth in 2024 and 1.6% by end of 2025;*
- *CPI inflation set to return to 2% target by end of 2024 - but prices cumulatively set to be 20% higher compared to the start of 2021;*
- *UK is underperforming relative to other G7 countries as high levels labour inactivity acts as barrier to recovery with inflation pressures easing; and*
- *All of UK's nations and regions have reported growth in the three months to February 2023 but northern regions more heavily impacted by sluggish growth in specific industries.*

*The UK is expected to avoid recession in 2023 and start to return to trend growth rates towards the end of next year but its recovery is still underperforming compared to G7 peers.*

*Indeed, in a list of countries analysed in the latest OECD economic outlook only Argentina and Turkey are expected to have a higher headline rate than the U.K. this year with even Russia forecast to have a lower headline inflation rate (5.4%) in 2023 despite the raft of financial sanctions applied in the wake of the Ukraine conflict.*

*The primary factor that we find drives pay in low wage sectors is demand for staff and concerns about recruitment and retention. Brexit also continues to have a marked effect, particularly with respect to labour shortages in key industries such as health and 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 public sector employers and risk making our steel sector unsustainable.*

*Although the overall number of vacancies has fallen slightly over the past three months, according to the Office for National Statistics they remain 328,000 above their pre-coronavirus (COVID-19) January to March 2020 levels and are historically high. With the industry sectors with the largest falls in vacancy numbers information and communication, manufacturing and professional, scientific and technical activities, which all fell by 9000. However, the ratio of unemployed people per vacancy remains very low and is indicative of a tight labour market meaning that workers are in a more dominant position for negotiation.*

*As we noted last year, the government's track record of supporting incomes during COVID-19 has not continued post pandemic and it is our view that current support for households' finances is currently inadequate. Respondents noted:*

- ☛ I am not aware of any measures that the government currently undertake to enforce minimum wage requirements. One only has to look at the number of people using foodbanks to know that they aren't paid enough.*
- ☛ They should be standing up for us, office worker and supermarket staff get more than carers and we are not value in society.*

*Inflation has and continues to have a disastrous impact on the standard of living for members – not just those on the lowest pay. Whilst wage growth in some employers such as Pladis (6.5%), who make Jacob's Cream Crackers, Glenmuir (7.5%), Sodexo Justice Services (8%), retailer Currys (15.6%) and one public sector employer - Firefighters (12%) has been significant the majority of private sector wage rises have been below and for public sector workers, significantly below the rate of inflation. For those in education and the wider public sector, wage rises have been derisory.*

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