



GMB Response to the Low Pay Commission General Consultation on National Minimum Wage 2011

SUMMARY

- **GMB continues to push for adult rate to be paid at 18. Failing that, the youth and development rates should increase by the same percentage as the adult rate.**
- **Increase the apprentice minimum wage at least in line with inflation**
- **Interns should be paid at least the National Minimum Wage and there should be targeted enforcement**
- **Show hourly pay rate on payslips and have more awareness campaigns to ensure that young workers or new workers are aware of their rights**
- **Review the Code of Practice on Service Charges and Tips as promised**
- **Maintain funding and resources to ensure effective enforcement**
- **The higher of average earnings or RPI increases with a view to moving towards £7 an hour making NMW a “living wage”. GMB will be pressing the Labour Party to commit itself to a National Living Wage in their policy review**
 - ✓ ***The Adult rate should increase to £6.38 per hour***
 - ✓ ***The Development rate for 18-20 year olds should increase to £5.14***
 - ✓ ***The 16-17 year old rate should increase to £3.80***
 - ✓ ***The Apprentice rate should increase to £2.69***

Introduction

GMB is the United Kingdom's third largest trade union with over 610,000 members in all sectors of UK economy, in both the public and private sector ranging from low paid workers to highly paid, highly skilled, technical and managerial grades.

GMB comments on the 2011 Rate

We were pleased that the new Coalition Government decided to accept the recommendations of the Low Pay Commission and that despite a gloomy economic climate, the rates rose by a small percentage. On the 2011 increase, our General Secretary, Paul Kenny commented:

“GMB welcomes any increase in the National Minimum wage. We have to recognize that the rise only covers half the rise in inflation. We also need to recognize that low paid workers are the most vulnerable group in the workforce in terms of being affected by the rise in fuel and food prices”

The 2011 rate was not as high as we would have liked. Throughout this year, our members have been facing up to 7% higher energy bills, higher food bills and up to 8% increases in transport costs (which increase by RPI). Unless the NMW rates reflect at least this RPI (currently 5.2%) the rates that come in on 1 October 2011 will equate to a drop in pay with an effective loss of 32p an hour equating to up to £12.80 per week based on a 40 hour week.

as of August 2011	Adult	Development	Youth	Apprentice
“real” effect of 1 Oct 2011 NMW rate with 5.2% RPI applied	£6.40	£5.24	£3.87	£2.74
difference between 2011 NMW Rates and “real” rate with RPI applied	-£0.32	-£0.26	-£0.19	-£0.14

Care Sector

For our members who work in a large Care home provider, GMB were successful in getting the company to rates to 13p above the National Minimum Wage however since then, NMW has increased but the Care home provider has not raised its rates. We are now at a stage where the company is failing to maintain differentials and again we are at position where NMW is the statutory floor. It is unlikely that pay rates will rise above minimum as the company is breaking up and the company would be no longer able to afford higher rates of pay.

Age Related Rates

GMB has a longstanding policy to see the adult rate be paid from the age of 18 rather than the present age 21. A large number of employers already pay adult rate at 18. It remains our policy for workers to receive the same rate where they are doing the same job, regardless of age. Many good employers pay the rate for the job not the age but there are still many who exploit training rates.

Young People

With the onset of trebling of tuition fees from next September, more young school leavers will think twice about going to university and instead opt for an apprentice scheme, go straight into work or even volunteer or be an unpaid intern. At the time of writing, Labour Market Statistics show that in the 3 months to July, the total number of 16 to 24 year-olds without a job rose to 972,000.

The same figures show unemployment rose by 80,000 to reach 2.51 million and 96% of these (77,000) are 18 to 24 year-olds - an 11% rise compared to the previous quarter. Worryingly, the number of young people out of work for more than a year rose by 35,000 on the quarter to reach 219,000, while the total number of youths out of work for two years or more surged by 12% on the quarter to 93,000.

GMB along with the TUC are concerned with the rising unemployment rates for young people and the effect of the cuts on this age group especially in youth and community services. We fully support the detailed submission made by the TUC.

We understand the LPC's caution in uprating youth rates against this gloomy picture but there needs to be a light at the end of the tunnel

<p><u>GMB recommendation:</u> GMB continues to push for adult rate to be paid at 18. Failing that, the youth and development rates should increase by the same percentage as the adult rate.</p>

Apprentices

From 1 October 2011, the apprentice rate will have been in force for 2 years. GMB wish to see this rate increased each year of the apprenticeship and not just be a single rate. We believe that there still continues to be a gender pay gap for apprentices. As the £2.60 rate has now been set up, it should be at the very least increased in line with RPI but we feel that a higher increase is needed.

GMB Recommendation: Increase the apprentice minimum wage at least in line with inflation

Interns

Over the last year, we have seen much publicity and an increase in work experiences and internships which have been by and large unpaid. Internships have been very attractive to young people looking to get into the job market or trying to boost their CVs.

Currently, the only way to get into many of the most competitive professions such as the media and politics is by becoming an intern and not be paid a wage. This will deter many from applying as they may not be able to afford to live for more than three months with no pay. Interns will not want to argue with their “employer” for fear of losing their placement and so this abuse continues.

Unpaid internships, exploits workers, creates a real financial barrier and prevents equal opportunities. People from low income background will be deterred in applying for an internship.

Companies need to recognise that the work carried out by these interns is “real work” and should be paid as such. GMB commends TUC for setting up a website **www.rightsforinterns.org.uk** which is making young people aware of their rights and we believe that interns should be paid NMW not the apprentice training rate and there should be targeted enforcement aimed at the misuse of interns, work experience and “volunteers”

GMB Recommendation: Interns should be paid at least the National Minimum Wage and there should be targeted enforcement

Simplification of National Minimum Wage Regulations & increase awareness

A simple way to make NMW Regulations easy to understand is to have one rate for all workers.

Another option might for employers to show an hourly rate on all payslips so that all workers are aware of their pay rates.

Another idea is that when National Insurance Cards are issued, there should be a leaflet sent with the card explaining minimum wage and details of the Pay and Work Rights Helpline.

Targeted awareness programmes and visits to schools and colleges will assist young people to understand the rates and their rights at work.

<p><u>GMB Recommendation:</u> Show hourly pay rate on payslips and more targeted awareness campaigns to ensure that young workers or potential new workers are aware of their rights</p>

Vulnerable & Disabled workers

GMB together with most of the trade union movement were appalled to hear a comment by Conservative MP for Shipley, Philip Davies that the minimum wage may be a "hindrance" to some jobseekers and that "vulnerable" jobseekers - including disabled people - should be allowed to work for less than the minimum wage.

Publicity such as this is extremely unhelpful and encourages the continuation of low paid or unpaid work.

Tips and Troncs

GMB continue to be concerned that there is very little evidence in any restaurant or other tipping establishment of what happens to tips. Reference to the Code of Best Practice on Service Charges and Tips is noticeably absent from the "Handling Tips at Work" page of www.direct.gov.uk

A GMB member in a fast food chain restaurant, contacted us to say that at a staff meeting, they were informed that the tronc system would be changing and a further 30% would be deducted from credit card and service charge tips paid to staff. The member rightly said that according to the Code of Best Practice document (page 15)

“for a tronc to comply with HMRC regulations, it is an essential requirement that workers decide who participates in the tronc and how distribution are made, not the employer”.

The staff had obviously not been consulted on this and were confused as to their options. We still have concerns as to the make up of “Tronc Committees” and consultation with staff. This is another example of the Code not working

GMB Recommendation: Review the Code of Practice on Service Charges and Tips as promised

Enforcement

GMB sees it as a high priority to maintain current funding for monitoring and enforcement and to keep the enforcement regime under review. Effective enforcement is vital to the continuing success of the NMW. We need to continue to raise awareness and have this “joined up” approach and the Pay and Work Rights Helpline is essential for providing access to assistance.

Earlier this year, the Government published details of its scheme to name and shame employers who flout the National Minimum Wage (“NMW”) legislation but GMB is still concerned that there has been little change and the criteria for naming and shaming means that not many employers are identified. However, in order to do this, the Government needs to ensure that there are sufficient resources allocated to HMRC and BIS.

GMB Recommendation: Maintain funding and resources to ensure effective enforcement

GMB's recommendations for October 2012

Treasury forecasts predict that inflation is likely to fall next year and average earnings look to rise a little. GMB believes that the LPC should be bold and keep pace with average earnings forecasts. The latest Treasury forecasts are as follows:

Average of forecasts	Q4 2011	Q4 2012	Source
RPI Inflation forecast	5.3%	3.3%	HM Treasury
CPI Inflation forecast	4.5%	2.2%	HM Treasury
Average Earnings growth	2.6%	3.0%	HM Treasury

Source: HM Treasury forecasts for the UK economy, August 2011

Based on these figures, we have a range of rates below and GMB would recommend an increase of at least in line with RPI and we would fully support the TUC's submission

2012	Adult	Development	Youth	Apprentice
2.2% CPI inflation forecast	£6.21	£5.09	£3.76	£2.66
3.0% Average earnings growth	£6.26	£5.13	£3.79	£2.68
3.3% RPI inflation forecast	£6.28	£5.14	£3.80	£2.69

However, it is a longstanding GMB policy for the National Minimum Wage to be increased to £7 per hour to become a "living wage and this was reinforced at GMB Congress 2011 and we still use this as our preferred rate. We do realise that this may be unrealistic in the current economic climate as this would equate to a 15% increase so we would support the TUC recommended rate as a way towards this.

Living Wage

The following motion on Living Wage was passed at our Congress this year:

MOTION 100: A LIVING WAGE FOR ALL

This Congress moves that the minimum wage needs to be replaced by a living wage. Every worker should earn enough to provide their family with the essentials of life and, therefore, be lifted out of working poverty. The minimum wage is simply not enough to live on and is not a fair reward for work. What is urgently needed is a living wage for all. .

EUROTEC BRANCH, GMB Midland & East Coast Region

A recent Joseph Rowntree Foundation showed that many families now need to earn a minimum income standard of over 20% more than they did last year to achieve a minimum acceptable standard of living. While living costs have risen by about 5%, families with children need to earn a lot more than that to meet the minimum income standard . A couple with two children now need to earn at least £18,400 each if both work full-time.. www.jrf.org.uk/media-centre/families-must-earn-more-make-ends-meet

The concept of the Living Wage still remains a popular option. A move to a Living Wage would benefit families, providing them with an acceptable standard of living especially with high food, transport costs and fuel inflation and takes into account regional variations.

GMB recommendation: The higher of average earnings or RPI increases with a view to moving towards £7 an hour making NMW a “living wage”. GMB will also be pressing the Labour Party to commit itself to a National Living Wage in their policy review

GMB
22-24 Worple Road
London SW19 4DD
General Secretary: Paul Kenny

For further information please contact:

Ida Clemo, Executive Policy Officer,
Tel 020 8971 4207 ida.clemo@gmb.org.uk