# Low Pay Commission Inquiry 2016

**The TUC response**

**Summary**

The TUC represents 52 trade unions and is the voice of Britain at work. This paper sets out our evidence to the Low Pay Commission's summer 2016 inquiry.

Our submission examines:

- The current economic situation and the prospects for 2017, which is the period that the LPC's next recommendations will cover.
- The case for further increase in the minimum wage rates, taking into account both economic prospects, the political imperative set by the government's national living wage target, and the Commission's goal of helping younger workers to the fullest extent that can be sustained.
- The need to keep building awareness and enforcement of the minimum wage in a context where the rates will be higher and more workers will be covered.

In formulating our recommendations, we have taken account of the following key points:

- The decision to leave the European Union has clearly led to significant economic uncertainty. The TUC has welcomed the action taken so far by the Bank of England and the Government. We have also argued that we need an immediate action plan to ensure that workers do not pay the price of the decision to leave, including action on infrastructure investment, immediate help for industry, and a renewed industrial strategy.
- The plan also urges government to continue to make progress on wages for the lowest paid. We note that the TUC's view that wages growth is vital for supporting economic demand has once again become the orthodoxy, being echoed by the IMF as well as the ILO.
- Prior to the EU referendum the UK continued to see strong employment growth, particularly in low paid sectors. Last year the growth of employee numbers in the low pay sectors outstripped the increase for the whole economy. Other economic indicators were also robust.
- The TUC therefore believes that now is the time for the LPC to hold its nerve and contribute towards the drive to maintain economic growth, which must include wages growth.

There will obviously be some siren voices urging the Commission to be more cautious at this point but we should remember that at the moment that key economic indicators on employment and growth are still strong. We note that corporate profitability is now at record levels, so it would be hard to argue that this country cannot afford a pay rise for its lowest paid workers.

Premature pessimism risks becoming a self-fulfilling prophecy that would leave too many workers stuck in poverty pay and curtail their spending, which is needed to keep

the economy growing. We will watch the economic indicators closely, but note that the Government retains discretion over whether to implement the Commission's recommendations in April 2017. There is always a force majeure safety valve that should be seen as insuring the Commission against any imperative towards over-caution.

The LPC should recommend a further programme of work to ensure that the NMW is fully enforced. This is needed in order to counter the public perception that employers can flout the law with impunity in a climate where insecure work has become much more common. Steady increases in funding, more inspectors, proactive work and naming and shaming will all need to be rolled out.

There must also be a workable prosecution strategy that takes a steady stream of the worst employers through the courts and punishes them with substantial fines.

The current inquiry is an opportunity for the LPC to help to set the narrative for the next period of life in the UK. A positive narrative should necessarily include a rising minimum wage that helps more people, which combined with decent wages growth more broadly, would help to keep the economy moving forward.

### Prospects for the NMW

The UK's vote to leave the European Union in the recent referendum has clearly led to concerns that this will lead to a degree of upheaval that could slow down economic growth.

The TUC welcomed the action taken by the Governor of the Bank of England to stabilise sterling, by the (then) Chancellor of the Exchequer to announce that there would not be immediate further fiscal tightening through a post referendum budget, and by the new Chancellor of the Exchequer that the target to reach a budget surplus by 2020 would be dropped. The TUC has published an action plan setting out immediate steps the Government should take to further stabilise the economy, including action on infrastructure investment, immediate help for industry, and a renewed industrial strategy.

The plan also urges government to continue to make progress on wages for the lowest paid. We note that the TUC's view that wages growth is vital for supporting economic demand has once again become the orthodoxy, being echoed by the IMF as well as the ILO. Higher wages would not only stimulate the economy, but would also begin to address some of the anger at the inequalities and injustices that seem to have played out in the referendum[1].

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[1] TUC, "working people must not pay the price for the vote to leave: a national action plan to protect the economy, jobs and workers' rights", June 2016: https://www.tuc.org.uk/sites/default/files/WorkingPeopleMustNotPaythePrice.pdf

The TUC will be monitoring the economy very closely in the coming period and we have no doubt at all the Low Pay Commission (LPC) will be doing the same.

At the time of writing, statistics tell us that the UK economy is still doing quite well. Economic growth in the last quarter strengthened, there are a record number of people in work and pay is increasing faster than inflation.

The LPC will make its recommendations on the best evidence available, but it must be careful about signalling greater caution on the basis of perceived risk unless it is clearly established that such a course is warranted, otherwise it would risk becoming part of a negative self-fulfilling prophecy.

We also note the Commission's own findings that the period of the last recession following the 2008 financial crisis did not increase the sensitivity of either employment or hours to increases in the National Minimum Wage.[2]

Perhaps it is also worth reflecting that if the most negative scenario possible were to play out and there was to be a sudden economic crisis between now and April 2017, it would always be open to the government to amend, suspend or delay the recommended rate increases. Thus the commission should not be overly cautious about the possibility of bad news as yet unheard.

### The Low Pay Commission

The LPC continues to enjoy the general support of the TUC. In recent years the Commission has undergone some surprising changes in remit and the secretariat has seen a number of personnel changes, yet the Commission continues to be a body with a very strong model of evidence-based real-world decision making.

The TUC does not always like the LPC's specific decisions, but we respect the way in which they are made. There is much to be said for a body that combines expert opinion and evidence gathering with the considered (if sometimes divergent) views of business and trade unions.

The LPC has played a strong role in establishing and developing an NMW that enjoys broad support across the spectrums of industry and politics. The government needs to be careful to ensure that the NMW as an institution always has the broad support of the social partners, even if they do not always see eye to eye on the merits of specific rate rises. Government must therefore ensure that the LPC continues to be its authoritative source of advice on matters related to the NMW.

### The LPC remit 2016 (autumn)

The government published its remit for the LPC's current inquiry in March 2016:

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2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227028/National_minimum_wage-_impact_on_earnings__employment_and_hours_in_the_recession.pdf

"*The Government is building on its strong economic performance that has seen 2 million more people in work in the last five years. A remaining, key economic challenge the Government wants to address is to move away from a low wage, high tax, high welfare society and encourage a model of higher pay and higher productivity – supporting people who work hard and want to get on in life to fulfil their aspirations.*

*On the 1 April 2016 the Government's new National Living Wage will come in to effect for workers aged 25 and over. The Government has set the initial rate at £7.20 – 50p higher than the current National Minimum Wage rate for those workers. The Government's objective is to have a National Living Wage of over £9 by 2020.*

*The Government asks the LPC to monitor and evaluate the NLW and recommend the level of the National Living Wage to apply from April 2017. We estimate that the level of the National Living Wage in April 2016 will be 55% of median earnings. The ambition is that it should continue to increase to reach 60% of median earnings by 2020, subject to sustained economic growth. In making recommendations in relation to the National Living Wage the LPC is asked to consider the pace of the increase, taking into account the state of the economy, employment and unemployment levels, and relevant policy changes. In addition to providing a recommendation for the NLW rate that will apply from April 2017, the Government also asks the LPC to provide an indicative rate for April 2018.*

*The Government will align the NMW and NLW cycles so that both rates are amended in April each year. This will take effect from April 2017. The Government would like the LPC to monitor, evaluate and review the levels of each of the different NMW rates (16-17, 18-20, 21-24 and apprentice rates) and make recommendations on the increase it believes should apply from April 2017. Our aim is to have NMW rates that help as many low-paid workers as possible without damaging their employment prospects. The LPC is therefore asked to consider the state of the economy and labour market as well as any relevant policy changes while making these recommendations.*

*Timing*

*The LPC is asked to provide a report to the Prime Minister and the Secretary of State for Business, Innovation and Skills on the NMW and NLW rates as early as possible in October 2016.*"[3]

## The UK economy

As set out above, there is currently some economic uncertainty due to the decision to leave the European Union. It is vital that stability and growth are maintained and the government could lessen the risk that the economy could cool by adopting the measures set out in the TUC's National Action Plan[4].This would include the adoption of a smart procurement plan, and investment in housing, transport and energy projects and by rolling out ultra-fast broadband, to name but a few of the measures that could be

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507555/bis-16-168-lpc-remit-2016.pdf
[4] https://www.tuc.org.uk/sites/default/files/WorkingPeopleMustNotPaythePrice.pdf

deployed. These would all be beneficial interventions whether the referendum has negative effects or not.

However, at present the UK economy is still doing fairly well. As the table below shows:

- The UK is experiencing record numbers in employment and falling unemployment, with the latest figures showing unemployment falling below five per cent. While the latest independent forecasters have reacted to the decision to leave the European Union by revising down employment forecasts in 2017 we believe that the continued strength of the UK Labour market and the scope for Government to take action to stave off an economic slowdown means we should not be unduly pessimistic.
- The UK is currently enjoying moderate GDP growth of 2.2 per cent year on year, with the last quarter's figures showing growth strengthening.
- In addition, we note that the latest figures show the redundancy rate continuing at a low level, at 3.9 per thousand, which is 0.6 of a percentile lower than last year[5].
- The unemployment to vacancy ratio has also improved, falling from 2.5 in 2015 to 2.2 this year[6].
- Average weekly earnings are currently increasing by 2.2% per year. Earnings growth is predicted to increase further in 2017.

Things are not perfect, of course, and the TUC has argued that growth and capacity should be strengthened, for example, by more government investment in vital infrastructure projects and a focus on creating better jobs.

The TUC also fears that the long running public sector pay cap is both negatively affecting the morale and productivity of almost a quarter of the workforce and depressing overall earnings growth.

The UK economy also suffers from too many insecure jobs – zero hours contracts, temporary agency work and false self-employment continue to cause concern.

Ensuring that wages continue to rise must be a key part of delivering the better jobs we need. Moreover if working people were to pay the price of any slowdown in the form of slower wage growth, then a vicious circle could ensue, whereby the reduction in workers' spending power could lead to further restrictions on growth. Therefore an important part of ensuring that economic growth continues will be to ensure that wages continue to rise.

## Key economic indicators and predictions

[5] ONS table RED01, March-May, seasonally adjusted.
[6] ONS table VACS01, March-May, seasonally adjusted.

| | July 2016 (change in past year) | 2016 whole year (predicted) | 2017 (predicted) |
|---|---|---|---|
| GDP | 2.2% | 1.6% | 0.7% |
| Employment growth | 1.0% (+624,000 level ) | 0.9% | -0.2% |
| Average weekly earnings | 2.2% | 2.5% | 2.7% |
| ILO Unemployment rate. | 4.9%<br>(-11% change in level to July 2016) | 5.2% | 5.6% |
| Claimant count level | 0.759 million<br>(-4.3% change in level to June 2016) | 0.78 million | 0.86 million |
| RPI | 1.6% | 2.1% | 2.9% |
| CPI | 0.5% | 1.3% | 2.3% |

Sources: Current figures - GDP Q2, employment, ILO unemployment and average earnings, claimant count (latest ONS figures published July 2016), inflation (latest figures June 2016) Forecasts – HMT round up of independent forecasts for the UK economy (July 2016)

The position of wages in economic growth has been clearly re-affirmed in recent years. Indeed, recognising the importance of wage growth in determining economic growth is increasingly becoming the orthodoxy, with the International Labour Organisation's view increasingly echoed by the IMF and other key international bodies that are rightly noted for their caution.

The following quotes explain the argument as it stands:

*"It is important to note that, when the negative impacts of falling labour share on private consumption are not offset by investment, countries tend to rely more on credit (household debts) and/or net exports in order to maintain aggregate demand. This may contribute to increasing economic instability and global imbalances. If many countries simultaneously pursue policies of wage moderation (as defined by wage growth lower than labour productivity growth), the result is likely to be a shortfall in global aggregate demand, with negative effects on most countries. If this occurs within a trading bloc with close economic ties, such as the European Union, the results can depress demand throughout the bloc and beyond.*[7]*"*

[7] OECD/ ILO, with contributions from the IMF and the World Bank, report prepared for the G20 Employment Working Group Antalya, Turkey, 26-27 February 2015 "the labour share in G20

*"Falling labor's (wage) share in the post-1980s has meant a decline in workers' purchasing power, which has limited their potential to consume. Demand deficiency reduced investments despite increasing profitability in most cases. Debt-led consumption, enabled by financial deregulation and housing bubbles seemed to offer a short-term solution in the US, UK, or the periphery of Europe."*[8]

How does this narrative fit with the UK situation?

The Bank of England reports that although private sector demand growth has been resilient over the last few years, "the household financial balance — which captures the difference between saving and investment — has been in deficit since the end of 2013."[9]

Slow income growth in recent years has not worsened the percentage of households in relative poverty (20%)[10], but is worth noting that the total population grew between 2010 and 2015[11], so the actual number of households in poverty has increased by 3.5%.

People in the UK owed £1.475 trillion at the end of April 2016 in secured and unsecured debt. This figure increased from £1.437 trillion a year earlier, which equates to an extra £760 per UK adult[12].

Despite the return to moderate real wages growth, the UK Households Saving Ratio, which measures the percentage of household net disposable income put aside as savings, has continued to fall, from 6.8 in 2014 to 6.1 last year[13].

## Profitability

High profitability is one indicator of the ability to pay a higher minimum wage. We therefore note that the rate for UK owned companies now stands at 12.9% net, which is the highest level since 1998 (see table below).

The LPC will also be particularly interested in the profitability of service sector companies, since so many NMW jobs are located within this sector. Here we note that that profitability is at the highest level since the current ONS series began in 1997. In addition, net profitability increased quite strongly last year, from 18.8% in 2014 to 21.6% in 2015.

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economies", p12. https://www.oecd.org/g20/topics/employment-and-social-policy/The-Labour-Share-in-G20-Economies.pdf.

[8] O. Onaran and G. Galanis ILO conditions and employment series 40, "Is aggregate demand wage-led or profit-led? National and global effects", p42. http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_192121.pdf . See also Ed. M. Lavoi and E. Stockhammer, " Wages led growth: an equitable strategy for economic recovery, ILO, 2014

[9] Bank of England inflation report, May 2016, p11.

[10] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/532416/households-below-average-income-1994-1995-2014-2015.pdf

[11] http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05/relateddata

[12] The Money Charity: http://themoneycharity.org.uk/money-statistics/

[13] ONS "UK economic accounts", Q1 2016, table 6.1.6. http://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/unitedkingdomeconomicaccounts

Net rates of profitability for UK non-financial companies

| year | All non-financial companies | Service sector companies |
|---|---|---|
| 1998 | 13.2% | 18.4% |
| 1999 | 12.0% | 15.9% |
| 2007 | 11.3% | 13.5% |
| 2008 | 9.5% | 12.8% |
| 2014 | 12.8% | 18.5% |
| 2015 | 12.9% | 21.6% |

Source: ONS whole year statistics, published April 2016: http://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/profitabilityofukcompanies/octobertodecember2015/relateddata

Whilst we recognise that a significant slowdown in investment is likely to have contributed to these very strong levels of profitability, these figures make it hard to argue that businesses as a whole could not afford a further strong increase in the minimum wage, or that large corporates could not afford to pay a little more for the services that they contract from smaller businesses.

## Small businesses

The UK small business sector has continued to thrive. For example, the number of small businesses has increased by 21% between the year 2,000 (the closest data point we have to the introduction of the National Minimum Wage in 1998) and the start of 2015, whilst the number of large businesses has actually declined by 3%[14].

In all, 1.25 million small businesses (e.g. those employing 1-49 employees) now account for nearly 8 million employees[15]. The statistics are not as timely as we would wish, but they do report that number of small businesses with employees grew by a further 33,000 (2.7%) in the year to the start of 2015.

## Productivity

Productivity is still increasing much slower than we would like, but it has now slightly exceeded pre-recession levels on a per job basis. Furthermore, it is heartening to see that productivity across the whole economy has continued to increase during the past year (see table below).

[14] DBIS "Business populations for the UK and the regions 2015, derived from fig 4, p6.
[15] Ibid, table A, p3.

**Labour productivity index**

| | Whole economy per job | Whole economy per hour | Services per job | Services per hour | Wholesale and retail per job | Wholesale and retail per hour |
|---|---|---|---|---|---|---|
| 1997 | 101.6 | 101.3 | 100.2 | 100.3 | 104.3 | 103.9 |
| 1998 | 97.7 | 97.7 | 97.1 | 97.4 | 99.8 | 98.9 |
| 2014 | 101.8 | 100.6 | 103.8 | 101.9 | 109.4 | 107.2 |
| 2015 | 102.5 | 101.0 | 104.3 | 103.0 | 112.6 | 111.2 |

ONS Labour Productivity Tables 1+5 (published April 2016). Figs for Q4. 2012 =100

Again, the LPC is likely to want to give particular weight to the services sector because of the high concentration of NMW jobs. This sector is doing rather better than average, with productivity per job standing 4.1% above pre-recession levels, and productivity per hour at 2.7% above 2007 (Q4). In the past twelve months the emphasis has started to shift towards per hour gains, with productivity in the services sector increasing by 1% per hour and about 0.5% per job.

The wholesale and retail sector has done particularly well, with productivity per hour standing at 7.0% higher than 2007 (Q4) and a 3.7% increase in the last year alone.

These figures are moderately encouraging, but not still overly impressive when compared to other G8 countries. However, last year the government announced the "fixing the foundations: creating a more prosperous nation" initiative[16], which aims to improve investment, infrastructure, skills and the knowledge economy. Indeed, the Chancellor said that "improving the productivity of our country is the route to raising standards of living for everyone in this country….. our future prosperity depends on it.[17]"

If the government holds to its course then a fair degree of active support will be gradually rolled out. Some of these measures will move quite slowly, with end targets ranging from 2017 through 2021.

The government also continues to bring together businesses in certain sectors to discuss their future success, including PILOT in the North Sea oil and gas exploration sector[18].

The TUC thinks that government should go further. Amongst the 15 recommendations in our report "Building a secure high productivity economy", we argue that there should be "a new approach to supporting low paid industries where employment is high and where driving up productivity could provide more quality jobs" , arguing that government should have a role in bringing low paid sectors together with unions to discuss business success, improving wage rates and productivity.[19]

[16] https://www.gov.uk/government/news/productivity-plan-launched
[17] http://www.ft.com/cms/s/0/b3a9bafa-ff0c-11e4-84b2-00144feabdc0.html#axzz4DSUhbyXn
[18] https://www.gov.uk/government/groups/pilot
[19] TUC. November 2015: https://www.tuc.org.uk/sites/default/files/TUC-CSR-2015.pdf

We also argue that productivity growth is generally incentivised when the economy is doing well. Supply side measures can have only a limited effect when the economy is demand deficient, which implies that wages growth must be sufficient to maintain demand. Well-pitched minimum wage increases can therefore make a positive contribution to setting the right economic climate for productivity to grow more strongly.

## The resilience of the low paid sectors

The LPC will be interested in sectors with a high concentration of low pay, since this might be where any negative impact of the NMW would be felt first.

**Sectors with a high concentration of low pay - change in employment (thousands)**

| Sector | Employees 2014 | Employees 2015 | change |
|---|---|---|---|
| Agriculture hunting and forestry | 157 | 165 | +8 |
| Primary food processing | 122 | 125 | +3 |
| Textile and clothing manufacture | 38 | 65 | +27 |
| Retail (not motor vehicles) | 2,645 | 2,695 | +50 |
| Hotels and accommodation | 323 | 309 | -14 |
| Food and beverage services | 1,128 | 1,175 | +47 |
| Residential care and social work activities | 1,735 | 1,745 | +10 |
| Services to buildings and landscape activities | 415 | 427 | +12 |
| Recruitment and employment agencies | 195 | 228 | +37 |
| Hairdressing and beauty | 157 | 172 | +15 |
| *All low paid sectors* | *6,911* | *7,104* | *193 (+2.8%)* |
| *All non-low paid sectors* | *19,382* | *19,637* | *+255 (+1.3%)* |

Source: LFS microdata autumn quarters. Employees (main job)

In the long run, the TUC would welcome a shift in employment towards higher paying sectors of the economy.

However, at the moment it looks like the low paid sectors are continuing to grow slightly faster than the economy as a whole. The latest figures show the total number of employees in low paid sectors growing by 2.8 per cent last year, far outstripping the 1.3% per cent increase in non-low paid sectors (see table above). This suggests that these sectors as a whole have been able to cope with the NMW increases.

The number of employees in the low paying sectors has increased by 197,000 during the past year (excluding second jobs). Half of this increase is accounted for by growth in the food and beverage sectors (+47,000) and the retail sector (+50,000).

The only low paid sector that seems to have suffered a slight decline in the number of employees in the hotel and accommodation sector (-14,000).

### Younger workers

The position of younger workers and younger people in general is always an important consideration, since they are said to be most susceptible to any negative side effects from labour market and pay changes. This section will therefore look at the position of the various age groups covered by rates other than the national living wage (nlw) for adults over 24.

It is first worth noting that the employment position of young people as a whole has now recovered fully from the recession and grown beyond the pre-credit crunch position. It has also improved markedly during the past year.

We also note that the ONS reports that "*For March to May 2016, the unemployment rate for 16 to 24 year olds was 13.5%, lower than for a year earlier (15.7%). It has not been lower since July to September 2005 (when it was 12.7%).*"[20]

***21-24 year olds***

The introduction of the nlw has effectively set a new NMW rate for those aged 25 and above.

This leaves those aged 21-24, with what is effectively a new young workers rate, even though they were previously classed as adults.

For this age group, the employment rate (72%) is at a new high, whilst employment levels (2,477,000)are now 7.4% higher than before the recession, Unemployment has also fallen below the 2007figures (see table below).

Furthermore, a key point to note is that the growth in employment levels for this age group is now outstripping the growth of older workers. The number of 25 year olds in employment has increased by 7.5% since 2010, whilst the number of 21-24 year olds is

[20] ONS Statistical Bulletin, "UK Labour Market July 2016", section 15.

up by 11.6%. In the past year, the number of over 25s in employment increased by 1.6% whilst the number of 21s to 24s grew by 4.6%[21].

**21-24 employment and unemployment**

| Year | Employment (thousands) | Employment rate | Unemployment (thousands) | Unemployment (rate) | Unemployment -not studying towards a qualification (thousands) |
|---|---|---|---|---|---|
| 2007 | 2,307 | 71.1% | 233 | 9.2% | 193 |
| 2010 | 2,218 | 66.3% | 368 | 14.2% | 320 |
| 2014 | 2,367 | 68.9% | 308 | 11.5% | 262 |
| 2015 | 2,477 | 72.0% | 236 | 8.7% | 189 |

Source: LFS microdata (Q4).

***18-20 year olds***

Employment levels for 18-20 year olds have been recovering more slowly. However, this must be read in the context of a strong movement towards continuing education, which has greatly reduced the number of 18-20 year olds in the labour market.

Thus, as the table below shows, although unemployment rates are higher than in 2007, the number of people in this age group who are unemployed is actually 53,000 lower, whilst the number of people unemployed and not studying towards a qualification has fallen even more, by 67,000 since 2007 (-31.6%).

**18-20 employment and unemployment**

| Year | Employment (thousands) | Employment rate | Unemployment (thousands) | Unemployment (rate) | Unemployment -not studying towards a qualification( thousand) |
|---|---|---|---|---|---|
| 2007 | 1,832 | 58.0% | 299 | 10.2% | 212 |
| 2010 | 1,138 | 46.4% | 366 | 24.3% | 252 |

[21] Source: LFS microdata (autumn quarters)

| | | | | | |
|---|---|---|---|---|---|
| 2014 | 1,142 | 48.6% | 273 | 19.3% | 172 |
| 2015 | 1,149 | 49.8% | 246 | 17.6% | 145 |

Source: LFS microdata (Q4).

***16 and 17 year olds***

Employment levels are also recovering for this age group and the unemployment rate is falling back towards the 2007 level.

Once again, these figures have to be read against the background of a strong move towards continuing in education or training, perhaps underscored by the 2012 initiative to raise the participation age[22]. Thus we see the number of 16 and 17 year olds who are unemployed falling strongly. Indeed, the number unemployed and not studying towards a qualification is now just 36,000, down by 59.1% since 2007.

We also note that the number of 16 and 17 years olds in employment increased by 2.9% last year, which outstrips the 1.6% growth in employment for the over 24s.

**16-17 employment and unemployment**

| Year | Employment (thousands) | Employment rate | Unemployment (thousands) | Unemployment (rate) | Unemployed: not studying towards a qualification (thousands) |
|---|---|---|---|---|---|
| 2007 | 378 | 33.6% | 187 | 26.2% | 88 |
| 2010 | 326 | 24.4% | 217 | 36.5% | 74 |
| 2014 | 326 | 21.7% | 177 | 35.2% | 48 |
| 2015 | 348 | 23.8% | 153 | 30.6% | 35 |
| 2016 | 357 | 24.5% | 137 | 27.7% | 36 |

Source: LFS microdata (Q4)

***Young people not in employment, education or training***

It is also important to consider what has been happening to those not in employment, education or training (NEETs).

22 https://www.gov.uk/government/collections/raising-the-participation-age

The number has fallen again during the last year and is now below pre-recession levels. In particular, the number of 16-17 year old people who are NEET has been declining across the UK since the mid-2000s as growing numbers stay in education

The latest figures for England (2016 Q1) show a 27,000 fall in the number of NEETs compared to a year earlier (-4.5%).

The table below shows that the level of NEETS is not only down by one third since the low-point of the recession but also down by more than a tenth (-11.7%) on the pre-recession figures.

**NEETS 2007-2016 (England).**

| | 16-18 | 19-24 | All 16-24 |
|---|---|---|---|
| 2007 | 209 (9.0%) | 611 (15.7%) | 820 (14.1%) |
| 2009 | 218 (8.3%) | 697 (17.6%) | 915 (15.2%) |
| 2012 | 186 (9.7%) | 789 (18.7%) | 975 (15.8%) |
| 2015 | 134 (7.1%) | 605 (14.7%) | 739 (12.3%) |
| 2016 | 121 (6.5% | 585 (14.0%) | 706 (11.7%) |

ONS NEET statistics (England), Q1. Level in thousands and percentage in brackets.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525891/NEET_Brief_Q1-2016.pdf

The government is deploying a number of policies to help young people with the transition into work. The largest of these is the apprenticeships programme, which is a model that ensures their employment status.

## Apprentices

The government has set a target of 3 million new apprenticeship starts in England by 2020[23]. The latest data shows that the number of people undertaking apprenticeships reached the record level of 871,800 in 2014/15[24].

After a slowdown in 2013/14, which was partly caused by changes to the funding regime that were subsequently withdrawn, apprentice starts increased again by 13.4% in 2014/15, reaching a total of half a million (499,900).

[23] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf
[24] FE Week, "Government target for 3m apprenticeship starts could be on track as new starts up 4pc", 21 January 2016: http://feweek.co.uk/2016/01/21/government-target-for-3m-apprenticeship-starts-could-be-on-track-as-new-starts-up-4pc/

Furthermore, the rate of increase seems to still be accelerating, as the latest statistics show the number of starts increasing by 61,000 during the first 3 quarters of 2015/16, which equates to an increase of 18.9% on the comparable period the year before.

The short-lived changes depressed the number of starts by older apprentices, so it is perhaps no surprise that the restoration of funding has strongly boosted their numbers.

However, the number of younger apprentices has also increased, with starts for under 19s up by 6,100 (5.9%)[25] in the latest full-year statistics.

Whilst the revival of the apprenticeship system has generally been a success story in terms of numbers, care needs to be taken to ensure that all apprenticeships are high quality, and that they meet the requirements of the NMW (see section on enforcement below).

Nevertheless, numbers are already growing strongly and should receive a significant boost from the introduction of the Apprenticeship Levy, which will boost the funding available to employers. This will come into force in April 2017, at the same time as the next NMW increase[26].

The TUC strongly supported the revival of the apprenticeship model over the past decade, although we have some time been concerned about both quality and fair pay. We argued in our 2013, 14 and 15 LPC submissions that the NMW apprentice rate risks setting a sub-optimal low pay norm.

In addition, we are concerned that employers are commonly getting results from advanced apprentices that make paying the NMW without any discount look like the very minimum fair rate.

Here are three of the latest job descriptions for apprentice vacancies paying £99 for a 30 hour week posted on the Apprenticeships Service section on Gov.UK.

The following are all advanced level apprenticeships. The purpose of reporting these details is to show that employers want quite a lot for £3.30 per hour – and in these cases, and many others, for less than £100 per week:

*1: Apprentice nursery practitioner (30 hours per week - £99)[27]*

*"The role and responsibilities include:*
*Care and Education*

[25] BIS/Skills Funding Agency, "further education and skills: learner participation outcomes and highest level of qualification heled – statistical first release" 23 June 2016, p33, Table 7/1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/530819/SFR_commentary_June_2016_final.pdf

[26] GovUK Guidance on the apprenticeship levy: https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work

[27] https://www.findapprenticeship.service.gov.uk/apprenticeship/737511

- *To support the nursery team in providing high standards of quality within the nursery including the environment, resources and experiences offered to children*
- *To comply with the statutory framework for the Early Years Foundation (EYFS) and relevant legislation including the Children Act 1989 and 2004*
- *To support the nursery team, and develop your own skills in ensuring effective planning, assessment and record keeping for children (both paper and IT based) using the EYFS curriculum for guidance*
- *To build positive relationships with the children, parents, carers, colleagues and external professionals*
- *To ensure confidentiality, where appropriate, is maintained*
- *To promote the welfare of the children and ensure they are kept safe and that Child Protection procedures are followed where necessary*
- *To promote the nursery to current and prospective parents*

*Personnel:*

- *To understand the XXXXXXX (employer) values and model these in your performance and behaviour at all times*
- *To adhere to all XXXXXXX (employer) policies and procedures at all times*
- *To take ownership of your own learning and development, demonstrating a pro-active attitude towards completing your Apprenticeship within the agreed timeframe*
- *To work effectively in partnership with your assessor, and adhering to any college requirements*
- *To actively participate in all review meetings, nursery team meetings and required training*
- *To take responsibility for the Health and Safety of yourself and others*

*You must have:*

- *A general understanding of childcare and child development*
- *A good understanding of the needs of children and their behaviour*
- *An awareness of Equal Opportunities and Child Protection issues*
- *A willingness to keep abreast of current thinking in developments in early years and a willingness to undertake further relevant training where necessary."*

*2: Apprentice Dental Nurse (30 hours per week - £99)*[28]

[28] https://www.findapprenticeship.service.gov.uk/apprenticeship/753267

*"…..You will be assisting with all clinical aspects within the surgery and provide patients with a high level of care. You will receive ongoing support and development to equip you with the skills and knowledge required for a successful dental nursing career.*

*If you are the successful candidate for this vacancy, you will be expected to provide an effective and efficient service.*
*Some of your duties could include:*

- *Assisting the dentists with suction, retraction, manipulation of air and water syringes, passing instruments and mixing/passing materials*
- *Ensuring all lab work is checked and available prior to patients arrival*
- *Developing and filing x-rays*
- *Cleaning and sterilising instruments*
- *Greeting and caring for patients*
- *Maintaining a clean environment during surgery*
- *Carrying out reception and administration tasks."*

*3: Female PE and sports coach (30 hours - £99)*[29]

*"Responsibilities include:*

- *Assist the PE teacher in delivery of lessons*
- *Support small groups or individuals within the lesson*
- *Be responsible for setting out/putting away equipment at the beginning/end of lessons*
- *Deliver 'Get Moving' (Prescriptive PE) to small groups of pupils*
- *Supervise the Girls changing area*
- *Be a play leader at morning break*
- *Lead Lunch time sports clubs*
- *Help supervise pupils on to transport at the end of the school day*
- *Be responsible for keeping the PE store tidy*
- *Be responsible for the washing and storing of spare of PE kit*
- *Keep PE display boards neat and up to date*
- *Perform administrative tasks such as photocopying*
- *Support non-swimmers in the pool during Swimming lessons*

[29] https://www.findapprenticeship.service.gov.uk/apprenticeship/753961

- *Be available for overnight expeditions/residential trips*
- *Support in the classroom or on class trips if required*
- *Supervise Soft-Play*

*To be considered for the role we are looking for someone who is:*

- *Passionate about working with children and young people*
- *Passionate about working with children and young people with special educational needs*
- *Able to develop positive relationships with children and staff*
- *A role model*
- *Interested in sport and physical activity*
- *Pro active*
- *Enthusiastic*
- *An excellent communicator*
- *Well organised and adaptable*
- *Punctual and reliable*
- *Able to use their initiative*
- *Willing to travel*
- *A good team player*

*Qualifications:*

- *GCSE Grade A*-C in Physical Education or level 2 (or above) NVQ/ BTEC in Activity Leadership or Sport*

*General:*

- *This job is subject to receipt of an enhanced DBS disclosure*
- *Some coaching experience would be beneficial* "

**The Living Wage voluntary standard**

The Living Wage is a widely supported voluntary standard based on a calculation of what workers need to live on, assuming that they claim all the tax credits and benefits that they are entitled to. It is calculated by the Greater London Authority in London (currently £9.40), and, at the request of the Living Wage Foundation, by the Centre for Research in Social Policy at Loughborough University for the rest of the UK (currently

£8.25). The independent Living Wage Foundation accredits employers who adopt the Living Wage[30].

The Living Wage voluntary standard has achieved a great deal of support, with the number of accredited employers more than doubling every year.

There was significant concern when the Chancellor of the Exchequer decided to use the term “national living wage” for the new NMW rate in case the similarity of the name caused confusion. However, in practice the influx of new Living Wage Employers has continued, with a number of well-known companies signing up in recent months. Most recently, Majestic Wine, TSB and Brecon Water all announced accreditation on 4 July 2016[31].

Two years ago we were pleased to report that 600 employers had been accredited. By the start of July 2016 the total has increased to 2,631, including 28 of the FTSE-100 companies

One reason why so many employers are willing to pay the living wage is that there is a well-developed business narrative. Of course there is always a genuine desire to do the right thing where this is possible, but it is also the case that paying the living wage is good for their brand reputation and the cost is offset by the personnel, productivity and quality gains that arise from retaining and motivating employees. In addition, plans for a higher NMW are incentivising some employers to differentiate themselves, both in terms of marketing and in maintaining their relative position in the labour market.

The TUC General Secretary sits on the 2016 Living Wage Commission, which is being conducted by the Resolution Foundation on behalf of the Living Wage Foundation[32]. The Commission. This body is tasked to strengthen the methodology and governance of the living wage and is expected to report in the autumn.

Trade unions who represent low paid workers commonly make the Living Wage voluntary standard the minimum rates in their pay claims. In the coming period, the TUC will be campaigning for the extension of the Living Wage in the public, private and voluntary sectors, and for the adoption of the Living Wage in public procurement.

### The TUC’s rate recommendations for April 2017

Whilst we acknowledge that the UK’s decision to leave the European Union poses some threat to economic stability and growth, this makes it more important than ever that we protect wages growth in order to maintain demand in the economy. It is also important that we continue to protect the low paid and combat any threat of growing inequality. The OECD has recently highlighted the UK’s particularly weak performance on pay

[30] http://www.livingwage.org.uk/

[31] http://www.livingwage.org.uk/news/sadiq-khan-congratulates-majestic-wine-tsb-and-brecon-water-becoming-living-wage-employers

[32] http://www.livingwage.org.uk/news/new-living-wage-commission-launched-oversee-living-wage-calculation

growth since the start of the recession. Real hourly wages were more than 25% below where they would have been if pay growth had continued at the rate observed during 2000-07[33]. Obviously slowing down the minimum wage would make this situation worse.

The TUC argues that governments nlw target of 60% of median earnings is achievable and indeed could be exceeded if the current economic course is maintained.

As the target implies an increase of £1.80 to the rate over a period of 4 years, this suggests that the rate must increase by 45 pence or more in 2017.

The target should be increased as quickly as economic conditions allow. The TUC's goal is to raise the NMW to £10 as quickly as possible.

The position of 21-24 year olds has improved rapidly, with employment growth for this age group outstripping that of older workers. The TUC's view is that this age group should simply be included in the full national living wage rate. At the very least the LPC should make recommendations that start closing the gap.

The position younger workers is also improving, albeit at a slower pace. However, jobs growth was faster for 16-17 year olds than for adults. There is room for the LPC to make recommendations that start to narrow the gap with older workers

There has been a massive expansion of apprentice places. Most are already paid more than the relevant age-based rate of the NMW, but some employers seem context to pay as little as they possibly can. This risks demotivating young people and may be used as unfair competition. The TUC argues that a significant hike in the apprentice rate is warranted, with a plan to match the young workers rate.

Older apprentices, and those above the intermediate level are generally already doing work that warrants the full NMW. The application criteria of the apprentice rates should therefore be narrowed

**Rate recommendations**

- **The National Minimum Wage rate for those aged 25 and above (the "national living wage") should at least continue to rise to meet the target of 60% of median earnings by 2020. The LPC should aim to get the rate to £10 as soon as possible.**
- **21-24 year olds should be paid the full NMW rate including the "national living wage" supplement.**
- **The rates for younger workers should seek to narrow the gap between adults and younger workers as quickly as can be sustained.**

[33] OECD Country report UK, 7 July 2015: http://www.oecd.org/unitedkingdom/Employment-Outlook-UnitedKingdom-EN.pdf

- **The LPC should consider whether the apprentice rate could be raised to the level of the young workers rate**.
- **The apprentice rate should only apply to those undertaking intermediate level apprentices who are aged 16-18 and to 19-20 year olds in the first year of their apprenticeship.**

**Employers clawing back terms and conditions to pay for increases in the NMW**

There have been worrying reports of employers cutting back on terms and conditions to pay for increases in the NMW[34]. In our view this should not be seen as a reason to hold back wages. Trade unions sometimes take an active approach to terms and conditions as part of the ongoing process of collective bargaining and sometime accept changes in order to maximise pay. This would not be a reason to restrict increase to the NMW rates.

In retail, in particular, there has been a long running trend for employers to seek to remove overtime and weekend working premia in order to facilitate seven-day trading.

A much-discussed example concerns the changes proposed by B&Q whichgenerated significant opposition, with a petition started by a manager drawing 140,000 signatures. Reports suggested that some B&Q pay packets would be reduced by up to £735 per year. However, the Commission will also note that the company proposed paying all staff a minimum rate of £7.66 per hour, regardless of age.

Clawing back terms and conditions has also caused problems at some unionised sites in the food processing sector, with members of the bakers union BFAWU striking at Pennine Foods[35], and a long running dispute between Seachill (Grimsby) and the trade union Unite concerning overtime rates[36].

These negative events should not be seen as a reason to slow down NMW increases. The Commission will recall that there have been some similar response in the past. For example, 10 per cent of employers reported that they had cut back non-wage benefits in

[34] A good review in this Guardian report: https://www.theguardian.com/uk-news/2016/apr/16/employers-claw-back-national-living-wage-cuts-pay-perks
[35] BBC report: http://www.bbc.co.uk/news/uk-england-leeds-36341416
[36] http://www.unitetheunion.org/news/grimsby-fish-firms-national-living-wage-row-goes-to-brussels--as-workers-face-the-sack/

response to the 2003 minimum wage increase from £4.20 to £4.50 (7.1%), whilst 6 per cent of NMW employers cut overtime rates[37]

However there are reports that some employers are using the introduction of the national living wage as an excuse to cut back on terms and conditions without putting forward any justification. This baseless behaviour risks undermining the NMW and prolonging what the Chancellor of the Exchequer called “asking the taxpayers to subsidise… the businesses that pay the lowest wages.”[38]

The LPC should condemn employers that make unnecessary changes to terms and conditions and the government should name and shame them.

**Recommendation**

- **The LPC should recommend that the government takes action against employers who opportunistically claw back terms and conditions to pay for minimum wage increases. Those suspected of such opportunism should face questioning on their motives and be publicly named and shamed if they cannot credibly defend their actions.**

## Enforcing the NMW

Successive governments have developed the enforcement regime, including some significant progress on the TUC’s 10-point plan[39]. We have welcomed a number of developments on enforcement, including increased funding, more enforcement officers, more advertising, better guidance, higher civil penalties, and the introduction of naming and shaming – all which we called for. We also welcomed the decision to target social care, and trade unions worked closely with HMRC on implementation. We were instrumental in persuading government to prioritise complaints from interns, and HMRC have supplement union efforts in this area by recovering underpaid wages for dozens of interns each year.

But there are certainly no grounds for complacency. The development of the national living wage is likely to double the number of NMW workers by 2020, whilst higher rates may also generate a sharper incentive for those who are inclined to cheat.

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[37] See LPC report 2005, p219. http://webarchive.nationalarchives.gov.uk/20130626202215/http://www.lowpay.gov.uk/lowpay/report/pdf/DTi-Min_Wage.pdf
[38] Budget Speech, July 2015: https://www.gov.uk/government/speeches/chancellor-george-osbornes-summer-budget-2015-speech
[39] TUC, 2015: https://www.tuc.org.uk/economic-issues/labour-market-and-economic-reports/labour-market/economic-analysis/keep-pressure

Furthermore, the issue has to be viewed against growing public concern about the rise of insecure jobs, zero hours contracts, agency work and false self-employment of various kinds, including the technology-driven form known as the "gig economy".

The case of Sports Direct epitomises such concerns. There is a sense that some employers can treat workers badly, be repeatedly held up to public opprobrium[40] and still get away with it. Whilst they may well currently be under investigation by HMRC, public perception is that Sports Direct can underpay with impunity.

Although concerns about insecurity and lack of enforcement are by no means confined to migrant workers it is very clear that the growth of insecure work has fed into public concerns about migration, with corrosive effects

When a major employers seem to be able to get away with cheating without being subject to enforcement action, public confidence in the NMW risks being badly damaged.

It is therefore vital that the LPC plays its part in urging a crackdown on NMW enforcement. The forthcoming LPC report should recommend the following action:

- Continue to increase funding for enforcement strongly year on year through to 2020. Funding for enforcement has already increased significantly for the last three years. The results are beginning to be seen, with HMRC set to report a record amount of arrears recovered for low paid workers in 2015/16. But the prospective doubling of the numbers covered by the NMW by 2020 means that non-compliance is likely to increase. HMRC must have a budget for this work that is sufficient to meet the challenge

- Develop sectoral guidance for atypical industries such as theatre, film and broadcasting. Some sectors have particular difficulties, such as very short employment contracts and a preponderance of unpaid work. It is hard to understand how the NMW rights and duties apply in these industries from the general guidance

- More proactive targeted work and inspections. The budget for enforcement must be sufficient that targeted work can continue in sectors like social care and internships, but there is also capacity to educate and enforce in the sectors that have yet to be subject to bespoke enforcement action.

- More regular naming and shaming. The government has named 490 employers since 2014, but the timetabling has been rather intermittent[41]. Whilst maintaining fairness, it is time to consider whether the criteria for naming are wide enough to allow enough cases to come through. It would also be useful to

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[40] For example: https://www.theguardian.com/business/2015/dec/09/how-sports-direct-effectively-pays-below-minimum-wage-pay; http://www.channel4.com/info/press/news/sports-direct-investigation-reveals-harsh-working-conditions

[41] Government evidence 2016, see chart, p50: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494864/BIS-16-92-final-government-evidence-for-the-Low-Pay-Commissions-2016-report.pdf

name employers at some set points in the year, in support of compliance campaigns.

- Crucially, there must be a workable prosecution strategy for the worst cases. Naming and shaming has certain attractions, including speed, cheapness, and lack of uncertainty about the outcome, but it does not draw out the details of how cheating employers have behaved. The formulation for naming and shaming announcement is simply that X employer has underpaid Y amount of workers by Z amount, with no supporting detail about how the employer has behaved. In addition, employers commonly respond to naming by saying that the have simply made a mistake. HMRC has recently agreed a new prosecution strategy[42] for NMW Act offences, such as those where employers obstruct their investigation or keep false records, and a further revision is promised later in the year. However, they are starting from a very low base, with only two prosecutions between 2010 and 2015. Even a relatively modest number of successful prosecutions such as 6 to 12 per year would provide a stronger deterrent for employers.

This last point must be read separately from plans to create a Director of Labour Market Enforcement and a new aggravated labour law breach offence[43]. More cases should be prosecuted under the existing law, including employers who are repeat offenders.

Although the maximum civil penalty is £40,000 per underpaid worker, the average is around £1,300 per case[44]. In order to make prosecutions meaningful, the maximum fine must be significantly increase from the current £5,000, and guidance around sentencing must lift penalties significantly above the average of just over £2,000 so far achieved through prosecutions.

This year marked the first time that the government published an estimate of underpayment, namely 209,000 based on ASHE data[45]. This was a useful exercise, and should be repeated annually, despite the inevitable limitations of such estimates. We note that relying solely on PAYE data means that those working in the grey economy are necessarily excluded.

There have been long running discussions with the relevant government departments on the application of the NMW of seafarers. It cannot be right that, for example, many seafarers on the Liverpool to Belfast ferry are not eligible for the NMW. The TUC

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[42] HMRC enforcement strategy. Revised April 2016 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/512908/BIS-16-186-policy-on-enforcement-prosecutions-and-naming-employers-who-break-National-Minimum-Wage-and-National-Living-Wage-law.pdf

[43] The TUC's response to the tackling labour market exploitation consultation, January 2016: https://www.tuc.org.uk/workplace-issues/employment-rights/vulnerable-workers/proposed-changes-law/tackling-exploitation

[44] Derived from Government evidence to LPC 2016, table 13, p.52: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494864/BIS-16-92-final-government-evidence-for-the-Low-Pay-Commissions-2016-report.pdf

[45] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494864/BIS-16-92-final-government-evidence-for-the-Low-Pay-Commissions-2016-report.pdf pps42-45

believes that more could be done to ensure that crews on vessels with a close connection to the economic life of the UK receive the NMW, and the government needs to pick up the pace. The LPC should also check that the protocol between HMRC and the Maritime and Coastguard agency is leading to effective inspection on wages.

The TUC is also concerned that there are two recommendations from the LPC's previous report that have yet to be implemented, namely:

- "We recommend that the Government reviews the current obligations on employers regarding provision of payslips and considers introducing a requirement that payslips of hourly-paid staff clearly state the hours they are being paid for.
- "We recommend that the Government establishes a formal public protocol for HMRC to handle third party whistleblowing on breaches of the NMW, which should include arrangements for giving all possible feedback to relevant third parties and appropriate continuing involvement in any resulting casework.

These recommendations should be restressed. Information on payslips would help staff with irregular or interrupted working patterns to know whether they were paid properly. Lack of feedback on third party complaints has strongly discouraged union officers from bringing information forward. A proper legal gateway could be created to allow some feedback without compromising the rights of employers.

### Recommendations on enforcement

- **Continue to increase funding for NMW enforcement strongly year on year through to 2020. This should deliver more advertising, more inspectors, and more proactive enforcement**
- **Develop sectoral guidance for atypical industries such as theatre and broadcasting**
- **More proactive targeted work and inspections. This should include the problem areas already identified such as social care and internships, but should also look at other areas such as retail.**
- **Government should find a way to ensure that the NMW is more effective for non-British seafarers on ships that have a close connection to the economic life of the UK.**
- **Progress must be made on the LPC's previous recommendations on information on payslips and feedback on third party complaints.**
- **There must be a workable prosecution strategy that leads to a number of the worst employers being taken to court. This must be coupled with much higher fines. Civil penalties and naming and shaming are still not providing sufficient deterrent on their own.**

### Coda – time to hold our course.

The LPC is undertaking the latest inquiry at a very interesting time. The economy has been doing reasonably well, but there is a danger that political uncertainty may throw it off course.

The LPC should hold its nerve and make its decisions on the basis of the best available evidence. Recommendations for the NMW should be a force for economic stability, but that should not mean falling into the trap of undue caution. At the moment it seems more likely that this would mean holding the planned course towards the nlw target and ensuring that younger workers are not left behind.

Signalling can often have a strong effect on both business and consumer confidence. We hope that the LPC will be able to send the message that they will continue to develop the NMW in a strong way that will lift many more low paid workers out of poverty and turn them into more confident consumers.

## Summary of TUC recommendations

- **The National Minimum Wage rate for those aged 25 and above (the "national living wage") should at least continue to rise to meet the target of 60% of median earnings by 2020. The LPC should aim to get the rate to £10 as soon as possible.**
- **21-24 year olds should be paid the full NMW rate including the "national living wage" supplement.**
- **The rates for younger workers should seek to narrow the gap between adults and younger workers as quickly as can be sustained.**
- **The LPC should consider whether the apprentice rate could be raised to the level of the young workers rate**.
- **The apprentice rate should only apply to those undertaking intermediate level apprentices who are aged 16-18 and to 19-20 year olds in the first year of their apprenticeship.**
- **The LPC should recommend that the government takes action against employers who opportunistically claw back terms and conditions to pay for minimum wage increases. Those suspected of such opportunism should face questioning on their motives and be publicly named and shamed if they cannot credibly defend their actions.**
- **Continue to increase funding for NMW enforcement strongly year on year through to 2020. This should deliver more advertising, more inspectors, and more proactive enforcement.**
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- **Progress must be made on the LPC's previous recommendations on information on payslips and feedback on third party complaints.**
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