

Scottish Women's Convention

Response to the Low Pay Commission Consultation on the National Minimum Wage rates (including the National Living Wage) to apply from April 2017

July 2016

"The Low Pay Commission has been asked to recommend to the UK Government of the UK's minimum wage rates to apply from April 2017-2018. The background is the recent introduction of the National Living Wage (NLW), which has introduced a higher rate for workers aged 25 and over. It means that there are now five minimum wage rates in total:

- *The NLW;*
- *The 21-24 year old rate;*
- *The 18-20 year old rate;*
- *The 16-17 year old rate; and*
- *The Apprentice rate.*

This consultation will inform a report to Government recommending rates. Views will be based on the best available evidence including: in-house monitoring of trends in the macroeconomy, GDP growth, employment growth, pay and productivity, commissioned independent research from academics and research institutions and a programme of visits to businesses and workers across the UK.

*Low Pay Commission
April 2016*

Introduction

The Scottish Women's Convention (SWC) is funded to engage with women throughout Scotland in order that their views might influence public policy. The SWC uses the views of women to respond to a variety of Parliamentary, Governmental and organisational consultation papers at both a Scottish and UK level.

The Scottish Women's Convention engages with women using numerous communication channels including Roadshow events, Thematic Conferences and regional contact groups. This submission provides the views of women and reflects their opinions and experiences in a number of key areas relevant to the issues around work and wages for women.

The National Living Wage (NLW)

On the NLW, the Low Pay Commission is particularly interested in:

- *Evidence on the effect of the introductory rate of £7.20 on workers, employers, the labour market and the economy, including how firms are adjusting and impacts on pay, terms and conditions, income, hours, employment and competitiveness.*

In work poverty and reliance on welfare benefits

Women continue to be clustered into roles in what is known as the '5c's' – catering, cleaning, caring, cashiering and clerical. These jobs tend to offer little more than the minimum wage, as well as limited opportunities for training, development and progression. This type of employment is often part-time. It can also raise issues around temporary and zero hours contracts and agency work. These are all insecure forms of employment and tend to be predominant in areas of what is traditionally seen as 'women's work'.

The lack of decent pay and conditions means there is a significant amount of in-work poverty, as well as a reliance on 'top up' welfare benefits, such as Housing and Council Tax Benefit and Tax Credits. Changes to the welfare system are making it increasingly difficult for women to claim and be eligible for additional income assistance.

Changes to working tax credit thresholds, as well as the introduction and roll-out of Universal Credit (UC) are causing concern as employers may be unwilling or unable to increase working hours where necessary. Women will therefore be forced to engage in more part-time work and face additional childcare and transport costs.

"There are no guarantees my employer will increase my hours so I still qualify for tax credits. I need this money to pay for my childcare. If they can't increase my hours I really don't know how I'm going to manage."

Changes to welfare benefits (referred to in Scotland as social security) which have been implemented, and will continue to be implemented, are forcing women into work. They are expected to undertake jobs that they do not have the skills for or are unable to do due to issues such as transport and caring responsibilities.

"Many women have been away from the labour market for a number of years and for a number of reasons. It's unreasonable to expect them just to be put into a job without doing any work on their skills, abilities and confidence."

Women who are being forced to enter or re-enter the labour market, as well as those who rely on 'top-up' support from welfare benefits in order to support their families, could, therefore, be worse off when the NLW is introduced. The slight uplift in wages as a result of the NLW could be completely off-set by the fact that earnings will, more often than not, rise above income thresholds for benefit qualification.

There is a real danger that instead of taking low paid workers, the majority of whom are women, out of poverty the introduction of the NLW could have the opposite effect. They would lose access to vital support and could face significant financial hardship as a result. The introduction of NLW at the intended rate could, in fact, act as a deterrent to many women in accessing the Labour Market. The fine line between work which pays a sustainable wage and that which leads to reliance on assistance through the welfare system is very real for many women at present.

"For too many women, going to work is more of a financial strain than staying away from the labour market and relying solely on social security. This is down to a combination of low pay, high rents, council tax and expensive private childcare."

This must be borne in mind by the Low Pay Commission when making recommendations to the UK Government with regards to the impact of the introduction of the NLW at a rate of £7.20 per hour.

Barriers to labour market participation

While the introduction of the NLW has the potential to be an important step forward, women and their families will continue to live in poverty unless structural barriers and inequalities in women's access to and sustainability within the labour market are addressed.

"If employment is the route out of poverty and onto a better life, then childcare is the bridge."

There is not enough accessible, affordable and appropriate childcare available within the UK. The SWC welcomed the provisions in the Children and Young People (Scotland) Act 2014, which raised the number of early years funding hours for 3-4 year olds and vulnerable two year olds in Scotland from 475 hours per year to 600 hours per year. However it must be recognised that while this attempt to improve things for families is a step in the right direction, it is not enough to remove any of the significant barriers to women's labour market participation.

Those additional hours equate to sixteen minutes per day. They do not take into account children under the age of three, or those over the age of five. The need for childcare does not stop when a child turns 5 and goes to school. The lack of after-school care is a real issue, and one which is all too often forgotten when childcare is being discussed.

Most significantly, the cost of childcare is a huge barrier for women accessing employment or increasing working hours. This is particularly the case for families with more than one child, a disabled child and lone parents. While wages may increase slightly, the high costs associated with private childcare will still be out of the reach of many, which will further limit women's employment opportunities.

As well as a lack of childcare services, public transport in many parts of the country is *"expensive and unreliable"*.

"Buses in this area are extortionate. If you're on minimum wage then you're working two or three hours a day just to be able to get to work."

Other Minimum Wage Rates

On the other minimum wage rates, the Low Pay Commission is particularly interested in:

- *Evidence on the impact of the rates on younger workers employment prospects including evidence on how widely the new 21-24 year old rate is used, and whether the NLW has affected the employment prospects of workers aged under 25.*

The SWC does not agree with or support the various different national minimum wage (NMW) rates, which vary depending on the age of the worker. It is grossly unfair that five people could be undertaking the same role within a workplace, however each will be paid differently according to their age. This has a particular impact on young women, who are more likely to predominate in low paid, low skilled work in what are seen as 'traditional female' roles.

These age discrepancies can lead to the exploitation of young women workers, particularly in certain sectors. The childcare workforce, for example, is overwhelmingly made up of women. In private nurseries in particular, young women who care for our children on a daily basis are often only paid the minimum wage.

Younger workers who are in training through a Modern Apprenticeship or college placement are paid less than that. These workplaces are, more often than not, non-unionised. Once the young women are fully qualified, they are let go in favour of a younger, cheaper trainees.

“This type of discrimination creates negative divisions within the workforce. It also means there are large numbers of qualified women in competition with each other for other jobs within the sector.”

Those who cannot secure employment as childcare practitioners are often forced to undertake work in another sector. This means the qualifications, skills and abilities that these young women have worked hard to achieve are not being used to their full potential.

This is not an issue which is confined to the childcare sector. A lot of women are underemployed, whereby they have one or more part-time job instead of one full-time job, or they are carrying out work which they are over-qualified for. This can be for a number of reasons. The main causes of this type of work include lack of flexibility in full-time employment, part-time work not being valued, and a lack of job opportunities overall.

“Having a degree doesn't guarantee a job. I'm a team leader in a shop and I'm being made redundant. I have a degree in maths but I can't get a job.”

Underemployment also has a significant impact on young women graduates, due to a lack of full-time jobs available in the careers they wish to pursue. Many keep the jobs they had while studying, e.g. in bars and shops, which attract low wages and have limited opportunities for training and development. Situations whereby young women are forced to undertake more than one part time job in order to make ends meet are particularly acute for those who are under 25 years old and in receipt of the minimum wage. The difference in rates of pay dependent on age can make it extremely difficult for young women to enter into and sustain employment.

“There's an assumption that young people don't need to be paid as much, as if we don't have the same responsibilities as the over 25's. This is far from true – many young women have to juggle work, education, childcare and other caring responsibilities. It's demeaning to be paid less than someone a few years older. It feels as if we're not as valued by society.”

It is grossly unfair that the NLW does not apply to those under the age of 25. This, coupled with welfare reform measures, has the potential to push many young women and their families further into poverty. It also allows for further exploitation of young workers, as many companies may be likely to employ under 25's on temporary, zero hours contracts because they are cheaper than those who qualify for the NLW.

“All that does is create a race to the bottom. Young workers are exploited enough with the widespread use of zero hours contracts and blatant age discrimination with the varying minimum wage rates. Is it any wonder so many are disenfranchised?”

Conclusion

The SWC has always fully supported the payment of a National Living Wage. This has the potential to lift women and their families out of poverty, as well as reducing reliance on welfare benefits. It would not only be beneficial to the workers who receive it, but also the economy as a whole. The NLW introduced by the UK Government is, however, unlikely to provide workers, women in particular, with a level of income which would take them out of poverty. The impact on women both of the NLW, as well as the varying rates for different age groups, can neither be forgotten nor underestimated.

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