

STUC Response to Consultation on the Case for a Minimum Wage for 16 – 17 Year Olds

Introduction

The STUC is Scotland's Trade Union Centre. Its purpose is to coordinate, develop and articulate the views and policies of the Trade Union Movement in Scotland and, through the creation of real social partnership, to promote trade unionism, equality and social justice; the creation and maintenance of high quality jobs; and the public sector delivery of services.

The STUC represents around 630,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace. Our affiliated organisations have interests in all sectors of the economy. Our representative structures are constructed to take account of the specific views of women members, young members, black/minority ethnic members, LGBT members, and members with a disability, as well as retired and unemployed workers.

STUC Policy on Young Workers & the Minimum Wage

The STUC welcomes the opportunity to comment on the Low Pay Commission's consultation on the case for a national minimum wage for 16 and 17 year olds. We are particularly pleased that the Low Pay Commission has been asked to investigate this issue by the government, following the expressions of concern in its fourth report that some 16 and 17 year olds in full-time jobs were being paid very low wages. We hope this consultation will result in an extension of National Minimum Wage protection to younger workers.

The STUC is deeply concerned about age discrimination in the government's National Minimum Wage policy. We believe it is fundamentally wrong that 18 –21 year olds are not entitled to the full minimum wage, while those below 18 still receive absolutely no minimum wage protection. This leaves young workers, many of who are students or in full time education, in a dangerously vulnerable position and open to unscrupulous employers paying poverty wages. We believe that this situation is a major factor in the exploitation of young people at work today.

Furthermore, while acknowledging the increases in both the youth rates and adult rates in the minimum wage in recent years, the STUC is deeply concerned that the gap between the youth and the adult rate is widening rather than closing. We believe that this policy, if continued, will seriously undermine levels of pay for young workers in the long term. This is already being demonstrated as the pay gap between the average earnings of young workers and older workers is widening rather than closing.

The STUC therefore reaffirms its calls for full minimum wage protection, through the payment of a statutory minimum wage of half male median earnings to all workers, irrespective of age. The half-male median formula, currently £5.68 per hour, paid to all, would immediately:

- Increase the minimum wage to a decent level for all low paid workers.
- Banish discrimination from the government's policy in this area in line with the new legislation on age discrimination.
- Eliminate the widening pay gap between young workers and older workers.
- Link female to male earnings - tackling gender inequality in pay.
- Ensure that the wages of the lowest paid workers rise as earnings go up.
- Offer strong protection to those aged below 16, ensuring those of school age cannot be exploited through low pay.

Issues Relating to the Youth Rate in the National Minimum Wage for 18 – 21 year olds.

The STUC is aware that this consultation does not refer to the current youth rate in the National Minimum Wage, but is instead looking at the extension of some level of protection to 16 & 17 year olds. We however would wish to make some reference to the existing youth rate in our response, as it cannot in our view be ignored when looking at the position of young people in the labour market.

Although, the lower youth rate was initially proposed by the Low Pay Commission to encourage employers to invest in young people, it has in our view, in many cases, created an avenue for employers to exploit young workers.

The lower rate is unfair and is out of line with the practice of most employers who do not pay workers on the basis of age. The existence of a lower rate also distorts the labour market and undermines the training rate, which applies to workers in the first six months of a job doing accredited training, and thus removes the incentive for employers to provide training in the first place.

Paying a youth rate is not good for recruitment, retention or productivity and it sends the wrong message to young people about how they are expected to perform at work and how they are to be treated by employers.

Most importantly the continuation of a lower rate of minimum wage protection based purely on the grounds of age, flies in the face of the governments own new legislation for combating age discrimination and could seriously undermine the government's own strategy for progressing equality at work.

Extending Protection to School Age Employment

The STUC is also extremely concerned about the lack of any minimum wage protection being offered, or even considered for young workers aged under 16. Many of these school age children are in employment and in our view the current protection on offer to them is completely inadequate. Research undertaken by Paisley University in 1999 showed that in a survey of Glasgow Secondary schools over half of 14 – 15 year olds worked part time and 96% of those who worked were doing so without a licence.

It was estimated by the TUC that up to 2.6 million 11-15 year olds will have been employed at some point in the UK. Recognising that the national population in this age group is around 3.5 million, this is clearly a significant proportion of the workforce and one that requires urgent attention in terms of pay protection.

UNISON carried out a survey of young workers in the autumn of 2002 that revealed alarming evidence of young workers who's duties went far beyond the usual light work expected of underage employees. These included:

- A 14 year old hotel chambermaid, who cleaned, made beds, did kitchen work and waitressing
- A 14 year old who, helped to fit doors and windows for a double glazing firm
- A 15 year old cleaning in a supermarket before opening and after closing

The last piece of UK legislation governing the employment of school age workers is the Children and Young Persons Act of 1933. In addition there are over 200 pieces of separate legislation that must be consulted to gain an overall understanding of the law in this area including 15 EU or International instruments, 16 statutory instruments, and 172 local authority by-laws.

The main regulations state that workers of school age are not permitted to work:

- Before 7am or after 7pm, or during school hours.
- For more than two hours on a school weekday, and no more than one hour before school starts.
- For more than eight hours on Saturdays and holidays (two hours on Sundays).
- For more than 35 hours a week during the holidays.

These regulations are designed to ensure that young people are not compromising their education or their health by working excessive hours. We have seen much evidence to suggest that they are not being followed by employers, or enforced by the authorities adequately, leaving young people open to very real risks.

Given that the law in this area is out-dated and clearly ineffective, the STUC believes that there is a real need for a new legislative framework, bringing together all the different aspects of the law affecting school age children and looking at how these can be enforced properly. Key to this would be ensuring that these young workers are entitled to decent minimum wage protection for the work that they carry out. We would hope to see the Low Pay Commission referring to this important area when they report back to government.

RESPONSES TO THE SPECIFIC QUESTIONS IN THE CONSULTATION

What sort of jobs are currently held by 16 & 17 year olds?

The STUC notes that the Low Pay Commission initially advised that the 16 –17 year old age bracket should not be covered NMW legislation, because they did not deem the majority of people aged 16-17, to be full-time members of the labour market.

However, figures suggest that there are nearly 60,000 - 16 -17 year olds in Scotland, 660,000 in the UK, who are working and are not protected by NMW legislation.

This large group of workers under the age of 18 and therefore not qualifying for the minimum wage are open to being exploited by unscrupulous employers who often employ them knowing they can pay them far less than they would be required to pay an older worker. Furthermore these workers are often disadvantaged by not being aware of laws and rights concerning their employment and are therefore taken advantage of by employers who may or may not be aware of the details and full extent of the regulations governing the hours, conditions and break entitlements of young employees.

The Scottish National Minimum Wage Helpline, a joint initiative between the Scottish Low Pay Unit (SLPU), the Inland Revenue, Citizen's Advice Scotland and the Department of Trade and Industry, provides confidential advice and support on National Minimum Wage issues. During the eight months from February to October 2003, the SLPU's National Minimum Wage Helpline received 73 enquiries concerning 16 & 17 year olds. Details of the pay structures identified in some of these calls are listed in the following section.

Current pay structures in jobs held by 16 & 17 year olds:

Examples of pay rates stated in enquiries to the helpline:

- A 17 year old hairdressing trainee who receives £65 net per week for working full time hours.
- A 17 year old trainee van driver receiving £50.00 allowance per week for working full-time hours.

- A 17 year old skillseeker in the retail industry receiving £55.00 per week for full-time work.
- A 17 year old hairdressing worker, who was taken on as a skillseeker but does not receive any training, receiving £55 for a 40 hour week (£1.37 per hour).
- A 17 year old retail worker receiving less than £3.00 per hour.
- A 16 year old motor mechanic receiving £2.26 per hour.
- A 16 year old worker receiving less than £2.00 per hour whilst working for a coach-building firm.
- A 16 year old worker who had received £1.70 per hour in their previous job.
- A 17 year old hairdressing trainee receiving £1.50 per hour.
- A 16 year old retail worker earning £1.31 per hour.

The Unison survey in 2002 of almost 1700 young workers between 13 – 21 has also made it very apparent that young people are not merely engaged in the sort of employment that low wages would seem fair since the work is not as strenuous or with as much responsibility as employment commonly associated with older workers. While many young people aged 16 and 17 and younger are involved in such jobs as this, for example newspaper delivery. Many others carry out jobs with as much responsibility as older workers and often working illegally long hours.

Below are examples from the study, of work carried out by 16 & 17 year olds:

- A 16-year-old care home worker caring for elderly residents
- A 16-year-old filling in NHS forms and selling spectacles for an optometrist
- A 17-year-old working as a head waitress in a hotel
- A 17-year-old call-centre worker selling insurance and loans

In many of these jobs, young employees were further disadvantaged by receiving little or no training from their employer. In fact, nearly half of all those surveyed said they had received no training at all from their employers.

The study also revealed some extremely alarming evidence of the level of pay for young workers who do not qualify for the minimum wage. It is evident that employers have been taking advantage of this lack of a statutory minimum wage with 16-year-olds being paid

a median wage of just £3.63 an hour with some workers in this age group being paid as little as £1.00 an hour.

USDAW, the shop workers union, has also conducted a survey into young peoples pay rates. Their study highlighted some shameful examples of low pay for young people including:

- A sales assistant in a cycle shop on £1.33 an hour
- A lift engineer's mate on £1.53 an hour
- A general farm assistant on £1.70 an hour
- A hotel worker on £1.75 an hour
- A warehouse operative on just £1.86 an hour

These isolated examples are just part of an extremely large, widespread and worrying picture of exploitation of young people in employment.

USDAW are also deeply concerned by other aspects of the kind of work that many young people are employed in. Like Unison, USDAW found that these jobs provide nothing in the way of training opportunities, chances of advancement within the job, or a qualification of any description.

Most shocking of all, however, is that many of these jobs do not even guarantee a safe and secure environment for their employees. This is particularly significant when there is a definite link between overwork, tiredness and accidents at work. Accidents at work that are ever increasing and can range from the smallest of injuries to death.

Should there be a minimum wage aid to 16 & 17 year olds and, if so, what would be an appropriate level?

It is, in the STUC's view, discriminatory to exclude 16 and 17 year old from the coverage of National Minimum Wage legislation and puts them at risk of exploitation by unscrupulous employers.

It should be noted that suggesting we protect young workers both in terms of wages and more generally in terms of conditions is not a radical or far-fetched idea. In reality, the United Kingdom is lagging worryingly behind many other countries that do legally protect the rights and wages of workers in the 16-17-year old age group.

Belgium, France, Greece, Ireland, Portugal, Spain, The USA, Australia, Canada, and New Zealand all afford their young workers protection by law regardless of age. The fact that the United Kingdom does not is a scandalous omission that must be resolved urgently if we hope to consider ourselves an advanced nation that treats its workers fairly and equitably.

The level at which the minimum wage for 16 & 17 year olds should be set ought to be dictated by a reasoning based on logic, not ageism. Having seen no convincing evidence in support for any lower rates of National Minimum Wage, whether based on age or training needs, the STUC advocates that a flat rate of National Minimum Wage should be applied to all workers. Our recommended rate for this Minimum Wage is currently £5.68 per hour, based on half of male median earnings.

In order to protect vulnerable young workers, ensure equality of opportunity in post-16 education, prevent more children from being born into poverty and ensure that unscrupulous employers do not undercut their more responsible counterparts, it is essential to provide a minimum wage for 16 & 17 year olds.

How would a minimum wage for 16 & 17 year olds affect the demand for youth labour and the provision of training?

Contrary to the belief that young workers being paid a lower rate in encourages employer to invest in training, young workers paid the youth rate or no set rate at all are far less likely to receive training opportunities compared with those being paid the adult rate.

This is borne out in the studies conducted by both Unison and USDAW, and also in the figures from the Scottish Low Pay Unit.

The STUC believes that the lack of minimum wage protection for the under 18 age group and the maintenance of a youth rate undermines the training rate, which applies to workers in the first six months of a job doing accredited training, and thus removes the incentive for employers to provide training in the first place.

The introduction of full minimum wage protection for all workers regardless of age linked to the training rate for accredited training,

we believe would encourage more employers to invest in the skills of their young workers.

The STUC is also of the belief that modern apprenticeships should be covered by minimum wage legislation, and that at the very least the NMW training rate should be applied to these posts.

A Greater Manchester Low Pay Unit report (2003) found that 16% of Modern Apprenticeship jobs paid less than £1.50 per hour compared to only 2% of non-trainee and apprenticeship jobs, with the average wage for 16 year old Modern Apprentices standing at just £2.11 per hour. This compared to equivalent roles not classed as Modern Apprenticeships, which had an average wage of £3.12 per hour. These low levels of pay, we believe undermine the governments aims to get young people into training, ensuring that Modern Apprenticeships will never be a realistic option for disadvantaged young people.

We are also concerned at the evidence from the EOC showing a pay gap between young women and men taking up Modern Apprenticeships. We, like the EOC believe that the introduction of minimum wage rates to Modern Apprenticeships, will lift the base salary for young women and begin the important process of revaluing women's work, helping to close the gender pay gap.

What influence do wage levels have on young people's labour market participation decisions?

It was made clear from the UNISON survey that employment for under-18s was not merely for the purpose of gaining a little extra money for luxuries but rather that over 40% said they spent money on necessities for themselves and almost half used to their wages to contribute in some way to their family income. For this reason this work is not something that could be easily given up in order to make time for schoolwork or other training not directly related to employment.

Regulations governing employment and working hours of young people are supposedly strict but this does not prevent them being broken. Broken both by employees seeking to make extra money due to their criminally low wages, or by employers seeking to get extra work out of young employee while not paying them as much as older employees are entitled to.

Extending minimum wage protection to young workers under 18 will help to ensure that they are not targeted as cheap sources of labour by those employers who wish to exploit them, or forced to work unlawfully long hours, due to the low wages available.

How will a minimum wage for 16 & 17 year olds impact on the government's policies to encourage this age group to remain in education?

Many in full-time education today have to take up part-time employment to support themselves during their studies. The lower their pay, the more hours they will have to work, and the more their studies will suffer.

The Low Pay Commission has stated that it is conscious of the need to ensure that any minimum wage set for this age bracket should not encourage 16 – 17 year olds to leave education or training positions.

However, in many cases, the lack of NMW protection is forcing 16-17 year olds out of education or training, because they do have to support themselves financially, and it is simply not financially possible for them to continue with their studies.

It is the STUC's belief, based on the work undertaken by our affiliates and others such as the Low Pay Unit, that low pay for young workers encourages them to work longer hours, which can have a negative effect on academic studies and can even lead to students being forced to drop their studies due to poor performance.

As a result, many teachers have expressed concern that long working hours are cutting into students' time for academic work which could adversely affect their chances of finding well-paid employment in the future.

It is vital that full minimum wage protections are extended to cover all young workers involved in furthering their education at all levels. Not to do so could have serious implications for our future skills base and economic development.

Enforcement

The STUC is also concerned to see a sustained and determined effort to guarantee effective enforcement in the national Minimum Wage. The recent report by the TUC and the Low Pay Network estimating that 170,000 workers are still being paid less than they are entitled to by law, adds weight to this argument.

According to our affiliates, some employers have tried to evade National Minimum Wage legislation by understating or cutting hours worked, telling workers they are not eligible or removing allowances. We appreciate that some of these problems are difficult to counter, but by extending enforcement powers to deal with situations where workers suffer detriment or are dismissed in connection with the minimum wage would help, although any enforcement action should seek to keep the employees in work.

Conclusion

Low pay still affects too many workers - the introduction of the minimum wage was a massive step forward and has protected many from being paid unreasonably low wages.

Young workers, however, remain at the bottom of the pile when it comes to being paid a fair wage. And, despite the fact that they carry out exactly the same job as someone just a few years older than them, they are more often than not paid less.

The current levels at which the minimum wage is set are still too low. Furthermore the existence of a youth rate and the exclusion of 16 and 17 year olds from NMW protection, simply encourages the worst employers, to view young people as a source of cheap labour and undermines the governments own good work in combating age discrimination. We hope that the Low Pay Commission will encourage the Government to address this regrettable situation with some urgency.