

# Low Pay Commission Consultation 2021



## The Low Pay Commissions Consultation

The Low Pay Commission (LPC) is the independent body which advises the Government on the levels of the National Living Wage (NLW) and National Minimum Wage (NMW).

Below is a table showing the changes made to the NLW and NMW rates on 1<sup>st</sup> April 2021, note the NLW age threshold was lowered in April 2021 from 25 to 23 years old:

April 2020		April 2021	
National Living Wage (25 years old and over)	£8.72	National Living Wage (23 years old and over)	£8.91
National Minimum Wage (21 to 24 years olds)	£8.20	National Minimum Wage (21 and 22 year olds)	£8.36
National Minimum Wage (18 to 20 year olds)	£6.45	National Minimum Wage (18 to 20 year olds)	£6.56
National Minimum Wage (Under 18 years olds)	£4.55	National Minimum Wage (Under 18 years olds)	£4.62
Apprentice Rate	£4.15	Apprentice Rate	£4.30

Table 1: Comparison of NLW and NMW rate and age bands between April 2020 - April 2021.  
Source: Department for Business, Energy and Industrial Strategy (2021)

The LPC is looking to recommend an increase to a NLW rate of £9.42 plus or minus 7 pence in April 2022. For the other NMW rates, affecting workers aged under 23 and apprentices, the LPC will recommend increasing the pay of as many low-paid workers as possible without damaging their employment prospects.

## About Youth Employment UK

Youth Employment UK is an independent, not for profit social enterprise founded in 2012 to tackle youth unemployment. Today we are one of the leading youth employment experts in the UK, supporting young people, employers, government and policy makers. Youth Employment UK is the Secretariat to the All-Party Parliamentary Group (APPG) for Youth Employment, a Co-Chair of the Youth Employment Group and have led a number of independent research projects including the annual Youth Voice Census.

We actively tackling youth unemployment by:

- Giving young people a voice on the youth employment issues that affect them
- Supporting young people with the skills and careers support they need to progress
- Supporting employers to develop and be recognised for their youth friendly employment practice
- Connecting young people to Youth Friendly Employers
- Providing expert insight across all youth employment policy areas

We are a team of seven people, two of which are apprentices. All of our staff are paid above the NLW rate.

## **Introduction: Youth Employment UK's Response To The Low Pay Commission's Consultation on The National Living and Minimum Wage Rate 2022**

As experts in youth employment and unemployment, we are interested in the LPC Consultation 2021 as the rates directly affect young people in our network. Young people are entering the labour market in jobs that pay at the apprentice rate and NMW rates, and the NLW rate is increasingly relevant to young people as the age threshold is reduced from 23 to 21 by 2024. We welcome the review set out by the Government and the opportunity to provide evidence to the LPC on behalf of young people in our network.

This is a timely consultation as the Covid-19 pandemic is likely to exacerbate the importance and impact of pay rates on young people for two main reasons:

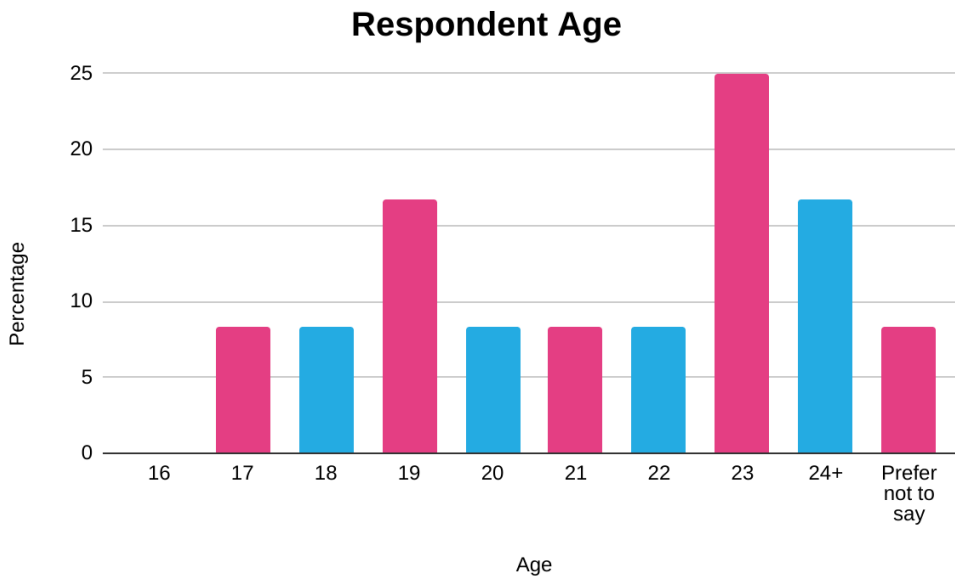
1. Young people are competing with older workers with more experience and potentially higher qualifications for similar roles, forcing young people to apply for lower skilled roles which often pay at a lower rate (Youth Employment UK, 2021d).
2. The Plan for Jobs announced in July 2020; Kickstart and Apprenticeships are two key programmes that seek to reduce youth unemployment levels. Kickstart pays at the NMW, whilst many apprenticeships at Level 2 and 3 will pay at the Apprenticeship rate. There is a real risk that these schemes will compete due to issues around pay, resulting in young people having to choose between short-term employment or lower pay in an apprenticeship.

## **Methodology**

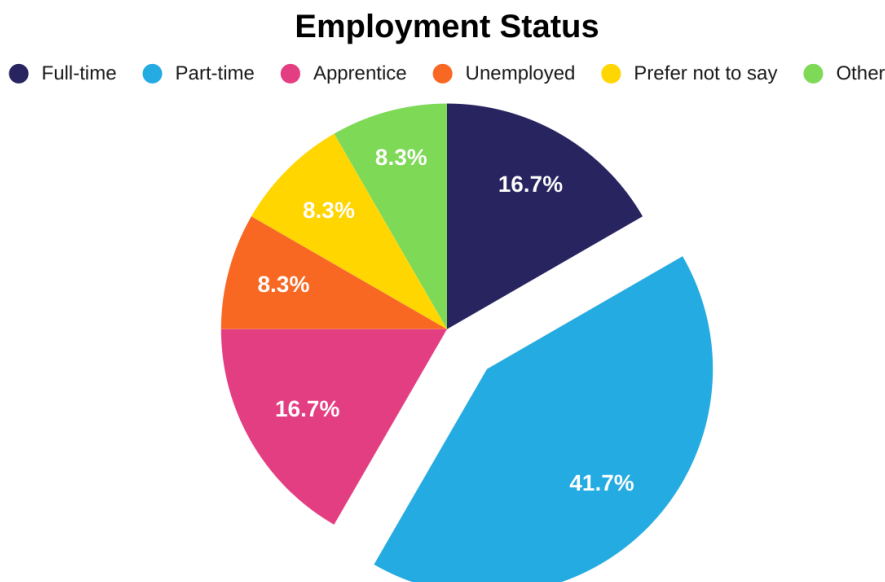
We refer to young people as those aged 16-24 in our evidence sourced from a non-representative group. The majority of the evidence provided is qualitative data sourced from 12 individual questionnaire interviews with 16-24 year olds, a roundtable of 25 participants in the Youth Employment Group's (YEG) Youth Voice Forum, free-text commentary data extracted from our Youth Voice Census (2020) and anecdotal information from our 30 young-person strong Youth Ambassador Programme.

We have also included quantitative data from the 1,390 respondents of the Youth Voice Census (2020) and preliminary findings from the 3000 respondents of Youth Voice Census (2021). The Youth Voice Census is an annual online survey that highlights the experiences and views of young people across different ages and stages of their life; in employment, education, training, unemployment and understanding of civic society.

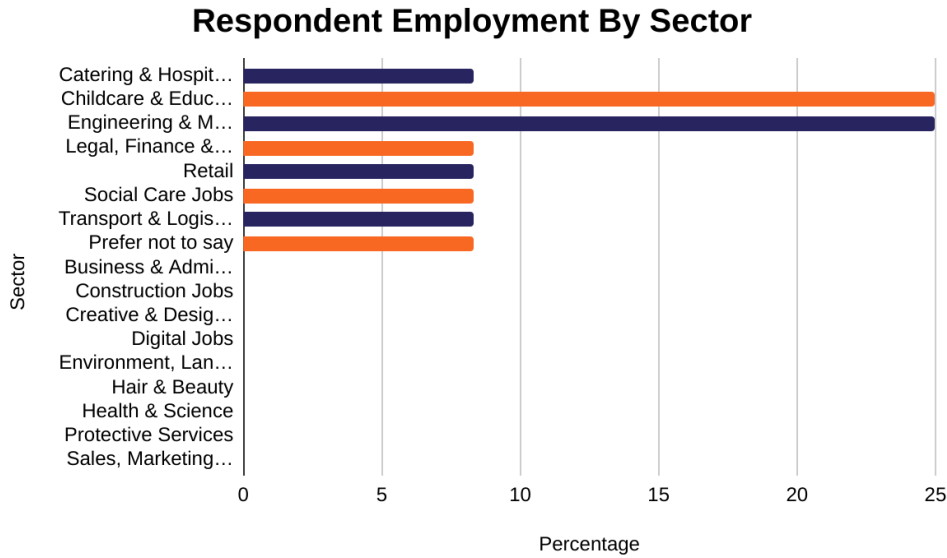
**Questionnaire: demographics**



Graph 1: Respondents to our short questionnaire on low pay by age.



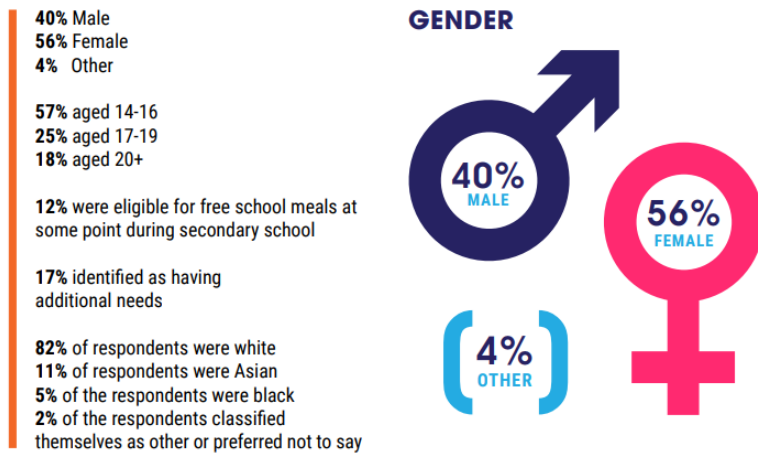
Graph 2: Respondents to our short questionnaire on low pay by employment status.



Graph 3: Respondents to our short questionnaire on low pay by employment sector.

### Youth Voice Census 2020: demographics

1,390 young people responded to the 2020 Youth Voice Census



- 57% aged 14-16
- 25% aged 17-19
- 18% aged 20+
- 12% were eligible for free school meals at some point during secondary school
- 17% identified as having additional needs
- 82% of respondents were white
- 11% of respondents were Asian
- 5% of the respondents were black
- 2% of the respondents classified themselves as other or preferred not to say

#### AGE GROUPS

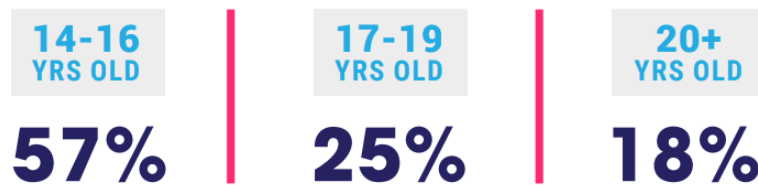


Figure 1: Key findings -demographics. Source: Youth Voice Census (2020; page 10).

## Labour Market Context

2020-2021 has been a challenging year for young people in the labour market, those from ethnic minority backgrounds, disabled young people and the most disadvantaged have been hit particularly hard.

Data from the Office for National Statistics (ONS) shows that between June 2019-20 54,380 young people fell out of employment, this rose to 273,517 between June 2020-21 (Watson, 2021). The fall in employment translates into rising unemployment and economic inactivity seen in table 2.

Rates (aged 16-24)	June 2019	June 2020	June 2021
Employment rate	55%	54.6%	50.9%
Unemployment rate	11.2%	12.5%	13.2%
Economic Inactivity rate	38.1%	37.6%	41.3%

Table 2: Comparison of rising unemployment and economic inactivity rates in line with the fall in employment rate. Source: ONS dataset *a06sajun2021*, Watson (2021).

From Youth Employment UK's analysis of labour market data from the ONS for those aged 16-24 (Youth Employment UK, 2021a; 2021b; 2021c) we can see young people continue to feel the economic impacts of the lockdown more acutely than other age groups, they are losing opportunities at a rate higher than other age groups, long term unemployment is at a five year high and employment is at its lowest rate for young people.

Young people have traditionally worked in the Hospitality, Retail and Leisure, Tourism and Arts, and Entertainment sectors. Cominetti *et al.* (2021) point out that low paid and insecure work is particularly concentrated in hospitality amongst the 18-24 age group. Understanding the type of employment young people are in, the sectors they work in and their age should be central when we look at recovering from the Covid-19 crisis. Setting the NLW and NMW rate has to fall within the wider Covid-19 recovery plan otherwise we risk young people being driven out the labour market in the immediate aftermath of the crisis and Government support (such as CJRS and business tax relief) coming to an end.

The Youth Voice Forum hosted a roundtable with young people on the 8<sup>th</sup> June 2021 exploring the impacts of Covid-19 on their employment, education and training, their aspirations and their skills development. They told us that their mental health has deteriorated, that they had experienced a lot of rejection in terms of finding employment and that lack of work experience is one of their biggest barriers to finding employment.

Young people are struggling to find work, and research from the Institute for Fiscal Studies found that those in work are generally employed in low pay and precarious employment (Dias *et al.*, 2020). In work poverty is rising for many as benefits payments have fallen and housing costs have risen over the last decade; raising the minimum wage alone will not make up for this (Innes, 2020). Only 51% of those in work that responded to the *The Youth Voice Census 2020* thought they were paid fairly (Youth Employment UK, 2020).

Our wider research tells us that young people have vastly different experiences of employment, education and training depending on their age, gender, ethnicity, additional needs, level of disadvantage (Youth Employment UK, 2020), and location and family (Rainsford, Rawlings and Mistry, 2018). Research by the APPG for Youth Employment (2018) shows the following cohorts are at greater risk of experiencing time not in education, employment or training (NEET):

- With low level qualifications
- From a disadvantaged background
- Who have a criminal record
- Are care leavers
- Are disabled
- Are parents and carers

We know that for some young people lower pay rates mean that they have to reject some roles due to their personal circumstances, often these young people are already facing other types of disadvantage and the choice between a job on a low pay rate versus no job at all is very real. Youth Employment UK's Response

## **The Affordability and Effects of a National Living Wage Increase**

**The affordability and effects of an increase in April 2022 to a NLW rate within the on-course range of £9.42 plus or minus 7 pence.**

In this section we will focus on the effects of an increase of the NLW and NMW on young people and the affordability for them. We asked questions on the impacts of the NLW or NMW on their job search and the impacts of any wage increases since the uplift to NLW and NMW in April 2020.

Young people in the questionnaire and in the Youth Voice Forum are conscious about their cost of living rising, as well as the uneven distribution of employment support geographically (Youth Employment UK, 2021e). This mirrors findings in the *Youth Voice Census* (2020) that found pay is a large barrier for young people with young people stating that some employment opportunities cost too much in travel to be able to explore and that they have to support their families as well as themselves. Initial findings in the 2021 *Youth Voice Census* suggest that almost a quarter (24.6%) of respondents felt they were not paid fairly for the work that they do.

According to the respondents of the questionnaire, the NLW and NMW have some bearing on the types of job they apply for, flatly expressing that they would not apply for anything below the NLW or NMW. It is concerning that young people are seeing roles advertised that pay below a legal requirement.

Apprentices that responded struggled with the low pay for high demands of their jobs, conceding that they get a lot out of an apprenticeship but at the price of lower pay. Low pay can cause hardship and stress to some young people; in the *Youth Voice Census (2020)*, pay was the only category that received a 'very poor' rating when respondents were asked to rate their apprenticeship. Similarly, the preliminary findings of the 2021 Youth Voice Census show 18.9% rated their pay as 'poor' or 'very poor'. Initial analysis suggests 19-22 year olds were more likely to select the 'very poor' rating option.

*"I love the idea of apprenticeships, but it's awful how many hours you have to work and how much you have to do but in return receive so little, money wise. You get a lot out of an apprentice, but it's still bad money wise."* **Youth Ambassador, 19.**

When asked to comment in the questionnaire on the NLW or NMW, the responses were consistent; young people feel the rate needs to be higher to match their rising cost of living. Young people also noted the strain it causes families where the main earner is under the NLW threshold or they have caring responsibilities.

*"There are more and more under 21s who are the main earners in their family so I believe that the minimum wage should be raised to accommodate that."* **Youth Ambassador, 20.**

Other comments suggest low income is impacting some respondents' quality of life; young people said that the NLW wage does not cover the basics, let alone providing disposable income to partake in activities and events that they enjoy. Some young people are still concerned by the argument of age thresholds for pay, stating that the jobs that usually pay the minimum wage have low skill requirements but expect maximum effort for minimum pay and are physically demanding.

*"I would urge the decision makers to be more mindful of the types of challenges individuals on this wage face at this present time and to fairly balance this against what is feasibly affordable for employers."* **Youth Ambassador, 24**

## Lowering of the National Living Wage Threshold

**The impact on 23 and 24 year olds of this April's lowering of the NLW age threshold to 23; and the impact on 21 and 22 year olds of the eventual lowering to 21.**

We explored with young people what the impact of receiving the NLW was and how this salary increase had affected them. Young people in the questionnaire noted that it had a mild impact on them in being

able to afford groceries and other amenities. That said, the consensus amongst respondents was that inflation has continued to push the price of groceries, bills and rent upwards.

*"It does help in paying for my groceries for a week or two maximum, nothing more."* **Youth Ambassador, 24.**

*"I still don't think it's enough to live on when considering inflation and increases in general bills we have seen."* **Youth Ambassador, 24.**

*"Nothing because prices are going up."* **Youth Ambassador, 23**

When we asked young people about the timeline for lowering the age threshold for the NLW they unanimously responded that it was a positive step but they did not feel it was soon enough:

*"It should be sooner if possible as most students begin working part time from 18 onwards."* **Youth Ambassador, 24.**

Young people are concerned about the rising cost of accommodation and rising youth unemployment. This is compounded further when young people think about it in relation to Covid-19; the effects they currently feel and expect to feel in the coming years.

*"2024 is too far ahead, especially with the pandemic leaving people out of work."* **Youth Ambassador, 22.**

*"Yes, [it should be done sooner] the cost of living is still high and the impacts of COVID are already being felt."* **Youth Ambassador, 23.**

Young people who took part in questionnaire and the Youth Voice Forum (Youth Employment UK, 2021e) are worried about their daily living costs, their lost time for training, gaining experience, losing employment and feel delaying the potential wage increase could make it harder for them to recover, move into meaningful employment and earn a wage that supports them.

*"In a time we're jobs are scarce I cannot choose my job based on the wage it's offering. I have to take what comes my way."* **Youth Ambassador, 22.**

Other young people mentioned that their perception of rising costs of living is resulting in a rise in prevalence of working from an earlier age, in part-time work and working whilst in education. Whilst this work is precarious and works for some young people, some responding to our questionnaire felt they had little choice.



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