

Consultation on an Apprentice Minimum Wage Low Pay Commission

A response from the National Council for Voluntary Youth Services (NCVYS)

September 2009

Introduction

1. The National Council for Voluntary Youth Services (NCVYS) is the independent voice of the voluntary youth sector in England. A diverse network of over 170 national voluntary youth organisations and regional and local youth networks, NCVYS has been working since 1936 to raise the profile of youth work, share good practice and influence policy that has an impact on young people and the organisations that support them.
2. The NCVYS network reflects the diverse range of voluntary organisations working with young people at community, local, regional and national level. Most of our members offer opportunities to engage in challenging activities or develop creative talents. They also support young people to become active in their communities and offer opportunities for their voice to be heard. Some offer interventions to prevent or tackle specific issues such as homelessness or offending behaviour. Others offer counselling, advice, guidance and information. All contribute to young people's personal and social development; some also engage with spiritual development.
3. For more information on any element of this paper, please contact NCVYS's Policy Officer, Hannah Dobbin on 020 7278 1041.

Context

4. The Low Pay Commission has been asked by the Government to prepare a further report on *The National Minimum Wage* (NMW). The Commission has invited submissions of evidence to the consultation and have specifically asked respondents to consider detailed arrangements for an apprentice minimum wage. This follows the 2009 Low Pay Commission's recommendation that a minimum wage for apprentices should be introduced under the NMW framework.¹
5. The Learning and Skills Council requires employers to pay 'employed' apprentices, who are 16 or 17, a minimum of £95 per week for full-time work (as of August 2009).² This compares to the prospect of earning £124.95 for 35 hours with the youth wage and £203 with the NMW.

Key comments and recommendation

6. NCVYS welcomes the opportunity to respond to the Low Pay Commission's consultation on *The National Minimum Wage* and facilitate a co-ordinated response from the voluntary and community youth sector (VCYS). This section focuses on NCVYS's response to arrangements for an apprentice minimum wage and implications for the VCYS.
7. NCVYS believes that there should be an equal NMW for all people aged over 16, and consequently an apprentice minimum wage should be equivalent to the NMW.
8. The current exemption of apprenticeships from the NMW is contributing to a large gender pay gap and an apprentice minimum wage less than the NMW would continue to do so.
9. Lower pay levels offered to apprentice workers do not always adequately reflect the value of the work they do and therefore such wages are discriminatory. They also negatively impact on the financial situation of young apprentices and the value of their apprenticeship experience.
10. There is anecdotal evidence that lower pay levels for apprentices entrench inequality by discouraging those from lower socio-economic backgrounds from undertaking training, because of the insufficient remuneration for doing so.³ This is also reflected in the lack of diversity within the apprenticeship programme.⁴

Recommendation: Apprentices of all ages should receive the equivalent of the National Minimum Wage throughout their training.

Further comments

11. Work done by the YWCA has highlighted the effect of lowly-paid apprenticeships in contributing to the gender pay gap.⁵ The work that women tend to do, such as caring, is essential, and needs to be paid in view of that. According to UNISON (2008) Low Pay Commission reports have shown that raising the NMW is a very effective way of closing the gender pay gap, and two-thirds of the beneficiaries of the introduction of the NMW in

¹ Low Pay Commission (2009) *National Minimum Wage (Chapter 6)*. Available via: <http://www.lowpay.gov.uk/lowpay/lowpay2009/chapter6.shtml>

² http://www.dius.gov.uk/news_and_speeches/press_releases/apprentice_earnings

³ <http://www.davidlammy.co.uk/da/74027>

⁴ <http://www.bteg.co.uk/docs/Diversity%20and%20Apprenticeships%20Employer%20Guide.pdf>

⁵ YWCA (2008) *Submission to the Low Pay Commission*. Available via: http://www.ywca.org.uk/resources/policy/lpc_apprenticeships_and_nmw

1999 have been women.⁶ The TUC (2008) has shown that even in sectors with a gender balance there is a pay gap, suggesting discrimination exists.⁷

12. A difference between an apprentice minimum wage and the NMW assumes that apprentices are being supported which is not necessarily the case. Rent, bills, food and clothes do not cost any less for a young person. UNISON (2008) figures suggest that the vast majority of 18/19 year olds (80%) are working to buy necessities for themselves, or contribute to savings for university or their families income.⁸
13. The National Foundation for Educational Research (2006) found that half of surveyed apprentices were unsatisfied with their pay.⁹ It is likely that this will impact on future apprentices as the prospect of financial hardship discourages young people from undertaking further training. This lack of satisfaction also explains the relatively high non-completion rate of apprenticeships, at 37%, although this is an improvement on the 60% rate when apprenticeships were re-launched.¹⁰
14. There are problems with the enforcement of the minimum pay of £80 per week. Those who do not know their rights risk being paid inadequately. For example 10% of those working in early years and hairdressing are paid less than £80 per week (and this exacerbates the gender gap).¹¹ A complex system of apprentice minimum wages is likely to have the same effect.
15. Some apprentices are being exploited and the quality of training can be sub-standard. UNISON (2008) research suggests that apprentices can find themselves doing full-time jobs, 'carrying out the same tasks as their colleagues, but for significantly less money.'¹² The TUC (2008) agrees that a minority of employers use the apprentice exemption as a loophole to pay low wages.
16. The benefits of apprenticeships to employers are numerous: they can be immediately productive due to relevant training; they are highly motivated and eager to learn; and they can help businesses avoid skills shortages.¹³
17. There is concern that employers are less likely to make investment in apprentices without the discount of a lower wage for apprentices and that this will lead to the Government missing its targets.¹⁴ The CBI agrees that the costs of lower productivity of the apprentice and training mean that an offsetting of wages is necessary to make apprentices attractive to employers.¹⁵ However, UNISON(2008) shows that the Employers Forum on Age (EFA), which represents over 14% of the UK workforce, disagrees with this analysis. EFA claim the short term cost rise to the employer is, in many instances, 'off-set through the subsequent increase in labour supply' as higher wages lead to more candidates and choice for the employer of the most productive workers.¹⁶ A joint press release from the

⁶ Unison (2008) *Submission to the Low Pay Commission*. Available via:

www.unison.org.uk/acrobat/B4521.doc

⁷ TUC (2008) *LPC - Minimum Wage Apprentice Exemptions Review: TUC Evidence*. Available via:

<http://www.tuc.org.uk/extras/draftapprenticepay.pdf>

⁸ Unison (2008) *Submission to the Low Pay Commission*

⁹ National Foundation for Educational Research (2006)

The Role of Training Allowances in Incentivising the Behaviour of Young People and Employers

<http://www.dcsf.gov.uk/research/data/uploadfiles/RR756.pdf>

¹⁰ <http://www.apprenticeships.org.uk/Employers/Other-Questions/FAQDetails2.aspx>

¹¹ Low Pay Commission (2009) *National Minimum Wage (Chapter 6)*

<http://www.lowpay.gov.uk/lowpay/lowpay2009/chapter6.shtml>

¹² Unison (2008) *Submission to the Low Pay Commission*

<http://www.apprenticeships.org.uk/Employers/The-benefits.aspx>

¹⁴ Low Pay Commission (2009) *National Minimum Wage (Summary)*

<http://www.lowpay.gov.uk/lowpay/lowpay2009/summary.shtml>

¹⁵ Low Pay Commission (2009) *National Minimum Wage (Chapter 6)*

¹⁶ Unison (2008) *Submission to the Low Pay Commission*

TUC and Federation of Small Businesses also suggests the positive impact of a decent minimum on completion rates, leading to a positive impact on the reputation of the Apprenticeship brand, encouraging more employers to participate.¹⁷

18. The original rationale for the apprentice lower wage rate was that apprenticeships provide young people with quality training.¹⁸ However, this was based on three-year apprenticeships where the apprentice spends the first year training and becoming productive. Most apprenticeships today are of a much shorter nature, many less than a year and most less than 18 months, so 'the productivity of apprentices will be expected to reach a reasonable level much earlier than in the more traditional models.'¹⁹
19. Arguments that a higher rate of pay might cause young people to reject or leave higher education are dismissed by the EFA. They believe that higher rates will draw young people off benefits and into the labour force.²⁰
20. Some employers who have apprentices also run non-apprenticeship training programmes which are required to obey NMW legislation. This means young people working in these programmes may well be earning more than those on apprenticeship programmes even when the work they do is not significantly different. This can only devalue the apprenticeship programme.

¹⁷ TUC (2008) *LPC - Minimum Wage Apprentice Exemptions Review: TUC Evidence*

¹⁸ TUC (2008) *LPC - Minimum Wage Apprentice Exemptions Review: TUC Evidence*

¹⁹ TUC (2008) *LPC - Minimum Wage Apprentice Exemptions Review: TUC Evidence*

²⁰ Unison (2008) *Submission to the Low Pay Commission*