

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT NATIONAL MINIMUM WAGE  
(AMENDMENT) REGULATIONS 2017

*Tuesday 14 March 2017*

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**Saturday 18 March 2017**

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**The Committee consisted of the following Members:**

*Chair:* SIR ALAN MEALE

- |   |  |
|---|--|
| † Berry, James ( <i>Kingston and Surbiton</i> ) (Con)           | † James, Margot ( <i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i> ) |
| † Black, Mhairi ( <i>Paisley and Renfrewshire South</i> ) (SNP) | † Kinnock, Stephen ( <i>Aberavon</i> ) (Lab)   |
| † Courts, Robert ( <i>Witney</i> ) (Con)                        | † Kyle, Peter ( <i>Hove</i> ) (Lab)  |
| † Creasy, Stella ( <i>Walthamstow</i> ) (Lab/Co-op)             | † Lopresti, Jack ( <i>Filton and Bradley Stoke</i> ) (Con)   |
| † Debonnaire, Thangam ( <i>Bristol West</i> ) (Lab)             | † Morton, Wendy ( <i>Aldridge-Brownhills</i> ) (Con)   |
| † Dromey, Jack ( <i>Birmingham, Erdington</i> ) (Lab)           | † Smith, Owen ( <i>Pontypridd</i> ) (Lab)  |
| † Drummond, Mrs Flick ( <i>Portsmouth South</i> ) (Con)         | † Sturdy, Julian ( <i>York Outer</i> ) (Con)   |
| † Gray, Neil ( <i>Airdrie and Shotts</i> ) (SNP)                | † Syms, Mr Robert ( <i>Lord Commissioner of Her Majesty's Treasury</i> )                                       |
| † Henderson, Gordon ( <i>Sittingbourne and Sheppey</i> ) (Con)  | Marek Kubala, <i>Committee Clerk</i>   |
| † Howarth, Sir Gerald ( <i>Aldershot</i> ) (Con)                | † <b>attended the Committee</b>  |

The following also attended, pursuant to Standing Order No. 118(2):

Berry, Jake (*Rossendale and Darwen*) (Con)

# Third Delegated Legislation Committee

Tuesday 14 March 2017

[SIR ALAN MEALE *in the Chair*]

## Draft National Minimum Wage (Amendment) Regulations 2017

2.30 pm

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Margot James):** I beg to move,

That the Committee has considered the draft National Minimum Wage (Amendment) Regulations 2017.

It is a pleasure to serve under your chairmanship, Sir Alan.

The purpose of the regulations is to increase the hourly rate of national minimum wage for all workers, including those who are entitled to the national living wage. The regulations also include an increase in the accommodation offset rate.

Our economy is fundamentally strong and it continues to grow. GDP growth was 0.6% in the last quarter of 2016, above market expectations, and the economy is now 8.7% larger than its pre-crisis peak. It is right that our economic success is shared by everyone. Through the national minimum wage and the national living wage, the Government continue to ensure that the lowest paid in our society are more fairly rewarded for their contribution to the economy. The latest employment figures are a testament to the success of this policy: our employment rate is at a record high of 74.6% and our unemployment rate remains low at 4.8%.

When the House met to debate the national minimum wage rises in September 2016, I informed hon. Members that from this April the national minimum wage and the national living wage will be uprated simultaneously. We have delivered on that commitment and the new rates will be effective from 1 April this year, to coincide with the start of the tax year. We hope that by aligning the cycles we can make it easier for employers to comply, while reducing their administrative burden.

The Government continue to be supported by the expert and independent advice of the Low Pay Commission, whose members I thank for their hard work and guidance. The LPC is asked to recommend the highest possible increase in the national minimum wage rates without damaging the employment prospects of low-paid workers, and to recommend the rate of the national living wage such that it reaches 60% of median earnings by 2020, subject to sustained economic growth. The LPC has carried out extensive research, consultation and analysis to inform its wage rate recommendations. We have considered and accepted all the recommendations as set out in the LPC's autumn 2016 report.

I will take this opportunity to clearly set out the rates that will be effective from 1 April. The national living wage rate will increase by 30p to £7.50 per hour. It is projected that up to 2 million people will benefit from this increase, whereby a full-time worker in receipt of

the national living wage will receive an annual increase of more than £500. All the national minimum wage rates will also be uprated above the rate of inflation. Those aged between 21 and 24 will be entitled to a minimum of £7.05 per hour, an annual increase of 3.2%. Those aged between 18 and 20 will be entitled to a minimum of £5.60 per hour, an annual increase of 3.1%. Those aged 16 and 17 will be entitled to a minimum of £4.05 per hour, an annual increase of 2.8%. Apprentices aged 19, or those aged 19 and over in the first year of their apprenticeship, will be entitled to £3.50 per hour, which is the largest annual increase of all the rates at 4.5%. Finally, the accommodation offset rate will be increased from £6 to £6.40 per day.

We recognise that as rates rise, the risk of non-compliance also rises. The Government will ensure that every worker in the UK who is entitled to the national minimum wage or national living wage receives it. We are actively taking steps to tackle non-compliance and sending a clear message to employers that minimum wage abuses will not go unpunished. That is why the Government continue to invest heavily in minimum wage enforcement, increasing the budget to £25.3 million for 2017-18, up from £13 million in 2015-16. In addition, the Government have invested £1.7 million in an awareness campaign to highlight the rights and responsibilities among workers and employers. The campaign was launched in January and will pick up pace as we approach 1 April.

**Julian Sturdy (York Outer) (Con):** I welcome the proposals on the table, but will the Minister outline what representations she has had from small business, given that the increases come at the same time as auto-enrolment and other cost pressures?

**Margot James:** My hon. Friend makes a good point. I have had representations from small businesses, particularly in the retail sector, saying that they are finding it challenging to cope with the various cost increases, but they tell me that they agree that introducing the national living wage is the right thing to do. Despite the difficulties, I have not had any representations urging us to row back on the increases in the regulations.

This Government are committed to an economy that works for everyone. The ongoing success of the UK labour market proves that a rising minimum wage can go hand in hand with rising employment. I commend the regulations to the Committee.

2.36 pm

**Jack Dromey (Birmingham, Erdington) (Lab):** It is a pleasure to serve under your chairmanship, Sir Alan.

We will not oppose the statutory instrument, but it is important that we set out our concerns, including that the proposals do not match the necessary ambition, given the still severe and growing problem of low pay in our country. I was a founder member of the drive for the living wage back in 2002 and 2003, with TELCO—the East London Communities Organisation, which is now called the East London Citizens Organisation. As the head of the Transport and General Workers Union organising department, I helped to organise a campaign to win the then living wage for 4,000 cleaners in Canary Wharf and the City of London, thereby combating the obscenity of those who cleaned the boardrooms and the toilets of bankers earning millions being paid the minimum

wage, often with minimum conditions of employment. After that, we organised the cleaners in the House of Commons. Some here will remember the first ever strike in the history of the House of Commons, which I was privileged to organise, to win the living wage for the House of Commons cleaners. It was wrong that those who cleaned this, the mother of Parliaments, should be on the minimum wage.

I have always taken the view that the case for the living wage is a moral case, but it is much more than that. The evidence is that the living wage is good for the worker—of course—and good for the worker's family, because they typically do not have to do two or three jobs to make ends meet, often not seeing their kids from one day to the next. It is good for the employer, because the evidence is that it contributes to reducing turnover of labour on the one hand and promotes security, flexibility and co-operation on the other. It is good for the local economy, because someone on the living wage typically does not salt their money away in Swiss banks but spends it in the local community; and it is good for the national economy, because the workers concerned pay more in tax and claim less in benefits. The living wage is therefore good for Britain.

We have made real progress in this country. I am proud to say that in the city I represent, Birmingham, the very first action of the incoming Labour council in 2012 was to introduce the living wage for all its employees and then in the schools, and now we have dozens of private sector employers who pay the real living wage, including National Express and its 3,000 employees.

I am bound to say this, Sir Alan, but historically—this does not include the Minister here today—the Conservative party strongly opposed the measures for which we fought for many years, including the introduction of the national minimum wage. Indeed, the current Prime Minister is on record making colourful contributions at various times against the notion of a national minimum wage, in favour once it was introduced of a lower national minimum wage, and in favour of a series of geographical opt-outs from the national minimum wage. However, none other than Cardinal Cormac Murphy-O'Connor, on the great day of St Joseph the Worker's mass in Westminster Cathedral, addressed a rally afterwards and urged employers and those of all political parties to embrace the living wage, saying that, if they do, in the spirit of the Catholic Church, those who repent shall be forgiven. If the Conservative party has repented of its resolute opposition to the then national minimum wage, that is to be welcomed.

Having said all that, the Government are seeking to hijack the language of the living wage when it is no such thing. It is not a real living wage, as the highly respected Living Wage Foundation has established with the evidence it adduced in favour of £9.75 in London and £8.45 outside London.

**Stella Creasy** (Walthamstow) (Lab/Co-op): As my hon. Friend mentioned, east London, an area that I am proud to represent, was the birthplace of the living wage movement. Should we not judge this statutory instrument and the concerns that Conservative Members may put forward against the fact that, in this day and age, even in my part of town, 36% of people are paid below the living wage? The Government might talk about a living wage, but perhaps we ought to call in trading standards.

**Jack Dromey:** My hon. Friend makes a powerful point. One can put provisions on the statute book to tackle low pay, but whether that works in practice is another thing altogether.

The proposed living wage will not compensate for cuts to universal credit and other taxation and benefit changes. The 60% figure is arbitrary, and the Government's proposals continue to discriminate against young people. I used to be chair of the Ministry of Defence trade unions, with a long association with the armed forces. North Birmingham, which I represent, historically has a strong defence culture and is a recruiting ground for the British Army. I know ex-squaddies of 23 or 24 years old who do a three or four-year stint and come out of the Army having fought for their country but not entitled to the full living wage, which simply cannot be right.

The GMB has been absolutely right to argue for an end to unacceptable age discrimination against young people. In addition, there are problems not just about how the wage is defined but, as my hon. Friend the Member for Walthamstow just said, how it is enforced. The Government have been lacklustre in the extreme in taking the necessary steps not just to name and shame but to use leverage and to enforce the law against recalcitrant, bad employers who refuse to pay the living wage. In too many employers, including those that were historically regarded as reputable, such as Marks and Spencer, there has been an industry of avoidance. First, they give the good news, "You get the living wage"—or at least the Government's definition of it—but then there is the bad news that it is offset against other conditions of employment. My hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh) has done an outstanding job in this place in exposing such practices.

The living wage is a cause about which many of us, as I do with my history, feel passionate. Is it welcome that the debate has moved on from where we were in the '90s, with resolute opposition from the Conservative party even to a then national minimum wage? Of course it is welcome that some progress has been made. In the real world out there, from which I came, people will benefit as a consequence. Having said all that, the Government's approach continues to lack ambition, which is why the Labour party has argued, in the strongest possible terms, for moving to a £10 an hour starting point, and then the living wage review body, based on the national minimum wage review mechanisms, can keep future increases under scrutiny.

**James Berry** (Kingston and Surbiton): The hon. Gentleman is making a powerful speech, but the manifesto on which he stood did not commit to that increase.

**Jack Dromey:** I would caution Conservative Members against praying in aid manifestos. From when I worked for Alperton Carton Company, I remember an individual who would say that something that was false was "as sound as a nine-bob note". I think that future Conservative manifestos will be interpreted creatively, because it is extraordinary not only that a manifesto commitment on national insurance was broken, but that there then followed an attempt to define it as not having been broken. The hon. Gentleman will forgive me for saying that I place no trust in his manifesto, but I do place trust in our determination to ensure that this country has a proper living wage.

[Jack Dromey]

That is all the more important because, sadly, as we have heard in recent times, including in the context of the most recent Budget, the country still faces years of austerity and squeezed living standards. Too many people are struggling to get by and that is why it is essential that we are much more ambitious, as a country and a Parliament, about a real living wage to end working poverty in Britain.

2.26 pm

**Neil Gray** (Airdrie and Shotts) (SNP): It is a pleasure to serve under your chairmanship, Sir Alan, and it is a genuine pleasure to follow the hon. Member for Birmingham, Erdington, who made a very good speech setting out our shared views.

We must be clear that the UK Government's so-called national living wage is not the real living wage and it should not be referred to as such. It is not national, because disgracefully it does not cover under-25s, and it is not a living wage, because it falls well short of the real living wage, which is independently set by the Living Wage Foundation and based on living standards, the history of which was set out so well by the hon. Gentleman. The current real living wage is £8.45 an hour outside London and £9.75 an hour in London. The minimum wage premium rate under discussion is £7.50 an hour, which is a welcome rise from £7.20, but it is almost £1 an hour short of the rate outside London and more than £2 short of that in London.

I also note the proposed percentage pay rise for the different age brackets. The rate for over-25s will go up by 4.2% annually, which is welcome, but why is there not a fair rise across the board, to match that for over-25s? The apprentice rate will go up by 4.5% annually, which is fine, but that is the only special age-related rate that matches the rise for over-25s.

**Mhairi Black** (Paisley and Renfrewshire South) (SNP): As hon. Members may know, I am under 25. Does my hon. Friend agree that it would be ridiculous to suggest that I should be paid less than anyone else in this room, purely on the basis of when I was born?

**Neil Gray:** Absolutely. I thank my hon. Friend for her intervention, which highlights perfectly the flaws in the Government's argument—we will probably hear it shortly—that, somehow, someone who is under 25 does not have the experience or expertise to carry out their job. She personifies the argument that someone who is under 25 can be more than capable of doing their job just as well as, and possibly better than, someone who is over 25. She has made my point perfectly.

Turning to 18 to 20-year-olds, they will get a 0.9% rise of 5p an hour, which is an annual increase of 3.1%, while that for 16 to 17-year-olds will be just 2.8% annually. Given that they are already receiving significantly less, often for doing the exact same work, how can the Government justify a proportionately lower increase in their minimum rates? I refer again to my hon. Friend's intervention.

This is important. In response to last week's Budget, Katherine Chapman of the Living Wage Foundation said:

"Low-paid workers will be the worst hit by the rise in inflation set out in today's budget forecasts."

Rowena Mason from *The Guardian* has suggested that the rise in the minimum wage is not enough even to hit the Government's trajectory to reach £9 an hour by 2020. We also need to consider these rises in the context of what Paul Johnson from the Institute for Fiscal Studies said last week:

"On current forecasts average earnings will be no higher in 2022 than they were in 2007... This is completely unprecedented". The Resolution Foundation has said that the period from 2011 to 2020 will have the worst record for pay growth in 210 years.

Although everyone accepts that employment is the best route out of poverty, it is no longer enough. We are seeing sharp rises in in-work poverty as the perfect storm of poor wage growth, social security cuts and rising inflation squeezes family budgets. For our part, Scotland remains the best performing of the four nations in the UK with the highest proportion of employees getting paid the real living wage—79.9%. That is because the Scottish Government have embraced the real living wage and championed it. We now have about 750 Scottish-based accredited living wage employers and we are pushing hard for more to sign up. We have championed the real living wage campaign while this Government try to undermine it by labelling their minimum wage premium in such a cynical way.

Requiring employers to pay their staff the living wage is a key part of Scottish public sector pay policy and since 2013-14 we have invested more than £1.5 million a year in the living wage rate across the public sector where the Scottish Government controls the pay bill, benefiting about 3,000 workers each year. I urge the Minister to look at the example being set by the Government up the road and to go further than what is being proposed today.

2.51 pm

**Owen Smith** (Pontypridd) (Lab): It is a great pleasure to serve under your chairmanship today, Sir Alan.

One might have thought that I would have learned in the summer that it is a big mistake to try to get one up on one's elders and betters on the Front Bench, but I absolutely cannot resist. I will go back not to the 1980s and 1990s, but to 1910, when my great-great grandfather, Dafydd Humphrey Owen, was a Cambrian Combine stay-down striker in south Wales, striking for a living wage as part of the Labour movement. Members will no doubt remember from their history that the colliers were crushed by a future Conservative Prime Minister, who was then a Liberal. The Tory party at the time wholly opposed the introduction of a living wage of any sort.

Scrolling forward a few years to April 1999, when the last great Labour Government introduced the living wage, the Tory position had not changed one iota. They were still opposed to it and argued that 2 million jobs would be lost in this country. I remember that extremely well. Of course, we did not lose 2 million jobs. We did not lose a single job as a result of the introduction of the minimum wage, but we did increase the pay of more than a million low-paid people in this country by 15% overnight, lifting 1 million people in this country out of poverty at a stroke.

Playing forward to where we are today, the Tory party has ostensibly recanted, as my hon. Friend the Member for Birmingham, Erdington said, and supports

measures to increase the pay of the lowest paid in this country. As last week's Budget yet again illustrates, the reality, if we look through the rhetoric and beyond the soundbites, is a Tory party that still seeks to balance the economy on the backs of the poorest.

Not only is this not a real national living wage—I will not even indulge in the argument about the nature of the wage, as we all know that it is a minimum wage—but the Tories are not even honouring the commitment they made just a few months ago for it to rise to £9 over this period. It will rise only to £8.75, well short of the £10 that the Labour Opposition say we should be aiming for. Add that to the fact that low-paid workers in this country have already seen dramatic cuts to their income in the past few years, the latest being the increase in national insurance contributions for self-employed workers introduced just a few days ago. When we add that to the cuts to the work allowance and universal credit, low-paid workers in this country—people earning £15,000 or £16,000 a year, working 36 hours on the minimum wage—will be between £2,000 and £3,000 worse off as a result of the budgetary changes made by this Tory Government. That one fact blasts out of the water all the nonsense we have heard about the Tories being in favour of a proper national living wage in this country. The plain fact is that they are not providing living wages for people.

The Budget last week once more showed working people being asked to pay the price. The reason the Government are having to do that even more now, of course, is Brexit. What we saw in that Budget last week, beyond all the complacency and the quips and smirks from the Chancellor, was a devastating report on the state of our economy by the Office for Budget Responsibility.

In the past 11 months, the OBR has uprated the amount of borrowing it says this country will need over the spending period by £100 billion. If a business or some sort of public body had its forecast wrong to the tune of 100 billion quid, it would be in serious trouble. Just 12 months ago, the Government projected that we would see rising growth rates throughout the spending period, and then the OBR came back and downgraded growth in every single year out of the next five. If a business did that, its investors would start to look askance at the business plan.

Having seen that massive increase in borrowing and the projections for lesser growth over the next five years, did the Conservative party choose to prioritise the incomes of working people? Did the Government say, "What we really need to do is make sure that people at the bottom end of the income scale are the people who are protected from the downturn in our economy that the OBR is predicting"? No, they did not. They carried on with cuts to corporation tax. They pushed through the cut to inheritance tax. They did not reverse the cuts they had made to the top rate of tax.

They did not do anything that would ask those people with the broadest shoulders in our economy and society to bear the largest burden. Instead, they chose to take more money from the working people of this country by slowing the rate of growth in the national so-called living wage, meaning 1,400 quid less by the end of the period for average working families. They chose to push through the NICs changes, which will mean reductions of between 30 and 250 quid on top of the thousands of pounds in reductions in income that universal credit cuts have brought about.

The Opposition will take no lectures from the Tories about their intention to support working people in this country, because they have illustrated over a century and more that they do not.

2.57 pm

**Stella Creasy:** I rise to ask a simple question of the Minister that seems to be at the heart of this statutory instrument. What difference does £2 make? That is the difference between what is being proposed and what a living wage actually is. I want to tell the Minister why that £2 makes all the difference to the communities we represent.

We are now living in a country where real wages are still, on average, below what they were a decade ago. It is not only a problem in the metropolitan, gold-plated streets of London, where 60% of our children are living in households that are in poverty. Across our country, whether in Portsmouth, Aldershot, Aberavon, Pontypridd or Bristol, there are families for whom £2 an hour would make all the difference to their problems.

We face a very simple challenge as a country: wages have not kept up with prices. There is too much month left at the end of people's money. For the families on low wages that the statutory instrument will affect, this kind of change makes all the difference, because it does not include that extra two quid. Young people are cruelly discriminated against by our legislation. I wholeheartedly concur with the hon. Member from Scotland, whose constituency evades me; I am sure it is a wonderful place.

**Neil Gray:** Airdrie and Shotts.

**Stella Creasy:** Exactly. It is completely inconceivable that age rather than proficiency should define someone's employability.

There is an issue for us here about whether the statutory instrument will help Britain. We have to acknowledge a word that seems to be missing from the Government's vocabulary but will in fact define these issues: Brexit. Our economic position is so uncertain. The chances are that inflation will continue to rise; that is clear to the Opposition. The question of what difference £2 makes will be all the more important in the years ahead that the legislation provides for.

In 4 million households in this country people are in work but in poverty. The point behind the living wage campaign, which I am so proud to have been a small part of in my part of town in east London, where all the best things come from—I will fight you all for that—is that it is not simply about living to work or working to live, but living a life worth living. That is why having a living wage makes a difference. This is about the cost of living. Just as inflation has risen and wages have not—for the first time wages have not kept up with growth in our country—so the costs of living are extraordinary.

I have the dubious distinction of representing the part of the country with the most estate agents per square mile. My part of town has had the highest rise in house prices of any part of the country. The Minister looks shocked, but Kirstie and Phil are the harbingers of doom for many people in my community because the cost of living, which their wages have to cover, is going up and up. That is why having a real living wage

[Stella Creasy]

matters. Not having one means that we as a society have to deal with the consequences in a number of ways. We have to try to help people cover the cost of living, keep a roof over their head, feed their kids, put money in their electricity meter and take their kids to school. We also have to deal with the consequences of debt that we are now seeing in our country.

I look at these proposals in the context of the impact: 24% of people in this country now have mental health issues because of their personal finances and 41% of families are worried about their debt and whether their wages are going to cover such costs. One in six of those people is worried because they have borrowed money from a family friend or member. There are real human consequences to not having a real, genuine living wage: families are torn apart.

**Owen Smith:** I am sure my hon. Friend was about to come on to this. She is making a powerful speech and a powerful point about private debt in this country, but was she as gobsmacked as me during the Budget to see that public debt is now scheduled to go up to £1.9 trillion by the end of the spending period? That is a 150% increase in our public debt since the Tories came to power. Does she think for a moment that they can ever again use the line about not saddling our children with debt when they have saddled this country with such debt?

**Stella Creasy:** I was very taken with the point that my hon. Friend made about these regulations in his speech. If the financial director of a company came to their board seven years in a row having got their sums wrong, we would expect somebody to get the sack. The Chancellor and the Prime Minister certainly bear some responsibility for this.

We know that the Government expect private debt to pay the cost of that public debt, so the people who are on low wages and are going to get into more debt because we are not paying them the living wage are the very people who are going to pick up the tab for the debt that my hon. Friend describes. I want to understand why the Minister thinks we should celebrate at this point in time when we see that personal debt is rising.

People are struggling. The 36% of people in my community who are paid less than the living wage need that extra £2. We need them to earn that extra £2 so we do not have to pick up the cost, not just because we are going to face a very expensive bill for Brexit and because of the way in which the Government are managing the public finances but because of the human cost and the effect on talent and creativity. We know that families with children living in poverty struggle harder to achieve. We know that the next generation needs a better shot than the current generation if it is to contribute to the global land of milk and honey that Brexit will deliver for us. We know, therefore, that it is not enough to claim that this is a living wage. Call it a minimum wage. It is wonderful that there has been a damascene conversion to the idea that this is of economic and social benefit, but do not call it a living wage when so many people are not able to live on it.

3.3 pm

**Margot James:** First, I congratulate the hon. Member for Birmingham, Erdington on all the work that he undertook to advance the concept of a national living wage, which he outlined at the beginning of his remarks. I agree with several points he made. There is more than a moral case for a living wage; it is indeed good for employers and the economy—especially local economies.

The hon. Gentleman kindly exempted me from the record of my party, which he alleged had always been against the introduction of the national minimum wage, but I gently remind him that I am not alone on the Government side of the House in being a keen supporter of a national minimum wage. We are comfortable that the Conservative party has changed in its roots. I can remember the 1990s and he is quite right that people just thought, “Well, if you have a national minimum wage, it’ll cost jobs”, and no more argument was brooked. People were wrong about that.

I turn now to the difference between what I think the hon. Gentleman was arguing for, which was a living wage more along the lines advocated by the Living Wage Foundation, and the national living wage that we have put into law. Of course, I want to see people on that sort of pay being paid more, but we have set the rate as it is, which is lower than the Living Wage Foundation supports, because we are very concerned that it does not cost jobs. [Laughter.] Hon. Members are laughing, but the living wage is set by the Government on the advice of the independent Low Pay Commission. The commission is tasked with assessing the rates of the national living wage and the national minimum wage against the performance of the economy overall, and gives its considered view about the impact of those wage rates on employment. That is why I think that setting the rates at the levels we do is justified.

My hon. Friend the Member for York Outer was quite right to make the point he did. As I have said, I have spoken to small businesses, particularly retailers, and some of them are really up against it in terms of costs, and if we were suddenly to override the advice of the Low Pay Commission and whack the minimum wage up to £10 an hour, I seriously think that a lot of people would lose their jobs.

**Peter Kyle (Hove) (Lab)** *rose*—

**Owen Smith** *rose*—

**Stella Creasy** *rose*—

**Margot James:** I will give way to the hon. Lady.

**Stella Creasy:** I thank the Minister for giving way. Does she recognise that there is also quite a bit of evidence, given that growth is increasing, that companies are making profits? So what we are seeing now is employers not passing on the benefits of the productivity of employees to the people helping them to make that money. That disconnection between wages and growth is really troubling.

**Margot James:** I am glad that the hon. Lady concedes that the economy is in good shape and that it is indeed growing; I agree with her on that. I am also heartened

by the fact that lots of employers are paying people more. In fact, the recent evidence about the national minimum wage is that it has not only protected the wages—the living wage—of people over the age of 25 but hauled the average wages of people younger than that up in its wake. That is because some employers who can afford it accept the point made by the hon. Lady earlier, namely that if they can afford to pay younger people more, they would rather have parity—

**Several hon. Members** *rose*—

**Margot James:** I will make some progress, because I want to respond to some of the points that the hon. Member for Airdrie and Shotts made. He was concerned about the rates for the under-25s, apart from the apprenticeship rates, which have gone up significantly. Again, the Government take the advice of the Low Pay Commission.

The issue that the hon. Gentleman did not mention is the rate of unemployment among younger people, which is significantly greater than it is among the over-25s. That is really the reason that the Low Pay Commission advises that there should be a lower rate for younger people, because it recognises that younger people need to get experience in order to command the higher rates and indeed to command a job in the first place, with the obvious exception of the hon. Member for Paisley and Renfrewshire South.

I remind Members that the unemployment rate for people aged between 16 and 24 is 12.6%. That is hugely greater than the unemployment rate for the over-25s, which is 3.6%. That is why the Low Pay Commission recommends a difference in the rates.

**Peter Kyle:** My hon. Friend the Member for Walthamstow made the point about young people—actually, people of all ages—struggling to get on to the housing ladder and being able to buy property. Does the Minister accept that our economy is stacked in favour of people who have assets and that people who are talent-rich but asset-poor really struggle to get on? That is why it is so important that we have more ambition for the minimum wage, so that everybody has access to the assets that will get them all the benefits that modern 21st-century life has to offer.

**Margot James:** The hon. Gentleman makes the point very well indeed. That is why we are trying as a Government to build a more inclusive society, in order to ensure that, as he says, people who are talent-rich but asset-poor get a fairer start in life. That is also why we are investing hugely in skills and infrastructure to try to bring better-paid jobs to all. It is not just about the minimum wage; it is also about the architecture of the economy surrounding people for whom there are few opportunities at the moment or opportunities just for low-paid work.

To correct the impression given by the hon. Member for Airdrie and Shotts in his remarks, real wages have grown every month for more than two years now. The average rate of growth across the economy of real wages was 2.6% over the last 12 months.

**Owen Smith:** Will the Minister give way?

**Margot James:** For the last time.

**Owen Smith:** I am very grateful. The impression that the Minister is giving and the Government have given repeatedly is that wages have really bounced back. The truth is that there has been a welcome bounce back in wages for the last 18 months or so, as she points out but, as the OBR said last week—five days ago—average wages will not reach their pre-2007 height until 2022. We are living through a decade-long recession in wages.

**Margot James:** As I said, real wages have risen every single month for the last 22 months.

**Owen Smith:** It is a blip.

**Margot James:** That is a fact—I am sorry if it displeases the hon. Gentleman. I accept what he says about the future projections—I am not going to start arguing with the OBR—but I am afraid that if he has his way and brings in a national minimum wage of £10 an hour overnight, that will result in more unemployment, which would set people's chances back.

**Stephen Kinnock** (Aberavon) (Lab): Will the Minister give way?

**Margot James:** I am sorry; I am going to carry on.

I want to deal with the extra £2 an hour, which is the same point as the one about raising the national living wage to almost £10 an hour. The hon. Member for Walthamstow made a very powerful speech. I completely accept that £2 an hour would make a big difference to people's lives at the lowest end of the income scale. We want to get there as quickly as we can. The UK's lowest earners have at least received the fastest pay rise in the last 20 years and their earnings have grown faster than other people's further up the wage scale. More than 6% is the largest increase among the low paid for the last 20 years. Those figures are independent of Government.

I fear that one of the reasons why every Labour Government in history, I think, always leaves office with unemployment higher than when they entered office is that they want to escalate the pay rates before the country has earned it. I am afraid that is a recipe for more unemployment, which is a price that this Government are not prepared to pay. We would rather listen to the independent advice of the Low Pay Commission and put in place national living wage rates that protect employment, respect economic growth and what it is capable of paying people, and give the lower paid at least the best increase that they have had in the last 20 years. I want it to be more and I hope we will get to that point in future years—it could not come soon enough for me. I commend the regulations to the Committee.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the draft National Minimum Wage (Amendment) Regulations 2017.

3.13 pm

*Committee rose.*

