

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Eleventh Delegated Legislation Committee

DRAFT NATIONAL MINIMUM WAGE
(AMENDMENT) REGULATIONS 2018

Wednesday 21 March 2018

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Sunday 25 March 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MRS MADELEINE MOON

- | | |
|--|---|
| † Doughty, Stephen (<i>Cardiff South and Penarth</i>)
(Lab/Co-op) | Nandy, Lisa (<i>Wigan</i>) (Lab) |
| † Duguid, David (<i>Banff and Buchan</i>) (Con) | † Pidcock, Laura (<i>North West Durham</i>) (Lab) |
| Glindon, Mary (<i>North Tyneside</i>) (Lab) | † Robinson, Mary (<i>Cheadle</i>) (Con) |
| † Griffiths, Andrew (<i>Parliamentary Under-Secretary
of State for Business, Energy and Industrial
Strategy</i>) | † Shapps, Grant (<i>Welwyn Hatfield</i>) (Con) |
| † Harris, Rebecca (<i>Lord Commissioner of Her
Majesty's Treasury</i>) | † Smith, Nick (<i>Blaenau Gwent</i>) (Lab) |
| † Howell, John (<i>Henley</i>) (Con) | † Stephens, Chris (<i>Glasgow South West</i>) (SNP) |
| † Huq, Dr Rupa (<i>Ealing Central and Acton</i>) (Lab) | † Stewart, Iain (<i>Milton Keynes South</i>) (Con) |
| † Lamont, John (<i>Berwickshire, Roxburgh and Selkirk</i>)
(Con) | Streeting, Wes (<i>Ilford North</i>) (Lab) |
| | † Watling, Giles (<i>Clacton</i>) (Con) |
| | Rob Page, <i>Committee Clerk</i> |
| | † attended the Committee |

Eleventh Delegated Legislation Committee

Wednesday 21 March 2018

[MRS MADELEINE MOON *in the Chair*]

Draft National Minimum Wage (Amendment) Regulations 2018

2.30 pm

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

That the Committee has considered the draft National Minimum Wage (Amendment) Regulations 2018.

It is a pleasure to serve under your chairmanship, Mrs Moon. The Government are committed to building an economy that works for everyone. Through the national minimum wage and the national living wage, we continue to ensure that the lowest-paid in our society are fairly rewarded for their contribution to the economy. Raising the minimum wage is one way that our industrial strategy creates an economy that boosts productivity throughout the UK, and provides good jobs that increase people's earning power.

This morning's employment figures are a testament to the success of that policy. We have a record employment rate of 75.3%, and our unemployment rate of 4.3% is the joint lowest in more than 40 years. The Government are increasing the tax-free personal allowance to £12,500 by 2020, both to ensure that workers keep even more of their income, and to take more of the lowest-paid out of paying tax altogether. Between 2016 and 2017, thanks to the Government's introduction of the national living wage, the lowest-paid 5% of full-time workers saw the biggest increase in pay.

I am proud to introduce the latest set of inflation-busting increases to the national living wage and the national minimum wage, which will give more than 2 million low-paid workers a well-deserved pay rise next month. I am particularly pleased to announce that the biggest increases in the national minimum wage rates—the largest for more than a decade—are for younger workers.

The regulations increase all national minimum wage hourly rates, including those for workers who are entitled to the national living wage. The national living wage rate for people aged 25 and over will increase by 33p to £7.83, and the rate is on course to reach 60% of median earnings by 2020. The increase means that a full-time worker in receipt of the national living wage will receive an annual pay rise of more than £600.

The rate for 21 to 24-year-olds will also increase by 33p, which means that people in that age group will be entitled to a minimum rate of £7.38—an annual increase of 4.7%. The annual earnings of a full-time worker in that age group will also increase by £600 a year.

People aged between 18 and 20 years old will be entitled to a minimum of £5.90 per hour, which is an annual increase of 5.4%. People aged 16 or 17 years old will be entitled to a minimum of £4.20 per hour, which is an annual increase of 3.7%. Apprentices aged under

19, or those aged 19 and over in the first year of their apprenticeship, will be entitled to £3.70, which is the largest annual increase of all the hourly rates—5.7%. We estimate that more than 2 million workers will get a pay rise. Finally, the accommodation offset will increase from £6.40 to £7 per day.

I place on record my gratitude for the work of the independent Low Pay Commission. It brings together businesses and workers to form a consensus on the rates, and advises the Government accordingly. It is asked to recommend the highest possible increase in the national minimum wage, without damaging the employment prospects of low-paid workers by setting it too high, and to recommend a national living wage rate that will ensure that it reaches that 60% of median earnings by 2020, subject to economic growth being sustained. It has carried out extensive research, consultation and analysis, which have informed the rates recommendations in its 2017 report. It recommended each of the increases that I have announced.

We recognise, though, that as the minimum wage rises, so does the risk of non-compliance. The Government will ensure that every worker in the UK who is entitled to the national minimum wage or national living wage receives it.

Chris Stephens (Glasgow South West) (SNP): The Minister knows from my written parliamentary questions that 25% of posts in the national minimum wage compliance unit at Her Majesty's Revenue and Customs are vacant. Can he tell us whether those posts will be filled by HMRC?

Andrew Griffiths: The hon. Gentleman raised that issue just a few days ago—in a Westminster Hall debate, I think. He will know that the Government have doubled their investment in enforcement of the national minimum wage. There is, of course, always a turnover of staff, but we intend to have the compliance enforcement unit up to its full potential as soon as possible. We are actively taking steps to tackle non-compliance, sending a clear message to employers that minimum wage abuses will not go unpunished. We have invested £25.3 million in that this year—almost double what was invested in 2015. The Government have also invested £1.5 million in an awareness campaign to highlight the rights and responsibilities of workers and employers.

We have seen a jobs miracle in this country. More than 400,000 more people are in work than were a year ago, showing that the labour market remains a key strength of the UK economy, and proving that the UK can accommodate a higher minimum wage. The economy has grown continuously for more than four years, and UK businesses have created a record number of jobs. I pay tribute to the workers and employers who made that happen.

According to the Resolution Foundation, the national minimum wage and the introduction of the national living wage have contributed to the elimination of extreme low pay. The Government estimate that more than 2 million workers will directly benefit from the uprating of the national minimum wage and the national living wage next month. Raising the minimum wage is just one part of the “good work” agenda that underpins our vision for a more productive and motivated workforce.

Between April 2015 and April 2017, the wages of the lowest-paid have been increasing fastest, thanks to the national living wage, with the wages of those in the fifth percentile of the earnings distribution growing by almost 7% above inflation. That is faster than at any other point in the earnings distribution.

The Prime Minister committed that this would be a Government that worked for everyone. It is right that the lowest-paid workers in our society are fairly remunerated for their contribution to the economy. I commend the regulations to the House.

2.38 pm

Laura Pidcock (North West Durham) (Lab): I have a somewhat different take on the state of the economy from the Minister. Real wages, excluding bonuses, are still down by 0.2% and are still £15 a week lower than 10 years ago. That is a starkly different picture from the one painted by the Minister.

No one would expect me to oppose this increase in the minimum wage for working people, and the increases to the minimum hourly rate. However, this small rise in the minimum wage cannot go without comment or critical analysis; I wish that the Government would do some critical analysis of the growth in employment, the nature of that employment, and how precarious, insecure and low-paid it still is, specifically in the north-east, the region I represent.

I acknowledge that this increase in the minimum wage will be helpful, but it certainly will not be transformative for the many who are the lowest-paid. The Government seem obsessed with keeping the minimum wage at the lowest level at which it is possible to maintain a subsistence existence—it is called the Low Pay Commission for a reason. Perhaps the Government do that because they mistakenly believe that keeping wages low is good for business, or that it is not the state's job to set wages, but rather the law of the markets that does that.

What the Government fail to acknowledge is that increasing wages, particularly of the lowest-paid, will immediately increase demand in the economy, which in turn will stimulate production, retail and services. It will also decrease Government expenditure on subsidising low pay, while increasing Government revenue—for example, where tax thresholds are exceeded. Improving the quality of life and economic wealth of the least well-off is not a cost, but an investment in society.

No Government should ignore—though the Minister did ignore it—the huge pressure on wages due to the fact increases in the cost of food, energy and transport, and other living costs, have outstripped increases in wages over recent years. The 33p an hour increase for those over 21 is, I repeat, a help, but not the transformational change we need to help working people in very difficult times.

Let us briefly talk about what might bring about that transformation. I am sure the Minister has read the Labour party's manifesto in depth, so he will know that Labour would set the minimum rate of pay at £10 an hour by 2020.

There can be no more inspirational story about low pay than that of the striking McDonald's workers. I met some of them on Monday evening, when they eloquently expressed the hardship that they endure working for the

minimum wage. What an injustice it is that people work extremely hard each week to create enormous wealth for the McDonald's corporation, yet their pay scarcely affords them an existence. Will the Minister join me in congratulating those workers who took industrial action and achieved a 6% pay rise, and will he encourage fellow fast-food workers, and indeed any group of workers, to take collective action against their employers if their pay does not afford them an existence?

On an associated point, what exactly is the rationale for the sharp decrease in minimum wage when we move between age brackets, and in particular for the difference between the rates for those in the 18 to 20 bracket, and those in the 21 and above bracket? It would be really helpful if the Minister set out the assumptions that led the Government to conclude that workers aged 18 to 20 should be paid a different rate from those aged 21, for exactly the same work. That would be instructive; that way, the the voting public, young and old, could understand our different political positions on this. As he knows, the Labour party is committed to a minimum wage of £10 an hour for all workers aged 18 and over by 2020.

The pay changes that will take place in April are a result of recommendations by the Low Pay Commission, as has been said. It is important that the state sets a minimum rate of pay based on the commission's recommendations, but does the Minister agree that it would be so much better, and so much more dignified, if workers had direct control over setting their pay, through national sectoral collective bargaining? It is workers who understand their work intimately, and who ultimately are best placed to bargain over what they are paid for that work, within a negotiating framework.

Andrew Griffiths: I am listening to the hon. Lady's speech, and she is making some very powerful points, but could she clarify something? Does the Labour party support the Low Pay Commission or not? From what she is saying, I am beginning to doubt that it does support the commission.

Laura Pidcock: I have said twice in this short speech that of course a rise in wages is welcome, but we have a completely different philosophy on how wages should be increased.

Andrew Griffiths: And the Low Pay Commission?

Laura Pidcock: I will address the Minister's point: we support the Low Pay Commission's making these recommendations; that is absolutely right. However, we would prefer that power to be in the hands of workers, through national collective sectoral agreements, so that they could bargain over their terms, pay and conditions. Our position is that that would be preferable.

I support these increases—I say that for the third time—but it is my priority and responsibility to be critical of low pay in this nation. The Minister must acknowledge that even with these changes, there will still be people in poverty, struggling, and that there are other solutions to low pay. I support these increases within the limited parameters of today's discussion and decision-making process.

2.44 pm

Chris Stephens: It is a pleasure, Mrs Moon, to see you in the Chair.

I associate myself with many of the shadow Minister's remarks, and while I do not plan to oppose the recommendations, I have questions to ask and points to make.

I thank the Minister for confirming that there will be an increase in staff at the national minimum wage unit. That is important, because the latest National Audit Office report demonstrates that 208,000 people are not being paid their proper wages. That is a massive challenge, so I hope that the Minister will give us more of a timetable for what is happening.

The Low Pay Commission makes recommendations based on parameters set by the Government. It was not the commission that decided to set different minimum wage rates for different ages. Can the Minister provide a justification—as the Government failed to do when we discussed the matter last year—for applying the national living wage only to people of 25 and over? The age of 25 seems to have been plucked out of the air with no justification. Many people younger than 25 have the same commitments and the same bills to pay. Are the Government looking to review the difference in national minimum wage rates depending on age?

My only concern about the wage rates that we are agreeing today is that the wage gap between the youngest and oldest workers seems to be increasing. Is the Minister looking specifically at that? Does he believe, as I do, that we should narrow that gap, not widen it?

2.47 pm

Andrew Griffiths: I thank hon. Members for their valuable and detailed comments. I am disappointed, but not surprised, that the hon. Member for North West Durham talks down the state of the economy. She may view a pay rise of £600 a year as “small”—I think that was the word she used—but I do not. I draw her attention to the fact that the annual earnings of a full-time minimum-wage worker will have increased by more than £2,000 since the introduction of the national living wage in April 2016. I do not think that that is small; I think it is important.

Grant Shapps (Welwyn Hatfield) (Con): I wonder whether the Minister has fully taken into account the impact of the increase in the amount that people can earn before they pay any tax at all. My recollection is that it was £6,475 back in 2010; perhaps he will tell us what it is today.

Andrew Griffiths: My right hon. Friend makes a hugely important point. The fact that we have taken so many people out of paying tax altogether has made a huge difference to the money in their pocket at the end of the month. Through the national living wage and through changes to taxation, we have made a huge contribution to the take-home pay and the bank accounts of the people we represent, particularly the poorest in society.

Laura Pidcock: It is not a victory to take people out of tax if they are still so low-paid. Would the Minister not prefer that they were paid more and therefore paid tax?

Andrew Griffiths: What I am concerned about is ensuring that the lowest-paid in society keep more of their money, so that they have more money to decide what to do with and to look after their families with.

Dr Rupa Huq (Ealing Central and Acton) (Lab): Whether the threshold is £13,000 or £10,000 does not really make any difference to someone on £5,000, does it?

Andrew Griffiths: That is why, as a result of the decisions we make today, those people will be £600 a year better off.

The hon. Members for North West Durham and for Glasgow South West both raised the issue of differences in pay according to age. Let me explain the rationale behind that. The age-related rates protect younger workers, who are more vulnerable to the labour market. For example, between November and January, the unemployment rate for people aged 16 to 24 was 12.3%, compared with 3.1% for those aged 25 or over. We are rightly cautious for this group and do not want to harm young workers through the policy, which was intended to benefit them.

Nobody wants to see people paid less than they would hope for. When coming to its conclusions, the Low Pay Commission bears in mind the impact that its decisions will have on the lowest-paid in our society, but it also has a mind to the impact on jobs, the economy and the businesses that have to pay. Bear in mind that this is employers' money that we are spending; it is they who have to bear the brunt of the decision we make. Unlike the hon. Member for North West Durham, who seemed to be quite negative towards the Low Pay Commission, I pay tribute to it and the work that it has done.

Our industrial strategy aims to build a country that works for everyone, wherever they live and wherever they work. It recognises that it is people who drive success, whether they are innovators, entrepreneurs or workers. Good employers have long recognised the value of investment in their workforce. Ensuring that we have a fair minimum wage is just one way in which the industrial strategy is working to build and support the investment in people. The Government continue to build an economy that works for everyone. Making work pay for the lowest earners in our society is a key part of our commitment. I commend these regulations to the House.

Question put and agreed to.

2.52 pm

Committee rose.