

**Formal consultation response from the Chartered Institute of Payroll Professionals in
respect of: The National Minimum Wage 2014**

Organisation response to be submitted to: The Low Pay Commission

Date of submission: 19 September 2013

Author: Helen Hargreaves MCIPPdip

Dear Sirs

By Email

Introduction

The Chartered Institute of Payroll Professionals (CIPP) is grateful to have the opportunity to comment on the consultation for the National Minimum Wage (NMW) 2014. We are pleased to be able to feed into the policy and operational changes that arise from this consultation, and hope that this written response will form the basis of an on-going relationship with the Low Pay Commission. Company information about the CIPP and its role in representing employers can be found at the end of this response.

Purpose of response

To assist the Low Pay Commission:

- monitor, evaluate, and review the levels of the different NMW rates and make recommendations on the levels from October 2014; and
- review the contribution the NMW could make to the employment prospects of young people.

Summary of key findings

The CIPP surveyed its members using an electronic survey tool which received 66 responses. Almost two thirds of these responses (72.8%) came from respondents paying more than 250 employees. Full survey results are included however the key findings are as follows:

- The majority of respondents state that the NMW has little or no impact on their business, with 68% saying they always pay above the NMW rates and 28% saying they pay some staff NMW and some staff more. The main reason given from those who say the NMW does have an effect was the narrowing of the pay gap between skilled and non-skilled workers as the increase to the NMW was higher than the increases many companies were able to give the rest of the workforce. Another respondent reported difficulty implementing a salary sacrifice scheme for automatic enrolment contributions.
- Many respondents, though not a universally held view, feel that the NMW has a positive impact on young people, believing that it assures them a fair rate of pay whilst they gain experience. However, when asked whether the NMW has impacted the employment prospects of young people, opinion is divided, with 34% believing the NMW has affected the employment prospects of the young, compared with 40% who think it has not had an impact.

- The majority of respondents are not impacted by the Apprentice Rate, either because they do not have apprentices or because they pay higher than the Apprentice Rate. Of those who do hold a view, opinion was again divided between those who feel it helps young people get on the employment ladder, and those who feel the rate is too low and could discourage young people from taking up an apprenticeship.
- Respondent views on the retention of arrangements for the accommodation offset are inconclusive, with 22% agreeing they should remain and 11% disagreeing. The remaining 67% were not in a position to provide an opinion.
- When considering future levels of the NMW rates, the majority of respondents suggested rates higher than current rates, with some suggesting that it would be prudent to increase the level of the NMW whilst reducing the level of state benefits, further encouraging the view that work pays.

Yours faithfully



Helen Hargreaves MCIPPdip

Should you require clarification of any of the points that have been made in this response, please do not hesitate to contact me or another member of the Policy and Research Team.

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Electronic Survey Results

| Are you responding: | | |
|--|------------------|----------------|
| Answer Options | Response Percent | Response Count |
| As an employer ie. own organisation | 74.2% | 49 |
| As a payroll service provider/agent on behalf of clients | 21.2% | 14 |
| Other (please specify) | 4.5% | 3 |

| Please indicate the total number of employees/pensioners you pay, if a bureau please add the total number of remittances for all your clients. | | |
|--|------------------|----------------|
| Answer Options | Response Percent | Response Count |
| 1-10 | 1.5% | 1 |
| 11-25 | 1.5% | 1 |
| 26-50 | 0.0% | 0 |
| 51-250 | 24.2% | 16 |
| 251-1,000 | 36.4% | 24 |
| 1,001-5000 | 25.8% | 17 |
| 5,001-10,000 | 4.5% | 3 |
| over 10,000 | 6.1% | 4 |

| What impact, if any, has the NMW had on your business? |
|---|
| None - our lowest pay rate is above the NMW |
| None, we always pay a fair wage for the area, we looked around to make sure we were level with local businesses. When the NMW was introduced we didn't need to adjust any salaries. |
| None |
| Very little, our lowest salary level is above the NMW |
| Difficulty with introducing auto enrolment on salary sacrifice basis. Technically had a fault for our salaried staff with weekly hours in contract. Otherwise very little. |
| For some of our small clients it can mean an additional burden that they find hard to cover while still making a profit - especially in the current economic climate |
| None |
| Annual Increases for a lot of staff |
| None |
| Ensured more timely monitoring - especially with apprentice roles |
| A lot of our small employers have struggled to absorb the increments |
| None, we pay above NMW anyway |
| Minimal, only really applies to our Apprentices as we pay EEJ rates (which are higher than NMW apprentice rates) and have to uplift to NMW rates once aged 21 |
| None |
| This has a big impact as we are a payroll umbrella company that uses the NMW in all calculations. |

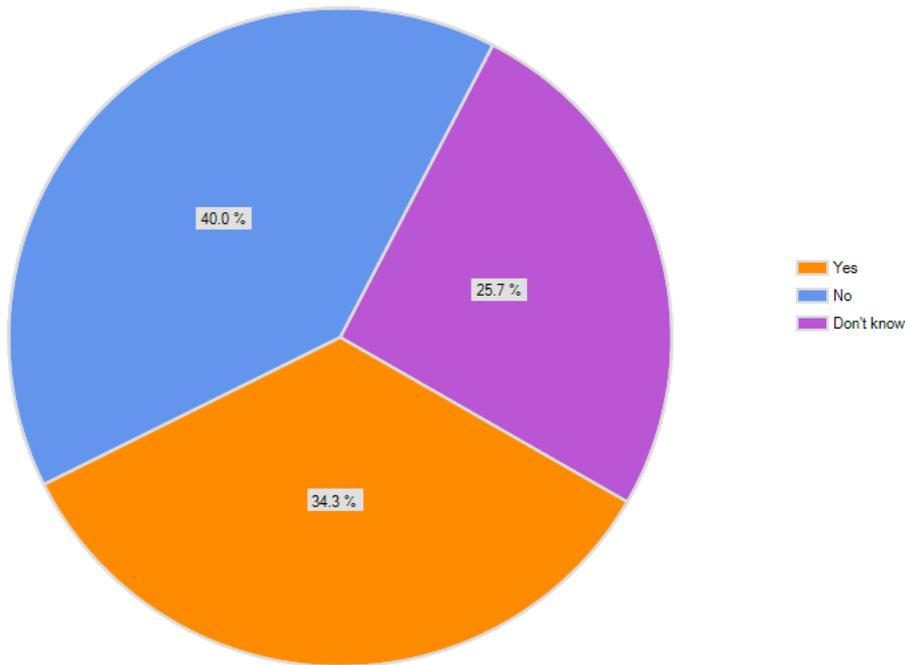
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| None other than to put pressure on us to reward lower paid staff in a climate where we are forced to only be able to pay 1% but NMW has been increased by nearly double that |
| None. |
| Very little we pay the majority of our employees above the NMW it only affects our apprentices. |
| None |
| Minimal, a large percentage of employees are paid above NMW |
| Very little |
| It has increased the overall wage bill. It has closed the skill gap in terms of pay. Skilled workers now earn a smaller percentage more than minimum waged (unskilled) staff. |
| None |
| The accommodation offset rule works against us. We avoid employing people who rent from us as we have to pay them significantly higher salaries than non-renters due to the offset rule, which then means we are treating people unfairly. It shouldn't apply to employers who are landlords first and employers second. |
| We base all hourly paid staff pay rates on the NMW and premiums above it. |
| None that I am aware as we pay above NMW |
| Not much impact on the Colleague payroll side which is where I am based. However, it has more of an impact on the Temp Recruitment side as we place candidates in a variety of roles and some clients only pay the NMW and so the Payroll teams have to monitor these changes each year and have to manage the expectations of our clients and uplift their costs accordingly. |
| None, all our pay scales are well above NMW |
| None. All employees are paid significantly in excess of NMW |
| We have no employees paid at minimum wage |
| None |
| Also check the rate out as some of our employees are paid low |
| None - we pay above NMW |
| Increase in costs for many in the hospitality and childcare sectors |

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| In your opinion what impact has the NMW had on young people? |
| Don't know |
| For the 16 year olds I think they have benefited from the NMW, I think that 16-18 age group are better off in general now. |
| It lets young people see how close they are to the NMW. In London some are on or just above the NMW and I feel that there should be some regional differences. |
| Provides a degree of protection to ensure unscrupulous employers do not exploit them |
| Given reassurance on expectation. |
| Fair pay for their work |
| None |
| It says to young people: "I would like to pay to you less - but the law doesn't allow it" "Also as an apprentice you have no value to my company" |
| Gives them salary expectations |
| Ensures a fair rate of pay |
| Given some stability on earnings levels |

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| It has provided a fair payment system to the younger generation |
| None |
| For some, it could mean that training positions would be extremely low paid dependent upon the employer so could possibly lead to exploitation. Also, could mean less opportunities available at standard (adult) NMW rates as employers may select experienced candidates over younger less experienced candidates if having to pay the same. |
| They become despondent about applying for such low paid positions. |
| Gives them a chance of not being exploited. |
| None |
| Encourages youngsters to engage in learning a trade and at a fair wage. |
| Ensures they are paid at an appropriate level |
| Better |
| A large impact. |
| It has an impact particularly on lower paid young people, whether this is a significant impact is another question - I doubt the increases are really felt in their pockets much |
| It has contributed in pricing them out of the market. |
| It may either assist them in having a decent wage or make it more difficult to get employment |
| It helps maintain a decent wage. |
| It gives them protection but also gives them an expectation of pay for a poor quality work ethic. |
| It makes it more likely that they will work as they have a guaranteed wage so can plan & see the benefit of a regular wage. If there was no NMW they could be exploited by being paid least amount employer can set |
| It's been better for them. There was a time when people would be employed as a YTS and paid a low wage for a full hard week's work, then after the 2 years they would be dropped. At least with this stopping a fairer wage is paid to all people regardless of the role and younger people can see that their rates of pay will go up as they gain more experience and get older. |
| I think it's good there is a minimum so young workers are not taken advantage of but I think there should be one minimum wage regardless of age. There are young people with families under 18. |
| There is a danger of pricing young/inexperienced people out of the jobs market due to the NMW. |
| The apprentice rate is far too low |
| Made sure that companies pay the NMW or higher |

Do you think the NMW has affected the employment prospects of young people?

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|---|
| I think employers may seem them as cheaper to employ and then they get the step in the door they need to prove themselves before they turn 22. |
| Some employers let young people go and get younger ones in when they reach a point where their wages would otherwise need to increase |
| Not sure why it would given the rates in place. |
| Do not think that it makes any difference to employers when recruiting what age and therefore what NMW rate will be applicable - they will still employ the individual they require. |
| Yes. When you can hire cheap labour over the age of 21 why bother with younger less experienced workers? |
| I would say that they are still deemed the lower paid workforce and therefore are still cheaper to employ than older people who are liable for the higher rate MW rate anyway |
| In some respects yes as employers will take on an apprentice rather than a full time worker as this is a cheaper option but it now has provided a doorway for an education tool in to apprenticeships |
| For some it could be the route into a career but for others, when competing with fully skilled candidates it may harm their prospects as employers want value for money so might choose the experienced candidate |
| They lose motivation in getting on the employment ladder as they are happy to take positions but not if the long term prospect is the NMW. |
| More jobs would become available if the NMW was not place, but at the same time it does ensure that they are paid a fair wage for the jobs that are available |
| There are too many other factors here than the NMW, experience and attitude are usually more pressing from an employer perspective when recruiting |

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| An experienced mature worker costing the same as a raw inexperienced young worker is on the face of it better value. |
| Employers may be put off employing older young people |
| It has probably made some employers take on less staff so vacancies have gone down. |
| Even though the pay is regulated now, they are still cheaper to employ than an older person. So I don't think it will have affected their employment prospects at all. |
| Cheap labour, why pay over £6 an hour when you can get away with £4 |
| I speak from my own experience - when I started in my career in payroll in 1985 (age 19) my then employers paid me a "pittance" (less than 1/4 of what I could have earned in a factory). I took the view then that I was on an informal apprenticeship and that eventually I would reap the rewards. This option is now a much more expensive bet for employers due to the "floor" level of the NMW. |
| Some employers exploit the NMW to keep their costs down whilst young people are performing the same job equally to 'adults' |
| Not sure - not with our company |
| Have no evidence to be able to form an informed opinion |
| My catering clients have cut down on staff |

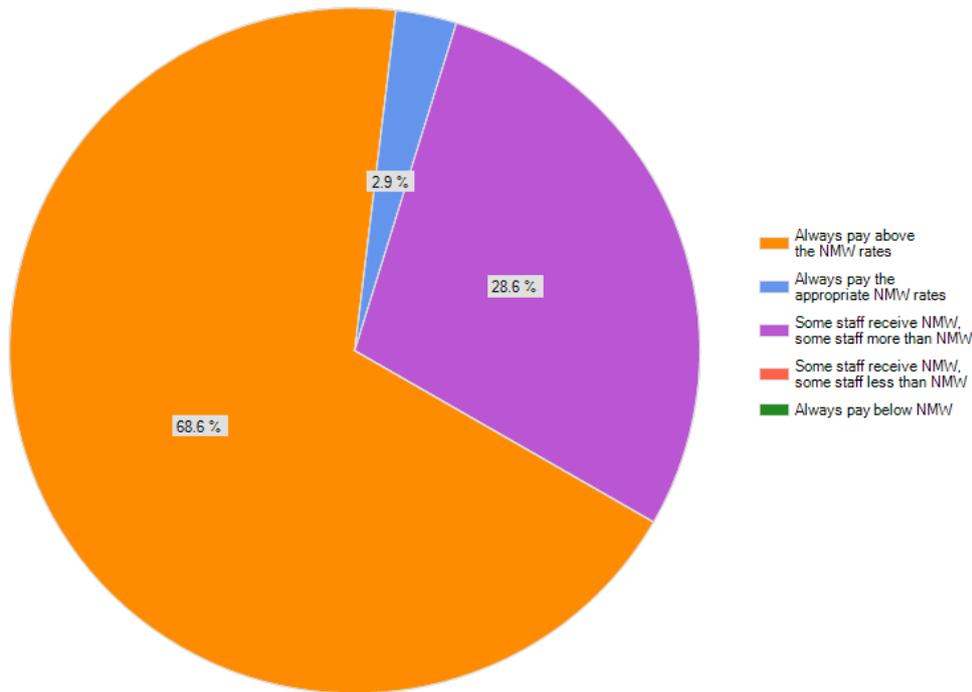
| |
|---|
| What has been the impact, if any, of the Apprentice Rate? |
| Don't know |
| N/A |
| None |
| Not utilised here |
| None to us. |
| Do not have any clients that use this rate therefore have no knowledge if there has been any |
| Discourages anyone with a brain from becoming an apprentice when you are able to pay them less than the cost of their travel and living expenses. Disadvantages anyone from a poorer family from seeking training and education - as they simply cannot afford to live. |
| Abused by companies not wanting to even pay NMW |
| Still feel this is a very low rate considering apprentices still incur travel costs |
| To the employer? It has allowed us to budget and make apprentices more affordable. Over the last year we have taken on a large number of apprentices and have quite a successful scheme |
| None |
| None |
| Have not noticed any impact in our business as pay a higher rate to our apprentices any way. |
| None |
| None |
| Encourages youngsters to learn a trade, earn a wage, with the prospect of a permanent job at the end of the apprenticeship. |
| It has allowed more companies to take on apprentices as the payroll costs are relevantly low. |
| Good and encouraging |
| There will be when young workers wish to leave education before 18 and wish or need to work instead |
| None |
| It has not had much impact on our business. |
| None |

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| I think it devalues the work of apprentices, particularly when the employer will pay little or no money towards the cost of the qualification. If they had to pay them more the employee would be more valued and the employer would take their role in development more seriously. |
| It will give employers an incentive to take on trainees which they may not be able to afford if the rate did not exist. It gives the apprentices a chance to learn new skills & the prospect of working their way up the ladder if they work hard. |
| Not really got an opinion on this. I guess it's given a young person a higher rate of pay based on age only and this then could spur them on to learn more. |
| Don't have apprentices in my area. Though quite often the rates are extremely minimum. Everyone has to learn a job when they start. |
| We pay our apprentices above minimum wage |
| This is a very low rate. Should be higher |
| None to our business |
| No impact |

| | | |
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| The Commission is recommending that the current arrangements for the accommodation offset should be retained, and intends proposing staged increases in the offset towards the value of the hourly rate of the NMW despite economic circumstances meaning that the real value of the NMW is tending to rise. Do you agree with the Commission's recommendations? | | |
| Answer Options | Response Percent | Response Count |
| Yes | 22.2% | 8 |
| No | 11.1% | 4 |
| Don't know | 66.7% | 24 |
| Please explain your answer | | 13 |
| Not had much dealing with the offset. | | |
| We don't use the accommodation offset | | |
| Have no experience with this | | |
| Until the NMW reaches the level of a 'living wage' it needs to continue to rise in real terms. As tax payers we should not be subsidising huge company profits via the welfare system in benefits paid to workers not paid a living wage. The basic rate tax threshold should be raised to the equivalent of an employee working 40 hours per week on a living wage. No one earning the minimum wage should fall in to being a 'tax payer' | | |
| Don't feel qualified to answer as we do not operate this offset. | | |
| Accommodation is a benefit of a job | | |
| Not in circumstances where someone is renting from a landlord and then applies for a job with them. | | |
| I don't understand how that works, but any assistance for young people that will help them retain a job is a good thing | | |
| Don't deal with this | | |
| Market forces should define the wage of employees - we are in a global economy. Employees on NMW are likely to be unskilled and if this is set at a living wage, the jobs will be exported elsewhere. This will then remove the chance (as I had) to start at the bottom with an employer placing a small bet on them. | | |
| Rates for adults are very low so if they have no children they find it very hard to live as cannot claim extra | | |
| Have no evidence to be able to form an informed opinion, although my personal stance is that people earning at this low level need all the help they can get and shouldn't be penalised by those of us that are better off. | | |
| Not something has a bearing for any of my clients but I think it is the correct decision | | |

How does the NMW affect your pay structure?

How does the NMW affect your pay structure?



This very much depends on the client although it does tend to be the smaller employer who will pay NMW but not always as the type of business also affects the rates of pay

Apprentices and employees under the age of 21 have their pay monitored to ensure that they are paid at NMW as a minimum - 21 and above are all paid over NMW

Employers need to be encouraged to play fair and give young people a decent wage for a job well done.

Except apprentices who receive the NMW

Our staff pay negotiations are done each October and pay rates are based on NMW for trainee staff and premiums above for experienced staff. We do pay 18 years olds + at the highest rate though so do not use the middle bracket.

I always make sure that we pay some staff just above this rate

Clients are a real mixture - All the bureau staff are paid above NMW and I use October as pay increase month

| What do you think the rates should be from October 2014? | | | | |
|--|--|--|--|---|
| Adults - rate from 01.10.13 will be £6.31 | 18-20 year olds - rate from 01.10.13 will be £5.03 | 16-17 year olds - rate from 01.10.13 will be £3.72 | Apprentices - rate from 01.10.13 will be £2.68 | Accommodation offset - daily rate from 01.10.13 will be £4.91 |
| 6.35 | 5.10 | £4 | £3 | |
| I like the idea of the London Rate | I like the idea of the London Rate | I like the idea of the London Rate | I like the idea of the London Rate | |
| 6.50 | 5.18 | 3.83 | 2.76 | 5.06 |
| 6.43 | 5.13 | 3.79 | 3.2 | £5 |
| 6.50 | 5.20 | £4 | £3 | 5.10 |
| £6.50 | £5.50 | £4.00 | £3.00 | |
| 10.50 | 8.50 | 6.5 | 6.5 | £4 |
| 6.50 | 5.25 | £4 | £3 | £5 |
| 6.43 | 5.13 | 3.79 | 3.25 | £5 |
| 6.50 | 5.18 | 3.83 | 2.76 | 4.91 |
| £8.00 | £6.40 | £4.80 | £3.20 | Don't know |
| £7 | £6 | £5 | £5 | |
| 6.44 | 5.13 | 3.79 | 2.73 | 5.01 |
| 6.37 | 5.08 | 3.76 | 2.71 | 4.96 |
| 6.35 | £5 | 3.72 | 2.70 | 4.91 |
| £6.40 | £5.10 | £3.80 | £2.75 | |
| 6.50 | 5.50 | £4 | 3.50 | |
| £6.50 | £6.50 | £4.00 | £3.50 | £4.00 |
| £6.50 | £4.50 | £4.00 | £3.50 | £5.00 |
| £6.31 | £5.03 | £5.03 | £5.03 | £5.03 |
| Increase by CPI same as Pension | As Above | As Above | As Above | As Above |
| 6.51 | 5.23 | 3.92 | 2.88 | £5 |
| 6.80 | 5.30 | 3.95 | 2.90 | £5 |
| £6.50 | £6.50 | £5.50 | £5.50 | don't know |
| | | | Abolish this rate and pay in line with age rates | |
| £6.50 to £6.75 | £5.50 TO £5.75 | £4 | £4 | |
| £6.50 | £5.20 | £4.00 | £3 | £5 |

| Is there anything you would like to add about the operation and impact of the NMW? |
|---|
| I would like to see the apprentice rate having some additional allowance included to cover the cost of travel. It is not uncommon that apprentices pay out as much in commuting costs as they get paid. |
| In principle, I think NMW is a positive as it guarantees a minimum level of income for the low paid. However, at 6.31 per hour for a 40 hr week it is still only £13124.80 per annum and I would not like to live on so low a salary. I don't think you could live on this alone and would need additional government support in the way of benefits like housing support because housing costs continue to rise, particularly as the supply of reasonably priced social housing is limited and the private rental market is increasing in some areas. One would be hard pushed to afford to buy a home on NMW. I can understand that government needs to protect smaller employers from increased burdens or risk them being uncompetitive or going out of business/slowing down growth and the negative effect this will have on jobs but for some unscrupulous employers it is a way to boost profits at the expense of their staff if they can afford to pay more but choose not to, and can lead to people being trapped in low paid jobs with no hope of getting out of their situation, or worse, some younger people not able to get jobs at all. |
| Consideration should be given where public sector workers have pay freezes imposed that NMW should operate similarly |
| It's good there is a minimum but it is very ageist against young workers. |
| If there is to be an NMW then the adult rate should be set such that for a 35+ hours per week worker there is no state assistance in the way of tax credits etc. It should be a living wage and taxpayers should not supplement other employers who do not pay enough to live on. |
| NMW versus a benefit lifestyle - increase NMW and continue to cap benefits hopefully more people will choose to work and contribute to the economy and society |
| The apprentices are learners just like new employees so should be the same rate. We should encourage people to work not stay unemployed |

Company Information

The Chartered Institute of Payroll Professionals (CIPP) was established as an official industry body in 1985 when the Institute of British Payroll Managers (IBPM) was formed. In 1998, the IBPM merged with the Association of Pensions and Superannuation Administrators (APSA) to form the Institute of Payroll and Pensions Management (CIPPM), which became the Institute of Payroll Professionals in September 2006 and was granted Chartered Status in November 2010. The CIPP is the Chartered Institute for payroll professionals in the UK and currently has in excess of 5,000 members enjoying a range of benefits. In addition, the CIPP is the UK's leading provider of education for payroll, and has a Pensions Faculty responsible for delivering qualifications and membership services to those responsible for public sector pensions.

The mission statement of the CIPP is:

Leading payroll and pension professionals through education, membership and recognition

Representation

The views of the Chartered Institute are sought and valued by Government departments and other organisations, as witnessed by its representation on bodies ranging from HMRC, and other external Employer Consultation Groups. The Institute, through its Policy team headed up by Karen Thomson, has been responding to consultation documents and attending consultation meetings for more than 16 years.

As a result of this sustained effort, we have created sound working relationships with the DWP, HMRC, BIS and other Government departments.

The Chartered Institute operates an Advisory Service staffed by professionals able to provide accurate and authoritative advice on a wide range of topics. It also runs national forums which allow members direct contact with representatives from HMRC and other relevant bodies and also provides a forum for members to input and feedback on the CIPP's policies.

Education

The Institute validates and controls a wide range of professional qualifications in both the payroll and public sector pensions sectors, from Foundation Degree level to Masters level. CIPP Education, a wholly owned subsidiary of the CIPP, it delivers the qualifications and provides tutors at officially recognised standards. CIPP Education also runs a comprehensive range of short training courses throughout the UK.

Events

The CIPP also runs a series of conferences throughout the year, culminating in the Annual Payroll & Pensions Conference and Awards Ceremony.