Low Pay Commission's consultation on the National Living Wage and National Minimum Wage

Submission to the Low Pay Commission

Chartered Institute of Personnel and Development (CIPD)

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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 155,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Our response

Economic Outlook

Given that the economic outlook section asks for views on recruitment, retention and pay intentions; we thought it would be simpler to attach the LMO and other reports rather than reinvent the wheel. Consistent with the ONS data, our shows that hiring intentions have improved modestly over the past 3 quarters but remain well below pre-pandemic levels. By comparison, redundancy intentions have seen a large increase during the same period; which together with the strong growth in the young people entering the labour market this summer; will undoubtedly main sharp falls in employment for the remainder of this year. According to the same report, median basic pay expectations remain at 1%. Looking at the sectors in closer detail, 40% of private sector employers plan to freeze pay, which partly explains why expectations are lower in the private sector (0.8%).

These expectations also some light on why there is some employer support for the NLW adult rate to be frozen at its current from April 2021; although this is by no means unanimous. The CIPD therefore believes that the LPC should consider that the NLW adult rate for 2021-22 should at most rise with inflation.

The LMO report can be found here: https://www.cipd.co.uk/Images/8040-lmo-summer-report-web_tcm18-82560.pdf

Employer responses and attitudes towards the NLW

As you will see from the report, employers have responded in a broadly similar way to previous years. Absorbing the cost, price raises and improving productivity remain the three most popular responses. By comparison, far fewer employers have responded by cutting employment levels. You will also see that there is a lot of support, despite the impact of the pandemic, to merging the youth and adult NLW wage rates. This is perhaps no surprise given the almost unanimous support employers gave the proposal to merge the rates in our report published by the LPC earlier this year (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/880528/CIPD_National_Minimum_wage_report_FINAL.pdf). The report found no evidence that the different wage rates had any impact on the employment rates of young people. The overriding response from employers was that young people should be paid the same rate as older workers if they are performing the same role. The timing of the merging of the adult and youth rates should at least proceed at the same pace as originally set out by the LPC.

The same report shows some of the challenges that employers have faced with the recent generous upratings; most notably in-work progression, pay structures and structures, training (including reductions in training in spend) and work intensification. The report also struck a sceptical tone about whether employers had made a direct link between the NLW upratings and productivity improvements, as implied by the survey data, following the interviews we conducted for the report.

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Apprentices

Apprentice pay rates and the wage returns on qualification in England are quite high compared to many of our OECD counterparts. We would nonetheless be supportive of a higher apprentice rate, but we feel that the government should contribute more to offset the additional burden this would impose on business; especially given that many employers have already made a substantial contribution to the apprenticeship system via the Apprenticeship Levy.

Rewarding staff during the pandemic

Following a question put to us by one of the commissioners about how and whether employers were rewarding staff during the pandemic to offset the pay freeze or cuts, we don't have any data on this. However, our reward survey - which will go out in October - does have a question around whether employers have offered something in return for a pay freeze, such as share options, an increase in paid leave, more spending on training and development.