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## Response to The Low Pay Commission (LPC) Consultation 2024 on National Minimum Wage and National Living Wage Rates for 2025

This evidence is submitted by an inter-disciplinary research team at The University of Leeds, City University and The University of Manchester undertaking a major research project funded by the Economic and Social Research Council (ESRC) on young women's labour market transitions, with a particular focus on the youngest workers in the labour market (aged 14 upwards). The study is led by Dr Kim Allen (Principal Investigator). The wider team and study are detailed below, see more here: <https://ywworking.co.uk/>

### Data and evidence

Our research identifies a series of pressing issues around rates of pay for young student workers that are pertinent to this consultation in relation the experience of those on low pay over the past year. These include: the impact of the cost-of-living crisis on worker expectations and needs; the quality of work among young workers; the barriers to moving to better paid jobs (2.3); and young workers' experience of youth rates (2.4).

### Key findings

1. ***The vast majority young people across all stages of education engage in paid work alongside full-time education.*** The APS survey shows 26.9% of male and 35.4% of female 16-29 year old full time students working in the first quarter (2022). As such, we concur with the Commission that 'a binary distinction between work and education does not reflect the labour market reality for many young people' (2024, section 3.25). One of the justifications for separate and lower minimum wage rates for young workers is that lower wages operate as an important incentive for young people to stay in education. Our analysis demonstrates that this is based on an outdated model of young people's relationships to paid work and education. In addition, young people are not only working to support themselves, but also as contributors to their wider family due to the impact of the cost-of-living crisis on workers of all ages (Report of the Inquiry into the impact of the cost-of-living crisis on students, 2023; Cost of Living Crisis: HE Students, 2022). In our research, Thomasina (23, University student), like many other students, reported that the financial situation of their family meant that generating income was not optional:



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“with my parents, like my mum in particular, she used to tell me to like not have a job and study, but the way our family was I had no choice but to work...So I was just like, you are saying this, but we are not millionaires; I have to work”. Pay therefore constitutes a vital contribution to household income, even amongst young people and student workers.

- 2. A large share of student workers are found in two of the lowest paid occupations** (with average pay below 2022 UK minimum wage level for both adults and 21-22 year-olds). These occupations (sales assistants and retail cashiers and other elementary services occupations) account for 54 per cent of student workers and over two-thirds (70 per cent) of the youngest cohort amongst them. We argue that this constitutes a ‘studentness penalty’ in which students are concentrated in poorly paid areas of the labour market, which are directly shaped by lower legal rates of pay for young people. Matilda (22, University student) described her experiences of working in retail: “I realised when I got back into it... how bad retail was... So much expectation for so little wage”
- 3. There is no significant gender pay gap amongst young people, because young people’s work is characterised by very low pay.** Amongst young people in the sample, in most age groups and years, average male wages were slightly higher than average female wages. However, this was not always true, and there were no statistically significant gender wage gaps among either student or non-student workers for any of the three younger age groups (16-17, 18-20, or 21-22). Among young people who were Earning while Learning (EwL) there were therefore no significant gender pay gaps, even for older workers (except in 2019). Among those not in education there were no significant gender pay gaps for the youngest workers but a pay gap favouring male workers emerged for 23–29-year-olds. This contrast – statistically significant pay gap among 23-29-year-old non-student workers but not student workers – may reflect real differences, but it may be an artefact of the data which contain a relatively large sample of non-student workers at older ages versus relatively small samples of 23-29-year-olds EwL.
- 4. Earnings from paid work now comprise over a quarter of average full-time student income (NatCen 2023), making rates of pay for younger student workers increasingly important in making up their income.** As a result of the increasing



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cost of education, housing and inflationary pressures, many students now experience an ‘income gap’ where outgoings are now higher than their income from paid work, loans and other forms of support (Waltmann *et al.*, 2020; Hill, Padley and Freeman, 2024). This income gap and the impact of low rates of pay more generally was reflected in our qualitative data collection. Participants commonly reported experiencing severe financial insecurity, reporting how the demands of paid work left little time for study, social activities or rest, leaving some severely unwell and even signed off work and/or education: “I had a bit of a mental breakdown... I actually got written off the job for anxiety and stress because I couldn’t sustain it, it was ridiculous.” (Matilda, 22, University student). As young workers, including student workers, comprise significant proportions of low-paid workers in the UK they therefore require specific consideration in considering the implications of pay rates and lower pay rates are increasing pressure on young people needing to combine work and study.

- 5. *Young people are conscious of minimum wage pay differentials and experience them as unfair.*** Although some participants reported good experiences in terms of their pay and were satisfied with their hourly wage, many did not, and interviewees frequently talked about feeling exploited in terms of poor pay, as well as long hours. Many participants felt that relatively lower NMW rates were unjust, and some participants reported a sense of unfairness that they were working the same jobs as their older counterparts, for lower pay. Participants reported feeling that employers specifically sought out younger workers in order to access the lower rate of NMW, with one young woman telling us: “They get you to do the same work, I would do the same work as my senior” (Imene, 16, FE student). Our study supports arguments made to the Commission by stakeholders like *Youth Employment UK* that this unfairness can be demotivating for young workers and support the formation of negative attitudes towards employment.
- 6. *Young people can have a lack of awareness about their rights regarding pay, which can lead to lower pay than the legal minimum.*** The research contains evidence of poor, and potentially illegal, practice by some employers of young workers with regards to pay, with some participants reporting not being paid, being paid late, or employers paying below NMW rates for their age. A young female worker reported: “My boss didn’t tell me that minimum wage had gone up because I



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didn't get told about it at all. I got underpaid massively. I think it was like £70-odd quid that I was not paid because he didn't tell me." (Norah, 18, University student).

Overall, however, and regardless of sector or size of employer, there was a sense that employers often took advantage of young workers and did not always inform them of their rights regarding pay. As one participant said: "I think a lot of people go into work without knowing the rules around working our age and a lot of managers try and get around that without trying to make it clear. I don't know how to explain it, just your pay, your hours that you're working, there's a lot of rules that are broken and no one talks about that" (Elira, 18, London Selective FE College Focus Group).

### **7. *Young people find it difficult to contest low pay.***

Participants also reported difficulties in contesting or challenging low pay. Participants expressed that asking about pay was 'awkward' and may be interpreted by their employers as rude or arrogant. Gendered norms and expectations appeared to exacerbate this, making it harder for young women to improve pay levels, leaving them at the lowest rates. Moreover, that they felt a sense of invisibility and disposability as young workers. As one participant said: "I think it's just trying to navigate as a young person in work, I think it's very, very easy for people to overlook you or take advantage" (Faye, 17, FE Student).

These factors can lead to young workers – and young women in particular - having to accept low pay, because they feel unable to move to better paid jobs in the immediate term. In the longer term. Emerging findings are suggestive of a scarring effect of low pay, in which low expectations in relation to pay (and other working conditions) shape lower pay and poorer labour market outcomes over the working life course.

### **Recommendations**

- This evidence supports the Commission's recommendations that the Government should consider the case for lowering the gap between the youth rates and adult rates and for further reducing the NLW age of eligibility (2024, vi).
- Far from operating as a disincentive to stay in education, raising young workers' pay – through increasing or entirely removing the youth rates, and/or further lowering



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the threshold for NLW from 21 to 18 - is needed to enable young people to stay in education and complete their studies; improving their job prospects in the longer-term as well as their present quality of living. Increasing the rates of pay for young workers would enable students to work fewer hours and help reduce the financial and emotional stress experienced by many student workers.

- The Low Pay Commission should engage directly with young workers themselves (including students) and their representative organisations. This might include the National Union of Student, Young Women’s Trust and Trade Union Congress. This will ensure that their perspectives, experiences and voice can be incorporated in understanding the impact of differential NMW on young people and the wider economy and they can further advise on the specificity of rates and their implications.

### **The study and the team**

The project is a 3-year mixed-methods research study exploring young women’s earliest experiences of work – including work while studying – and how these experiences may contribute to gendered inequalities in later life. The wider research team includes Professor Kate Hardy (University of Leeds), Dr Kirsty Finn (University of Manchester), Professor Rachel Cohen (City, University of London), Dr Cassie Kill (University of Leeds) and Mia Ruijie Zhong (City, University of London and University of Leeds).

The empirical data outlined here is drawn from analysis of national datasets including: Annual Population Surveys, Labour Force Surveys, and COSMO Wave One. Complementing the 2022 APS data, we capture historical trends in students’ employment with APS samples from 2005, 2010, 2015 and 2019. In selecting datasets, we sought to ensure data quality, avoiding 2020 and 2021 when national surveys were largely interrupted due to COVID19, but otherwise to spread data points relatively evenly to ensure historical comparison. Following advice from the UK Data Service about weighting, we conducted historical trend analyses using single year snapshots instead of constructing a multi-year mega-dataset. The second dataset is extracted from the Labour Force Survey quarterly dataset, October to December 2022 (LFS OD2022). This dataset is used to provide greater detail on respondents’ industrial location than is possible using the APS. The LFS OD2022 data includes industry and occupation categorization at four-digit



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level Standard Industry Classification, whereas industry information in APS datasets is two-digit level and occupation is three-digit. The finer-grained detail of the LFS sheds light on the sectorial locations *where* students work. LFS OD2022 contains 62862 observations of which 2343 are full-time young students. The sample described below (section 4.5) contains 432 students working in the two most common three-digit student-occupations.

Lastly, we use the first wave of the COSMO Survey (COVID Social Mobility & Opportunities Study), which follows a nationally representative sample of individuals who were in Year 11 during the 2020-21 academic year in England. The sample set extracted from COSMO Wave One comprises 12,744 students who entered Year 12 (sixth form/college, age 16-17) in 2021-22 when surveyed. COSMO offers researchers a unique opportunity to focus on young students who encountered the pandemic during a critical transitional life-course phase but for our purposes it is also a valuable comparative counterpart to APS 2022 since both were conducted at a similar time and COSMO Wave One comprises a substantial student sample.

Original qualitative data was generated through 15 focus groups across England, with a total of 81 young women workers (aged 14 to 23) who were still in education (earning while learning), about their experiences of paid work. The focus groups – each involving between two and seven young women – were 45-90 minutes long, and were conducted in participants’ schools, colleges and universities. The sessions included a creative elicitation activity, in which the young women chose and explained their choice of emojis about their experiences of earning whilst learning and their imagined working futures and a semi-structured group interview about their working lives.

### Reference List

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