

GLA 14/6.2

Minimum Charge Rates

17 April 2007

BOARD PAPER REFERENCE – GLA 14/6.2 – Minimum charge rates

Issue

1. To estimate indicative minimum charge rates between labour providers and users.

Recommendation

2. The Board is invited to:
 - Endorse the revised estimated indicative rate
 - Support communicating the rates to the industry

Background

3. Lord Rooker wrote to Asda, Co-op, Marks and Spencer, Morrisons, Sainsburys, Tesco, Waitrose in November 2006 advising them of an indicative rate a labour provider should charge per hour to cover its statutory obligations. Lord Rooker requested that the supermarkets bring this figure to the attention of their suppliers. This rate was posted on the GLA website (see paragraph 6 below).
4. This calculation was queried by the ALP and REC. At the GLA User Group meeting on 22 February 2007, it was agreed the rate would be reviewed by the GLA, ALP and REC. The intention is to have the revised rate endorsed by key stakeholders before being published as guidance to the industry. The revised rate is at annex A. This includes calculations for the current national minimum wage as well as the forthcoming change in October. Also included are rates for the agricultural minimum wage.

Issues

5. The GLA can only publish indicative estimates. Agreements made between labour users and providers at rates which are much less than this level are likely to indicate illegal activity. However, rates will vary depending on the efficiency of a labour provider to reduce fixed costs.
6. As the issue of charge rates has generated increasing attention, while the rates were being reviewed, the GLA published the figure Lord Rooker sent to the supermarkets on its website as interim guidance for labour providers and users. The presentation of this rate was challenged by a licence holder. Concern was expressed that the figure set a specific hourly rate. The information was subsequently revised to make clear the rate is an indicative figure.
7. Following the endorsement by the Board, it is intended to release the figures to the industry as guidance, making clear they are indicative estimates and the rate charged is ultimately a commercial decision.

Annex A

Rates for Non-Agricultural Workers

N.B. The numbering in the explanatory notes below refer to the numbers in the tables

NATIONAL MINIMUM WAGE (Until September 30th 2007)	Age 16-17	Age 18-21	Age 22 and over
1. Minimum wage	£ 3.30	£ 4.45	£ 5.35
2. Employers' NI Contributions	£ 0.11	£ 0.26	£ 0.37
3. Statutory Sick Pay	£ 0.07	£ 0.07	£ 0.07
4. Annual Holiday Pay	£ 0.28	£ 0.39	£ 0.48
5. Public Holiday Pay			
6. Total Wage Costs	£ 3.77	£ 5.17	£ 6.27
7. Overhead Costs	£ 0.36	£ 0.36	£ 0.36
8. Total Cost (No transport costs involved)	£ 4.13	£ 5.53	£ 6.63
9. Total Cost (Workers charged £4 for transport = 30p/hr excess charge)	£ 4.43	£ 5.83	£ 6.93
10. Total Cost (Workers not charged for transport = 80p/hr excess charge)	£ 4.93	£ 6.33	£ 7.43

NATIONAL MINIMUM WAGE (From October 1st 2007)	Age 16-17	Age 18-21	Age 22 and over
1. Minimum wage	£ 3.40	£ 4.60	£ 5.52
2. Employers' NI Contributions	£ 0.12	£ 0.28	£ 0.40
3. Statutory Sick Pay	£ 0.07	£ 0.07	£ 0.07
4. Annual Holiday Pay	£ 0.36	£ 0.49	£ 0.60
5. Public Holiday Pay			
6. Total Wage Costs	£ 3.95	£ 5.44	£ 6.59
7. Overhead Costs	£ 0.36	£ 0.36	£ 0.36
8. Total Cost (No transport costs involved)	£ 4.31	£ 5.80	£ 6.94
9. Total Cost (Workers charged £4 for transport = 30p/hr excess charge)	£ 4.61	£ 6.10	£ 7.24
10. Total Cost (Workers not charged for transport = 80p/hr excess charge)	£ 5.11	£ 6.60	£ 7.74

Rates for Agricultural Workers

AGRICULTURAL WORKERS (ENGLAND AND WALES - OVER COMPULSORY SCHOOL AGE)	Grade 1 Workers < 52 weeks	Grade 1 Workers > 52 weeks	Workers - Same Day OT Rate	Workers - Extra Day OT Rate
1. Minimum wage	£ 5.35	£ 5.35	£ 8.03	£ 8.03
2. Employers' NI Contributions	£ 0.37	£ 0.37	£ 1.03	£ 1.03
3. Statutory Sick Pay	£ 0.07	£ 0.21	£ -	£ -
4. Annual Holiday Pay	£ 0.57	£ 0.57	£ 0.91	£ 0.91
5. Public Holiday Pay	£ 0.20	£ 0.20	£ 0.32	£ 0.32
6. Total Wage Costs	£ 6.56	£ 6.70	£ 10.28	£ 10.28
7. Overhead Costs	£ 0.36	£ 0.36	£ -	£ 0.36
8. Total Cost (No transport costs involved)	£ 6.92	£ 7.06	£ 10.28	£ 10.64
9. Total Cost (Workers charged £4 for transport = 30p/hr excess charge)	£ 7.22	£ 7.36	£ 10.28	£ 10.94
10. Total Cost (Workers not charged for transport = 80p/hr excess charge)	£ 7.72	£ 7.86	£ 10.28	£ 11.44

AGRICULTURAL WORKERS (SCOTLAND – OTHER THAN A PERSON OF SCHOOL AGE) *	Workers < 26 weeks	Workers >26 weeks	Workers < 26 weeks Same Day OT	Workers > 26 weeks Same Day OT	Workers < 26 weeks Extra Day OT	Workers > 26 weeks Extra Day OT
1. Minimum wage	£5.35	£5.70	£8.03	£8.55	£8.03	£8.55
2. Employers' NI Contributions	£0.37	£0.41	£1.03	£1.09	£1.03	£1.09
3. Statutory Sick Pay	£0.07	£0.07				
4. Annual Holiday Pay	£0.62	£0.66	£0.98	£1.04	£0.98	£1.04
5. Public Holiday Pay (Special Holidays)	£0.10	£0.11	£0.16	£0.17	£0.16	£0.17
6. Total Wage Costs	£6.50	£6.95	£10.18	£10.85	£10.18	£10.85
7. Overhead Costs	£0.36	£0.36			£0.36	£0.36
8. Total Cost (No transport costs involved)	£6.86	£7.31	£10.18	£10.85	£10.54	£11.21
9. Total Cost (Workers charged £4 for transport = 30p/hr excess charge)	£7.16	£7.61	£10.18	£10.85	£10.84	£11.51
10. Total Cost (Workers not charged for transport = 80p/hr excess charge)	£7.66	£8.11	£10.18	£10.85	£11.34	£12.01

* In addition to the above minimum hourly rates workers who have been with the same employer for more than 26 weeks and who hold a Scottish (or National) Vocational Qualification in an agricultural subject at Level III or above are entitled to be paid an additional sum of at least £0.86 per hour from 1 January 2007. This additional sum is also payable to workers who hold an apprenticeship certificate approved by ATB Landbase (now known as LANTRA).

AGRICULTURAL WORKERS (NORTHERN IRELAND – AGE 19+)	Workers < 52 weeks	Workers >52 weeks	Workers < 52 weeks Same Day OT	Workers > 52 weeks Same Day OT	Workers < 52 weeks Extra Day OT	Workers > 52 weeks Extra Day OT
1. Minimum wage	£5.50	£5.50	£8.25	£8.25	£8.25	£8.25
2. Employers' NI Contributions	£0.39	£0.39	£1.06	£1.06	£1.06	£1.06
3. Statutory Sick Pay	£0.07	£0.07				
4. Annual Holiday Pay	£0.49	£0.53	£0.78	£1.84	£0.78	£0.84
5. Public Holiday Pay (Special Holidays)		£0.20		£0.32		£0.32
6. Total Wage Costs	£6.45	£6.69	£10.08	£10.47	£10.08	£10.47
7. Overhead Costs	£0.36	£0.36			£0.36	£0.36
8. Total Cost (No transport costs involved)	£6.81	£7.05	£10.08	£10.47	£10.44	£11.83
9. Total Cost (Workers charged £4 for transport = 30p/hr excess charge)	£7.11	£7.35	£10.08	£10.47	£10.74	£11.13
10. Total Cost (Workers not charged for transport = 80p/hr excess charge)	£7.61	£7.85	£10.08	£10.47	£11.24	£11.63

N.B. THESE RATES DO NOT INCLUDE ANY MARGIN TO COVER MANAGEMENT TIME AND PROFIT NEGOTIATED BETWEEN THE LABOUR PROVIDER AND CLIENT.

Definitions and Explanations

1. The hourly minimum rate represents the National Minimum Wage or the Agricultural Minimum Wage for Grade 1 workers.

Agricultural workers have a statutory entitlement to overtime in accordance with the appropriate Agricultural Wages Order.

2. Employer's NICs must be paid at 12.8% on earnings above £97 (£100 after April 6th) per week. The first £97 (£100) is NI free. The estimate for non-overtime rates is based on 40 hours worked.

For temporary agricultural workers on overtime the £97 (£100) NIC free amount will already have been used so Employer's NIC is normally chargeable at the full 12.8%.

3. Provision for statutory sick pay leave of 2 weeks is assumed, in line with the Defra estimate, at £70.05 per week. This is accrued on normal time only, not on overtime.

Agricultural sick pay at £209 per week is payable in England and Wales after 52 weeks employment.

In Scotland agricultural workers who have been continuously employed by the same employer for at least 52 weeks are entitled to be paid the minimum hourly rate to which the worker is entitled (including the additional sum, if appropriate) multiplied by the number of hours he/she normally works per week (excluding overtime and limited to no more than 39 hours per week) and divided by the number of days per week the worker is contracted to work. Sick pay is not paid for the first 3 days of each absence.

4. Annual Holiday Pay

Calculations of holiday pay and public holiday pay are based on the hourly rate plus employers' NIC as when holiday pay is paid to the worker employers' NIC are paid on this and therefore must be accrued from the charge rate.

Non Agricultural Workers are entitled under the Working Time Regulation to 4 weeks paid holiday from the first day of work. This is equivalent to 8.33% of the hourly rate and NI.

From 1st October 2007 non agricultural workers will be entitled to a statutory minimum of 4.8 weeks paid holiday from the first day of work. This is equivalent to 10.13% of the hourly rate and NI.

Agricultural Workers in England & Wales are entitled under the AWO to 23 days paid annual holiday (5 day week) from the first day of work. This is equivalent to 10% of the relevant hourly rate and NI.

Agricultural workers in Scotland are entitled to 5 weeks holiday per year. A week is equivalent to the number of days that an employee would be expected to work in the course of a regular working week. This is equivalent to 10.78% of the relevant hourly rate and NI.

Agricultural Workers in Northern Ireland are entitled under the NIAWO to 20 days paid annual holiday from the first day of work in the first 52 weeks of engagement. This is equivalent to 8.33% of the relevant hourly rate and NI. After the completion of 12 months continuous employment with the same employer the annual holiday entitlement increases to 21 days paid annual holiday. This is equivalent to 9.06% of the relevant hourly rate and NI.

How holiday pay and public holiday pay should be calculated varies dependent on workers contracts and working patterns.

- (i) Where remuneration for normal working hours does not vary i.e. workers on a fixed wage or salary - holiday pay is based on contractual pay i.e. basic hours plus guaranteed overtime.
- (ii) Where remuneration for normal working hours does vary (i.e. workers on piece rates) - holiday pay is based on the average hourly rate over the previous 12 weeks, excluding non compulsory overtime.
- (iii) Where normal working hours vary from week to week (i.e. shift workers) - holiday pay is based on the average hourly rate over the previous 12 weeks excluding voluntary overtime.
- (iv) Where workers have no normal working hours (e.g. an agency worker or person paid on a commission only basis) holiday pay is calculated by reference to the worker's average remuneration over the previous 12 weeks including all overtime pay.

This latter case, being most normal for agency workers is the one used for calculation in the table.

5. Public Holiday Pay

Non Agricultural Workers are not legally entitled to this.

Agricultural Workers in England & Wales are entitled under the AWO to 8 days paid public holiday. This is equivalent to 3.48% of the hourly rate and NI.

Agricultural Workers in Scotland are entitled under the SAWO to 4 special days holiday. This is equivalent to 1.72% of the hourly rate and NI.

Agricultural Workers in Northern Ireland under the NIAWO are not entitled to paid public holiday in the first 52 weeks of engagement. After the completion of 12 months continuous employment with the same employer the paid public holiday entitlement increases to 8 days per annum. This is equivalent to 3.45% of the hourly rate and NI.

6. This figure shows the actual minimum unavoidable Total Wage Costs to meet minimum legal requirements.
7. Labour Providers must cover their own overhead costs. The Defra analysis bases this on the cost of employing a clerk, Employer's Liability insurance, paying for an accountant, advertising and recruitment costs and the other non wage costs

associated with running an office. Assumes that these costs need to be spread across a workforce of 50 workers (normal working time only, not overtime).

8. This is the total cost where transport is not required or there is no cost to the transport.
9. This is the total cost where transport is required and workers are charged £4 per day for the use of transport. Based on costs including the lease of an 8 seater minibus, road tax, maintenance, cost of fuel and annual insurance and the additional costs of paying a driver. Based on one 80 mile round trip per day.
10. This is the total cost where transport is required and provided to workers free of charge.