



## Low Pay Commission Consultation 2022

We welcome the opportunity to submit evidence and a response on behalf of our members on the effects of the National Living Wage and National Minimum Wage.

We have provided responses to the Low Pay Commission's consultation questions where we can offer an informed view. We carried out a survey across our members in May this year, using the consultation questions provided by the Low Pay Commission, which received 44 responses. Our answers have been informed by our survey, with all the quotations included taken from members' survey responses.

## About Us

- 1.1 Community Leisure UK is the trade association that represents the largest collective of deliverers of public leisure and culture services in the UK. Therefore, we are keen to ensure that trusts are engaged and contributing to national consultations.
- 1.2 Our 109 members collectively deliver over 45% of public leisure provision in England, 50% in Wales, and 85% in Scotland. Pre-Covid19, members employed over 46,000 staff across leisure and culture. They are and continue to be significant employers of 18-34 year olds. Over 17,000 volunteers engage with our members, participating in a wide range of opportunities to support the work of their local charitable trust. Prior to the pandemic, members received over 233m annual customer visits.
- 1.3 Members typically have contracts for services with local authority partners to deliver across a breadth of leisure and culture services. The majority of our members are called a single-contract trust i.e. they deliver the services and manage the facilities on behalf of one, local authority partner. A small number of members hold multiple contracts across England and Wales. We also have a number of, predominantly smaller, members with no local authority relationship.
- 1.4 Members are registered as Company Limited by Guarantee and registered charity, Community Benefit Society with charitable status, Community Interest Company, or Charitable Incorporated Organisation / Scottish Charitable Incorporated Organisation. All members reinvest their surpluses into the services and facilities that they run and manage.
- 1.5 Members have varying arrangements with local authorities regarding terms and conditions for staff:
  - Most members are autonomous with regards to their staff terms and conditions, and their contract with the local authority does not determine staff matters. These terms

will be set by legislation, trade union engagement, the needs of the organisation and its financial position, and any business development decisions.

- Some members will work closely with their local authority to seek support on such additional costs, to help keep the trust and the services continuing
- Other members, particularly some in Scotland, are contractually obliged to mirror local authority staff terms and conditions.

1.6 The trust model is formed on two pillars of cross-subsidy of surpluses:

- cross-subsidy of services i.e. more profitable leisure activities (e.g. fitness memberships), will subsidise some health, community, library activities, swimming activities etc
- cross-subsidy of individuals i.e. where those that can afford to pay support those who cannot afford to pay

Where the trust is responsible for covering the financial impact of increases to the National Living Wage, it is particularly challenging due to their limited revenue streams which are already underpinning their cross-subsidy model of reinvestment. Finding and securing further revenue to cover increased staff costs is challenging.

**What are your views on the economic outlook and business conditions in the UK over the next 12-24 months?**

**The conditions in the specific sector(s) in which you operate.**

2.1 The public leisure and culture sectors have, like many others, been severely impacted by the Covid-19 pandemic. Venues were closed for much of the last two years since reopening, footfall has not returned to the same levels as prior to the pandemic, thus impacting on income.

2.1.1 Since their establishment by local authorities, charitable trusts have been encouraged to become increasingly self-sufficient against a backdrop of increasing local authority financial pressures and ever decreasing budgets. The result of this is that these charitable trusts are victims of their own success, with a far greater reliance on income through trading, which was entirely stopped during the closure of facilities and significantly lower as we move through the recovery period.

2.1.2 In order to remain solvent, members used all levers available. Including using a significant proportion of, or, their entire reserves, applying for high street bank loans and overdrafts, and requesting advanced payments on their management fees where possible.

2.1.3 Throughout the pandemic, leisure and culture trusts lost, on average, £1 million in unrestricted reserves<sup>1</sup>. Research from Sport England shows that the majority of funding to support public leisure organisations during the pandemic came from operator reserves, with £171 million of operator reserves used throughout this period.<sup>2</sup>

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<sup>1</sup> Community Leisure UK member surveys from April 2020 - March 2021

<sup>2</sup> Sport England. *Future of Public Leisure*.

2.2 The economic outlook is extremely challenging. The current/future macro environment has only compounded the challenge following the global pandemic and the devastating impact felt across the leisure and culture industries. The cost of living squeeze, the increase in National Minimum and Living Wages and Employers NI contributions and the geo-political impact the war in the Ukraine has had on wholesale energy prices are the key drivers and risks around OPEX control. The impact from Brexit has also put a huge strain on the supply chain, coupled with high inflation has led to sharp increases in construction and raw material costs that significantly impact future business and acquisition and/or merger opportunities. The current macro environment also makes future planning and financial modelling very difficult due to the uncertainty of how long inflation will continue to increase.

2.3 Operators in the leisure and culture sectors are caught by two significant issues - on one side increasing costs from energy (as the second largest cost) and pay (as the largest cost) from increasing national living wage rates in what has always been relatively low paid sectors, and on the other side a potential reduction in demand due to pressure on household income.

2.3.1 The challenges are particularly acute for operators with responsibility for high energy venues, such as swimming pools, theatres, libraries, and those in the charitable sector, as all our members are, operating as a not-for-profit business model. Energy bills for 2022 for our members have increased by 86% as compared to 2019, with a projected 114% increase for 2023 as compared to 2019.<sup>3</sup>

2.3.2 Disposable income for customers will continue to be squeezed as further price increases are absorbed by consumers e.g. fuel and utilities. Consequently, participation in paid leisure and culture offers may reduce as households re-prioritise spending. Following on from a slow recovery from covid-related closures this will push many leisure and culture trusts' finances to breaking point leading to service reductions and site closures. Inevitably, those most in need of access to fitness/swimming and culture facilities are likely to be those who lose out with a knock on effect perhaps many years down the line on physical and mental health.

*"The sport, leisure and cultural sector is vital to everyone's health and wellbeing, however financial impacts from increasing costs matched with household financial pressures equates to unaffordable services and significantly reduced participation as customers can not afford them. This downward spiral will inevitably result in closure/loss of service. We support areas of long standing high deprivation so those impacts will be felt much sooner."*

- Member in the North East of England

2.3.3 According to the Office for National Statistics, 87% of adults in the UK reported an increase in their cost of living in April 2022. Inflation is not expected to recover until the third quarter of 2024, with low-income households more affected by price increases<sup>4</sup>. It is therefore difficult to predict the impact on usage and therefore income levels in the short to medium term.

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<sup>3</sup> Community Leisure UK. Landscape Report May 2022. Available at: <https://communityleisureuk.org/work/latest-sector-landscape-reports/#england>

<sup>4</sup> House of Commons Library. *Rising cost of living in the UK*. Available at: <https://researchbriefings.files.parliament.uk/documents/CBP-9428/CBP-9428.pdf>

*"Utility subsidies and interventions will aid the consumer but not enough to put the spend back into leisure and culture."*

- Member in Wales

2.4 The high level of inflation is also having an impact on operating expenditure therefore adding to financial pressures. There is an unprecedented challenge posed by soaring operating costs, less disposable income for customers and increasing salary costs.

*"Due to inflation and the increases in gas and electricity we will have to significantly increase our prices in the next six months and may have to consider reduced opening hours. To compound this pressure our customers are being hit with price increases and high utility bills which will mean less disposable income and cancelled memberships. So we will be hit at both ends."*

- Member in the South East of England

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2.5 Furthermore, there are growing labour shortages in a landscape of recovery and learning to live with Covid. These shortages are across a range of areas and roles, but are particularly acute for lifeguards, swimming teachers and hospitality staff, as well as roles with a supervisory duty, where there is little pay differential between lower graded roles.

### **The prospects for economic recovery from the effects of the Covid-19 pandemic.**

3.1 We are still in the midst of an anticipated long recovery period, with no expectation of returning to pre-Covid levels of income this financial year.

3.1.1 The sector is struggling with rising costs, especially energy; and a slower than predicted return to pre-pandemic business levels. This is likely to continue through to 2024 -5.

3.1.2 Customer return rates have plateaued at around 70-80% of pre-Covid levels, with little increase in these in recent months. This creates a picture of significantly reduced income, against vastly increased operating costs, on the back of the pandemic which has already decimated reserve levels for operators.

3.1.3 Those members that took out loans during the pandemic to stay afloat are also now facing the repayment of these loans, during this very fragile economic period.

3.2 There is also still uncertainty around the impact of the pandemic on customers' behaviour and how this may impact the delivery of services in the long-term.

### **The effects of Government interventions to support the economy and labour market.**

4.1 The key pillar of support throughout the pandemic was the Coronavirus Job Retention Scheme (CJRS), which has provided a lifeline for leisure and culture trusts, and enabled them to support their workforce as far as possible.

4.2 Support funding (pandemic) whilst very welcome, was only a short fix, and leaves little or no lasting legacy. Venues are old, inefficient and historically many are reliant on cross subsidy from more profitable sites - this boat has now sailed, given that successful sites are now lucky to break even, so those services within more deprived areas will be at most risk.

4.3 Much of the funding that was provided to the sector during the pandemic was an emergency lifeline, such as the National Leisure Recovery Fund (England), the Hardship Fund (Wales), or Culture Recovery Funding through the National Agencies. Our members were not eligible for much funding from either local or national government, and as previously mentioned, operator reserves played a critical role in supporting the sector.

4.4 Since the removal of Covid restrictions, there has been very little Government support for the sectors, resulting in support being required directly and unfunded through Local Authority Partners.

4.5 In terms of support for the labour market, the kickstart scheme was helpful to a few organisations and provided an opportunity to give others a chance to prove themselves before taking them on at little cost to the organisation.

### **The state of the labour market, recruitment, and retention.**

5.1 With regard to recruitment and retention, members are reporting significant problems around both recruitment and retention of staff. This reflects the wider challenges of vacancies across various sectors, with job vacancies reaching a record high of 1,318,000 in the period from December 2021 to February 2022<sup>5</sup>.

5.1.1 There are a range of other factors causing these challenges across public leisure and culture: higher rates of pay in other sectors, unwillingness to work evenings and weekends, perceived vulnerability of the sector as a result of the impact of Covid, perceived lack of career pathways within the public leisure and culture sectors.

5.1.2 There is a particular shortage around some of the skilled positions, such as lifeguards, sports coaches and technical theatre staff and front of house staff. For some roles, the inability to deliver training to new recruits during Covid, especially lifeguards and swimming teachers, has also impacted on the supply.

5.2 The largest expenditure across our members is staff salaries. Despite all being charitable organisations, with volunteers supporting the work, most of the work requires consistent and trained staff (pool plant, lifeguard, teaching staff, librarians, technicians in theatres). Within leisure and culture trusts, the lowest salaries tend to be the general,

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<sup>5</sup> Office for National Statistics. *Vacancies and jobs in the UK: March 2022*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/march2022>

day-to-day staff who are needed whenever the centre is open, such as lifeguards, centre attendants, cleaners.

5.3 Brexit is having an impact on recruitment, with the European labour market mobility no longer an option to source fresh talent. Even where there is no direct impact on organisations as a result of Brexit, there is often an indirect impact.

*"There is an indirect impact on staff availability and pay expectations from demand in other sectors where the loss of workers following Brexit has been more of a direct impact"*

- Member in the North West of England

5.4 There is also pressure from the cost of living increases on pay, with staff often moving out of the sector and to even only slightly higher paid roles. Understandably employees have expectations for wage growth to keep pace with inflation, which poses huge issues for the third sector to recruit and retain staff (especially in cities where there is a higher cost of living).

5.5 There are more jobs than there are candidates, and paying the NLW doesn't distinguish organisations from the competition. Leisure and culture trusts are seeking to retain the current workforce through offering further training, salary increase (due to NLW) and further benefits (including flexible working, free access to facilities etc.).

*"The labour market had been overheating with vacancies at an all time high and little sign of easing - unemployment locally is at an all time low of around 3.5%."*

- Member in the South West of England

*"We have increased wages to try and maintain staff but this is counter productive at times. There seems to be a real shortage of base level staff (lifeguards, cleaners, receptionists) in a difficult labour market (27% vacancy rate);"*

- Member in the North East of England

5.6 Some operators are looking to train their own staff due to a shortage of applicants with the relevant qualifications/experience, which is costly and time consuming.

*"Skills shortages are lifeguards, swimming teachers, fitness team members, all of which we are seeking to "grow our own" for the future."*

- Member in the South West of England

5.7 Many have also held recruitment open days, attended jobs fairs with immediate interviews and offered dial in sessions for interested candidates. However, there is a repeated experience across the country of people not turning up for interviews, open days or dialling into calls where they had expressed an interest.

5.8 Modern Apprenticeships are also proving challenging in the leisure sector with difficulty recruiting and retaining apprentices.

*"We also restarted our apprenticeship programme, paying above the apprenticeship rate, managed to fill three posts and one remains vacant six months on."*

- Member in the North East of England

**Wage growth and inflation in the last year, and expectations for the next couple of years.**

6.1 According to our annual HR survey across members, 30% of our members reported no pay award in 2021. The most common pay increase was national minimum wage/national living wage only (19%), with only 1% of members increasing wages by 4% or more.<sup>6</sup>

6.2 There is significant pressure to increase wage growth in light of the rate of inflation and cost of living, yet there is a real financial struggle to be able to implement this.

*"Due to inflation and expectation we are forecasting considerable wage growth (perhaps 5% pa) over the next 2 years and this could be the final nail in the coffin. We will certainly have to raise prices by double digits adding to inflation."*

- Member in the South West of England

6.2.1 Even those operators that receive Consumer Price Index inflation on their management fee from the local authority are slightly better protected, but with a challenge for local authorities to find the funding to be able to deliver this.

6.2.2 Wage growth is dependent upon affordability and with income streams unpredictable as a "luxury" spend in many eyes with spiralling inflation this will make planning non-NLW wage increases difficult but necessary given the economic climate and the needs of our staff.

6.3 Additional National Insurance costs are also impacting both employer and employee with individuals not seeing the benefit of 2-3% pay awards.

6.4 The principle of NLW is a positive one but the impact on the not-for-profit sector in particular, especially given post-Covid recovery still taking place and the tight staff salary differentials in place, is putting unmanageable pressure onto budget positions, in particular in the medium term (coming 2 to 3 years).

6.5 The increases of National Living Wages impact on pay grades and erodes differentials, further exacerbating the challenges of staff recruitment and retention.

*"NMW impacted on four of our pay grades so to ensure a differential between each grade we had to increase all four. In addition to project skilled posts we felt we needed to support all staff and awarded a pay rise to all other grades on the basis that we could not afford not to do this. However, to support this we have rationalised some areas and sadly made a small number of redundancies. The next proposed level of NMW is totally unaffordable if we cannot increase prices to cover this and importantly retain customers who can afford those prices."*

- Member in the North East of England

**To what extent have employers been affected by other major trends in the economy and labour market: for example, rising energy costs, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK.**

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<sup>6</sup> Community Leisure UK. Annual HR Survey 2021.

7.1 In the public leisure and culture sectors, energy costs are a huge factor, as the second highest spend area behind staffing. These costs are doubling from prior years and this challenges the sustainability of the sector if contracts with Councils don't provide protection from these costs. Additional pressures due to wider economic issues (Brexit, Ukraine invasion, etc.) are being felt on the supply and cost of chemicals to keep pools open.

7.2 In an operational setting, homeworking is difficult. However, "back office" functions have been able to take advantage of such arrangements but this is not the norm across the whole business. Where it is practical, new technology has allowed many people in a meeting that previously wasn't possible which has had a positive effect on the business.

*"We made use of homeworking during covid but most roles are customer facing and for working culture we have reverted to largely site based working. Some leavers in non-customer facing roles have noted this as a reason for leaving."*

- Member in the North West of England

7.3 Rising energy has been a major trend, as mentioned in the previous question.

*"Inflation in the last year has largely been on energy costs with gas prices increasing by 350% and electricity prices increasing by 150% when our previous fixed rate energy contracts ended in March 2022."*

- Member in the North West of England

*"We are part of a pre-purchased energy scheme, however that only covers the raw product, all the distribution and administration costs have gone through the roof and our scheme is only for two years."*

- Member in the North East of England

7.4 Even where Brexit has not had a direct impact, there has been an indirect impact on staff availability and pay expectations from demand in other sectors where the loss of workers following Brexit has been more of a direct impact.

7.4.1 The impact of Brexit on workforce is dependent on the geographical location of organisations, with some acutely impacted:

*"We used to have 1 in 4 job applicants from the EU - we have had none since reopening in April 2021. We have been operating with an average vacancy rate of 8% and are not able to reopen all the services we operated pre-pandemic."*

- Member in the South West of England

7.4.2 In addition to the issues caused by Brexit, many operators are reliant on student workforce, which has also been impacted with less students applying for jobs in the sectors, due to seeking higher paid roles or less anti-social hours, as well as a particular impact in urban locations with remote learning taking place and less students physically relocating in order to study.

7.5 Supply issues are crippling the leisure and culture sectors with increased maintenance and building costs. Materials in some cases are 50-100% more expensive, with challenges to obtain materials. The cost of haulage increase has affected the cost of new products.



7.5.1 Brexit has also affected the price and accessibility of imported materials. The chemicals sector being a good example, less choice and higher price (not to mention delivery delays).

7.6 There is a reluctance to pass on the impact of rising costs to customers, with a need to balance affordability, accessibility and charitable outcomes as well as financial viability.

## **What is your experience over the past year in the following areas?**

### **Profits**

8.1 The past year has seen a reduction in profit due to lower customer levels than pre-pandemic, with many members making zero profit or even operating at a loss.

8.1.1 Pension costs and ongoing operating costs throughout the pandemic have impacted on the profitability of charitable trusts, pushing many into deficit.

8.2 For those that did see a surplus in the last year, this was primarily the result of operating with significantly reduced staffing levels and Covid financial support and additional funding from local authority partners.

*"We are a charity but without additional financial support from the local Council we would have stopped operating."*

- Member in Scotland

### **Prices**

8.3 Most of our members have increased their prices for customers, and for those that have maintained prices, there is an inevitability of a price increase in the next few years to help mitigate the rising cost pressures.

8.4 There is a balance for our members, as charitable organisations, to ensure that their services are accessible and affordable for communities, whilst remaining financially viable as organisations. This is becoming increasingly challenging as supplier and operating costs continue to rise.

8.5 Price increases vary from 4% -10%, depending on the cost pressures, market demand and support from local authority partners. Many have opted to hold prices in some products to support participation for low income households, while others are focusing on price increases where there is excess demand and less supply for particular products or services.

### **Productivity**

9.1 Home working has helped certain areas of the business but as deliverers of services, staff are needed on site, with relatively small numbers of staff able to work from home.

9.2 Many organisations restructured during Covid to reduce staffing levels, which reduced the cost per opening hour, but footfall has also reduced. Productivity is difficult to measure as staff costs are not directly related to activity as minimum staffing is required to meet legislation.

9.3 There is a significant impact of reduced staffing, staff shortages, and pressure felt by staff to cope with absences. Staff are increasingly tired, which is not sustainable in the long-term, and raises real concerns around mental health and wellbeing.

9.4 However, there is also more focus with a reduced staffing level, and great positivity and productivity from staff in a more challenging environment.

## Pay structures and differentials

10.1 In terms of basic pay, the most common criteria used by members when looking at basic pay are: decisions on annual pay rise made by Board of Trustees (70%), National Living Wage (64%), ability to pay (60%), affordability, economic climate, business performance, general market conditions (60%), and affordability and company performance (53%).<sup>7</sup>

10.1.1 According to our annual HR survey across members, 30% of our members reported no pay award in 2021. The most common pay increase was national minimum wage/national living wage only (19%), with only 1% of members increasing wages by 4% or more.<sup>8</sup> Some members have indicated that they will have another pay review less than a year after the last one.

10.2 Both leisure and culture include a range of roles that hold significant responsibility and require a high level of expertise, e.g. Duty Managers ensuring swimming pools are chemically balanced and meet Health & Safety Executive (HSE) requirements on hourly cycles, lifeguards rescuing children and adults, fitness instructors leading cardiac rehabilitation classes, library and creche workers delivering to Ofsted standards in children's care, Duty Managers responsible for safeguarding within changing rooms etc. These roles are accountable to the public, HSE, and local Safeguarding Boards. These roles are essential and require skills, levels of training and competence.

10.3 However, the annual increases in National Living Wage present a challenge as the rate of pay for lower paid roles is increasing at a faster rate than the pay increases across organisations as a whole.

10.4 Trusts undoubtedly want to be able to pay higher rates for accountable roles to reflect the skills and training. However, this is under significant pressure and is increasingly challenging, and in some cases, impossible. Trusts are unable to match the pay increases for the National Minimum Wage and the National Living Wage across all employees, thus resulting in the gradual and continual erosion of the differential between different job roles.

*"It is becoming more challenging to maintain a differential between our Grades 13 [...] pay scales have become compressed and differentials eroded by the increase to national living wage. We need to review our pay scales but we have insufficient budget to allow us to uplift the pay scales as we would wish."*

- Member in Scotland

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<sup>7</sup> Community Leisure UK. Annual HR Survey 2021.

<sup>8</sup> Community Leisure UK. Annual HR Survey 2021.

10.5 The most challenging roles identified by trusts in terms of managing the roles are: Duty Managers/Officers and supervisors, senior leisure assistants, recreation officers/assistants, swimming instructors, and child care assistance.

10.6 This erosion of differentials in pay between different job roles presents challenges in terms of staff recruitment and retention, specifically for roles with senior responsibilities where there is little reflection of the level of accountability within the pay. There are also limited job structures within leisure and culture, exacerbating the problem.

*"All front line staff are now on NMW / NLW due to the sustained year on year over inflation increases in rates over the last 10 years where other grades have seen little or no pay increases over the same period. This has resulted in differentials being largely wiped out and supervisory roles having to be inflated to maintain some differential to justify the additional responsibility."*

- Member in the North West of England

10.7 The erosion of differentials has a significant impact on staff satisfaction levels, with reducing satisfaction levels, particularly for salary pinch points and staff feeling very undervalued for their work.

*"Managing those employees not on the minimum wage is difficult as they are becoming more and more despondent with a less % pay increase than those on the NMW."*

- Member in the North West of England

10.8 The effect of the increases in National Minimum Wage and National Living Wage for trusts that do not have any local authority support or indeed any mechanism for the local authority to effectively pick up any shortfall between income and expenditure is simply to add a greater financial pressure to the bottom line. Particularly at a time when leisure and culture trusts are already making significant losses. Some contracts do not enable the trust to go back and ask for more money. These increases will, therefore, completely remove pay differentials.

10.9 Most pay rates for leisure and culture trusts are based on local authority pay rates and grading models, thus it is not sustainable to pay staff who score lower at the same rate as others, particularly where qualifications are an essential requirement. This has the effect of creating artificial wage inflation for roles currently being paid above the National Living Wage rate, further adding to the financial pressures.

10.10 Some trusts, particularly some of our smaller, single-site members, have not been in a financial position to be able to increase salaries for some time and, therefore, every time the minimum wage increases, the pay gap between the junior staff and their managers decreases, yet the responsibilities remain the same.

10.11 An increase is rarely in isolation. Most members operate a grading scheme for posts with gaps between each grade. However as the baseline is lifted the gap is reduced or even removed, therefore organisations end up having to increase two, three or even more paygrades to retain a differential.

10.12 There is concern for many members that they will be unable to continue to increase wages further past this point without having some additional support in place. This will lead to staff retention issues, as living wage increases outstrip increases for other staff.

10.13 The rate of National Living Wage increases means, in reality, that there is less money available to increase pay rates across organisations.

### **Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)**

11.1 According to our 2021 Members' HR Survey, members use a range of other benefits to incentivise and reward staff. The most popular benefits offered to staff include free parking, TOIL, staff discount, free gym/swim/fitness membership, cycle to work scheme, friends and family benefits, childcare vouchers, subsidised cafe and food and access to employee assistance programme.<sup>9</sup>

11.2 Other benefits mentioned include occupational health advisory service, retail discounts, salary sacrifice, support for learning, either financial (covered by minute of agreement) or by time off work, paid additional/pensionable hours worked in core roles to support business recovery, death in service, health cover, membership of the LGPS pension scheme.

11.3 There has been an increase in flexible and hybrid working across our members and many members are also reviewing wider benefits and looking at reward and recognition schemes for staff. This is recognised as being particularly important in a sector where pay awards are challenging.

### **Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)**

12.1 In a public facing organisation the options to work from home for many staff is not realistic. Some can work from home and this has offered flexibility and is being used, but is limited across organisations. Where it is possible, workstation assessments are being carried out and equipment purchased to enable remote working.

12.2 Job flexibility to meet staff needs is available through shifts through a typical 14 hour day's opening and this does suit some - but rotating shifts also cause issues too. There is also an increasing unwillingness to work evenings and weekends, which are critical opening times for leisure and culture operators.

12.3 There has been a post-pandemic focus on moving casual staff to contracted members of staff, and ongoing engagement with staff to discuss opportunities for improvement and change.

12.4 With reduced workforce, and therefore less people doing more, there has been greater flexibility and speed, though also a need for all staff to be more flexible and open to working overtime. However, for many organisations they are now at a point where they need to increase staffing in operations to ensure that quality of work is not affected.

### **Progression and job moves**

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<sup>9</sup> Community Leisure UK, Annual HR Survey 2021

13.1 The public leisure and culture sectors continue to face challenges as they are not regarded as sectors where there are opportunities for progression or career development. This links to the issues faced regarding recruitment and retention of staff, particularly in terms of recruiting quality staff.

13.2 Progression is also hindered by the aforementioned erosion of differentials between job roles. Where there might be opportunities for staff to grow and develop, the financial compensation for this is often not sufficient, and other sectors appear more attractive in terms of job prospects. A lot of staff across members have moved to other public sector roles such as teaching, firefighting, policing, roles in prisons, or to alternative sectors, notably supermarkets, where rates of pay are higher for roles that carry less responsibility.

13.3 There is some internal progression to a certain level e.g. supervisory, though staff turnover in more senior roles tends to be in specialised roles rather than generic roles, and limited opportunities for progression.

13.4 There are ongoing reviews of roles, with restructures that always aim to offer new opportunities. However there remains a critical need for employees to train and upskill into different areas of the business.

## **Training**

14.1 Statutory training continues, with many roles requiring ongoing training and development. Some training is being delivered in house, and more e-learning and virtual training opportunities.

14.1.1 According to the Community Leisure UK Annual HR Survey, annual staff training budgets varied widely between trusts from £1,200 to £1m. For trusts with less than 250 employees, the average training budget was £26,075, ranging from £1,200 to £89,000. For trusts with over 250 members of staff the average training budget was £170,274, ranging from £90,000 to £1m. For single sites the average training budget was £6,550, ranging from £1,200 to £15,000.<sup>10</sup>

14.1.2 In addition to training in mandatory areas, there has also been training of staff in broader areas of work so that they are more flexible.

14.2 There have been challenges to be able to release staff from shifts to attend training due to staff shortages.

14.3 Training has become increasingly important as a result of the high staff turnover and increasing numbers of new recruits without the adequate level of qualifications.

## **Investment**

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<sup>10</sup> Community Leisure UK. Annual HR Survey 2021.

15.1 Investment has been focused where it is business critical only, where there are necessary replacements for equipment or essential building maintenance, particularly after two years of no investment and limited maintenance during Covid.

15.1.1 However, much of this is only possible via grants/loans, where there is a clear business case. Most major investment is funded by third parties.

15.2 There has been some investment in new equipment and digital capability to reduce man hours, and investment in energy reduction schemes where possible.

15.3 There has been pressure to invest in some new technology in order to continue to offer digital solutions for staff and for customers, and also to ensure the offer to the public remains attractive and accessible to encourage customers to return.

### **Business debt**

16.1 As reference earlier, Trusts have started the 2022/23 in a fragile financial position, with depleted reserve levels and reduced customer income. Overall, there is not a large amount of debt across our members as they are charitable organisations with Boards of Trustees with a legal responsibility to ensure the financial viability of the organisations.

16.1.1 Some members are continuing to receive additional annual financial support from the local authority to enable economic solvency.

16.2 Those organisations that took banks loans or CBILs loans to remain solvent through the pandemic are now in the throes of repayments of these loans.

16.3 Some members have also chosen to take on debt to fund essential investment that is business critical.

**Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal credit/other benefits or access to transport. The National Living Wage**

17.1 As referenced in point 10, the most common criteria used by members when looking at basic pay are: decisions on annual pay rise made by Board of Trustees (70%), National Living Wage (64%), ability to pay (60%), affordability, economic climate, business performance, general market conditions (60%), and affordability and company performance (53%).<sup>11</sup>

**What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings.**

18.1 As previously noted, this has a big impact on pay grade differentials, which affects a large proportion of staff - cleaners, leisure assistants, fitness instructors and the next levels of supervision.

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<sup>11</sup> Community Leisure UK. Annual HR Survey 2021.

*"We have reduced some areas and removed posts to support savings that balance the books. For example, we've deleted the post of assistant swim teacher, requiring teachers and parents to cover the duties of these posts. A big challenge is through subsidised services that don't generate income, such as libraries. The contract fee has not increased, however the service has to make savings to cover the NMW impact, given all frontline library staff are paid at NMW level this results in reductions to services."*

- Member in the North East of England

18.2 The staff recruitment and retention issues have been exacerbated as in higher roles, the rate of pay awards has been less than for National Living Wage roles, resulting in lower motivation and staff choosing to leave the sector for higher paid roles elsewhere.

18.3.1 Previously, being a NLW employer helped to recruit new colleagues, however, the landscape is such that now there are local jobs paying in excess of this, e.g. delivery drivers and supermarket roles, thus impacting the retention of colleagues.

*"This now has swallowed up all front line roles (which is the majority of our positions) and the hugely inflated costs are a pressure we can only meet through contractual support from the Council. These rates have been more than double what any other staff have received over the last decade and this is putting pressure on the rest of the organisation as it makes some of those roles less attractive and reduces the attraction of roles with more responsibility."*

- Member in the North West of England

18.3 Further pay reviews have taken place as a result of the National Living Wage increase, with further increases for other staff to maintain differentials and address the recruitment and retention challenges.

18.4 Some members have undergone restructures during the pandemic, many repurposing job roles to be more multiskilled to assist in justifying an elevation of pay grading. Others have restructured in order to fund the increase in NLW, removing some roles with the result of a reduced workforce running sites on minimum staffing levels.

18.5 The overarching impact is pressure on budgets, which are already stretched by other rising cost pressures. Some members have up to 60% of their staff on NLW, thus significantly impacting the salary budget for these organisations, with one member stating that the impact on their organisation is an increase from £200,000 to £300,000 per year for salaries.

18.6 Many Community Leisure UK members employ large numbers of under 21's as seasonal staff and seek to be fair and pay everyone the same rate irrespective of age, for the role they do. NLW makes this almost impossible, with no consideration of the difference of the impact for under 21's in seasonal roles while in full time education, as compared with people of any age running their own household. There is a question on whether age should be the determining factor around pay levels.

18.7 However, across our membership, NLW is regarded as positive, but the rate of inflation is the key issue.

**To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?**

19.1 There is limited impact indicated from our members on different groups of workers as they pay by role and are equal opportunities employers.

*"All employees are treated fairly and there are no differences in pay rates for employees occupying the same or equivalent roles within the Company. We work with a structured salary scale so any new employees recruited are immediately paid at the full rate for their role."*

- Member in the North West of England

**The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.95. What are your views on this target?**

20.1 The target whilst ethically salient will be economically challenging without additional redistribution of funding to the leisure and culture sectors to recognise the vital preventative anticipatory care role those services play.

20.1.1 It will be difficult for employers and will lead to price increases to cover them - this is therefore an added inflationary factor. With rising energy prices, people's ability to pay for leisure & recreation will fall, creating a downward spiral.

*"We fully support the concept of NMW, and in an ideal world price rises would offset this. However, the wider impact on the economy will result in high losses of members. We noticed a significant drop in family memberships in April, which sadly is not surprising and this will continue."*

- Member in the North East of England

20.1.2 Affordability for employers will be key, this is an increase of more than 15% within two years from the £9.50, which will not be possible to pass on to consumers through similar price increases.

*"With other costs increasing (particularly energy) and the likely difficulty in passing those increases on to customers then we would need to turn to our commissioning local authority for further management fee support or agree with them on the closure of a number of facilities resulting in potential job losses."*

- Member in the North West of England

20.2 As mentioned in the previous points, this will create significant pressure around maintaining pay differentials.

20.3 However, with the increase in inflation, there will be pressure all round for wages, with pressure to increase to a higher level in order to recruit and retain staff.

**How have employers responded to the lowering of the NLW age threshold to 23?**



21.1 Most of our members have not been impacted as they currently pay all staff at the higher rate, regardless of age.

21.2 For those that have changed their pay in line with the lowering of the threshold, they report a positive impact on the workforce and retention.

**At what level should the NLW be set from April 2023? Our current central projection for the on-course rate is £10.32.**

22.1 According to our members survey 5% thought there should be no increase in the rate; 10% thought the rate should be under £10; 33% thought it should be £10; 26% thought it should be £10.01-£10.20; 16% felt £10.32 was fair and 10% thought it should be higher than £10.32.

22.2 There was a suggestion of a 5% cap as part of the anti inflationary measures, and to ensure the manageability of other pay increases in higher roles, as well as managing the financial pressures within organisations.

**What do you think has been the effect of the minimum wage on young people and on their employment prospects?**

23.1 Any increase in pay rates is welcomed across any demographic. Most members did not report any noticeable impact of the minimum wage on young people and their employment prospects.

23.2 The potential effect of the minimum wage could lead to reduced employment opportunities for young people. As employers are running companies with lean workforces that when recruiting they may lean towards appointing candidates with experience and knowledge to allow them to hit the ground running.

23.3 There has also been an impact on apprenticeships, as the rates for working are higher than apprentice rates.

*"We have young people working part time earning £9.50 but apprentices earning £4.50 so not interested in these roles."*

- Member in the North West of England

**To what extent do employers use the 21-22 Year Old Rate?**

24.1 The vast majority of our members do not differentiate on age and do not use the 21-22 Year Old Rate.

24.2 Some members, due to limited budgets, apply the appropriate rate of pay to each employee, and others apply this rate to all under 23s.

**When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?**

25.1 As mentioned in point 24, most of our members do not differentiate based on age. For those who do, a period of 4 years has been suggested to enable organisations time to recover from the pandemic and current economic crisis.

**At what level should the rate be set from April 2023?**

26.1 The views from our members survey ranged from £9.50 to the same level as NLW.

### **How widely used are the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate)?**

27.1 Similar to point 24, the majority of our members do not differentiate on age.

### **At what level should these rates be set from April 2022?**

27.1 Similar to point 26, the views from our members survey ranged from £9.50 to the same level as NLW.

### **What is the outlook for the recruitment and employment of apprentices?**

28.1 Nearly three quarters of our members offer apprenticeships. A wide range of apprenticeships are offered by trusts, with the most popular apprenticeship roles offered being leisure assistant (59%) fitness staff (54%) and recreation assistant (43%).<sup>12</sup>

28.2 Employment opportunities will no doubt exist. However, candidates willing to take on an apprenticeships with their own bills to pay will be reduced.

28.3 Many members currently offer modern apprenticeships, with some seeking to increase their use of Modern Apprentice and other employability schemes, and to include this as part of their succession planning and development programmes.

*"With limited staffing budget and recruitment challenges we will look to recruit apprentices as well as using the apprentice scheme as part of our succession planning and career development programme."*

- Member in the North West of England

28.4 The challenge is finding suitable candidates, with many organisations currently with unfilled roles. The NLW creates a challenge with this as the rates for work are more attractive than the apprenticeship rate on offer.

28.5 There is a lack of interest from people in an apprenticeship in the leisure and culture sectors as it is possible to enter work in these sectors without going through apprenticeships.

### **How widely used is the Apprentice Rate? What are the characteristics of apprentices paid the rate?**

29.1 Some members pay the Apprentice Rate, though many note that it is not an attractive rate for young people. Some opt to pay the apprentice rate for the first year and then move to NLW in the second year, with others paying the salary corresponding to the role they are working in during their apprenticeship.

29.2 For those that are paid the rate, these are predominantly school leavers.

### **How common is it for employers to set the pay of first-year apprentices below the NLW/NMW rates?**

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<sup>12</sup> Community Leisure UK. Annual HR Survey 2021.

30.1 As mentioned in the previous point, most of our members do not pay first year apprentices below the NLW/NMW rates.

**Any further comments or final thoughts?**

31.1 To emphasise the point made earlier that those on the lowest paid should not ethically be casualties of any economic downturn. Funding must be redistributed into essential sport, arts, culture and physical activity service providers from reactive services in health & social care and arguably at government level from excess corporate profit distribution levy.

31.2 This is a really difficult situation in that members want people to be paid a decent rate of pay for the jobs they do and increasing the NLW is a priority, especially now with the cost of living crisis, however, that said, it is going to be extremely difficult for trusts organisation to be able to budget/pay for these increases. It also creates motivational issues for those who are skilled seeing their differentials eroded and not offered the same percentage pay increase.

**Ends.**

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