



Citizens Advice - Submission to the Low Pay Commission 2019 Consultation

Citizens Advice welcomes the opportunity to submit evidence to the Low Pay Commission's review into the National Minimum Wage (NMW) and the National Living Wage (NLW). This submission draws on both evidence gathered through the Citizens Advice network of 280 local offices throughout England and Wales, and additional research we have conducted on how Universal Credit claimants engage with the labour market.

As many others have argued, the NLW has been a success, and is an effective tool for raising the incomes of the lowest earners¹. The evidence gathered through our network indicates that its implementation has not caused our clients additional problems. However, non-compliance by employers still remains a significant problem and it is important that effective mechanisms are put in place to ensure that everyone receives the wages they are entitled to.

Enquiries about the National Minimum Wage and the National Living Wage

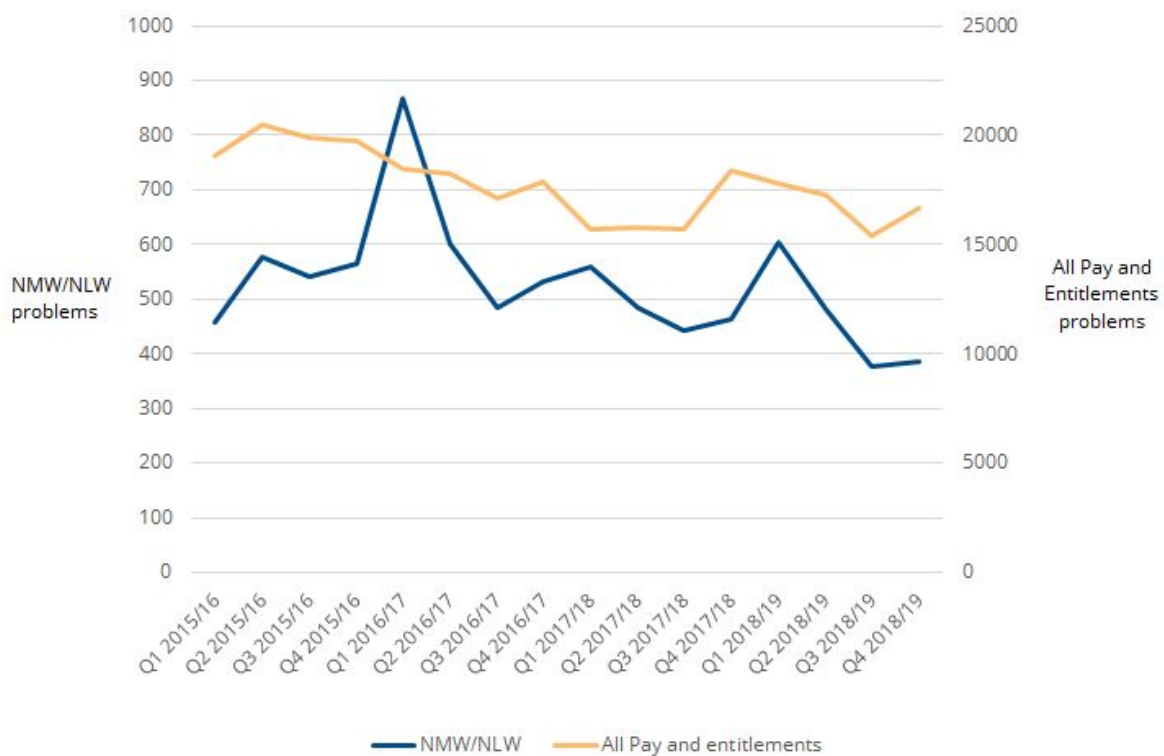
The graph below shows the number of problems relating to either the NMW or the NLW seen by local Citizens Advice (LCA) offices from the April 2015 to March 2019².

The graph also shows the number of overall 'Pay & Entitlements' problems we have seen. This category includes minimum wage issues as well as problems such as unlawful deductions, Statutory Sick Pay and holiday entitlement.

¹ See for example, Resolution foundation, [*Low Pay Britain 2019*](#) (2019)

² A new category of 'National Living Wage' was introduced when the policy was implemented in April 2016. However, reviews of case records indicate that Advisers have continued to use the 'National Minimum Wage' category for the majority of wage floor enquiries. The two categories are therefore combined throughout this response and 'minimum wage' refers to both rates

Fig.1. NLW and NMW problems seen by Local Citizens Advice, April 2015 to March 2019



There has been a small decrease (c.14 % year on year) in enquiries about the issue over this period, (although numbers did temporarily rise around the time the policy was implemented in April 2016). This indicates the implementation of the NLW has not resulted in any significant negative change in the number of minimum wage problems experienced by our clients in the long-term. However, as this is in line with a general decline in the overall ‘Pay and Entitlements’ category of 16% over the same period, the reduction in NMW and NLW enquiries can not be attributed solely to the introduction of the latter.³

Nethertheless, the fact that Citizens Advice saw just under 1,900 minimum wage problems in the last year indicates that too many employers are not complying with the law. Some insight into nature of this non-compliance can be gained through evidence forms submitted by Local Citizens Advice Advisors⁴. They describe a variety of types non-compliance, including:

- Clients being paid at the previous year’s rate

³ The number of problems we see are affected by a variety of factors. Although large variations often reflect new policies or the other changes in the external environment, they are also influenced by changes in service provision.

⁴ Our Advisors can submit evidence forms if they come across a case which they think is particularly serious, new, or a good example of a wider problem.

- Over 25s receiving the NMW (sometimes because they were under 25 when they started employment), as opposed to the NLW
- Young people receiving apprenticeship-level wages despite not being part of a formal apprenticeship scheme
- Employers claiming that individuals worked fewer hours than they actually did
- Employers not paying for time spent travelling between assignments

If the NMW and the NLW are to achieve their aims in increasing the incomes of low earners, it is essential that they are adequately enforced. Many of the proposals made by the Government's response to the Taylor Review of modern working practices should help to achieve this⁵. In particular, they have announced the creation of a single enforcement body, which would be an opportunity to increase the resources put into ensuring employers pay the legal minimum. The Government have committed to extending proactive enforcement activity to holiday pay, and possibly Statutory Sick Pay, where non-compliance can also result in employees not receiving the minimum income they are legally entitled to.

We hope that the Government will take forward these plans as soon as possible to help tackle unfair treatment experienced by people at work.

Employment Progression and low pay

This consultation asks for evidence on how *employers* are seeking to improve productivity of their workforce, but is also important to think about the effect that low pay has on individuals. We have recently conducted an ethnographic study into how Universal Credit claimants make decisions about employment⁶. The early insights suggest that having either a low or unstable income can seriously reduce people's ability and motivation to progress in the labour market. Barriers were created by income instability from nontraditional employment (such zero hours contracts), low pay rates, and the design features of Universal Credit. We will be publishing the full results of this research later in the year.

For further information please contact Charles Smith (Senior Policy Researcher) at charles.smith@citizensadvice.org.uk or 03000 231146

⁵ Department for Business, Energy and Industrial Strategy and Employment Agency Standards Inspectorate, *Government response to the Taylor review of modern working practices* (2019)

⁶ Forthcoming study commissioned from Britain Thinks