

Minimum wage enforcement must adapt to a post-Covid labour market, says Low Pay Commission

Press release

LPC underpayment report sets out how the pandemic has created new challenges for compliance



The Covid-19 pandemic has left low-paid workers more vulnerable and businesses under greater pressure than ever before. This increases the risk of minimum wage underpayment and demands a proactive and strategic response from the Government. These are the conclusions of a report into compliance and enforcement of the National Minimum Wage (NMW), published today by the Low Pay Commission (LPC).

The report reviews progress in several key areas where the LPC has previously made recommendations. The Government has accepted over twenty separate recommendations from the LPC since 2017, but more remains to be done to build workers' confidence in the enforcement system; to support employers to comply with the rules; and to target HMRC's limited resources transparently and effectively.

Bryan Sanderson, Chair of the LPC, said:

Underpayment is a serious threat to the success of the minimum wage. The evidence we have heard, from workers and employers alike over the past year, leaves little doubt about the strains placed on low-paying sectors by the pandemic and the increasing risk of non-compliance.

The enforcement body has so far responded pragmatically to the challenges of protecting workers' rights during Covid, and we welcome Government's acceptance of our recommendations last year.

It is however clear that the effects of the pandemic will outlast the lockdown period and will require a disciplined but innovative management response. We hope that today's report makes a helpful contribution to that process.

The effects of the pandemic and the presence of the Coronavirus Job Retention Scheme mean it is not possible to produce statistical estimates of underpayment in 2020, comparable to previous years. Workers furloughed at 80 per cent of their normal pay may appear as underpaid in the data, but do not count as such for NMW purposes.

Today's report also reflects on the widely-reported problems of labour market abuses in the textiles industry in Leicester. Low Pay Commissioners have heard extensive evidence of issues in Leicester through the years, and recognise there are no simple solutions to the difficulties faced by enforcement bodies. The most common prescriptions are for closer engagement with local communities; top-down changes within the wider sector; and a sustained enforcement effort to shift deeply ingrained practices.

Notes for editors

1. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the level of the minimum wage. All recommendations are agreed unanimously by the Commission.
2. Today's report is the fourth stand-alone report the LPC has produced on compliance and enforcement. Previous stand-alone reports were issued in October 2017, May 2019 and May 2020. Before this, the LPC summarised the evidence it heard and made recommendations on compliance and enforcement as part of its main annual report to the Government.
3. The rates of the National Living Wage and National Minimum Wage increased on 1 April 2021, following LPC recommendations last autumn. More information on that increase can be found [here](#). The current rates are:

| | Rate from April 2021 | Previous rate | Increase |
|----------------------|----------------------|---------------|----------|
| National Living Wage | £8.91 | £8.72 | 2.2% |
| 21-22 Year Old Rate | £8.36 | £8.20 | 2.0% |
| 18-20 Year Old Rate | £6.56 | £6.45 | 1.7% |
| 16-17 Year Old Rate | £4.62 | £4.55 | 1.5% |
| Apprentice Rate | £4.30 | £4.15 | 3.6% |
| Accommodation Offset | £8.36 | £8.20 | 2.0% |

1. The most recent evidence on the number of workers underpaid was set out

in the LPC's 2020 non-compliance and enforcement report. This found that just over 440,000 workers were paid less than the NMW, which represented 21.5 per cent of workers 'covered' by the rates (paid at or within 5p of the minimum).

2. The Government published its remit to the LPC for 2021 alongside the 3 March Budget. In the remit, the Government asks the LPC "to monitor the labour market and the impacts of the National Living Wage closely, advise on any emerging risks and – if the economic evidence warrants it – recommend that the government reviews its target or timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects." The full remit letter is available [here](#).
3. The LPC is currently consulting on the minimum wage rates which will apply from April 2022. This includes questions on the enforcement regime. That consultation is open until 18 June 2021 can be found [here](#).
4. The National Living Wage (NLW) is the statutory minimum wage which applies for workers aged 23 and over. Different National Minimum Wage rates apply to 21-22 year olds, 18-20 year olds, 16-17 year olds and apprentices aged under 19 or in the first year of an apprenticeship.
5. The age threshold for the NLW was reduced from 25 to 23 on 1 April 2021, and will be reduced further to 21 by 2024. This follows a review of the structure of the National Minimum Wage youth rates and recommendations made by the LPC in 2019.
6. The National Living Wage is different from the UK Living Wage and the London Living Wage calculated by the Living Wage Foundation. Differences include that: the UK Living Wage and the London Living Wage are voluntary pay benchmarks that employers can sign up to if they wish, not legally binding requirements; the hourly rate of the UK Living Wage and London Living Wage is based on an attempt to measure need, whereas the National Living Wage is based on a target relationship between its level and average pay; the UK Living Wage and London Living Wage apply to workers aged 18 and over, the National Living Wage to workers aged 23 and over. The Low Pay Commission has no role in the UK Living Wage or the London Living Wage.
7. The current Low Pay Commissioners are: Bryan Sanderson, Professor Sarah Brown, Professor Richard Dickens, Kate Bell, Kay Carberry, Simon Sapper, Neil Carberry and Martin McTague.
8. Bryan Sanderson can be contacted via the Low Pay Commission's press office (07769 409706).

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