

# Thousands of companies in Britain flout national minimum wage laws

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A new report exposes the mass violation of minimum-wage legislation by ruthless employers seeking to increase levels of exploitation and boost profits.

The Resolution Foundation (RF) think tank's "Under the Wage Floor" is the result of an investigation "to explore the incentives for firms to comply with the National Living Wage/National Minimum Wage (NLW/NMW)."

It found that thousands of companies are flouting minimum wage laws, which are barely enforced by government bodies.

The RF was established in 2005 to study the living standards of low income earners in Britain.

According to its findings, approximately one-in-four workers over the age of 25 on the minimum wage were underpaid in 2019. While the rate of underpayment generally improved from 1999, this trend reversed during the last few years.

Approximately 11,000 companies, a very conservative estimate, underpaid their workers as of April 2018. This practice is probably more common in smaller companies, and ill-regulated sectors such as textiles, that are less strictly monitored.

The NMW is the legal minimum hourly wage an employer can pay a worker. The rate at a paltry £8.21 per hour for those over 25 years of age is below the poverty level. The rate is lower for younger workers, falling by nearly half to £4.35 per hour for under-18s.

Around 7.3 percent of workers (2 million people) are paid at or below the minimum wage.

Minimum wage legislation was introduced by the Tony Blair's Labour government in 1998, resulting in a levelling down of incomes and forced many into low-paid work. It aimed to reduce welfare budgets by making people ineligible for means-tested work benefits. The current rate is below Britain's competitors, strengthening UK corporations against their global rivals and serving as an important lever to attract foreign investment.

Companies, particularly in labour-intensive sectors such as childcare, seek to pay the lowest wage possible to maximise

profits for executives and shareholders. Firms cheat workers out of their earnings using various methods, including deliberate shortfalls in their pay packets, extending working hours, cutting expenses payments, and setting unrealistic productivity targets.

The tiny number of firms caught receive a slap on the wrist. Employers found guilty simply repay the wages in arrears and receive no punishment.

The report notes that, "Of the several thousand firms that have failed to pay the minimum wage over the last twenty years, only 14 have been criminally prosecuted, incurring an average fine of less than £3,000 each."

These paltry fines prove a poor deterrent. The report states: "In practice, however, firms rarely suffer significant financial loss if they are found to have breached the NMW. Employment tribunal records suggest that since 2017, just one of the 141 firms found to have underpaid the minimum wage was subject to a financial penalty in addition to repaying the arrears owed." The national average penalty levied is only 90 percent of the value of the stolen earnings, far below the maximum fine of 200 percent.

Company directors found flouting the law are treated with kid-gloves, the RF found. "In the 20 years since the introduction of the minimum wage, there have been only a handful of prosecutions or disqualifications of individual directors, and only limited criminal fines levied even for the severest of violations."

This stands in stark contrast the punitive treatment handed down to workers who threaten strike action, are homeless, fall short of draconian welfare benefit requirements or otherwise fall victim to British class justice.

The routine violation of minimum wage regulation is part of a much broader disregard for basic workers' rights, such as statutory holiday pay entitlements and overtime pay.

In 2016, the Conservative government increased the NMW to match the so called "living wage" needed to cover typical basic costs to survive. The present government's stated aim is to raise the NMW to equal two-thirds of the median wage (i.e. just above poverty level) by 2024. This means little

when the living wage is set to an unrealistically low level.

UK workers have suffered the largest fall in real wages amongst advanced countries, excluding Greece, since the 2008 financial crisis.

Prime Minister Boris Johnson announced an above inflation rise in the NMW to just £8.72, to be implemented in April, “provided economic conditions allow” and in the context of draconian attacks on the public sector and welfare benefits. Basic pay in the UK will remain at rock bottom for an entire generation of workers to come. Chancellor Sajid Javid proposes the minimum wage finally reach the sum of £10.50 an hour by 2040.

The Tory’s token NMW rise faces strong opposition from big business given prevailing economic uncertainty and desire to defend their super-profits. The cost of any wage increase in any case will be clawed back from the working class in terms of price rises, inferior conditions, job losses and reduced training and equipment budgets. Many employers will simply avoid paying the new NMW, as the RF reports outlines.

The Labour Party and trade unions offered a tepid reply to the RF report, hypocritically calling for an increase in the minimum wage and further help for those on low pay.

Trades Union Congress general secretary Frances O’Grady said, “This is a long-planned raise, but it’s also long overdue. Workers are still not getting a fair share of the wealth they create. And in-work poverty is soaring as millions of families struggle to make ends meet.”

What she will not say is that it is the trade unions, who have isolated and betrayed every dispute over pay and jobs for decades, that are primarily responsible for successive governments being able to prime the UK as a low wage economy.

Labour Shadow Work and Pensions Secretary Margaret Greenwood declared: “This announcement falls short of what is needed to help workers. It comes against a backdrop of an economy created by successive Conservative governments, which has left millions of people trapped in low paid, insecure work over the last decade. Underpayment of the minimum wage is on the rise.”

Labour is equally responsible for poverty wages, working to suppress the class struggle alongside the unions whether under the leadership of Tony Blair or Jeremy Corbyn.

Any small gains in wages are offset by increased precarious working conditions, with the advent of the “gig economy” featuring zero-hours contracts, part-time work and unpaid internships. Combined with technology and automation, the super-exploitative practices pioneered by Amazon are used to attack workers’ rights across the board.

This is the grim social reality concealed by low official unemployment figures.

Such conditions are driving large increases in in-work poverty, and in-work homelessness. The much-vaunted 2020 target to eliminate child poverty, which is predicted to reach record levels in coming years, has been quietly ditched.

Wage underpayment, lax regulation and various forms of corporate criminality are different aspects of the rise of social inequality to unsustainable levels.

The theft of wages is part of the wholesale transfer of wealth from the working population to the financial aristocracy that was the response of the ruling class to the 2008 financial crash, when governments of all political stripes turned to austerity to safeguard the profit system.

This was preceded by decades of reactionary, pro-business policies implemented as part of a social counter-revolution that saw the transformation of ruling classes across the world into an increasingly irresponsible kleptocracy.

The RF offers no solution to the increasing impoverishment of the working class or criminal practices of companies that consistently underpay their workforce. The report merely calls for government measures to increase the detection rate of non-compliance with the NMW and strengthen the punishment for firms who break the law—appealing to the very forces that defend low wages in order to maximise the burgeoning profits of big business.

NMW laws implemented within the framework of capitalist private property and the anarchy of the market cannot meet the basic social needs of the working population. The rights of workers for a high standard of living and social equality will be guaranteed only when society’s wealth is taken out of the hands of the global elite and used for need not profit.



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