Scottish Affairs Committee

Oral evidence: Compliance with the National Minimum Wage in Scotland, HC 393

Wednesday 25 June 2014

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Watch the evidence session

Members present: Mr Ian Davidson (Chair); Mike Crockart; Jim McGovern; Graeme Morrice; Pamela Nash; Lindsay Roy

Questions 1 – 139

Witnesses: **David Norgrove,** Chair, Low Pay Commission and **Tim Butcher**, Deputy Secretary and Chief Economist, Low Pay Commission, gave evidence.

Q1 Chair: Gentlemen, welcome to this meeting of the Scottish Affairs Select Committee. For a period, we have been pursuing a number of issues relating to employment. We started off looking at health and safety and then got diverted into blacklisting. We have been pursuing zero-hours contracts, and we are obviously interested in the national minimum wage, particularly questions of enforcement, underpayment and the like. You are it today; you are kicking off our inquiry into this sub-area of employment. Can I start off by asking you to introduce yourselves for the record and say what your position is in whatever organisation you are part of?

David Norgrove: I am David Norgrove. I chair the Low Pay Commission, and have done for the last five or six years.

Tim Butcher: I am Tim Butcher, the deputy secretary and chief economist at the Low Pay Commission.

Q2 Chair: Can you give us an estimate of how many people you believe are illegally not being paid the national minimum wage in the UK, and, if possible, in Scotland? What issues are there around giving that figure?

David Norgrove: That kind of question is always very difficult to answer, because people who do not observe the law are generally not very open about the fact. You can measure the proportion of people who are paid below the appropriate minimum wage rate. Depending on the survey and how it is done, it comes out at between 0.6% and 0.8% of the relevant population. Scotland is more or less in line with that UK average. I think that in the last survey it was around 0.7%. But you cannot say that that is the proportion of people who are not being paid the minimum wage, because there are various reasons why they might be paid less than the minimum wage—for example, the fact that employers are allowed to offset what they pay for accommodation, within a specified limit, against the amount they pay for the minimum wage. That kind of deduction, and one or two other things, means there might be reasons why, when people are asked what they are paid, they declare less than the minimum wage. When you make allowances for that—we have looked at one or two individual sectors—although these are quite crude and difficult numbers, they might explain about half that difference, so you end up with 0.3% or 0.4% as the proportion of people not being paid the minimum wage. That sounds and feels much too low to us. When we go around the country and talk to CABs and employees, and look at HMRC's experience, it suggests that the numbers are higher than that.

How much higher? That is difficult to estimate. An academic did a study of the social care sector and came out with a figure of about 10% of people not being paid what they are due. You get to that by observing that in the social care sector quite a lot of people are paid just above the minimum wage. If they are not being paid, for example, for the travel time they are entitled to, it takes them below it, so you make an estimate of how many people might go over that boundary, but for a lot of sectors that is quite hard to estimate. The answer is that we do not really know, but it is higher than the numbers you come out with when you do surveys.

Q3 Jim McGovern: You said that an academic had done a survey. Who is this academic?

David Norgrove: I can't remember her name.

Tim Butcher: Dr Shereen Hussein from King's College London.

David Norgrove: She did a special piece of work on social care. What we do know is that there are certain sectors and types of people who are most vulnerable to not being paid the minimum wage: apprentices, hotel cleaners, cleaners generally, hairdressing, which is a bad case, and migrant workers, particularly illegal migrant workers who are most vulnerable to being exploited. Interns would be another kind of person where there has been a real problem. We have pointed to those kinds of problems over the last few years and encouraged HMRC to focus on those areas in their enforcement work.

Q4 Chair: We have in front of us a chart from your annual report—for the benefit of colleagues, it is figure 2.3—which tends to indicate that there is a lower percentage of minimum wage jobs in Scotland than in England, Wales or Northern Ireland. Particularly at the present time with the referendum running, there is a traditional sense of girn and grievance in Scotland. Some people always think they are worse off than everybody else, but this would tend to indicate that actually we are not, and we have fewer people working on the minimum wage, or just above it, than any other part of the UK, except the south-east and London. Are you sure these figures are right?

David Norgrove: They are as good as the surveys that are carried out by the Office for National Statistics. They are quite large samples. I do not think we have any reason to doubt them. There is a margin of error, but the difference is quite substantial, certainly if you look at Scotland and Wales.

Chair: The Welsh figure is almost 50% higher.

David Norgrove: Yes.

Q5 Pamela Nash: Following on from the Chair's question, could you tell us a bit about which sectors are mostly associated with low pay and non-compliance with the national minimum wage? Does it change throughout the country, or is it the same throughout?

David Norgrove: The two largest sectors by far where people are paid the minimum wage are hospitality—pubs, clubs and that kind of thing—and retail. Then you have quite a range of other smaller sectors. I have mentioned some of them: social care and hairdressing. Then you think about the sizes of businesses and the type of people who are most associated with the minimum wage. Typically, the minimum wage is more associated with small businesses than with larger ones, with part time rather than full time and with women rather than men.

Q6 Pamela Nash: Is that low pay or compliance?

David Norgrove: That is low pay. In terms of compliance, very often you get more absolute numbers who are not being paid the minimum wage, or being found by HMRC, where there are more people in the first place who are being paid the minimum wage. With hospitality, hotel cleaning has been a real problem; people have been paid by the room and not paid enough, or the assumption about how long it takes to clean a room has been too low so they are on piecework and they end up being paid less than the minimum wage. I do not think I have anything much to add to that answer.

Q7 Pamela Nash: Are there any differences between the sectors that are more likely to be low paying and national minimum wage compliance? Are the guilty parties the same sectors, or do they differ?

David Norgrove: In terms of proportions, HMRC would probably be better people to answer this than me. Hairdressing is bad, particularly for apprentices. I think that in the last survey about 70% of apprentices in hairdressing were not being paid the minimum wage. Tim, do you want to add anything?

Tim Butcher: Non-compliance is more prevalent in social care, hairdressing, child care and nurseries.

Q8 Pamela Nash: I think one of my colleagues is going to explore that further. The Chair mentioned that Scotland has fewer minimum wage jobs as a proportion of jobs than the rest of the country. You said that was based on ONS figures, but is there any evidence as to why that is the case—why Scotland has fewer minimum wage jobs?

David Norgrove: When you look at where Scottish employment is rather than English employment, it is a sectoral thing. My understanding is that when you look at that you see a lot of small differences. You cannot say there are far fewer people in hospitality proportionately in Scotland than there are in England and Wales; it is just little bits across the piece.

Q9 Chair: You mentioned hotels, in particular room cleaning. Does that tend to be individual hotels or chains? Is it a matter of policy across a big chain?

> ***David Norgrove***: Occasionally, some household names in big chains have not been observing the rules.

Chair: You cannot tell us who those are.

> ***David Norgrove***: I cannot.

Chair: But you know.

> ***David Norgrove***: I do not even know them. That is what I have understood from HMRC. HMRC are also bound by confidentiality, unless those people have been named and shamed.

Chair: I am just pursuing the question of how you know that. HMRC have told you that there are chains, but they have not told you who the chains are.

> ***David Norgrove***: That is right. There has been more than one TV programme that has explored this.

Chair: I do not see everything that is on TV, so I must have missed it. Goodness me. We will speak very severely to the staff about that; obviously, they have not been watching enough television to be able to tell us what company was named on the TV programme. Nobody here has been watching television; we are all glued to our desks.

> ***David Norgrove***: We are all equally ignorant about it.

Q10 Graeme Morrice: I think the report mentions a hotel in Edinburgh that was named and shamed, so we can read that. Going back to the figures you gave for hairdressing apprentices, for 2012 the percentage of non-compliance was nearly 70%, which is a big increase on 2011, when it was nearly 50%. Why would that be the case in hairdressing in particular?

> ***David Norgrove***: Hairdressing is a tricky business, because it is thousands of small businesses with no large chains, so they are all individual employers. They came under pressure during the recession and the downturn; people have to have their hair cut, but they have it cut less often, so there is a lot of economic pressure. They would say that the minimum wage has gone up steadily, and they have not been able to put up their prices. That is no excuse for not paying the minimum wage, but that is the kind of answer they give. For example, people stop being employed and have to rent a chair in a hairdresser. Traditionally, apprentices—young people—sweep the floors for a couple of years before they start learning the trade, and when the price goes up they get sacked in some places. There are some good employers but also some pretty bad ones out there. There is a whole host of reasons, but economic pressure is part of it.

Graeme Morrice: My hairdresser in Broxburn put up his price by 50p. As you can see, it is clearly still value for money.

Jim McGovern: When were you last there?

Q11 Graeme Morrice: Three weeks ago.

I take it there is no excuse that they do not know the law of the land and the rates of pay for apprentices.

> ***David Norgrove***: Some would say they do not know. I think there is an issue. It does not explain much of the problem. It explains the difference between hairdressers and other people, but there is definitely a problem of awareness, and the structure of the apprentice rate is reasonably complicated. It is not rocket science, but getting it into people's heads has been a challenge.

Q12 Graeme Morrice: Ignorance of the law is no defence. I am sorry if I am poaching someone else's questions, but what effort is made by the powers that be to ensure that people such as hairdressers, accepting the fact that a lot of them are just small private businesses, are aware of their obligations under the law?

> ***David Norgrove***: We would say as a commission, not enough. The amount of publicity for changes in the structure of the rates and the new rates has been reduced. The BIS website used to put this stuff out, but the amount of material has been cut back drastically since going on to GOV.UK. What is on GOV.UK is very clear, but it is pretty basic and is not publicised enough.

Q13 Mike Crockart: I want to ask a question on the statistics about where the minimum wage jobs are. You mentioned internships. Unpaid internships are an area I have been particularly interested in. Do you have any idea of the numbers of unpaid internships, and whether that skews the statistics? The sectors that seem to be most engaged in unpaid internships are fashion, culture, journalism, media and marketing, where there is a greater preponderance in London and the south-east. Is that potentially skewing the figures?

> ***David Norgrove***: I do not think so, because they would not be picked up in the survey.

Q14 Mike Crockart: That is my point. Is the absence of them skewing the figures to make them lower?

> ***David Norgrove***: But they are higher in England.

Mike Crockart: Exactly.

> ***David Norgrove***: It depends on which number it is. It does not affect the 0.6% to 0.8% I talked about, because they would probably be excluded from both the numerator and the denominator, but if we were measuring it accurately, the 0.6% would then go up. If they were cast as being employed in the survey, the 0.6% would go up. If that is the thrust of your question, I agree.

Q15 Lindsay Roy: To use a Scottish phrase, if you didn't know then, ye ken now. Whose responsibility is it to provide basic information to employers about the national minimum wage?

David Norgrove: It is a responsibility of BIS.

Q16 Lindsay Roy: What dialogue have you had with them about improving their efficiency and effectiveness?

David Norgrove: Of communication?

Lindsay Roy: Yes.

David Norgrove: We regularly urge that more material be made available to employers. We have had complaints from employers' organisations that, for example, the calculator they used to have on the website to help them calculate the minimum wage has disappeared; details of piecework calculations and those kinds of things have been reduced. Gradually, we are getting it back on to the website, but it is taking quite a lot of effort.

Q17 Lindsay Roy: What response have you had from BIS?

David Norgrove: In principle, I think BIS is supportive but it is a matter for the whole of Government; it is a matter for the control of GOV.UK.

Q18 Lindsay Roy: I think that in principle we are all supportive, but what about in practice?

David Norgrove: In practice they do, but it is not entirely in their hands.

Q19 Lindsay Roy: In whose hands is it?

David Norgrove: Those who are responsible for GOV.UK; they control the information that goes on to the website. I think it is the Cabinet Office.

Q20 Lindsay Roy: Is that not an issue between Government Departments?

David Norgrove: Yes.

Q21 Lindsay Roy: Has pressure been put on the Cabinet Office to deal with it?

David Norgrove: Yes.

Q22 Lindsay Roy: To what effect?

David Norgrove: I have written to the Cabinet Office about it, too. We are making progress, but I would like to see more.

Lindsay Roy: It is something that I will raise in another Committee.

Q23 Chair: Would you be able to send us copies of the correspondence you have sent to BIS and the Cabinet Office about that?

David Norgrove: Yes.

Q24 Lindsay Roy: Can I move on to social care? It seems to be quite a big sector in this respect—HMRC estimate that about 200,000 people may be below the minimum wage. Are you aware of that?

David Norgrove: I am not familiar with the 200,000 number.

Q25 Lindsay Roy: I think it was a configuration from an estimate of 30 non-compliant firms and 3,260 employees. It seems to be a very big sector.

David Norgrove: It sounds to me like a pretty odd thing to do—to extrapolate from a small sample of firms where you have found a problem and say that you would find the same proportion of non-compliance if you looked across the whole sector.

Q26 Lindsay Roy: That is one of the biggest problems, is it not? We do not have an accurate estimate at all.

David Norgrove: Yes. It is like non-payment of tax; it is a very difficult thing to estimate.

Lindsay Roy: It is purely notional.

David Norgrove: You do what you can through surveys and talking to people, but putting numbers on it is very hard.

Q27 Lindsay Roy: Do you agree that doing what we can at the moment is not good enough?

David Norgrove: You can only do what you can.

Lindsay Roy: You can make it a higher priority.

David Norgrove: Even if you make it a priority, it is a struggle to know what you do. I do not know how in practice anybody could go out there and establish what the rate of non-compliance is across the country. Apart from anything else, very often employees do not want to say they are not being paid the minimum wage. If they are worried about their jobs, they will not tell you.

Q28 Lindsay Roy: Is it an insoluble problem?

David Norgrove: If you could establish accurately the hours everybody worked and you looked at their PAYE records, you could get to it, but you would have to do it for every employee in the country and you would have to be sure that what you were being told about the number of hours they worked was accurate. Very often it is not accurate. With all the will in the world, I do not know how you do it.

Q29 Lindsay Roy: Is this a defeatist approach, that there is nothing we can do about it?

David Norgrove: No; it is just saying that having confidence about a number is probably impossible.

Lindsay Roy: We should expect confidence from the Government in terms of national statistics.

David Norgrove: But confidence about a number on something that is illegal is inherently very difficult.

Lindsay Roy: I understand that. We are told there is a high rate of non-compliance in the social care sector. They tend to be bigger employers than the hairdressing business, for example.

David Norgrove: Yes.

Q30 Lindsay Roy: What are the Government doing to tackle that?

David Norgrove: We have raised this with Government a number of times. Government have published guidance for local authorities. In England at any rate, they are now consulting about statutory guidance for care providers. I think it is a function of two things. It is partly down to local authorities' commissioning practices, which are not always very efficient. We went to one area where the local authority had let contracts to far too many firms for the size of the area, so the contract was really too small for it to be economic. They had not planned which firm was going to be where, so you ended up with care workers criss-crossing the area very expensively and inefficiently.

The other thing is that too many local authorities are letting contracts at rates that do not allow the minimum wage to be paid. That does not excuse the firm accepting a contract that does not allow the minimum wage to be paid, but the economic pressure is very substantial in quite a lot of areas.

Q31 Lindsay Roy: Where you have found local authorities not complying with the legislation, what has been done about it?

David Norgrove: We cannot say that that authority is not complying with the legislation. All we know is that those care providers are telling us that they are under great economic pressure. It is for HMRC to take action.

Q32 Lindsay Roy: What has been done to investigate that?

David Norgrove: HMRC have made the social care sector a priority in terms of investigation.

Q33 Lindsay Roy: Why has a separate piece of legislation been proposed in relation to social care that applies to the national minimum wage across the board?

David Norgrove: I think social care is a devolved matter for Scotland, so the statutory consultation applies only to England.

Q34 Lindsay Roy: "Statutory" and "guidance" do not sit well together, do they? If it is statutory, it has to happen.

David Norgrove: You are getting into an area about the relationship between central Government and local authorities that is beyond me. It is not something I am familiar with.

Lindsay Roy: Is it something you have challenged?

David Norgrove: That I would challenge? No. I am sure that it has been carefully thought about by the Department of Health. It is not something for me.

Chair: You are too modest. I would have thought that, if something was clearly an identified difficulty, you could be making a recommendation about it.

David Norgrove: We have made recommendations to Government about social care. If the question is whether Government can force local authorities to pay more to social care providers, yes, of course they can. What we have recommended is that local authorities should be expected to put on their websites how they calculate the true cost of the social care being provided, so that people can see that the national minimum wage has been fully taken into account in setting the rates.

Q35 Lindsay Roy: Are you saying that is not happening at the moment?

David Norgrove: It is not happening at the moment.

Lindsay Roy: You have urged that it should happen.

David Norgrove: Yes, and we are going to urge again that it should happen in response to the consultation that is going on at the moment.

Q36 Lindsay Roy: Why do you think there are so many complaints about non-payment of the national minimum wage in social care?

David Norgrove: For the reasons I have given. Social care providers are under a lot of pressure from what is paid by local authorities, and too many of them are responding by not paying the minimum wage.

Q37 Lindsay Roy: Is there an issue around travel?

David Norgrove: Yes, but it is not just travel. There is travel time and there are payments for uniforms and training and one or two other things.

Lindsay Roy: Are they legitimate reasons?

David Norgrove: No. They should not be deducted from the minimum wage, and people should be paid for their travel time as a matter of legislation.

Q38 Lindsay Roy: What kind of link have you found between non-payment of the national minimum wage and zero-hours contracts?

David Norgrove: There is some evidence that firms with zero-hours contracts are more likely not to pay the minimum wage. I think we were one of the first to raise the issue of zero-hours contracts in one of our reports a few years ago, and we have raised it in every report since. It is a real concern.

Q39 Lindsay Roy: Have you evidence of a local authority not funding it appropriately to pay the national minimum wage?

David Norgrove: When we are told the rates at which local authorities are letting contracts, it is clear from some of those rates that it would be well-nigh impossible for the people who accept the contracts to pay the national minimum wage.

Q40 Lindsay Roy: Why is nothing being done about it?

David Norgrove: That is where HMRC's role comes in. They have to find evidence that the national minimum wage is not being paid and follow it up.

Lindsay Roy: They have found that in 30 businesses involved in social care provision.

David Norgrove: The hit rate in social care has gone up steadily.

Lindsay Roy: With care providers, but not local authorities. How many local authorities have they found in default?

David Norgrove: The local authority is not breaking the law.

Q41 Chair: I am not sure I entirely followed your point that there was not, but there should be, a requirement for local authorities to put on their websites the way in which they had constructed the tender level—the financial level—that they were paying. Did I understand that properly?

David Norgrove: Yes.

Chair: You are saying they should have a formula; it should be clear and spelled out on their website, so that anybody looking at it would be able to identify whether or not there was a framework that allowed the national minimum wage to be paid.

David Norgrove: Yes.

Chair: Would that not cut across commercial confidentiality? Is that not an argument that would be raised against it?

David Norgrove: It might be, but Government have recommended that local authorities should take proper account of the cost of providing social care in letting tenders, whereas the evidence is that very often local authorities are just letting tenders where they put it out and give the contract to the lowest bidder. In those circumstances, given the pressures, it causes ever more unrealistic bids. We have been told more than once that local authorities have said, "You can bid anything you like provided it is less than x," and x, clearly, is too little for the minimum wage to be paid. Several local authorities have been taken to judicial review about that, but it has not stopped the process elsewhere.

Q42 Chair: We are the Scottish Affairs Select Committee. You cover the whole of the UK, and I wondered whether or not the legislative framework was any different in Scotland, or is there anything we ought to be aware of relating particularly to Scotland?

David Norgrove: It is a devolved matter. It occurred to me in preparing for this meeting that we have not raised this with the Scottish Administration. I am sure they are aware of it, because it is in our reports, and the evidence seems to be that there is as much of a problem in Scotland as there is in England and Wales.

Q43 Chair: Why have you not raised it with the Scottish Government?

David Norgrove: We probably should have done.

Chair: That is just an oversight.

David Norgrove: Yes.

Q44 Pamela Nash: Are you now intending to contact the Scottish Government?

David Norgrove: I think that would be a good idea.

Q45 Jim McGovern: I just want it to be put on record that, if I understand this correctly, some local authorities are deliberately giving contracts knowing that the employers are crooked.

David Norgrove: No, I think that is overstating it. I think they look at their books and say to themselves, "This is the demand we foresee for social care next year. We've had cuts. Therefore, we have to cut the rates we pay providers. All we can afford is x." They say, "You can bid whatever you like provided it is less than x."

Q46 Jim McGovern: But they are knowingly giving contracts to companies that they realise are not complying with the law.

David Norgrove: I have not come across any evidence of that.

Jim McGovern: I think you have just said that.

David Norgrove: I did not quite say that.

Q47 Jim McGovern: It is a race to the bottom, isn't it?

David Norgrove: There are certainly areas where you get the sense that there has been a race to the bottom. I would not want to accuse anybody of deliberately behaving illegally.

Jim McGovern: How would you put it? Are they turning a blind eye to it?

David Norgrove: It is more that they all want to convince themselves that what they are doing is right, I suspect. It is the rock and a hard place problem. What they truly believe when they're lying in bed at 3 o'clock in the morning I would not want to predict.

Tim Butcher: Social care is a very complex issue. A lot of local authorities let contracts for 15 or 30-minute visits. Those contracts are let for that visit—the time it takes to look after that person. The local authority does not really take into account where the carer has come from; the visit could be from a home in one part of a local authority to one in another part of the local authority, or it could be next door. If it is next door, there is no travel time and, therefore, the contract is probably perfectly fine, but if the next care visit is on the other side of town and it takes an hour to get there, that is when there are problems. In terms of the local authority letting the contract to the care provider, they are paying £9, £10 or £11 an hour—far more than the minimum wage—and they think that is fine, but once you start allowing for uniforms, travel expenses and travel time it comes close to whether or not the minimum wage is being paid. That is where the complexity is, and where there is a difference between what local authorities do and what care providers do, because it is the care providers who are responsible for making sure their employees are paid above the minimum wage.

Jim McGovern: When it comes to care provision the local authority does not care; it is just whatever is the cheapest.

Tim Butcher: They have their own commissioning policies.

Q48 Chair: Mr Norgrove, I confess that I am having difficulty in following some of your evidence. I thought you were saying to us earlier that you wanted the local authority to publish the basis on which it constructed the tenders it sought, because at the moment some of the contracts it is letting do not allow for the payment of the minimum wage.

David Norgrove: They are too low to realistically pay the minimum wage.

Chair: In that case, the local authority must know that and must understand that the people who get these contracts cannot possibly meet the national minimum wage. Therefore it is complicit.

David Norgrove: I suspect that people kid themselves, don't they? People kid themselves about a lot of things.

Chair: But these are not stupid people. I have met a lot of people in local authorities that I might not like, but they are not stupid.

David Norgrove: They are not stupid, but they themselves are under huge economic pressure to deliver more with less.

Chair: I understand that. That explains why they do it, but it does not establish that they do not know. As Lindsay said, they ken fine and they're prepared to condone it, because they do not see that they have any alternative. I understand that and I sympathise with that position, but the fact is, is it not, that they are wilfully letting contracts that they know cannot be fulfilled without breaking the minimum wage legislation?

David Norgrove: I would not be at all surprised if they say to the provider, “Can you pay the minimum wage on this rate?” and if the provider wants the contract, the provider will say, “Yes, I can pay the minimum wage.”

Chair: If you are not stupid, you know they are lying.

David Norgrove: Yes, but, once they have been told, they have every incentive to cover themselves.

Chair: They have covered their behinds, or any other part of their anatomy that they wish to have covered, and maybe they get it in writing. I understand that, but they know that the guy who said that to them is not telling the truth.

David Norgrove: In their heart of hearts, I suspect some do.

Chair: That is helpful.

Q49 Graeme Morrice: I would be very disappointed if local authorities were acting in that way. The bottom line is that they have a duty of care, and in terms of awarding contracts it is not just about the lowest price; it is about best value, which also looks at aspects of quality. They need to do a full evaluation of that. Do you have any examples of local authorities that have been made aware of contracts they issued to companies where it has been found, or evidence has been brought to the local authority’s attention, that the national minimum wage has not been implemented, and therefore they have withdrawn the contract?

David Norgrove: I am afraid I do not know. I have not come across those cases. We work at a more macro level, and typically do not get involved in individual cases like that.

The Committee’s questions are pushing at an open door. We have been very concerned about this for the last three or four years. I have written a number of letters about it to the Department of Health and others. I think we have had some effect in raising it up the Government’s agenda. It is a real concern, and it was one of the things in our last evidence to the Government. The pressures on social care are one of the reasons constraining faster growth of the minimum wage.

Q50 Chair: To be fair, we understand that you are not the bad guys in this, but you are here. Therefore, it is reasonable for us to press these points with you.

David Norgrove: I am not disagreeing with that. That’s fine.

Tim Butcher: Although we have not got evidence of companies being non-compliant, we have evidence of companies pulling out of the market. For example, Sue Ryder pulled out of the market for residential care last year because it said it could not pay the minimum wage at the fees offered. There are companies that are taking a stand by coming out of the market.

Graeme Morrice: That is useful.

David Norgrove: Chair, did you miss the name?

Tim Butcher: It is the charity Sue Ryder.

Chair: The staff are telling me that they got it. That is what they are there for.

David Norgrove: We had a box in our last report which set out the detail of that.

Chair: Thanks.

Q51 Jim McGovern: I served an apprenticeship in the construction industry, and I can well remember my first week as an apprentice. I was told that the wage was £7.80 and somebody else told me that it should be £11.90. I took it up with the employer—obviously, I was a rabble-rouser from day one—and it turned out that it was £11.90 and they had to pay me that. Way back in the mid-1970s, apprentices' wages were negotiated and agreed, so how can construction industry employers abuse apprentices by paying them under the national minimum wage?

David Norgrove: People are desperate for jobs in some areas, and some employers would claim after the event that they did not know the rules. Sometimes the rate being paid appears to add up to a sensible weekly amount but the hours are being under-declared, so people are working more hours than are being declared on the pay forms and are being paid below the real rate.

Q52 Jim McGovern: I am not quite sure I follow that. Say, for example, that the average working week in the construction industry is 37 hours and an apprentice works 37 hours. Could they be paid under the national minimum wage?

David Norgrove: If they are being paid the rate, no; that would be fine. The trouble is when they work 40 hours and are paid for 37 hours.

Q53 Jim McGovern: Presumably, that is illegal.

David Norgrove: That is illegal, but that is the sort of thing that happens.

Q54 Jim McGovern: You advise the Government. What are the Government doing about it?

David Norgrove: That is why we encourage proper expenditure and support for HMRC's efforts to enforce the minimum wage.

Jim McGovern: It is not working completely at the moment.

David Norgrove: No, but it never will. The question is, how can we make it work better? HMRC's efforts—perhaps we will come on to this—have improved, but I am sure there is more to be done.

Q55 Jim McGovern: In terms of apprenticeships, there seems to be some sort of system out there whereby you do your first year of apprenticeship and the next year you repeat the first year of apprenticeship and get the same wage. When I was an apprentice you did a four-year apprenticeship and your wage went up every year. There now seems to be some sort of system where you do a year and in what should be your second year you go back to the first-year rate. Is that legal?

David Norgrove: Not as I would see it. If you are on the minimum, after the first year, and once you hit 18, you go on to your age-related rate. You should be on the age-related rate after the first year.

Jim McGovern: You mean at 18.

David Norgrove: Yes.

Tim Butcher: Up to the age of 19. There is an apprentice rate that is the same potentially for all three years of your apprenticeship, but it is a minimum apprentice rate. Employers can pay more if they want to.

David Norgrove: And mostly they do.

Tim Butcher: Mostly they do.

Jim McGovern: But they should not be allowed to pay less.

Tim Butcher: It is not allowed to be less.

Jim McGovern: But some are.

David Norgrove: Some are paying below the rate, and compliance for apprentices has been particularly difficult.

Tim Butcher: The problem with compliance with apprentice rates is that traditionally apprentices are paid per week. Under the law, the hours in training off work—the hours at college—should also be paid at the hourly rate. That is where some of the underpayment is occurring. Say you have four days at work. The employer pays you for those four days; he does not pay you for the day you are at college, but he should, because that is the law.

Q56 Jim McGovern: Is that a loophole that should be closed?

Tim Butcher: It is for apprentices to highlight that to HMRC. If their employers are not paying them, HMRC can prosecute employers who are breaking the law.

Q57 Jim McGovern: I had to go to college when I was an apprentice and I got my day's wages. It was paid leave for training. Presumably, that is what should happen.

David Norgrove: Yes.

Tim Butcher: That is what should happen.

Jim McGovern: In many cases it is not happening.

Tim Butcher: That is not always what is happening in practice.

David Norgrove: The last survey showed that, on average, depending on which rate you took at the time—the survey was done just at the time the rate was changing—between 25% and 40% of apprentices were not being paid the appropriate rate.

Q58 Jim McGovern: That is something you and your organisation are trying to address.

David Norgrove: There is another survey this year. I do not think it includes Scotland—I think Scotland declined to take part on apprentice pay. We will look at whether or not that first survey was accurate. In the meanwhile, we recommended to the Government that because compliance was so low the apprentice rate should not go up. There was no point in increasing the apprentice rate when so many people were not observing it. In fact, it went up by 1% that year. Alongside that, we recommended, and the Government accepted the recommendation, that there should be much more effort put into enforcing the rate for apprentices, together with greater publicity around the apprentice rate. That has been happening; HMRC have been giving that area priority. It remains to be seen from the survey whether that is having any effect.

Q59 Jim McGovern: There was so little compliance that it did not seem worth while pursuing it.

David Norgrove: No; compliance was definitely worth pursuing. Compliance is absolutely critical.

Jim McGovern: But there was no point in looking for an increase because there was so little compliance.

David Norgrove: We took the view that it was a bit like motorway driving. The analogy begins to break down, but compliance was so low that it was better to get the compliance rate up and the breaking of the law down before we increased the rate further.

Jim McGovern: So everybody suffered.

David Norgrove: Not everybody; it would be a tiny number of people, but adding to the problem was not the right thing to do at that stage.

Q60 Jim McGovern: I am interested in what you said about Scotland not wanting to participate. This is the Scottish Affairs Select Committee. Could you provide some sort of evidence as to why Scotland said they did not want to participate?

David Norgrove: I do not know why they said that. Scotland did not take part in the last survey either. We wanted to have a nationwide survey, but Scotland declined to be part of it.

Q61 Jim McGovern: Is this the Scottish Government?

David Norgrove: Yes.

Jim McGovern: Do you have some sort of evidence that you can provide to the Committee to confirm that?

Chair: We will get the staff to pursue that with you to clarify who said what to whom.

David Norgrove: This year it is going to be a UK-wide survey without seeking the authority of Scotland.

Tim Butcher: It has not been done yet; it is still in the process of being done.

David Norgrove: I see, so there is no decision for this year yet.

Chair: But last year's survey was a UK-wide one without Scotland participating.

Tim Butcher: Northern Ireland did not participate either.

Q62 Chair: They had the opportunity to opt out. Did the Scottish Government give any reason?

Tim Butcher: They had the opportunity to opt in. Because it's devolved, the trouble lies in getting access to apprentices; only the devolved Governments have the names, colleges and contact details for those apprentices.

Q63 Chair: Did they give any feedback as to why they were not participating?

Tim Butcher: The feedback from Scotland was budgetary reasons.

Q64 Chair: Can I come back to the point that surprised Jim? It surprises me as well. You seemed to be saying that, because so many people were breaking the law and not paying the apprenticeship rate, you decided to go along with that and not increase the rate. Did I hear that correctly?

David Norgrove: You did hear that correctly, and, with hindsight, I am not sure we were right. It might have been better to have recommended a very modest increase for the small number of people who would be affected by it, but to focus on compliance.

Q65 Chair: Surely, while there is a degree of overlap, compliance and the rate that should be established, taking account of objective reality, are not mutually dependent.

David Norgrove: As I say, probably we were wrong.

Q66 Chair: Can I come back to the question of whether or not the system of payment for apprentices is just too complicated? It is a constant dilemma. On the Committee of Public Accounts there was a constant issue about the extent to which you simplify and have a bit of rough justice, but people can understand the system, or to what extent you make the system much more complex and elaborate to try to take account of every eventuality. We tended to be much more strongly in favour of simplicity because it was comprehensible, even though, yes, there was an element of rough justice. Have you not considered that in terms of the apprentice rate and so on, and therefore the possibility of just abolishing the first-year rate and making it a standard apprenticeship payment across the board so that people know where they stand?

David Norgrove: The dilemma is between the level of the rate and making it simple, as I think you are saying. If you made it one rate, either you would disadvantage the people who would otherwise have gone on to the age-related rate, which is higher, or you would raise the rate for apprentices quite substantially higher than it is now. You have a choice between simplifying at a high level or at a low level. In either case you have disadvantages. The disadvantage of the lower rate is a loss to people; the disadvantage of the higher rate is that you may price people out of apprenticeships. We have been asked to look at it again this year, and we will do that.

Q67 Chair: Going back to the point about complexity and the argument that employers do not understand the rate and are not paying it, there is less justification for not paying it if they are less likely to be able to fall back on the argument, "It was so complicated I couldn't understand it."

David Norgrove: That is true.

Q68 Mike Crockart: Is this not just a throwback to a much more traditional view of apprenticeships? Sixteen to 18-year-olds are staying at home; they have fewer costs, and they are going to college one day a week and being paid for that. An awful lot of apprenticeships now simply do not fall into that model. I have taken on an apprentice in my office. She is 20; she has a kid, and she is living away from home. All the training is being done in the office, so there is no time away. Is it not the case that the world has moved on, and we need a structure that fits what apprenticeships look like now rather than what they looked like 30 or 40 years ago?

David Norgrove: I am not sure about the implication of what you are saying. Most apprentices are paid a lot more than the apprentice rate.

Q69 Mike Crockart: That was going to be my next question, so let us deal with it now. In most paying work, what is the difficulty in putting up the rate?

David Norgrove: Because there are areas where people were paid a lot less than even the apprentice rate now—for example, hairdressing, where we were persuaded that a substantial increase in that rate would lead to quite a large loss of opportunity. The question is whether that still applies.

Q70 Mike Crockart: It is in a small area of apprenticeships, so you skew the system to deal with it.

David Norgrove: That is the essence of the minimum wage. The minimum wage objective is to be as high as it can without costing people their jobs. We would be in the position of saying that 20,000 jobs was a price worth paying for x increase in the minimum wage. That is not the way our objective is set up.

Q71 Mike Crockart: What about the original question about the structure of apprenticeship rates, and whether it now matches the reality of what apprenticeships are actually like for most people?

David Norgrove: We have been asked to look at that this year, and whether we can simplify the rate. I think it comes down to what the effect of a simpler higher rate would be on the supply of apprenticeships in lower-paying areas.

Tim Butcher: There is no problem with demand from students to take up apprenticeships; the problem is in employers supplying apprenticeships. It is a supply-side problem, not a demand-side problem. We suggest that the wages are not too low. In international comparisons, apprentice pay is much higher in the UK than in Germany, Austria and Switzerland.

Q72 Mike Crockart: You could argue that if it was a linear relationship where pay was the only variable, but that is not the situation. There could be lots of different reasons why people are not increasing the supply. Therefore, it does not mean that just because there is a lack of supply the pay rate is set at the right level.

Tim Butcher: No, but it is indicative. If the pay rate was too low, you would not have an oversupply of young people wanting to be apprentices; they would fall out of the market and not demand it.

Mike Crockart: It is not quite as simple as that.

Q73 Chair: I think this is astonishing. I have been in schools in my constituency where substantial numbers of young girls want to go into hairdressing. As much as anything else, it displays a poverty of ambition, lack of alternative opportunities and a lack of understanding in the home about what those young girls could otherwise be doing. They are prepared to take almost anything. They do not have an understanding of it, because the alternative to hairdressing may be stacking shelves and they see hairdressing as a bit more desirable than that. They have no perception, and have not been educated into the perception, of what else could be out there for them. Effectively, what you seem to be saying is that because youngsters are prepared to take it at that low rate that is okay.

Jim McGovern: I get the impression you are saying it might be bad, but it is not as bad as it could be.

Tim Butcher: Before the apprentice rate was introduced, apprentices were paid £80 a week, which is £2 an hour. The apprentice rate is now £2.68 an hour. That has happened in the last three or four years.

Q74 Jim McGovern: It is not a massive increase, is it?

Tim Butcher: Compared with what it was, it is a very large increase, and a much faster one than everyone else has had.

Q75 Jim McGovern: You are saying it is bad, but it is not as bad as it might be.

Tim Butcher: It is a faster increase than anyone else has had in the UK labour market in the last four or five years.

Chair: From £2 to £2.68.

Tim Butcher: Yes. It is a minimum wage. It is not the going rate; it is not what apprentices should be paid. It is the minimum they should be paid; it is the guaranteed bottom floor of what they should be paid. Obviously, we would encourage employers to pay more.

Q76 Chair: You yourself have just said it is not what they should be paid. Those were your exact words—it is not what they should be paid. If there is a rate that they should be paid, why not make that the minimum rate?

David Norgrove: The answer is that you have to look at what employers would then be willing to pay. As you said yourself, Chair, if the only thing that is available to these people—it is a terrible thing that it is—is going off to be apprentices in hairdressing, and you put up the minimum wage for apprentices beyond the point that hairdressers can afford, they won't even have that.

Q77 Jim McGovern: We would call that the Conservative argument against the national minimum wage, which is "Lose jobs."

David Norgrove: But there are points at which it will cost jobs. It is always a difficult judgment to know when that point is likely to be reached. We have to make that judgment. I certainly think that to put up the apprentice rate to, say, the adult rate would have a dramatic effect on the supply of apprenticeships in areas like hairdressing.

Q78 Chair: The ultimate test is, would you be happy if a child of yours was working in hairdressing for £2.68?

David Norgrove: Absolutely not, but I am lucky enough not to live in one of the areas where that is the only opportunity available.

Chair: That is right, and the people I represent are not in that position. That is why we feel quite strongly about it.

David Norgrove: I feel strongly about it too. It is not something we want to see.

Chair: You are in a better position to do something about it pretty quickly compared with ourselves.

David Norgrove: The question we have to address, and I ask you to consider, is would a substantial increase in that rate cost people the opportunity to have even those low-paid jobs?

Chair: Indeed.

Q79 Pamela Nash: I agree with you. I speak to businesses in my constituency all the time who would like to take on more apprentices and cannot afford it. They supplement it; they might be providing lunch and help with travel. I do agree with the point you are making, but I have to say, Mr Butcher, that that is different from the point you made—that the figures show there is not a problem because they are still getting those numbers of apprentices. It is not just about numbers; it is also about who is applying. A young woman with child care responsibilities might be stopped by that. Whereas the numbers are there, we need to look deeper: who is applying for apprenticeships and how do you widen access? I appreciate that is not just for the Low Pay Commission; it is about looking at Government policy, but I would certainly expect the Low Pay Commission to be arguing the point as well. It is not just about the numbers who are applying; it is about who is applying and about the young people that it is most difficult to reach.

Tim Butcher: I totally agree. It also depends on Government policies towards apprenticeships and whether any help is given to employers. The more help that is given to employers, the more they would be able to pay higher wages.

Pamela Nash: Definitely.

Q80 Graeme Morrice: On the problem of non-compliance with the national minimum wage, we have looked at certain sectors, such as hospitality, hairdressing, social care and apprentices, but are there any other sectors of the economy or other groups of people, particularly in Scotland, that we have not discussed where you have concerns in relation to non-compliance?

David Norgrove: Could you read that list of areas again?

Graeme Morrice: We have covered hospitality, hairdressing, social care and apprenticeships. Are there any others you would add to that list about which you would have particular concerns with regard to non-compliance, looking particularly at the Scottish situation?

Tim Butcher: On our visits to Scotland, where we would have most concerns, although we do not have definitive proof that there is non-compliance, would be in areas like fish processing, where you have large numbers of migrant workers, for example Filipinos and Portuguese in some of the coastal areas of Scotland; and generally in agriculture and horticulture, where you have large numbers of migrant seasonal workers. If they are not being paid the minimum wage, normally they have gone back home before they can go through the machinery to get redress. If their employer is found to be non-compliant and they have already gone back to their country of origin, because they were here for only a short time doing seasonal work, there is no way that HMRC can contact them and give them any back pay to take them up to the minimum wage, so they are open to exploitation.

Q81 Graeme Morrice: I can understand that migrant workers could be a particular problem. I have experienced that as well. Are you detecting much of a black market in terms of labour or migrant workers working on the side? I know that is outwith this issue.

> ***David Norgrove***: There have certainly been examples of that kind of thing.

Graeme Morrice: You find that where some companies may not be complying, there is a degree of black market activity as well.

> ***David Norgrove***: HMRC would say that where they find evidence of non-payment of the minimum wage, there is a tendency for that to be associated with all sorts of other things like non-payment of income tax, not observing health and safety legislation, employing illegal migrant workers and so on. It is very important, and they are now doing this, to visit and raid premises with other agencies.

Q82 Graeme Morrice: Do you think the Government's campaign of targeted enforcement has been successful in the whole area of non-compliance? We touched on this earlier. Is it working, or not?

> ***David Norgrove***: We encouraged HMRC a couple of years ago to move from their purely reactive process to one that is much more risk-based. That seems to have contributed to a rising hit rate. What we really cannot grapple with is what is happening to the scale of the problem. There is some small evidence that with the downturn the scale of non-compliance may have increased a bit, but it is very hard to judge, so you need to make more effort.

Q83 Graeme Morrice: I suppose it is a combination of education and enforcement. We touched earlier on information and assistance being provided particularly to smaller private concerns with regard to their obligations. I think you suggested that maybe the Government were not doing enough in that area. What more do you think the Government could be doing to assist in that area?

> ***David Norgrove***: The reductions in expenditure on communication have definitely led to less material going out to employers about the minimum wage, alongside other things. Expenditure on that could be helpful, together with more information—

Q84 Graeme Morrice: I am sorry to interrupt. Why? Has there been a reduction in budgets? Is it just part of the cutbacks?

> ***David Norgrove***: It is part of the general reductions in expenditure on communication.

Graeme Morrice: You were going on to say something.

> ***David Norgrove***: There could be more information on the websites.

Q85 Chair: I confess that I struggle with this a bit. Leaving aside the question of apprentices, having a national minimum wage and paying it is not rocket science. In a sense I find it very difficult to believe that an employer does not understand that there is a national minimum wage and cannot, with the minimum amount of effort, find out what it is. The idea that the nanny state has to tell them all the time what their legal duty is and, if the Government do not tell them, that is okay and in some way it excuses them from not paying it does not seem to be sustainable.

David Norgrove: It does not excuse them from not paying it, but there are two things. First, when the structure changes, as it did with the introduction of the apprentice rate, with less publicity it takes quite a long time for that to get round the 1.3 million enterprises that we have in the UK. Secondly, there is a very large turnover in those enterprises. HMRC will have the accurate numbers, but from my memory of a few years ago, about 400,000 of them go out of business and are replaced every year. At the bottom end, there is a huge rate of death and creation of new businesses.

Q86 Chair: I find it almost unbelievable that people start up these businesses and do not understand that a national minimum wage exists. I find it very difficult to believe that, first, there is virtually anybody in the country who is not aware of that, and, secondly, that they cannot, relatively straightforwardly, find out what it is—leaving aside the question of apprentices; I understand the complexities there. The idea that the onus is on Government to inform business of these things seems to me to be removing responsibility from where it should lie, which is with the employers themselves.

David Norgrove: You can argue that. I think the evidence from business associations is that they feel a lack of information about these things.

Q87 Chair: Is that not simply an excuse?

David Norgrove: For some of them it is an excuse, but I think for others it is not. If you are a small business person struggling to stay afloat with lots and lots of different things to cope with every day and it is not put under your nose, you probably do not try to find out.

Chair: All I can say is that you are a very generous-spirited chap.

Q88 Graeme Morrice: Are you saying that some people are not aware of the fact that under the law they have to pay the national minimum wage, or is it about the various rates?

David Norgrove: It is more about the rates—the changing of the rates, the introduction of the apprentice rate, how piece rates are calculated and that kind of thing.

Graeme Morrice: What they need to do about that.

David Norgrove: Yes, but among the other things they have to ask about, they do not always do that. Maybe I am being too sympathetic. Ignorance of the law is no excuse and they should be paying it. They should be trying to find out, but sometimes, if you do not tell them, they don’t.

Mike Crockart: Your argument is that they should be able to find that out.

David Norgrove: On GOV.UK.

Q89 Mike Crockart: Can I pin you down into saying what is missing there? The 2014 rate is not there yet; that has not been updated, but I was just searching for the minimum wage, and all the calculators you talked about are there. You have the national minimum wage calculator for employers and for employees; there is stuff about interns and apprenticeships.

David Norgrove: There is a lot more.

Mike Crockart: That is on the first page, so what is missing?

David Norgrove: I can't remember. I think we listed in our latest report what we would like to see.

Q90 Mike Crockart: Your report is on the first page. Does that help?

Tim Butcher: Detailed guidance on the nitty-gritty was missing. Most non-compliance is not due to not knowing the rate or how many hours; it is on issues like whether, when someone has a sleepover, all of that should be counted. If you stay in someone's house for 12 hours, is all of that counted as being paid the minimum wage, or just some of it? Is it only when you are woken up and have to deal with the patient? Some of the issues are, "Does my shift start when I clock on, or when I put on my uniform?" For some employers, it is these small issues that lead to non-compliance. Other employers wilfully avoid the minimum wage and pay less, but others are caught up in a grey area around some of the regulations.

Mike Crockart: You are perhaps being very charitable in overestimating the number who fall into that category. If you can give us more information about what you think is missing, that would be useful.

Q91 Chair: Just now our staff found the national minimum wage rate in 20 seconds. Admittedly, our staff are perhaps at a higher intellectual level than the average small employer, but 20 seconds seems a not unreasonable figure.

David Norgrove: It is mostly not about finding the rate, but finding out how you calculate it in your particular circumstances.

Chair: We could go round in circles about this.

David Norgrove: Tim Butcher has just given examples of complaints people have made.

Tim Butcher: If you pay monthly, what do you divide it by? There are issues like that.

Q92 Pamela Nash: I do not have the full report in front of me, but I have the table from it on reasons for non-compliance. The reasons you have just given are on it, but the highest number—54%—relates to cases where the rates are below the national minimum wage. I have to presume that it does not include all the examples you gave for that, because they are listed separately. Does the 54% relate to people who are deliberately paying a rate below the national minimum wage, because it is not for the reasons you have said? Sleeping time is less than 1%; apprentices are the next biggest at 25%. If I had to guess the biggest, I would have said it was failure to implement annual rate rises, because I can see how a really busy small business owner had not checked that he or she had to put it up, but that is only 8%; 54% of people just have not paid it. Am I reading it correctly? Have 54% deliberately not paid it?

Tim Butcher: It is about half of those cases, yes.

Pamela Nash: They are deliberately not paying it.

David Norgrove: You would have to ask HMRC what that number really means. It is not ours.

Pamela Nash: That information is from you.

David Norgrove: But it is not our number.

Tim Butcher: It is HMRC's.

Q93 Pamela Nash: I am sorry; it is a Government source, but you used it in your report, so I am presuming you know what the figures mean.

Tim Butcher: Those are the investigations that HMRC have undertaken. Roughly half are potentially wilful non-compliance, but it could be them being completely unaware of what the rates are and paying a lower rate.

Q94 Pamela Nash: That is listed separately as well. I was just clarifying what that figure meant. I was not sure whether I was misreading it. Would you guess that about half the time it is accidental and half the time it is deliberate?

Tim Butcher: That is from HMRC investigations. HMRC investigate the industries and sectors where they think it is more prevalent, or they respond to someone phoning their helpline and making a complaint about underpayment. It is not 54% of all businesses; it is 54% of those who were investigated and were the worst businesses, as it were.

Q95 Pamela Nash: It is 54% of those that they felt were not complying. I understand that. Is that something you recognise in your work? I know you do not deal with individual cases; you are working with businesses who come for advice.

David Norgrove: I would not want to put a number on it.

Q96 Pamela Nash: Are there any major reasons we have not discussed that you think we should be aware of as to why businesses are not complying?

David Norgrove: No.

Pamela Nash: We have discussed them all.

Tim Butcher: The other main area is deductions—for example, for uniforms or transport—which take them down below the minimum wage.

Q97 Pamela Nash: I take it that maybe additional guidance for the business owner might be helpful about what is and is not allowed to be deducted.

I want to ask about investigations. I understand that it is not yourselves who carry them out; it is HMRC, but, as you are here, we want your views as well. We have the annual figures about complaints for the financial year 2009-10 until the last financial year. Parliamentary questions have brought those to light. The number of people working for the companies affected—those that have been found to be non-compliant—is now 23,000, which is more than at the start; it is changing. Do you think that is because there is better targeting of enforcement by HMRC, because they have changed their work on investigations in the last few years? Do you think it has improved?

> ***David Norgrove***: Yes. As I said, they have become more proactive and risk-based than responsive. I think that is a good thing. They will never catch everybody just by enforcement action. What they have to do by the demonstration effect—this is why we are so keen on naming and shaming—is scare people into taking it seriously, not try to catch everybody.

Q98 Pamela Nash: How does that match up with the fact that the number of inspections has more than halved in five years and also, to be fair, the number of complaints from the public—

> ***David Norgrove***: There was certainly some effect when the pay and rights helpline was merged. There were several different helplines for different kinds of things. A couple of years ago—I cannot remember the date—the pay and rights helpline was created and all sorts of different complaints came into the same number. At that time there was a big drop in the number of calls, probably because the number changed and people were confused by it. It has gradually picked up since then, but it is still lower.

Q99 Pamela Nash: We do not have figures for complaints for 2013-14 yet, but the number almost exactly halved between 2009 and 2013. On the HMRC's change of tack, last year they carried out less than half the number of inspections of 2009. If they can improve their targeting, that is good news, but surely they should not be halving the number of inspections; they should still target more.

> ***David Norgrove***: I think you would have to ask them about that.

> ***Tim Butcher***: It is partly because the investigations undertaken more recently have been much more complex. Therefore, it takes much longer to investigate than their previous cases.

Q100 Chair: Is that because the employers are bigger, there are more people involved and it is more complex, or what?

> ***Tim Butcher***: It is partly that. It is also partly that the issues have become more complex as employers have tried to cope with the recession. They are trying to cut corners more than they did previously. Whereas before, because they were paying higher wages it did

not matter that they were not paying for travel time, and even if they allowed for travel time they were still paying above the minimum wage, now it is getting very close.

Q101 Jim McGovern: The chart we have here seems to indicate that from HMRC's investigative work over the last five years about 100,000 workers have been affected and there have been two prosecutions. How would that be?

David Norgrove: I thought there had been nine prosecutions. That is the number I have in my head.

Jim McGovern: The information we have here seems to indicate one prosecution in 2010-11 and one in 2012-13, but 100,000 workers were affected.

David Norgrove: My figure of nine is since the start of the minimum wage.

Jim McGovern: The figures we have are from 2009 to the present.

Tim Butcher: You need to ask HMRC about that. They will probably tell you that it costs £150,000 to prosecute an employer with x number of staff, and you have to choose.

Q102 Pamela Nash: To me, that represents the fact that there is not a great deterrent; if I wanted to set up a business tomorrow and not pay the national minimum wage, there would be no consequences. Does that cause a problem for you as the Low Pay Commission—persuading businesses that they have to do this?

David Norgrove: That was why we were very keen to see a strengthening of the naming and shaming provision.

Tim Butcher: These are proper criminal prosecutions; they are not the total amount of what HMRC do. HMRC get arrears for wages, and you can see the figures there. Their main aim is to get back those wages for the workers, doing it through a series of fines or talking in an employer's ear—getting the money back. Prosecutions are not just expensive; they also cause a delay in workers getting their money back.

Pamela Nash: I appreciate that.

Q103 Jim McGovern: You can break the law, but don't worry about it. As long as you say, "I'll give you the money back," you will not have to go to court.

Tim Butcher: There are fines and penalties.

Jim McGovern: Presumably, a fine needs a prosecution.

David Norgrove: No.

Pamela Nash: In Scotland last year there were only 78 non-compliance letters. I find it surprising that there are only 78.

Q104 Chair: Do you not think there is an odd juxtaposition between, on the one hand, the number of people prosecuted for benefit fraud and, on the other, the number of people prosecuted, or not prosecuted, for not paying the national minimum wage? I understand the issues about the cost of prosecution and so on, but it does not seem to be deterring the Government from prosecuting people for benefit fraud, even though the same mathematics apply. The amount that is gained as a result of prosecution is far less than the cost of it, but it is done to encourage the others, as it were.

David Norgrove: Every year we have said we would like to see more prosecutions. We have said that personally to HMRC as well as in our report. In terms of the comparison with benefit fraud, I do not know what the relative difficulty is of prosecuting one compared with the other, and how difficult it is to prove non-payment of the minimum wage to the criminal level of proof. You have to show intent, for example. With naming and shaming, the great advantage is that, whereas before you had to show intent, you now do not have to do that. If the firm is found to have broken the law, even without having intended to break it, they can be named.

Chair: Sometimes I wish that applied to speeding. I didn't intend to go at 80 mph; I just did. I digress.

Q105 Pamela Nash: I was going to ask whether if it was deliberate or accidental had any influence on the consequences. I forgot to mention one thing earlier when we were discussing reasons for non-compliance. I have not explored fully tips and how they affect the wage. Can you clarify for us what the legislation is around tips? Are employers still allowed to include tips as part of the minimum wage?

Tim Butcher: No, they are not.

David Norgrove: One of the things we have tried to encourage—I think it is in the code of practice of the British Hospitality Association—is that restaurants put on the tables what their policy is with regard to tips. Some restaurants are getting around that now by charging their employees for distributing tips. They collect the tips centrally into what is called the tronc. Management divvy it up among the waiters and service people and then charge for it. People are pretty ingenious about getting around the rules.

Pamela Nash: But it is technically illegal for them to incorporate tips in paying the minimum wage.

David Norgrove: Yes.

Tim Butcher: It used not to be, but it is now.

Q106 Pamela Nash: Whenever I go out to eat I ask the person waiting at my table whether they get the tip, or if it is added to the bill, before I hand it to them. Very often, I get the answer, "No, we don't get it."

David Norgrove: You are more likely to ensure they get it if you pay the tip in cash.

Pamela Nash: Yes. I do, if I hear from waiting staff that they are not getting their tips.

Jim McGovern: That is what I do. I ask, “Do you get the service charge?” If they say, “No; it just goes to the boss,” I say, “Take it off, and I’ll give it to you in cash.”

Q107 Mike Crockart: My question is probably in the same area, but I will try to get it in before we go to vote. Do you think the resources available to HMRC to investigate this are sufficient?

> ***David Norgrove***: They are never going to be sufficient. We are pleased that the amount made available to HMRC has been maintained in cash terms by BIS despite the cuts BIS has faced, but it would be great if there were more available.

Q108 Mike Crockart: There is a particular aspect regarding the abolition of the Agricultural Wages Board for England and Wales. We talked about that being an area that was more than likely to be hit in Scotland. Has that increased the workload, and is the extra resource they have been given to compensate for that enough to cope with that increased workload?

> ***David Norgrove***: It will increase the workload. I think there has been some small transfer between Departments. As to whether that is big enough, you would have to ask HMRC. I am sure they will say yes, but whether or not it is we will have to wait and see.

Q109 Mike Crockart: We have talked already about the fact that, if somebody is not paying the national minimum wage, they are more than likely the type of employer who is not paying national insurance, not meeting health and safety and maybe is trying to do a bit of tax avoidance as well. A lot of resources in HMRC are now aimed much more at the tax avoidance side of things. If someone is being investigated for that, is there an argument for saying they should automatically be investigated to see whether they are doing anything else?

> ***David Norgrove***: Again, you would have to ask HMRC about that, but I believe there is now more co-operation inside HMRC than there was. HMRC are collaborating with the Gangmasters Licensing Authority. They have started to collaborate more with local authorities as well; they are working together to attack the general picture where they know that businesses are not fulfilling their obligations.

Q110 Mike Crockart: The answer may be to supplement the investigative resource from elsewhere when they are already going into companies that might be doing this anyway.

> ***David Norgrove***: Exactly.

Q111 Jim McGovern: Is there evidence that HMRC are taking zero-hours contracts into account when they conduct investigations?

> ***David Norgrove***: Zero-hours contracts as such are not illegal. Therefore, you cannot use that as a risk indicator very easily, although there is some suggestion of an association in the care sector between zero-hours contracts and non-payment of the minimum wage. Again, I think you would have to ask them about that; they would know the details.

Jim McGovern: We will probably have them here at some stage in the future. I just wondered whether you had a view on it.

David Norgrove: No, I do not.

Jim McGovern: I am sure you do have a view; you are just not prepared to tell us.

David Norgrove: I do not have a particular view. It is not something I like to see. We raised concerns about zero-hours contracts about three or four years ago, probably before anybody else. We have seen them grow and each year we have commented on it, so we are very concerned about it, but it is not illegal. We are told by all sorts of people that there are areas where it makes sense to have zero-hours contracts, and some employees want them. What I do not know is how many want them.

Jim McGovern: The evidence we have heard is that most employees are bound by them but do not want them.

David Norgrove: That would be my guess.

Chair: There is now a vote in the House. Perhaps we can leave you to talk among yourselves while we go off and vote. We will come back as quickly as we can, and we'll start again as soon as we have a quorum.

Sitting suspended for a Division in the House.

On resuming—

Q112 Chair: Jim was raising a point about zero hours being taken into account. While I appreciate your point that zero-hours contracts are not illegal and there are all sorts of debates about them, they tend to be used by less reputable firms and, therefore, are a not unreasonable indicator of a propensity to underpay the national minimum wage as well. Does that not seem reasonable to you?

David Norgrove: We have seen some evidence in the care sector. Did I read in the newspaper the other day that Tesco uses zero-hours contracts? They are not only used by disreputable employers.

Q113 Chair: We have been to see USDAW who tell us that Tesco is one of the four big supermarkets that do not use zero-hours contracts.

*David Norgrove***:** They don't?

Chair: No. In fact, one of their managers described zero hours as an excuse for sloppy management, on the basis that, if you manage your peaks and troughs properly, you can avoid doing it. The worst couple of users of zero-hours contracts in Scotland, as far as we can see, are Edinburgh and Glasgow universities. We think it is largely sloppy management there. There are issues there about underpayment of the national minimum wage as well, on the basis that people are undertaking a lot of work that is not covered. We have been pursuing those issues with them. I want to clarify whether or not you think that payment of people on zero hours is a reasonable indicator for investigation and action to be taken.

David Norgrove: The only slight evidence we have picked up is the association in the care sector. I cannot say we have seen evidence elsewhere.

Q114 Graeme Morrice: In terms of fines for non-compliance and the whole issue of naming and shaming, I take it you would support increased fines and a more effective scheme put in place by Government in relation to naming and shaming.

David Norgrove: Absolutely. We urge that, and in my meetings with BIS Ministers it is one of the things I say every time.

Q115 Graeme Morrice: Is there anything in particular in terms of enhancing the naming and shaming scheme that you would like to see implemented?

David Norgrove: I think seven hurdles had to be met under the old scheme and, as far as I can remember, nobody was ever named under it. We have now had those hurdles removed, and something like 40 firms have been named and shamed. We will wait and see how it goes. We would want to see how the new process works before making suggestions about how it might be changed.

Q116 Graeme Morrice: Are you surprised that most of the businesses that have been named and shamed tend to be small ones, although some large businesses have been caught out as well?

David Norgrove: I did not know there was a disparity. Is the evidence that large firms have been found not to be paying the minimum wage and yet not named and shamed?

Q117 Graeme Morrice: Those who have been named and shamed tend to be small businesses, which might suggest that the main culprits are the small ones, but I do not really think that is the case, and I am sure the rest of us do not think that either. I am sure there are larger businesses as well, but it may be that HMRC have not investigated those as effectively as they have small businesses. Do you think there is an issue there at all?

David Norgrove: The answer is that I do not know. It is my instinct that smaller firms are less likely to observe minimum wage legislation than larger firms; more large firms observe the law than small ones. Another factor is that, after all, there are far more small firms.

Q118 Graeme Morrice: That is true. Are you aware of any larger firms that have been caught out?

David Norgrove: I would not know the names; HMRC would not tell me.

Graeme Morrice: But you would be aware that there were some.

David Norgrove: I am not sure whether we have had any evidence of that. I cannot remember.

Tim Butcher: Just generally, but not recently when the naming started.

Q119 Chair: I was not sure whether the fact that the firms that had been named so far were all small was an indication of the time issue, in that it was much easier to clarify the position of small firms, but if there were any big firms in the pipeline it would take longer and they might not come out until later on.

David Norgrove: That might be the case. I do not know.

Q120 Chair: The fines have gone up but there is a maximum of £20,000. Given that the fine is related to the underpayment figure, why should there be a maximum?

David Norgrove: I think as a matter of law there is usually a maximum. You are getting me into an area which is not mine.

Chair: But you are here.

David Norgrove: You are taking me outside my area. I believe it is a principle of law that there is always a maximum on fines, but you would have to ask an expert.

Q121 Chair: My understanding was that the fine related to the underpayment. If the underpayment was large, it would seem reasonable that the fine related to it should also be large, because there is no maximum on the amount of money people can underpay. That is not something you have made observations on.

David Norgrove: No.

Q122 Chair: Is it a matter you would consider making an observation on?

David Norgrove: It is an interesting point to think about. We will certainly think about it.

Chair: That’s a “Don’t know.”

David Norgrove: It’s a “Don’t know at the moment.”

Q123 Pamela Nash: I want to look at the future of the national minimum wage and how it might develop. I think I speak for all members of the Committee in saying that one of our big concerns as constituency MPs is the number of people in our constituencies or communities who are in work but still in poverty. As legislators, that puts an additional burden on the taxpayer in having to supplement that. Do you think it marks a failure of the commission that we still have an increasing number of people in work who are in poverty?

David Norgrove: I do not think it is a failure of the commission. The commission’s job is to try to recommend the maximum minimum wage without costing people their jobs. There is a question for society about the structure and level of inequality that we face.

Q124 Pamela Nash: There have been lower rises recently. Could you explain a bit more about how they are calculated? I understand it is related to the economic circumstances of the country and how you balance that without losing jobs. Can you give us some insight into how you calculated those figures?

David Norgrove: We take evidence in all sorts of different ways. We make visits around the country, which play a big part in our thinking; we have a secretariat that carries out analysis for us; we commission academic research each year—roughly speaking, 10 research reports on different aspects of the minimum wage—and we take both oral and written evidence from the usual suspects: the CBI, the TUC, unions and all sorts of employers’ organisations. We then meet for a couple of days in January to thrash all of that out and come to a consensus about the right levels to recommend. We set out in the last report the key things we think about, which are the prospects for the economy; the performance of the labour market; what is happening to other wages, and all the things you would expect us to think about.

We do not feel proud that the real value of the minimum wage has fallen. It is not why I became chair of the Low Pay Commission, or why any of us became commissioners, but we were working during a period of unprecedented economic difficulty. We saw employment in low-paying sectors falling faster than in the economy as a whole. Despite that, the minimum wage has fallen by less in real terms than wages generally; minimum wages have carried on rising relative to other people’s wages throughout the downturn. The other very striking thing is that the wages of people at the bottom of the distribution have behaved quite differently in this downturn from previous downturns. In previous downturns the people at the bottom suffered more than others; in this downturn they have done better. Real wages have still fallen, but they have not fallen by as much as those of other people.

Chair: They have not done better; they have done less badly.

David Norgrove: They have done less badly.

Q125 Pamela Nash: I think that would be the case, apart from the very top. We have a figure here which shows that, had the minimum wage kept pace with executive pay, national minimum wage people would be on £19 an hour, but I appreciate the point you are trying to make. Do you think the decrease in the value of the national minimum wage was an inevitable consequence of the economic downturn, or with hindsight is there anything else the Low Pay Commission might have done to prevent it?

David Norgrove: Hindsight is a wonderful thing, but I would say probably not. Real wages have fallen in this downturn, depending on which deflator you use to measure inflation, by between 7% and 10%. If the minimum wage had not seen at least some fall in real value, at a time when employment in low-paying sectors was falling faster than in other areas of the economy, I cannot believe we would have avoided even greater job losses than those in low-paying sectors.

Q126 Pamela Nash: Can I also ask about the Low Pay Commission's view on the living wage? Does it feed into the discussions and the calculations of the minimum wage?

David Norgrove: I cannot speak for the commission. We do not take a view about the living wage. I can only speak for myself. The living wage clearly is a very good thing. Where employers can afford to pay it, they should be encouraged and pressured to do so. It is morally the right thing to do, and clearly it is having an effect on some employers who are well able to pay higher rates to their lowest-paid employees. It clearly should not be compulsory. Even the report yesterday accepted that there are large areas of the economy that could not afford to pay the living wage.

Even the living wage is not really a living wage, just as the minimum wage is not enough to live on. It depends on your circumstances. The living wage does not take account of people's circumstances; it is an average over a number of different family types, so it does not really reflect how many children you have, what your housing situation is and, above all, how many hours you work. If you do not work many hours, it is not a living wage, so it is not a living wage in the same way that the minimum wage is not.

The only thing that can really reflect people's circumstances is the tax and benefit system. Both approaches have to rely on adequate tax and benefit policies to support people to live without destitution.

Q127 Pamela Nash: That was a really helpful answer. There is now a change in tack from the recommendations going forward as the economy is improving. Can you tell us a bit more about that? What can we expect to see in the Low Pay Commission's recommendations on the national minimum wage going forward?

David Norgrove: I can tell you what I would hope to see. We recommended this year, and the Government accepted, the first real-terms increase for about six years. I hope that will continue, but at the moment we are seeing wages in the rest of the economy still rising very slowly by between 0.7% and 0.9%. Each year for the last three years we have seen forecasts that expected wages to start to rise by between 2% and 3% in six to nine months' time, and each time it has not happened. If we go on and on not seeing wages rise in the rest of the economy, that is going to constrain the ability to increase the minimum wage faster. The other thing that will constrain it is what happens to productivity. Productivity has fallen substantially and is not showing signs of picking up. Ultimately, what limits the capacity of the economy to pay higher wages is productivity. I hope and believe that we will continue to see a restoration of the real value of the minimum wage, but the capacity and speed of us getting there will depend on what happens to the economy generally in terms of growth, productivity and wages.

Q128 Chair: To what extent would you take the view that mass immigration has tended to hold down wage levels and thus, by your logic, tended to hold down the flexibility you might have to raise the national minimum wage?

David Norgrove: Our assessment is that it has not been a major factor. It is a factor, but not by any means the largest one. Various bits of research have been done on that.

Tim Butcher: The consensus of the research is that migration has led on average to an increase in wages in the UK; although it has put downward pressure on wages at the bottom, the minimum wage has protected those at the bottom from having their wages pushed further down.

Q129 Mike Crockart: You will be aware of Alan Buckle's report on the national minimum wage. He says nice things about the Low Pay Commission but suggests perhaps a slightly different tack in the future. He says that your "role is short term and narrow. The current regime was designed in the 1990s to stop extreme low pay and abuse. Today the challenge is different, with…people earning just above the minimum but still living in poverty," which requires a broader and longer-term strategy. Would you welcome a change in your remit? You have already said in evidence that that is not your job; your job is to balance two conflicting things. Should your job be wider and incorporate a longer-term aim?

David Norgrove: We have thought about that a lot. For the first few years of the commission it made recommendations that went out for two years, but it came away from that before my time—I think it was in about 2006. In thinking about the path of the minimum wage we are already looking 18 months out, so we are making our recommendations in January for a rate that is going to last until October of the following year. It is actually a bit longer than 18 months. In circumstances when the economy has been so volatile and difficult to forecast we certainly felt that going further out was likely to be too risky, and we would not want to pursue it.

We then consulted on whether we should offer more indications about a longer-term future. Business organisations, unions and employee organisations overwhelmingly came back and said no; they felt the risks outweighed any possible gains to them.

Mike Crockart: They came back and said they would prefer uncertainty to a longer-term aim.

David Norgrove: They were saying that the longer-term aim would risk locking in a path for the minimum wage that could too easily turn out to be wrong and damaging.

Q130 Mike Crockart: If you argued that your longer-term aim was very specific. But I think the argument is that you would be specifying not a specific path but a direction. Aiming for a lower proportion of those in employment to be paid the national minimum wage would be a five-year aim, but it need not necessarily set out what the likely path of the national minimum wage would be. If we are talking of productivity as the key thing that needs to be dealt with, the argument is that, if the aim was set five years in advance, it would give employers five years to figure out what they do about productivity to justify the potential of having to pay their employees more for the work they are doing.

David Norgrove: I do not know. It depends on how specific that objective is. I do not believe there is any way of specifying an objective for the minimum wage five years out that can be anything other than a finger in the air. There is no rational economic analytical way of saying what the effect of a particular percentage of median earnings might be in five years' time.

Q131 Mike Crockart: The Bank of England in setting the base rate is already trying to do something very similar—projecting forward and giving a sense to business of where they are likely to be going. Surely, this is the direction—trying to give business more certainty.

> ***David Norgrove***: But the Bank of England looks a year to 18 months ahead in its forecast; it gives a very wide range around it—a band of uncertainty. As I understand it, the Governor has gone right back from giving any kind of forward guidance, simply because it is either too committing or so vague that it is worthless.

Mike Crockart: I must have missed his backtracking, given that he said quite recently that he was going to give forward guidance, but we will leave that.

> ***David Norgrove***: About three or four months later, he moved completely away from it.

Q132 Mike Crockart: One of the other things that was in the report as a suggestion was possibly setting sectoral variation in the national minimum wage, which perhaps would deal with the issue we discussed earlier. Your argument seemed to be that if we put up the national minimum wage and it impacts hairdressers we should not do it, regardless of the fact that the vast majority of the rest of the economy is already paying rates in excess. Would a sectoral rate deal with that and allow you to put up the national minimum wage for the sectors that could support it?

> ***David Norgrove***: I think the advantage of a simple approach to the minimum wage is that it is easy for most employers to understand; you can probably get consensus around it in a more straightforward way, and it gives a clear focus. One of the reasons why the commission has held together during this very difficult time is that it was not too complicated. The nine of us could meet and discuss in a very focused way a difficult to answer but simple set of questions. The more complicated you make it, the more the scope for disagreement and uncertainty among employers. Beyond that, we would be in the game of assessing a whole range of industries in a very detailed way that I think would require us to set up sub-committees for each industry. We would have to become a kind of super-wages council to get enough understanding of each industry to be able sensibly to set a separate rate for it. If Government wanted that, Government could will it, but I think it would be a different animal from the one we have now.

Q133 Mike Crockart: You have just given a textbook argument for doing away with the different rates for apprenticeships, and certainly for doing away with the first year for 19 and above. That would deliver the simplicity you have just so eloquently described.

> ***David Norgrove***: I certainly see the case for simplicity, but the issue is do you make it a rate that requires employers to pay a lot more, or a rate that takes money away potentially from people who are currently receiving more, or might have received more, if the rate were more complicated?

Q134 Mike Crockart: When employers are complaining about skill shortages, they have to accept that perhaps it would be in their interests to pay a bit more for their apprentices.

David Norgrove: It is always up to them to do that; they do not have to pay just the apprentice rate.

Chair: And life is full of difficult choices, as I am sure you are aware.

David Norgrove: That is our job.

Q135 Chair: I understand the point you made to Mike about not wanting to have lots of little wages councils, but surely the danger of not doing something like that, as you have almost outlined to us this afternoon, is that you proceed at the speed of the slowest.

David Norgrove: Yes.

Chair: And an industry like hairdressing holds back everybody else even though a whole chunk of other sections of the economy could afford a higher minimum wage.

David Norgrove: Yes, that is a disadvantage of having a floor, but it is not just hairdressing. The sectors we are always particularly concerned about in these circumstances include hairdressing but also social care and retailing. In Sunderland recently, I met a very pressured small shopkeeper who employed eight people. I thought he was a very decent employer who was clearly struggling. Small shopkeepers and pubs are struggling. Small employers generally face difficulties. It is not necessarily an individual sector.

Q136 Chair: Is it the role of low wages to keep businesses afloat that are otherwise not viable?

David Norgrove: Is it the job of the Low Pay Commission to put businesses out of business? That is the question.

Q137 Chair: You referred to pubs. A whole host of pubs are closing at the moment for a variety of reasons.

David Norgrove: Absolutely.

Chair: Presumably, if you took wage rates down low enough some of them would remain open. The issue then is whether or not that is the sort of economy we want, and whether we are prepared to accept a certain degree of loss as a price worth paying for a higher minimum wage rate for the rest—for a much, much larger number. It is tails wagging dogs, isn't it?

David Norgrove: That is a political and social judgment, and the question is whether a non-elected body is the right one to make that kind of trade-off. Is it proper to ask a group like us to make a recommendation—even if this were a possible calculation; I think it is hypothetical rather than real—that you could put up the minimum wage by an extra 50p if you were prepared to accept 100,000 lost jobs? I do not think it would be right for us to do that, and I am not even sure that a Government would want to say, "We're going to put it up by an extra 50p, even though we know it is going to cost 100,000 jobs," because instantly the media would find people who were losing their jobs and would blame the Government for it.

Q138 Chair: On that happy note, I think those are all the questions we wanted to raise with you. I indicated before we came in that we always give witnesses the opportunity to provide answers to any questions that they think we should have asked but did not. Are there any points that you think we have not touched on so far that we should have been taking into account?

David Norgrove: I do not think so. The only thing I would say finally is that we are absolutely with you about enforcement. Enforcement is vital. If the minimum wage is not enforced, we are failing as a country, but a lot of the later discussion was a social and political one about the philosophy of the minimum wage. What do we want it to do? Interestingly, the Act does not specify the objective of the minimum wage. We came up with the formulation "maximum level without causing unemployment," and Government endorsed that. There is certainly a case for saying it could be higher, but then the question is what is the risk of creating a kind of French situation where there is an insider protected group of people and an outsider unprotected group of people?

I welcome the debate around all this—the living wage, low pay and inequality; in a way I think it is a symptom of the recovery of the economy that we can now focus on those things, as opposed to falling employment.

Tim Butcher: I have nothing to add.

Q139 Chair: You are allowed to say things yourself. We usually quite like it if witnesses disagree with each other because it sparks things off, but when one is the chair and the other is the deputy chair I suppose it is much less likely.

Tim Butcher: No; I have nothing to add.

Chair: Thank you very much for coming.