



# Association of Accounting Technicians response to Low Pay Commission consultation 2017

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## 1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Low Pay Commission consultation 2017, published on 21 April 2017.
- 1.2. AAT is submitting this response on behalf of our membership and for the wider public benefits that a successful minimum wage brings to the British economy.
- 1.3. The comments also reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by AAT's 4,250 licensed accountants.

## 2. Executive summary

- 2.1. **National Minimum Wage legislation affects many of AAT's 140,000 members.** This is the case whether they are students, apprentices, small business owners, licensed accountants or where they are employed by national and multi-national companies.
- 2.2. **Half of all respondents to the AAT Minimum Wage Survey 2017 would like to see the five different rates of the minimum wage (under 18, 18-20, 21-24, 25 and over, apprenticeship) replaced with a single, one-size fits all minimum wage.**
- 2.3. **Most respondents to the AAT Minimum Wage Survey 2017 would like to see an increase in the current minimum Apprenticeship Wage.** No AAT members supported a decrease in the Apprenticeship Wage.
- 2.4. **Compliance and enforcement issues around the Minimum Wage need urgent attention.** According to the findings of the *AAT Minimum Wage Survey 2017*, most AAT members believe companies that encounter genuine technical payroll administration errors, and correct the problem as soon as they become aware, should not be subject to naming and shaming by the Department for Business, Energy and Industrial Strategy (BEIS) in the same way as those companies who wilfully avoid paying staff the minimum wage.

## 3. AAT response to the Low Pay Commission consultation 2017

### Background

- 3.1. Only 13% of AAT members who responded to the *AAT Minimum Wage Survey 2017* believe the National Living Wage (NLW) introduced in 2016 has had a negative impact compared to 37% who feel it has had a neutral impact and 38% who believe it has had a positive impact.
- 3.2. AAT is committed to ensuring all employees receive a fair day's pay for a fair day's work and in recognition of this AAT recently applied for – and successfully gained – Living Wage Foundation accreditation.
- 3.3. AAT believes that accreditation helps to demonstrate to staff, customers, suppliers and stakeholders that AAT is a responsible business and would wholeheartedly recommend other businesses, large and small, consider signing up to do the same.

- 3.4. In fact, 70% of those who responded to the *AAT Minimum Wage Survey 2017* believe the Government should scrap the existing minimum wage structure and replace it with the Living Wage Foundation minimum pay levels of £9.75 in London and £8.45 for the rest of the UK.
- 3.5. Whilst going above and beyond the legal requirements in this area, the fact that amongst its membership population AAT has more than 10,000 apprentices, over 80,000 members employed by SMEs and that a third of AAT's 90,000 student population are aged under 25, gives a clear rationale as to why AAT takes a very keen interest in any changes to minimum wage legislation.
- 3.6. AAT is therefore pleased to provide evidence to help inform the Low Pay Commission's thinking about future increases and changes to the minimum wage.

### **Structure**

- 3.7. According to the *AAT Minimum Wage Survey 2017*, exactly half of AAT members believe that the five different rates of the minimum wage (under 18, 18-20, 21-24, 25 and over, apprenticeship) should be removed and replaced with a single, one-size fits all minimum wage in the interests of simplicity and fairness.
- 3.8. AAT recognises that taking such an approach would undoubtedly make the concept easier to understand and administer and that it would additionally remove the inherent unfairness of having different rates simply by virtue of age. However, AAT does recognise it would also impose greater costs on those employing Apprentices and those under the age of 25.
- 3.9. 40% of AAT members who responded to the *AAT Minimum Wage Survey 2017* did not think this was a good idea and 10% did not know either way.

### **Apprenticeship wages**

- 3.10. Many Apprentices would doubtless like to see a higher minimum Apprenticeship wage. Indeed, the NUS describe the Apprenticeship wage as "*exploitative*" and would like to see the standard NMW rates apply to Apprentices.
- 3.11. The Social Mobility Commission has similarly indicated that by offering such low rates of pay, Apprenticeships are not as attractive to those from socially disadvantaged backgrounds i.e. they are more attractive to those from middle income backgrounds because parental support can help to offset low wages.
- 3.12. However, this ignores the fundamental reason why there is a different wage rate for Apprentices.
- 3.13. Firstly, a lower rate makes taking on an Apprentice more attractive to employers and secondly many Apprentices are likely to spend more time training than working. Thus, it may be reasonable that they earn less.
- 3.14. There are various other financial advantages accrued by Apprentices too. For example, receipt of significant financial investment from employers – on average it costs between £15,000-£30,000 to train an Apprentice. It should also be remembered that the individual will avoid the high levels of debt accrued by those who attend University.
- 3.15. Although 20% of AAT students are Apprentices, the majority earn above the Apprenticeship minimum wage and may therefore not feel particularly strongly about this issue. Likewise, with 60% of AAT members working for an SME, many of whom will be keen to keep costs down, rises in the minimum wage or standardisation for all ages would likely represent a significant cost to the bottom line of these businesses. Nevertheless, AAT felt it was important to seek the views of all AAT members on this important issue and can confirm that the *AAT Minimum Wage Survey 2017* found that more than two thirds would like to see an increase in the apprenticeship wage (70%) compared to a noteworthy 0% who would like to see a decrease. 18% would like to see the current level maintained.

- 3.16. As well as the financial issues, it's also important to remember that there continues to be substantial abuse of the Apprenticeship wage. It's often used to pay lower wages than necessary for employment that involves little or no training. This was recently highlighted by the [Subway case](#) where a branch was advertising a 14 month "sandwich artist" apprenticeship which involved undertaking identical sandwich making duties to other staff but at the apprenticeship wage rate rather than the appropriate minimum wage rate.

### Compliance and enforcement

- 3.17. Almost three quarters (74%) of respondents to the *AAT Minimum Wage Survey 2017* believe companies that encounter genuine technical payroll administration errors, and correct the problem as soon as they become aware, should not be subject to naming and shaming by the BEIS in the same way as those companies who wilfully avoid paying staff the minimum wage.
- 3.18. Less than one in five (19%) believe the current system should be maintained.
- 3.19. This is an increasingly sensitive issue. [Tesco](#) and [Debenhams](#) are two recent high profile examples of companies that underpaid staff by an average of £40 and £10 respectively owing to payroll errors, immediately took action to address the problems and repaid staff but were included in the list of minimum wage offenders together with companies that had purposefully avoided paying their staff correctly and had gone to great lengths to do so.
- 3.20. The most recent high profile case of this concerned the [John Lewis Group](#) Here it was found that their use of pay averaging, which spreads pay evenly over the course of a year, meant they were unwittingly in breach of minimum wage regulations. Again, they immediately took action to address the problem and repaid staff when the breach was brought to their attention.
- 3.21. The outcome may be the same in that workers did not get paid what they should have done – unacceptable in any circumstances. However, treating employers that make a genuine mistake and pay up immediately in the same way as those that don't, doesn't appear to be the fairest means of policing the system.

## 4. About AAT

- 4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

