

Section A		
Institution: Middlesex University		
Unit of Assessment: 17 Business and Management		
Title of case study: Detecting and improving the recovery of unpaid wages		
Period when the underpinning research was undertaken: 2005-2018		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title)	Period(s) employed by submitting HEI
Nick Clark	Research Fellow	2015-ongoing
Professor Phil James	Professor in Employment Relations	1989-2006; 2014-ongoing
Professor Richard Croucher	Professor of Comparative Employment Relations	2005-ongoing
Eva Herman	Research Assistant	2016-2017
Professor Brad Blitz	Professor of International Politics	2000-2019
Period when the claimed impact occurred: 2016-ongoing		
Is this case study continued from a case study submitted in 2014? No		
Section B		
1. Summary of the impact		
<p>Middlesex University Business School's research into workplace exploitation led by Clark, produced robust evidence on the scale of the issue of the non-payment of wages by employers, amounting to £3.1 billion annually. Use of these findings by organisations seeking to advance the interests of vulnerable workers initiated widespread political and media discussion of this previously ignored issue. This impacted political debate through Early Day Motions and parliamentary questions and the work of the Director of Labour Market Enforcement (DLME), and stimulated further policy-oriented research. Findings directly impacted government employment rights policy through the 'Good Work Plan', specifically in relation to: (1) enforcement of entitlement to holiday pay for vulnerable workers; (2) improvements to payslip entitlement and information provision on payslips; and (3) greater effort to pursue directors evading employment obligations. This improved enforcement of entitlement to unpaid wages directly benefitted over 2 million of Britain's lowest paid workers.</p>		
2. Underpinning research		
<p>Non-payment of wages was scarcely researched in Britain when this research project began. A programme of research undertaken in the Business School at Middlesex since 2005 focused upon the challenges of effective regulation in low paid sectors of the labour market. This included work by Croucher on enforcing the National Minimum Wage (NMW) commissioned by the Low Pay Commission and its impact on low paying sectors [3.1], research by James on supply chain regulation [3.2], and by Blitz on migrant workers in the shadow economy [3.3].</p> <p>Findings here demonstrated the particular challenges faced by vulnerable workers in low paid and informal working and the necessity for effective enforcement alongside mandatory regulation. Croucher's work successfully argued for increased recognition of the right to NMW, and via work with the Low Pay Commission, contributed directly to the introduction of tougher enforcement and penalties where underpayment took place. Clark's previous work (at the Working Lives Research Institute, London Metropolitan University) analysed the regulation of labour market intermediaries in relation to labour trafficking and similarly identified the need for stronger enforcement regimes. The development of research into the non-payment of workers adopted the approach developed in the NMW project of combining scholarly publication with efforts to influence policy and practice more directly. In 2015, Clark successfully gained funding from the Trust for London for a two-year project on <i>Unpaid Britain</i>. As PI on this project, Clark combined academic research skills with a background in trade unionism, which included expertise in providing advice and advocacy to low-paid workers and experience as a member of the original Board of the Gangmasters and Labour Abuse Authority (GLAA).</p> <p><i>Unpaid Britain</i> combined secondary analysis of labour market statistics, archival research of Employment Tribunal judgments and documents at Companies House, with semi-structured</p>		

interviews, and case studies. The research was guided by an invited expert Project Advisory Group (PAG) including academics Professor Bridget Anderson (University of Oxford) and Professor Phil James (Middlesex), and participants drawn from the GLAA, trade unions (Unite and GMB), NGOs and providers of legal advice providers (e.g. Citizens' Advice Bureau and Thompsons Solicitors).

The principal findings of the *Unpaid Britain* report [3.4] included:

1. An estimation of the scale of unpaid wages in the economy each year of £3.1bn, comprising £1.3bn of unpaid wages and £1.8bn of unpaid holiday pay; a scale of 'wage theft' far greater than previously thought. At least 2 million workers faced underpayment in the UK each year;
2. 1 in 12 workers received no payslip and a major growth in the provision of electronic payslips had given rise to further complications for many low paid workers;
3. Some employers adopted methods to achieve underpayment which included: the misclassification of workers as self-employed; unpaid periods at the beginning or end of shifts; under-counting of hours; non-payment of holidays; delayed payments; unlawful deductions from pay; pretended ignorance of regulations; and cessation of pay, either deliberately or inadvertently, around impending insolvency;
4. Owners and directors rarely faced investigation and a pattern of repeat offences by certain employers was evident. This included companies being wound up and relaunched under new names ('phoenixing'), and litigation and contractual strategies to evade paying wages in full;
5. Failure to enforce the recovery of unpaid sums and an effective lack of enforcement with regard to unpaid holiday pay. National Minimum Wage (NMW) arrears when detected often took years to be paid and only 52% of awards won by workers via Employment Tribunals were paid in full;
6. A lack of clarity over which state enforcement bodies enforced the non-payment of wages. For the non-payment of holiday pay, this led to existing state enforcement bodies neglecting this issue and failing to act in an integrated manner;
7. Young workers in particular were poorly informed of their rights or how to enforce them.

The report made a number of recommendations. These included: improved enforcement against non-payment of holiday pay and the non-provision of payslips and the introduction of deterrent policies; providing improved access to advice and advocacy particularly for low paid and vulnerable workers; creating stronger measures to recover unpaid sums; introducing tougher sanctions against company directors and the use of "phoenixing" where employment obligations are purposefully evaded; increasing training in employment rights for students; and ensuring that existing state enforcement bodies took responsibility for paying workers identified NMW arrears and collecting them from the employer.

Subsequent work developed the analysis of the challenges of enforcement and wage recovery in more detail, including further work identifying the different business models pursued by employers based on the non-compliance of workers' rights [3.5]. Further research examined employment issues of young people in full-time study, with results from a pilot study demonstrating the long hours being worked by commuter students and their lack of awareness of basic employment rights [3.6].

3. References to the research

[3.1] Croucher, R and White, G. (2007) Enforcing a national minimum wage: the British case. *Policy Studies*, 28(2): 145-161. <https://doi.org/10.1080/01442870701309080>

[3.2] James, P., Johnstone, R., Quinlan, M. and Walters, D. (2007) Regulating supply chains to improve health and safety, *Industrial Law Journal*, 36(2): 163-187. Doi:[10.1093/indlaw/dwm002](https://doi.org/10.1093/indlaw/dwm002)

[3.3] Blitz, B. (2014) *Migration and Freedom: Mobility, Citizenship and Exclusion*. Cheltenham: Edward Elgar Publishing ISBN 9781783477869. Doi:[10.4337/9781781955840](https://doi.org/10.4337/9781781955840).

[3.4] Clark, N. and Herman, E. (2017), *Unpaid Britain: wage default in the British labour market*. Middlesex University/Trust for London.

<https://unpaidbritain.org/2017/11/30/unpaid-britain-wage-default-in-the-british-labour-market/> This report was subject to a process of full independent review led by the Project Advisory Group appointed for this project.

[3.5] Clark, N. (2020) Unpaid Britain: Challenges of enforcement and wage recovery, in, L. Vosko et al (eds) *Closing the Employment Standards Enforcement Gap: Improving Protections for People in Precarious Jobs*. Toronto: University of Toronto Press, pp.201-220. ISBN 9781487506391. <https://eprints.mdx.ac.uk/id/eprint/28742>

[3.6] Clark, N, Yilmaz Keles, J., Stumbitz, B. and Woodcock, J. (2020) *Newham Working Student summary report*. Middlesex University. <https://doi.org/10.22023/mdx.12937253.v1>.

Key funding:

Award to: Nick Clark; Title: *Unpaid Britain*; Awarded by Trust for London: (Ref.: MAIN-S2-28.05.15-6378 (6617)); Dates: 2015-2017; Value: £46,000.

Award to: Nick Clark: Title: *Unpaid Britain Student Worker pilot*. Awarded by Research England (Strategic Priorities Fund). Date: 2020: Value: £7,900.

4. Details of the impact

Raising public debate on unpaid wages

At the time the research was funded, the issue of unpaid wages had been almost totally neglected in employment research within the UK. The final project report was launched at a major conference in November 2017, with over 100 non-academics attending including employers, trade unions, professional associations, regulators, journalists and lawyers and an address from the UK Director of Labour Market Enforcement (DLME). Further dissemination took place through presentation of findings to the DLME, the Department of Business Energy and Industrial Strategy (BEIS) Labour Market Directorate, the Employment Law Advisors Network and sectoral committees of the union Unite. A widely read project blog (www.unpaidbritain.org) launched in 2017, which included practical advice for workers seeking to recover unpaid wages, continued to receive an average 60 views per day in 2020.

The increased public interest in working practices following the publication of the Taylor Review in 2017, resulted in the *Unpaid Britain* report receiving widespread media coverage, including detailed reports by *The Guardian* of both interim and final reports. Public discussion of the issues raised by the report led to the tabling of an Early Day Motion (EDM 670, Dec 2017), signed by 73 MPs. This stated: “*That this House notes with deep concern the findings of the recent research report by Middlesex University Business School, Unpaid Britain: wage default in the British labour market, that at least two million workers experience non-payment of wages or holiday pay each year*”, and called for stronger enforcement on this issue [5.1]. The report led to Parliamentary Questions put by the Leader of the Green Party on 20th December 2017, and was directly cited in support of a private members’ Bill in a letter to the Chancellor of the Exchequer on 26 October 2018 [5.2]. Clark was also an advisor to Channel 4’s *Dispatches* investigation into labour exploitation involving room cleaners working in Premier Inns, with the resulting television programme watched by over 2 million viewers.

The originality of the insights of the *Unpaid Britain* research directly generated further research on this previously neglected topic. For example, the NGO Latin American Women’s Rights investigation of Latin American migrant women in cleaning, hospitality, and domestic work, drew on the *Unpaid Britain* report to produce findings on non-wage payment [5.3]. Two novel indicators of abuse used in the *Unpaid Britain* project - the proportion of Labour Force Survey respondents reporting no “paid holiday” entitlement, and the proportion of Family Resource Survey respondents reporting not being given a payslip – were directly incorporated into further BEIS commissioned research in 2019 [5.4], as well as the Resolution Foundation’s three-year investigation into workplace enforcement initiated in 2019. The finding that working, full time students were particularly badly treated on issues of wage non-payment, led to further work by Clark and colleagues on this issue [3.6], leading to the launch of a new employment rights service for Middlesex University students in 2021.

The findings of the *Unpaid Britain* report informed the actions of a range of governmental and non-governmental bodies, nationally and locally. The report’s recommendation for the need to provide

more practical advice and advocacy, with a key role for non-governmental bodies on the issue of unpaid wages, informed the Legal Action Group in the launch of their online employment advice service in February 2019 [5.5]. Local impacts were exemplified by the “Weymouth & Portland Action on Wages” group, partly created in response to the report, whose Chair stated: “*The report and its findings made a significant impact on those present and shaped an agenda for action on poverty wages in the area*” [5.6].

Influencing government policy on employment rights and their enforcement

The enhanced public debate generated on unpaid wages created a context in which the *Unpaid Britain* findings impacted directly upon government policy and practice, resulting in over 2 million of Britain’s lowest paid workers directly benefitting from improved publicity and enforcement of entitlement to unpaid wages. A House of Commons Environment Audit Committee’s report noted that: “*Researchers from Middlesex University working on the Unpaid Britain project have argued that consequences for non-payment of holiday pay and minimum wage are so weak that they do not present a sufficient deterrent to employers with many continuing to reoffend.*” (HC 981, 15 November 2018) [5.7]. Significantly, the Director of UK Labour Market Enforcement (DLME), cited the *Unpaid Britain* report’s findings in evidence to House of Commons select committees [5.8], as well as in his own 2018/19 enforcement Strategy document. The DLME stated:

“One of my tasks as Director of Labour Market Enforcement is to estimate the extent of wage underpayment. The key source on this issue is Clark and Herman (2017)... Clark and Herman’s £3.1 billion [of unpaid wages] is around 4% of their [workers in the bottom three deciles of the wage distribution] wage bill. The £3.1 billion figure is equivalent to around £470 per worker for the 6.6 million workers in the bottom three deciles. One of my recommendations in Strategy 1 published May 2018 was that HMRC or another state body should have responsibility for enforcing holiday pay. This recommendation was accepted (December 2018). Therefore Nick Clark has had a profound impact on the welfare of British workers” [5.9].

In 2018, the Government produced their “Good Work Plan” [5.10] which responded to the DLME’s recommendations. Here the government committed to a wide range of policy and legislative changes to create an enforcement system ‘fair and fit for purpose’. It included a number of specific recommendations from the *Unpaid Britain* report, namely: (1) a government plan to enforce entitlement to holiday pay for vulnerable workers; (2) improvements to entitlement to, and additional information on, payslips; and (3) greater effort to pursue directors “phoenixing” in order to evade employment obligations. As part of the response to vulnerable workers not receiving holiday pay, BEIS led the government’s major public awareness campaign on this issue in 2019, with officials consulting Clark over strategy design. The resulting holiday pay rights campaign included new guidelines, an online entitlement calculator to make it easier for employers and workers to calculate holiday pay, and an emphasis upon the responsibility of businesses to ensure workers receive the correct pay. Throughout the campaign material, *Unpaid Britain*’s estimate of £1.8bn in unpaid holiday pay figured centrally, along with a supporting statement by Clark [5.11].

A further key finding of the *Unpaid Britain* report was the lack of clarity over which state body had responsibility for enforcing the payment of holiday pay, highlighting the lack of integration between existing labour market state enforcement bodies. This directly informed the government announcement of a consultation exercise, which ran between July and October 2019, to examine the possible merging of existing state enforcement bodies into one fully fledged labour market Inspectorate. Proposals to improve enforcement featured in the Queen’s Speech of 14 October 2019 and are currently under development, so as the DLME observed: “*Nick Clark may indirectly have also been a catalyst for such an Inspectorate*” [5.9].

5. Sources to corroborate the impact

[5.1] [Early Day Motion on labour market enforcement \(EDM #670\)](#) tabled 7th December 2017, citing MU *Unpaid Britain* research and calling for stronger enforcement.

[5.2] *Unpaid Britain* results cited in support of an MPs private members’ Bill to [end unpaid work trials](#) in a letter to the Chancellor of the Exchequer on 26th October, 2018.

- [5.3] Research report (2019) by Latin American Women's Right Service entitled [The Unheard Workforce: Experiences of Latin American migrant women in cleaning, hospitality and domestic work](#) including research into payslip provision and holiday pay informed by findings of *Unpaid Britain*.
- [5.4] BEIS [Payslip awareness and worker confidence survey](#) (2019) undertaken by Kantar Public which adopted indicators related to [holiday pay](#) drawn from *Unpaid Britain* study.
- [5.5] [Legal Action Group's new online employment advice service](#) launched in February 2019, citing results from *Unpaid Britain* research.
- [5.6] Factual statement from Weymouth and Portland Action on Wages Chair setting out the use of *Unpaid Britain* work in developing their local campaign Weymouth & Portland Action on Wages.
- [5.7] Report produced by the House of Commons Environment Audit Committee on [hand car washes](#) (2018) citing findings and recommendations from *Unpaid Britain* research.
- [5.8] [Evidence to the Business, Energy and Industrial Strategy and Work and Pensions Committees](#) as part of the Taylor review of modern working practices given by Director of Labour Market Enforcement, 25th October 2017, in which the research findings of the *Unpaid Britain* research project are cited.
- [5.9] Factual statement from the Director of Labour Market Enforcement, stating how the *Unpaid Britain* research was a key resource for his work and recommendation for enforcing entitlement to holiday pay.
- [5.10] Publication of [Good Work Plan](#) by BEIS in 17th December 2018 which includes a number of specific recommendations set out previously in the *Unpaid Britain* project.
- [5.11] Example of [government campaign urging employers to tackle 'alarming' lack of awareness over holiday pay](#) prompted by the *Unpaid Britain* report and citing its findings.