



September 17

Intern Aware  
Low Pay  
Commission  
Submission

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## **Intern Aware Low Pay Commission Submission September 2012**

### **Executive Summary**

Unpaid internships continue to unfairly exclude people who can't afford to work for free and illegally exploit those who manage to. HMRC and BIS are comprehensively failing to address the problem. The Minimum Wage Act is being ignored.

This report details the results of a survey into internship experiences conducted by Intern Aware and then sets out five problems with the way the minimum wage is being enforced.

### **Intern Aware 2012 Survey**

In August 2012 Intern Aware launched a survey to investigate the experiences that interns had been through over the previous two years. The results are stark. Extremely high numbers report being asked to do real work for no pay.

*"I was seriously exploited in the Fashion sector. I worked till late at night sometimes even required to work all night, only provided with blankets for a couples of hours sleep on a hard wooden floor. I was originally told that travel would be paid, but once I started I never received any compensation for travel.*

*Unpaid internships should be stopped!"*

### **Survey respondent, August 2012**

#### **Of those surveyed:**

- **12% of respondents specified that they were paid at least the National Minimum Wage.**
- **78% of respondents were asked to do set duties and tasks but weren't paid the National Minimum Wage.**
- **10% of respondents were not asked to do set duties and tasks and weren't paid the National Minimum Wage.**

**The following are quotes from respondents who were asked to share their experiences anonymously:**

*"I was seriously exploited in the Fashion sector. I worked till late at night sometimes even required to work all night, only provided with blankets for a*

*couples of hours sleep on a hard wooden floor. I was originally told that travel would be paid, but once I started I never received any compensation for travel.”*

*“I haven't had an internship because I can't afford to have unpaid work. Instead I must work two jobs whilst at Uni and try and get short week long work experience placements. Unfortunately most places only offer internships.”*

*“It is impossible to think that after finishing my degree I will have to work for free 7 days a week for at least a year before I am able to get employment that will pay me minimum wage or less.”*

*“As someone who has chosen to work in the arts sector, I have had to work for free for the past year. Having taking on multiple different internship and gained a huge range of skills, I am still finding it incredibly difficult to find paid work. The last company I worked for have since asked me to work for them on a full time intern basis, and would so be paid £100 a week, well below minimum wage. In this time of current economic recession companies are using internships as free labour.”*

### **The effect of unfair, unlawful internships on social mobility**

Unpaid internships are essential, expensive and exclusive. Internships have become a pre-requisite for graduates looking to access the professions. Alan Milburn reported in March 2012 that over 30% of newly hired graduates had previously interned for their employer, rising to 50% in some sectors. The [Wilson Review](#) of Business-University collaboration found that “lack of work experience appears as a key barrier to young people, including graduates, in securing employment”.

The impact of unpaid internships on social mobility and regional equality is extremely significant. Working for free doesn't come cheap. Internships are overwhelmingly based in London, where the cost of living is amongst the highest in the UK. The London School of Economics estimates that a month living in London will typically cost a young person £1,000. Internships vary in length, but almost all last three months or longer. According to these figures a three-month unpaid internship could cost an intern over £3000. That's money that most young people simply don't have. In a survey conducted by Intern Aware and the PRCA 33% of respondents said they could not afford to intern unpaid.

## **What is going wrong, and what needs to be done.**

The Low Pay Commission has repeatedly recognised the problems caused by unpaid internships and repeatedly recommended that the government take action. This has not happened. The following five issues with HMRC enforcement go some way to explaining why illegal unpaid internships are still able to go unchecked.

### **1. Advertisements Unchecked**

At any one time there are hundreds of adverts for unpaid internships online which specify set hours and tasks, but specify wages below the National Minimum Wage or none at all. HMRC insist that they can do nothing about this. They refuse to consider investigating the adverts, which they agree often appear to be advertising internships that may break the law. They have ruled out sending letters to companies that advertise for unpaid interns reminding them of their duty to pay the National Minimum Wage.

**Recommendation:** Third parties and interns who can't afford to work for free should be able to complain about adverts that appear to break minimum wage law

### **2. Failure to follow up on specific intelligence from third parties**

According point 2.2.1 in BIS guidelines, HMRC enforcement can be initiated by complaints by third parties (Policy on HM Revenue and Customs Enforcement URN 11/529, January 2011). However, there is no mechanism for doing this. The complaint form on the Pay and Work Rights Helpline website has no mechanism to allow third party complaints. Callers to the hotline have been informed that only interns can complain.

Intern Aware has publicly complained about several employers where specific intelligence points to breaches of the National Minimum Wage. These complaints have not been acted on.

**Recommendation:** A third party complaints form should be added to the Pay and Work Rights Helpline website.

### **3. "Risking" process failing**

HMRC's risking process, whereby sectors and companies are proactively sought out for investigation for non payment of the minimum wage, leaves out unpaid interns.

The detection methods HMRC use to tell who is not paying the minimum wage are based on tax receipts and returns, which will not pick up people who aren't being paid at all.

The tools used are:

- Employer returns for PAYE, National Insurance, VAT. Corporation Tax.
- Employee claims to benefits under the new Tax Credit system which includes details of employee earnings.
- Using search engines and a data warehouse to search over 800 million tax records.

None of these will pick up people who aren't registered for PAYE or National Insurance.

#### **4. Failure to give adequate support and guidance to vulnerable workers**

In the 2012 Low Pay Commission Report it was recommended on page xvi that *“the Government puts in place, and maintains, effective, clear and accessible guidance on all aspects of the minimum wage particularly where there is significant evidence of ignorance or infringing practice.”*

This has not happened. The Pay and Work Rights Helpline is the main location for advice on minimum wage issues provided by the government. It needs to be significantly improved so as to better educate users about their rights in the workplace and support them with the process of making a complaint.

Between the 9<sup>th</sup> and the 20<sup>th</sup> of July, Intern Aware conducted a small survey of current interns about their experiences and perception of the website. Of the 20 people questioned, only one had previously heard of Pay and Work Rights' Helpline. It was felt by 18 of the respondents that the location of where to make a complaint and how was not clear enough. The lack of information about the possibility of anonymity whilst making a complaint was criticised, as was the lack of information about what constitutes a breach of minimum wage.

**Having reviewed the helpline, we recommend:**

- a) Clear information or links to reliable sources explaining who is entitled to the minimum wage, and what the process of complaining is.**
- i) The lack of information on the site can be intimidating for interns, who overwhelmingly don't know the details of whether they are entitled to the minimum wage or not.
  - ii) Clear, concise information about minimum wage law would empower people complaining to know that they had a case- before they entered into a process to challenge their employer.
  - iii) Clear information about confidentiality is also a must here- there is little on the website to explain whether interns' complaints will be shared with their employer, which will lead to worries about losing the placement or sacrificing a good reference etc.
  - iv) Better information about the process and likely outcomes of a complaint is also necessary. People are unlikely to ring the number, or fill out the form with no idea about what will happen after they do so.
- b) A redesign of the site so that specific pay and work rights problems are addressed more fully.**

The issues facing young people who've been forced to free as interns are very different from those faced by people working for gangmasters in agriculture or attempting to make a complaint about working time. Combining the issues together confuses them. A specific page, with details and case studies from people who've been through the process of complaining, would allow people accessing to the site to be able to access their legal right to fair pay and working conditions better. Pictures, videos and an attempt to make the site more attractive and informative would be a good start. BIS's page on student finance (<http://www.bis.gov.uk/policies/higher-education/students/student-finance>) is a good example of a desirable outcome.

**These suggestions were presented to senior officials at HMRC and BIS at a meeting in July. They were dismissed as unworkable.**

**5. Failure to communicate enforcement of the National Minimum Wage**

HMRC operates without publicising its enforcement activities. BIS does not actively publicise the Pay and Work Rights Helpline. This means that awareness levels of the services are extremely low amongst interns and employers, leading to greater levels of exploitation. This needs to be addressed.

## **Conclusion**

The integrity and the credibility of the National Minimum Wage Act are being undermined due to the large numbers of workers who are being denied their basic right to pay by being labelled “interns”. Whilst the government have offered warm words, the mechanisms to enforce the minimum wage for interns are not working.

If the National Minimum Wage Act is to function effectively and protect vulnerable interns from exploitation, and other young jobseekers from exclusion, significant changes need to be made.

We hope the Low Pay Commission will recognise the pressing need for action to make internships fair.