

Stopping exploitation of labour

Enforcing regulatory standards to boost compliance

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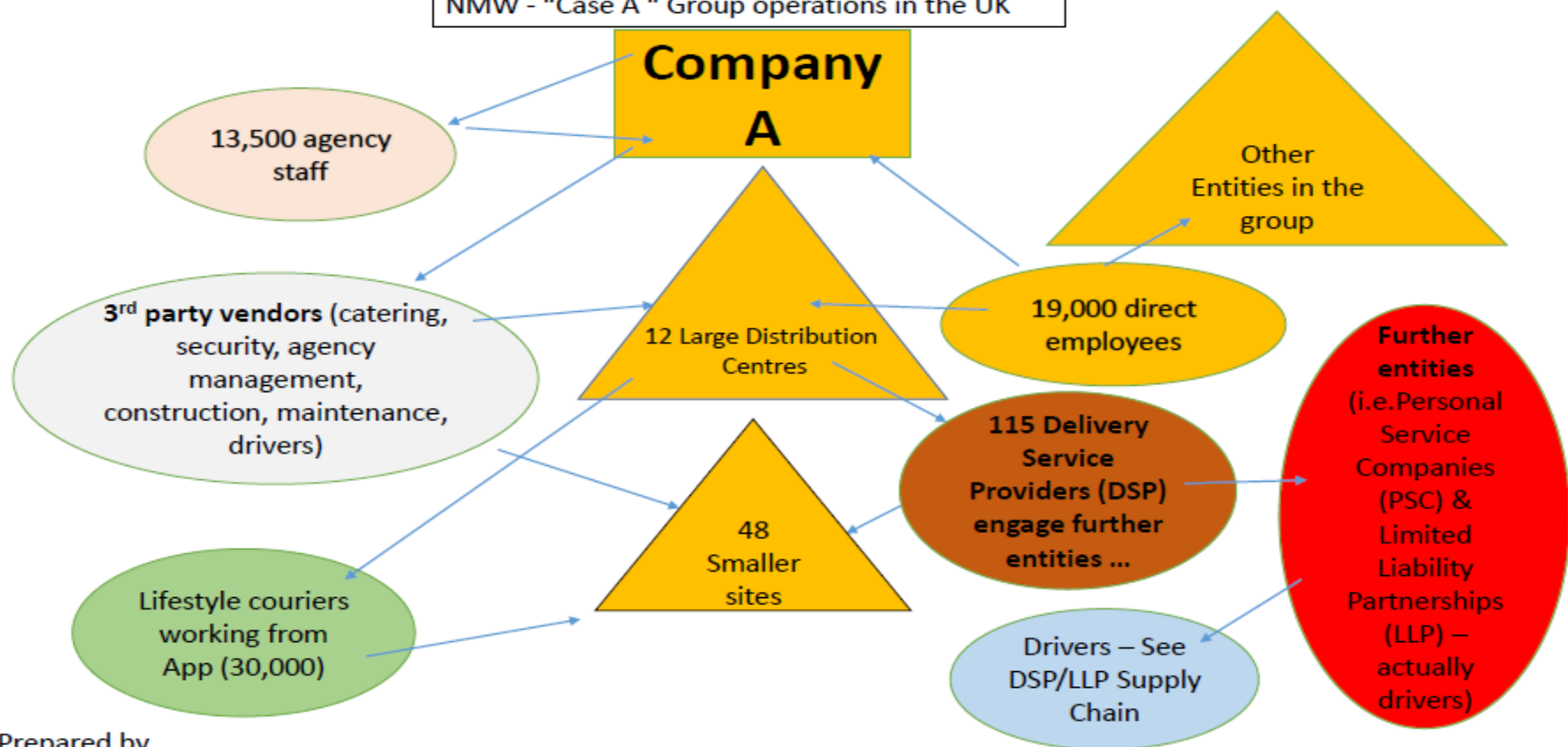
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1. How we got here

- Fissuring
 - Relationship between workers and employers increasingly complex.
 - Employers have contracted out, franchised and devolved many functions once done in-house
- Changing composition of workforce
 - PT, Self employment and gig economy all ↑
 - hollowing out

	<u>late 1970s</u>	<u>2016</u>
• Employees covered by collective bargaining	9-in-10	<3-in-10
• Labour's share in national income (%)	68	53
• % working age population born abroad	7	16

NMW - "Case A" Group operations in the UK



3. Effective Enforcement: Principles

- **Prioritisation**

focus on severity of problem, frequency and level of harm

- **Deterrence effect**

- must proactively spur compliance more widely than those directly inspected
- turns on perceived probability of investigation and expect penalty

- **Sustainability**

need long term impact on employer behaviour

- **System-wide impacts**

influence behaviour in each layer of a sector (see supply chains)

4. Some Evidence on Wage Underpayment

- Formal economy
 - 1.3% of jobs paid below NLW in 2016
 - 18% of apprentices not paid their correct MW
- Overall, as % of wage bill 2015
 - £1.6 billion (holiday pay) + £1.2 billion (other) = £2.8 billion
 - equivalent to around 3.5% of wage bill of bottom 3 deciles in wage distribution

Some Evidence on Wage Underpayment - Cont'd

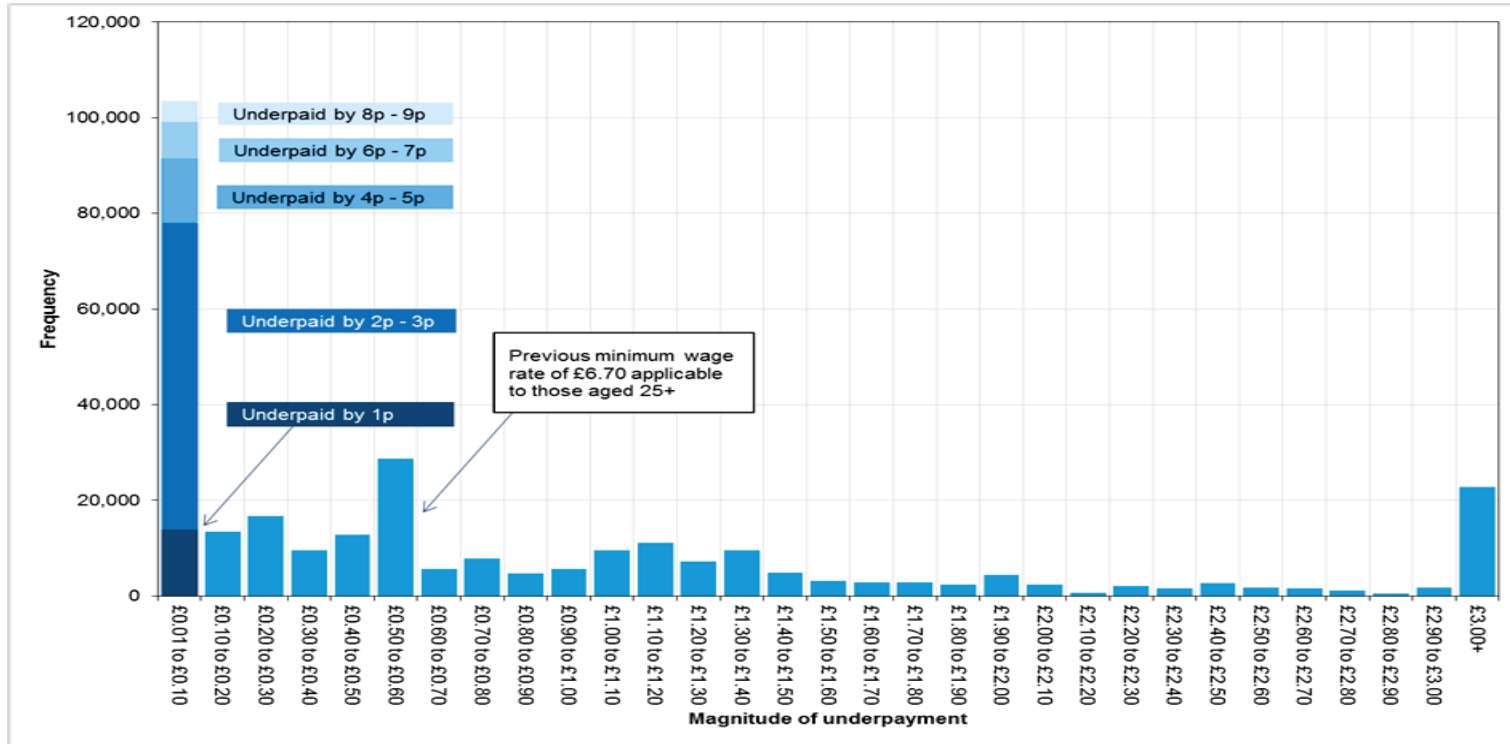
- Employment Agencies

- one estimate is that £4.5 billion is misappropriated, mainly from workers but also from HMRC, derived so:

	£billion
Holiday pay	2.5
Swedish derogation	1.0
Umbrella schemes	1.0

- Equivalent to 15% of Employment Agency revenue (£30 billion)

Figure 1: Underpayment of the NLW (£7.20) for those due the 25+ rate in 10p pay band



Source 1: NLW and NMW: Government evidence to the Low Pay Commission, July 2017, Department for Business, Energy & Industrial Strategy

5. Policy Issues e.g.

- HMRC
 - Enforcement resources and penalties?
- GLAA
 - Extend licensing to other sectors?
- EASI, possible future activity
 - enforce Swedish derogation
 - regulate online platforms and app-based recruitment
 - regulate umbrella companies

Policy Issues e.g.

- All three bodies

awareness raising; reactive cf proactive; effective use of the spectrum of enforcement tools, joint working; size and distribution of resources

- Supply chains

how to achieve fuller compliance: e.g. joint liability; embargoes (“hot goods”); certification or licencing; limited layers; public procurement