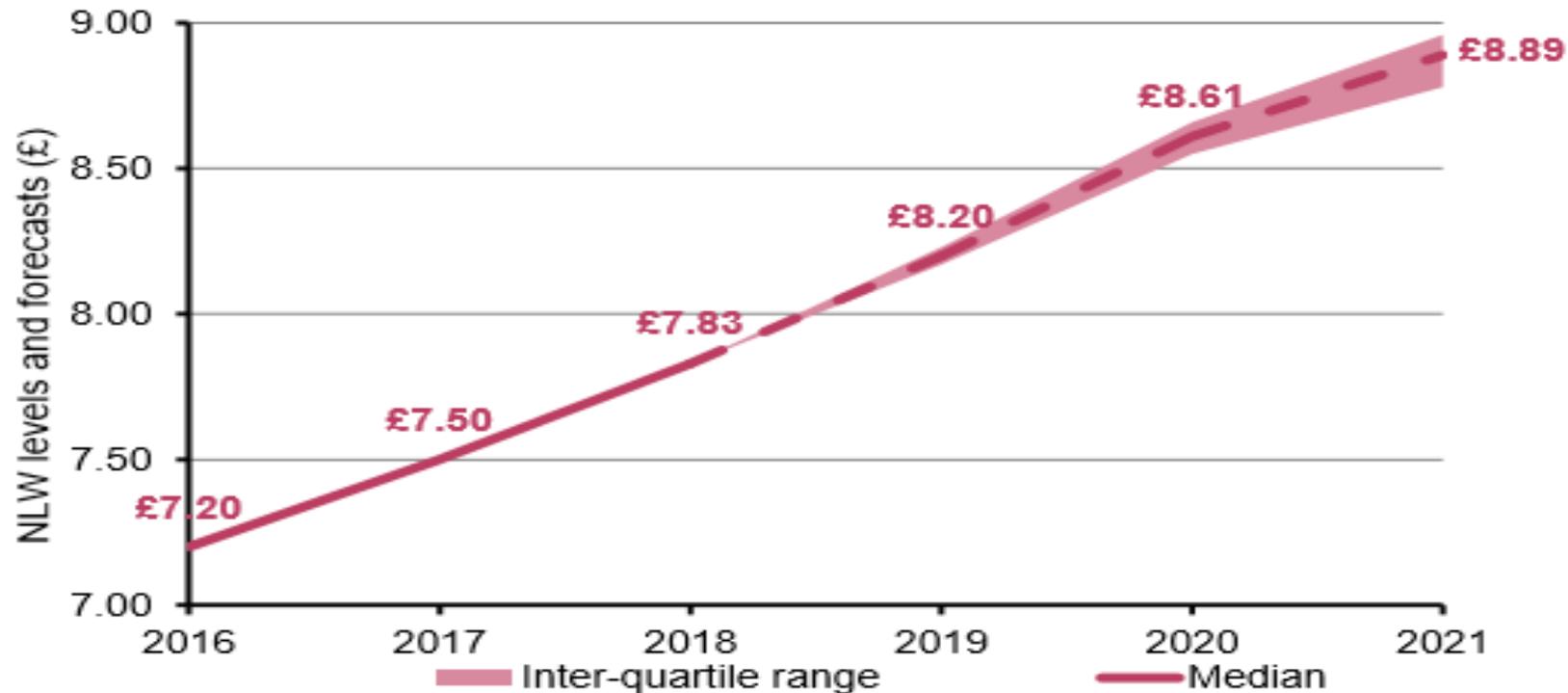


# National Minimum Wage Assessing the risk to your business

17<sup>th</sup> May 2018

# The proposed path of the National Living Wage

Predicted path of the NLW and inter-quartile range of forecasts



► Source: (all figures on this slide) the Department for Business, Energy and Industrial Strategy (BEIS). Published 8 December 2017 on gov.uk

# What type of worker?

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## **Time worker**

- ▶ Paid by the hour
- ▶ Including casual workers



## **Output worker (piece rate worker)**

- ▶ Paid by the item produced
- ▶ Including home workers



## **3. Salaried worker**

- ▶ Receives annual salary
- ▶ Annual hours worked

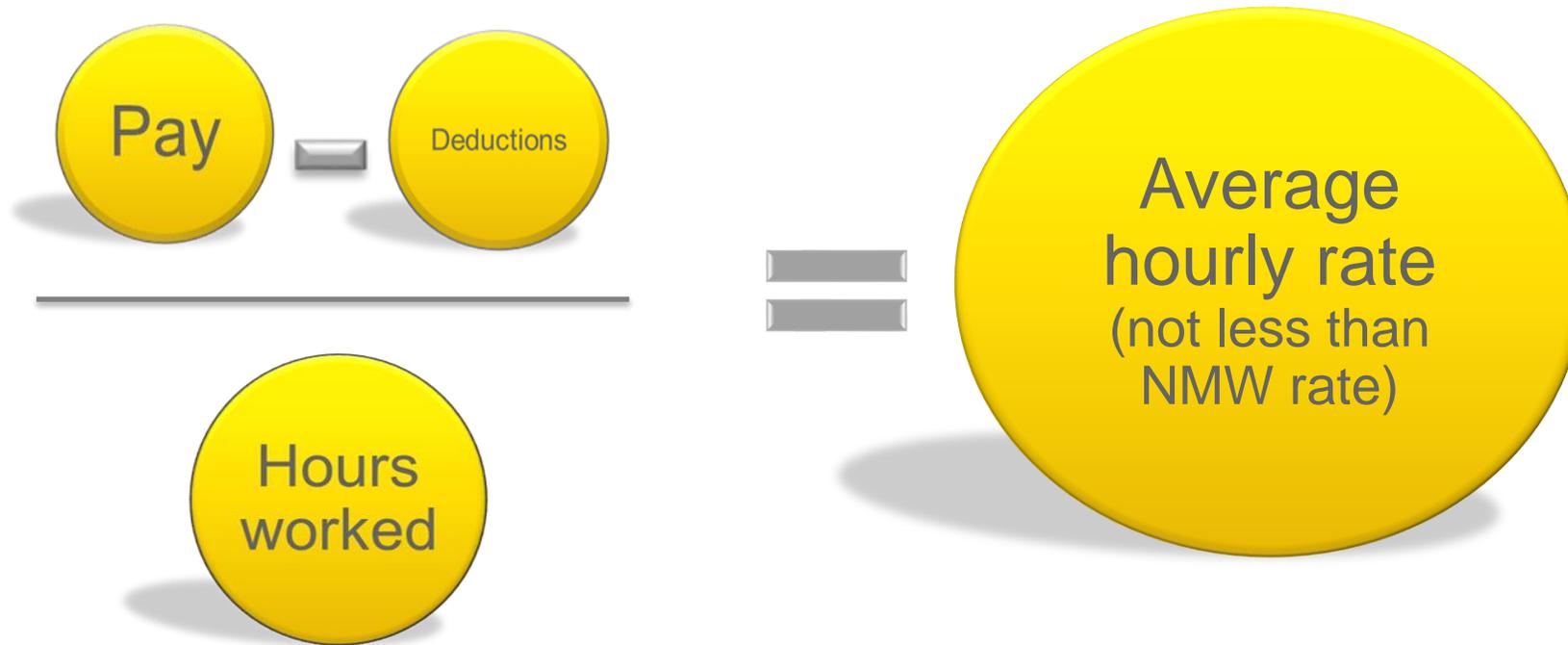


## **Unmeasured worker**

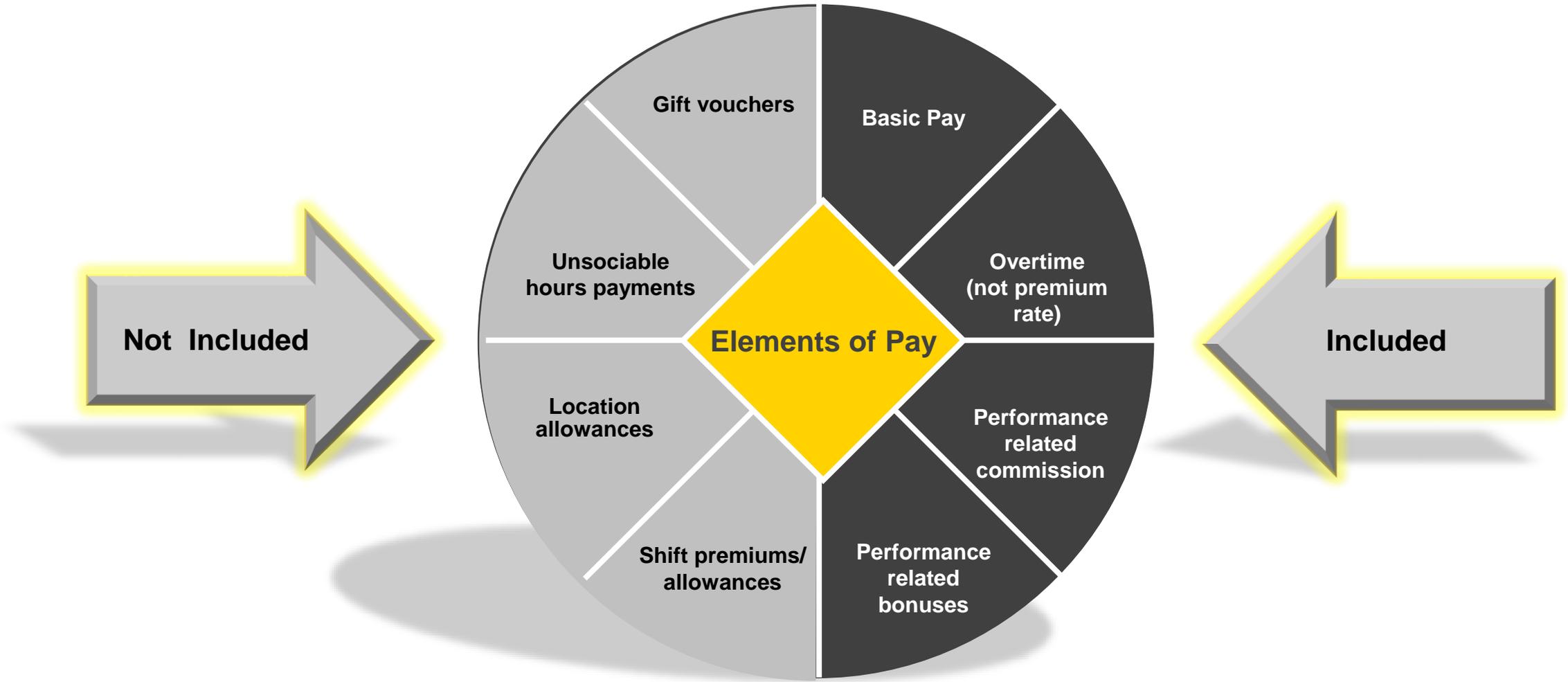
- ▶ Paid for hours worked in each pay reference period

# Calculating NMW – Simple in Theory

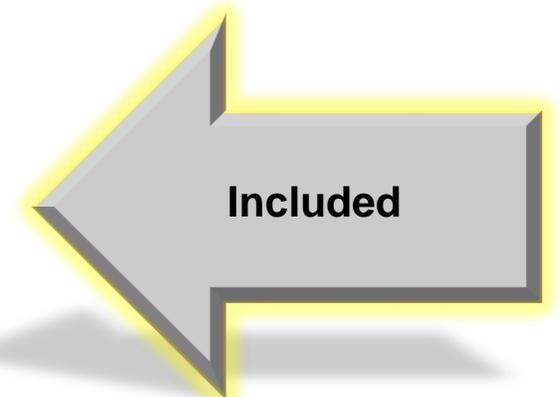
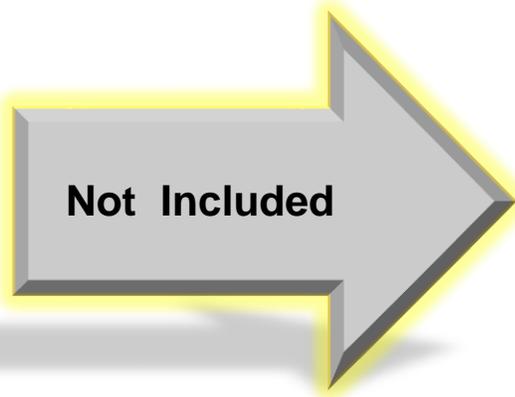
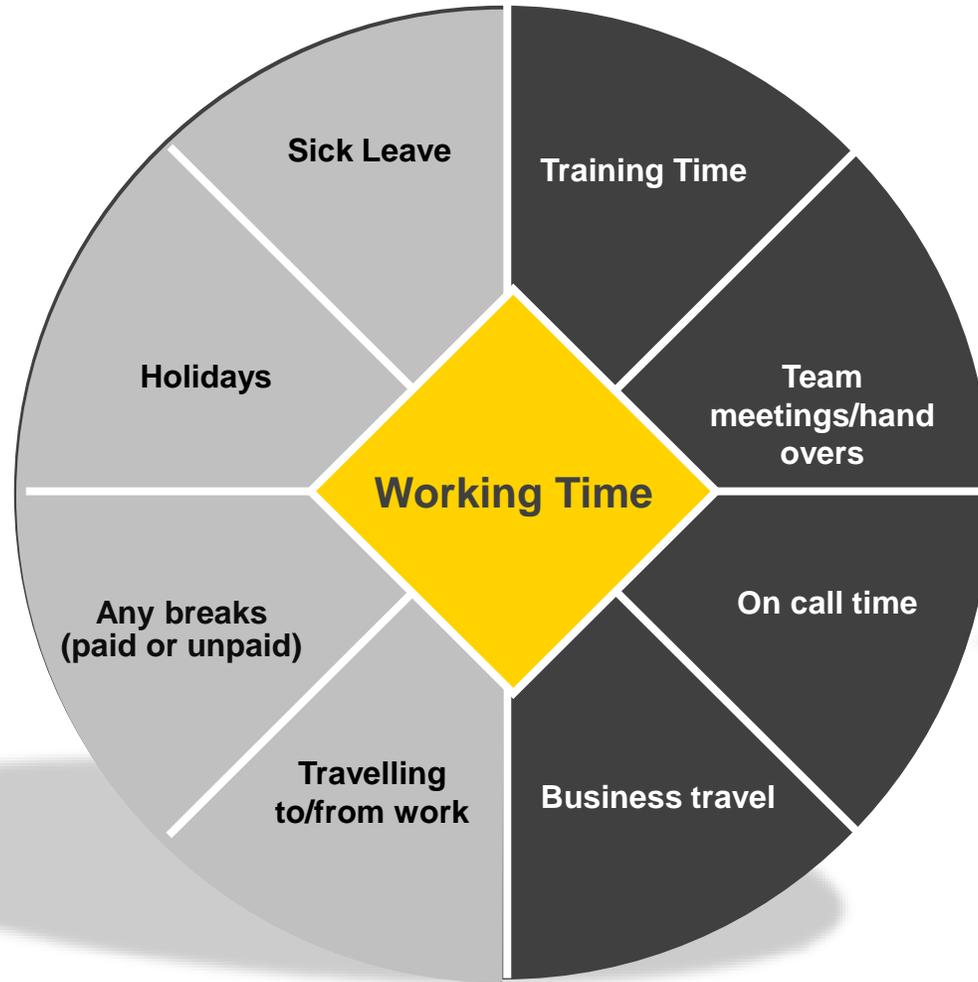
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# Elements of Pay for NMW



# What is Working Time?



# Penalties / Naming and Shaming

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Notice of underpayment > £100

- ▶ Arrears (based on current rates)
- ▶ A penalty of **200%** of amount underpaid, up to a maximum of £20,000 per worker
- ▶ Penalty reduced to 100% if paid within 14 days
- ▶ Minimal discretion exercised by HMRC

Limited grounds for appeal against a notice to name and shame, e.g.:

- ▶ Risk of personal harm to an individual or their family
- ▶ National security risks associated with naming in this instance
- ▶ Other factors which suggest that it would not be in the public interest to name the employer

# National Minimum Wage Investigations

Increased activity from HMRC has seen more employers that are household names, identified in the press for failure to comply with the recent Minimum Wage legislation

## Route to Investigation

### Reactive investigations



HMRC has a service level agreement with BEIS that they will investigate 100% of NMW complaints registered via the ACAS helpline

### Proactive investigations



New targeted enforcement team set up to target larger businesses across all sectors

In 2017 the government spent a record £25.3 million on minimum wage enforcement

# Recent changes

## May 2018

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- ▶ On 9<sup>th</sup> May 2018, the government's Director of Labour Market Enforcement, published a report which has set out **37 recommendations**.
- ▶ In the longer term hours and hourly earnings should be captured in Real Time Information data returns to HMRC.
- ▶ Employers found to be non-compliant should be charged a fee for intervention to allow the enforcement bodies to recover some of their enforcement costs.
- ▶ A recommendation for a significant increase in the size of civil penalties for the non-compliant to bolster the deterrent effect, linking financial penalties to the company's annual turnover.
  
- ▶ HMRC's new campaign "check your pay" urging workers to ring helpline or complete online form to report NMW issues with their pay
- ▶ Assisted self correction opportunity open from August 2017 to May 2018. New voluntary disclosure (awaiting details)

# National Minimum Wage

## How we can help

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Any employer that has not reviewed its procedures in recent years (in particular since April 2013) is recommended to do so.

We have developed a methodology which seeks to replicate the same format and procedures followed by HMRC's Minimum Wage officers:

1  
We test your procedures against the Minimum Wage legislation and HMRC practice

2  
We report back highlighting areas of weakness, with a comprehensive plan of action to strengthen those areas and potentially rectify arrears

3  
Reduced risk of being publicly named in future



**Q&A**