

## Declaration tools and the minimum wage, United Kingdom

<b>Title of the policy or measure (in English)</b>	Declaration tools and the National Minimum Wage / Living Wage
• Country	UK
• Date of publication	November 2018
• Sectors	All
• What groups are targeted by the measure	<ul style="list-style-type: none"> <li>- Employers (directly targeted)</li> <li>- Workers (directly targeted)</li> </ul>
• Purpose of measure	Prevention
• Short sentence summarising the measure	<p>HM Revenue and Customs (HMRC) trialled tools to encourage employers to self-review their minimum wage payment practices and undertake a voluntary declaration in relation to the National Minimum Wage (NMW) and National Living Wage (NLW).</p> <p>HMRC now provide a self-declaration route, supported by a series of webinars on the gov.uk website (the central website for all government services and information) to support employers with their review and any subsequent declaration.</p>
<b>Background</b>	
• Background context driving the implementation of the measure	<p>Introduced in the UK in 1999, the NMW sets a minimum hourly rate of pay workers should receive, supporting lower and middle income earners as well as improving their incentive for working. The NMW also ‘helps businesses by driving fairness in the labour market ensuring that competition is based on the quality of goods and services provided and not on low prices driven by low rates of pay’<sup>i</sup>. The NLW was introduced in 2016 (as an amendment to the National Minimum Wage Act 1999), and is an obligatory rate payable to workers over the age of 25 in the UK. The NMW is applicable for those under 25 years. The Low Pay Commission estimated that in 2017 there were 1.9 million jobs paid at, or below the NMW/NLW (6.7 % of all employee jobs)<sup>ii</sup>. The current (April 2018) NMW and NLW rate is:</p> <ul style="list-style-type: none"> <li>- EUR 8.79 (GBP 7.83) for people aged 25 and over</li> <li>- EUR 8.28 (GBP 7.38) for people aged 21 to 24</li> <li>- EUR 6.62 (GBP 5.90) for people aged 18 to 20</li> <li>- EUR 4.71 (GBP 4.20) for people aged under 18</li> <li>- EUR 4.15 (GBP 3.70) for an Apprentice</li> </ul> <p>In 2017-2018 HMRC investigators identified over EUR 17.45 million (GBP 15.6 million) in pay owed to more than 200 000 low-paid workers<sup>iii</sup>. Underpayment of NMW/NLW sometimes occurs when employers pay at or just above the NMW/NLW rates, but are not compliant with the regulations because of issues such as wage deductions (including for example uniform costs, tools, meals, transport) and unpaid working time. As a consequence employers are not always aware of their non-compliance. HMRC therefore decided to implement a tool to encourage employers to consider their compliance with payment of NMW/NLW, and make appropriate declarations. As part of this process, the HMRC trialled different methods to increase the engagement of employers (‘test and learn’).</p>

<ul style="list-style-type: none"> <li>When was the measure implemented? (including start date and end date/ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>'Test and learn' pilot exercises, 2016 - 2018.</li> <li>Voluntary-declaration model, June 2018 – ongoing.</li> </ul>
<ul style="list-style-type: none"> <li>Names(s) of authorities/bodies/organisations involved</li> </ul>	<p>HMRC were responsible for the development of the tools with oversight from the Department for Business, Energy and Industrial Strategy (BEIS) as policy owners for NMW/NLW.</p>
<ul style="list-style-type: none"> <li>Scope of the measure (a pilot project, nationwide, regional wide)</li> </ul>	<p>The pilot exercise was implemented using different 'test and learn' approaches. The 'test and learn exercises' were targeted at different sectors (for example construction companies and hair and beauty), sizes of employers and geographical locations of employers. Although some employer targeting took place, the tools were still open and accessible to all employers. The 'test and learn' exercises explored the ways in which HMRC could increase the participation of employers in the self-declaration process. The current voluntary declaration model is open to all employers in the UK.</p>
<ul style="list-style-type: none"> <li>Type of (policy) measure</li> </ul>	<p>Tool</p>
<ul style="list-style-type: none"> <li>Key objectives of the measure</li> </ul>	<p><b>General Objective</b> To reduce the number of employers paying their workforce below the NMW/NLW.</p> <p><b>Specific Objectives</b></p> <ul style="list-style-type: none"> <li>To provide information and advice to employers about their obligations under NMW/NLW legislation.</li> <li>To provide an opportunity for employers to self-review their practices and to declare if they have been paying below the NMW/NLW.</li> <li>To provide employers with an opportunity to demonstrate they have taken steps to remedy any non-compliance and have paid workers without the need for enforcement action.</li> </ul>
<p><b>Specific measure</b></p>	
<ul style="list-style-type: none"> <li>Description of how the measure operates in practice</li> </ul>	<p>The 'test and learn' phase was a pilot exercise introduced to explore the most effective ways of reducing underpayment of NMW/NLW. The 'test and learn' exercises encouraged employers to consider their compliance with payment of NMW/NLW.</p> <p>The 'test and learn' exercises involved an exploration of differing approaches for engagement with employers:</p> <ul style="list-style-type: none"> <li>Targeting a specific group (employment sector, geographical location of businesses or size of employer);</li> <li>A 'Nudge Letter' sent to employers encouraging them to undertake the self-declaration to ensure they are compliant with the NMW/NLW payment levels – the wording of the letter used was changed to explore if this impacted on engagement of employers;</li> <li>A helpline for employers/workers to call and speak to a representative to gain advice about payment of the NMW/NLW;</li> <li>Employer self-review of payment levels to their workers;</li> <li>Different ways of declaring to HMRC that the employer is paying staff the NMW/NLW.</li> </ul> <p>The current method of declaration includes a self-directed voluntary self-declaration pathway complimented by a public facing suite of self-serve support tools (no dedicated helpline provision).</p>

	<p>Employers are encouraged to undertake a self-review and make a declaration as a result of their self-review if they identify any arrears. In order to submit a declaration form, the employer is required to contact a centralised email address. There are a number of self-help webinars on the website to guide the employer through the process. These cover:</p> <ul style="list-style-type: none"> <li>- When a worker is entitled to the minimum wage;</li> <li>- Different types of work for minimum wage purposes;</li> <li>- Common underpayment errors to look out for;</li> <li>- How to put things right if there is an underpayment.<sup>iv</sup></li> </ul> <p>The webinars are available at <a href="https://www.gov.uk/guidance/help-and-support-for-employing-people#the-national-living-wage-and-the-national-minimum-wage">https://www.gov.uk/guidance/help-and-support-for-employing-people#the-national-living-wage-and-the-national-minimum-wage</a></p>
<ul style="list-style-type: none"> <li>• What resources and other relevant organisational aspects are involved?</li> </ul>	<p>Specialist compliance officers were required in order to run the helplines for the previous test and learn tools. The helplines are not currently operating. There is a cost associated with the development of the information webinars, staffing helplines and the nudge letters / emails sent to employers. The declaration model is mostly employer- led; therefore, very little capacity is needed to run the declaration model.</p>
<ul style="list-style-type: none"> <li>• What are the source(s) of funding?</li> </ul>	<p>Funding was through the NMW/NLW budget allocation provided to HMRC by BEIS to enforce NMW/NLW compliance.</p>
<p><b>Evaluation and outcome</b></p>	
<ul style="list-style-type: none"> <li>• Has the measure achieved its objectives?</li> </ul>	<p>The ‘test and learn’ exercises were effective as it enabled HMRC to establish that employers could be encouraged to self-review and declare NMW/NLW underpayment.</p>
<ul style="list-style-type: none"> <li>• Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved</li> </ul>	<p>HMRC undertook analysis of employer response rates to the nudge letters sent to employers and the number of declarations based on the value of arrears/number of workers. This information is not publically available and there are no plans to publish it. The analysis informed the evolution of the self-review and declaration process.</p>
<ul style="list-style-type: none"> <li>• What are lessons learnt and the key conditions for success?</li> </ul>	<p>The trial team learnt that:</p> <ul style="list-style-type: none"> <li>- It is possible to encourage employers to self-review, correct and declare non-compliance.</li> <li>- Wording of the written correspondence (letters and emails) sent to employers is important – the type of wording used can influence take up and employer engagement.</li> <li>- When providing phone line support, expertise is required for effective employer engagement with the tools. However, having a helpline is not essential to success, as support can also be provided through other mediums such as easily accessible online videos.</li> </ul>
<ul style="list-style-type: none"> <li>• Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>In order to implement a similar strategy, the Member State would need to have appropriate legislation requiring employers to pay their workforce a NMW/NLW.</p> <p>The nudge letters, and tools (i.e. webinars and helpline) are transferable to other countries. For example, the development of webinars to explain the legislation in the relevant country would be straightforward where the legislation is applicable.</p> <p>Member States should consider the most appropriate organisation to deliver and manage the declaration tools, for example, if a helpline is established staff should have experience and knowledge of the current system for payment of staff in the Member State. HMRC in the UK oversees the payment of tax and</p>

	provides both an information function and enforcement function. Member States should be mindful that an enforcement agency may deter engagement with self-declaration tools.
<b>Additional information</b>	
<ul style="list-style-type: none"> <li>• Contacts</li> </ul>	Phil Conley, Promoting Compliance Manager, HM Revenue and Customs Email address: <a href="mailto:phil.conley@hmrc.gsi.gov.uk">phil.conley@hmrc.gsi.gov.uk</a> Telephone: 03000 519740
<ul style="list-style-type: none"> <li>• Useful sources and resources</li> </ul>	The National Minimum Wage: rates and enforcement, available at: <a href="http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06898#fullreport">http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06898#fullreport</a> National Minimum Wage Statistics: <a href="https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7735">https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7735</a>
<ul style="list-style-type: none"> <li>• Metadata and key words for online search</li> </ul>	UK; national minimum wage; living wage; compliance; declaration tools; revenue and customs; voluntary declaration; self-declaration; self-review; webinars; helpline; advice and guidance

<sup>i</sup> Department for Business, Energy and Industrial Strategy (2017) '*National Minimum Wage Law: Enforcement*'. Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/656568/nmw-enforcement-beis\\_-\\_policy\\_doc\\_-\\_full\\_vFINAL\\_\\_3\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/656568/nmw-enforcement-beis_-_policy_doc_-_full_vFINAL__3_.pdf)

<sup>ii</sup> Parliament.uk (2018) '*National Minimum Wage Statistics*'. Available at:

<https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7735>

<sup>iii</sup> GOV.UK (2018) '*200,000 receive back pay as HMRC enforces National Minimum Wage*'. Available at:

<https://www.gov.uk/government/news/200000-receive-back-pay-as-hmrc-enforces-national-minimum-wage>

<sup>iv</sup> HM Revenue and Customs (2017) '*Help and support for employing people*'. Available at:

<https://www.gov.uk/guidance/help-and-support-for-employing-people#the-national-living-wage-and-the-national-minimum-wage>