

Employers slow to catch up with NMW changes

In the know

A report by the Low Pay Commission shows that employer awareness of annual increases in the National Minimum Wage is low. More financial support than ever is being put into NMW enforcement and the report sets out recommendations for how that support may be directed to ensure employers are paying their workers correctly.

Historical context

- The National Minimum Wage Act 1998 introduced minimum wage rates for UK workers;
- The most recent change – the introduction of the National Living Wage in 2016 – brought the number of workers earning the minimum wage to 2.3 million and this is expected to increase to 3.3 million by 2020.

Non-compliance

- The LPC divides non-compliance into two categories: intentional and non-intentional though it admits that it is difficult to distinguish between the two;
- Both types are treated the same way for “naming and shaming” purposes - where the names of underpaying employers are published on the internet.

LPC's recommended steps to increasing compliance

- The Government's communications via online, TV and press coverage to coincide with NMW increases should continue;
- A broader approach should be adopted which is aimed at increasing the number of formal complaints made by workers to the Acas helpline;
- Better publicity should be given to methods of complaint that workers who believe they are being underpaid can use;
- This should use stories of successful complainants to highlight to the public how to complain and how complaints can be resolved;

- Improved guidance for employers on the technical errors that are made – including, for example, how to treat wage deductions for uniforms – using real life examples;
- Increasing the number of prosecutions and publicising those that occur;
- Consideration of a tick box added to payroll software to confirm that all workers have been paid in line with NMW;
- The Government should provide clarity on issues faced by social care employers including treatment of travel time and sleep in time for NMW purposes.

Why don't employers comply?

- A lack of awareness that the rates have increased. Employers only catch up months later, the report suggests;
- A belief that their staff will not complain;
- A lack of awareness of the increasing funding for HMRC to crack down on non-compliance and the current enforcement mechanism including “naming and shaming”.

Croner Tips

- **Rate increases now take place in April each year to align with the new financial year. Budgets for each financial year should take into consideration increases in pay.**
- **With the increasing public awareness campaigns, it is essential for employers to understand the treatment of different elements of pay when determining whether NMW has been paid e.g. tips, uniform allowances etc.**

The content of this briefing is correct at the time of publishing.

Please contact the 24 Hour Advice Service for advice on your specific situation before acting on the information in this article