



HM Government

Executive Summary: United Kingdom Labour Market Enforcement Strategy 2020/21

Interim Director of Labour Market Enforcement
Matthew Taylor

December 2021



HM Government

Executive Summary: United Kingdom Labour Market Enforcement Strategy 2020/21

Interim Director of Labour Market Enforcement
Matthew Taylor

Presented to Parliament pursuant to Section 5 (1)
of the Immigration Act 2016

December 2021



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at LMEDirectorsoffice@beis.gov.uk

ISBN 978-1-5286-2727-6

CCS0221985926 / E02666987 12/21

Printed on paper containing 75% recycled fibre content minimum

Produced by the APS Group.

Printed in the UK by HH Associates Ltd on behalf of the Controller of Her Majesty's Stationery Office.

Table of Recommendations

	Lead Body	Recommendation	Delivery time (years from publication)			Relevant to single body design?
			1	2	3+	
Section 4: High-Risk Sectors						
4.1: Social Care						
1	All Bodies	<p>The Labour Market Enforcement (LME) bodies should strengthen their relationship with care regulators across the devolved administrations by:</p> <ul style="list-style-type: none"> a) Raising their profile and ensuring their powers and remit are well-known in the sector; b) Providing active support in the training of inspectors, enabling them to spot the signs of labour exploitation; and c) Reviewing existing gateways and processes to ensure smooth intelligence-sharing and referrals between the LME bodies and the care regulators, including effective signposting to each other's complaints/whistleblowing routes.¹ 				Yes
2	BEIS and HMRC NMW	<p>The Department for Business, Energy and Industrial Strategy (BEIS) with support of HMRC NMW (Her Majesty's Revenue and Custom National Minimum Wage) should continue to improve guidance around national minimum wage/national living wage (NMW/NLW), in collaboration with stakeholders, by:</p> <ul style="list-style-type: none"> a) Promptly updating guidance following any significant legal or policy developments, and proactively disseminating this in a timely manner with a publicity campaign to reach both workers and employers; and b) Re-examining developing sector-specific guidance to address complexities in NMW guidance for those industries where the nature of work is atypical, including (but not limited to) social care. 				Yes (guidance role of the SEB)

¹ The Home Secretary has amended the timescale of the recommendation to three years in order to consider this proposal during the development of the Single Enforcement Body (SEB).

	Lead Body	Recommendation	Delivery time (years from publication)			Relevant to single body design?
			1	2	3+	
3	All Bodies	<p>The LME bodies should work closely with external partners, particularly within high-risk sectors, to find innovative ways to disseminate information and raise awareness of employment rights and enforcement among employers and workers.</p> <p>Specifically, within social care:</p> <p>a) The LME bodies should bring together an information pack of employer obligations for Local Authorities to pass on to those receiving direct payments for care needs; and</p> <p>b) The LME Bodies should target the dissemination of information resources for workers, including via skills providers, Skills for Care, and/or devolved worker registration schemes at the point of certification or training.</p>				
4	All Bodies	<p>The LME bodies should identify ways to actively and effectively support local authorities in their due diligence and monitoring of externally commissioned services with focus on workers' rights.</p> <p>Specifically, for social care, the LME bodies should consider the following methods but may find other ways of achieving the same aim:</p> <p>a) Develop a good practice guide that Local Authorities can easily incorporate into their procurement processes; and</p> <p>b) Raise awareness within Local Authorities of the enforcement bodies' powers, regulations, and common breaches to ensure a greater flow of intelligence and appropriate referrals where non-compliance is suspected.</p>				
5	BEIS and HO	I recommend that BEIS and Home Office (HO) work closely with The Department of Health and Social Care (DHSC) to ensure social care reform includes consideration of worker rights and enforcement, building on learning from the variability in social care models within the UK.				Yes (joint approach)
Section 4.2 Seasonal Workers in Agriculture						
6	GLAA	In line with my wider argument around robust voluntarism, the Gangmasters and Labour Abuse Authority (GLAA) should work with the sector to explore how it can lend credibility and support to the labour standards and compliance elements of high-quality certification schemes for growers. Working with a strengthened licensing system, this would allow the sector to be more confident about compliance throughout the supply chain, without relying on multiple, sometimes poor standard ethical compliance audits.				Yes (working with sector)

	Lead Body	Recommendation	Delivery time (years from publication)			Relevant to single body design?
			1	2	3+	
7	GLAA and HO	<p>GLAA and Home Office should:</p> <p>a) Review the licensing system and budget to include increased compliance inspections and routine visits; and</p> <p>b) Consider analysis of the effectiveness of the potential increase in unannounced visits in circumstances set out in the Government's response to the 2019/20 Strategy.²</p>				Yes
8	GLAA	<p>The GLAA should review licensing data: what is collected, how it is analysed and how it is shared.</p> <p>a) <u>In the immediate term</u>: the GLAA should strengthen the licence holder database to improve the range and quality of information held, and to identify trends and indicators of risk to inform inspection policy, including the characteristics of licence holders and correlations with risks of non-compliance; and</p>				
	BEIS/HO/GLAA	<p>b) <u>In the longer term</u>: BEIS/Home Office should be ambitious and creative when designing the data collection and analytic functions of the Single Enforcement Body. They should draw on innovative practice such as the Health and Safety Executive's (HSE) and HMRC's risking models and consider how best to draw on expertise from outside Government.</p>				Yes (robust licensing)
	BEIS/HO/GLAA	<p>c) Within the Single Enforcement Body: the licensing function should be fully integrated into the data capability of the new organisation. BEIS/HO/GLAA should identify where streams of data around licensed labour providers and labour users can be usefully compared and combined to understand risk and identify non-compliance and target resources appropriately.</p>				Yes (use of data)
9	All Bodies	<p>The LME bodies should undertake analysis and work in partnership with academics and the Joint Slavery and Trafficking Analysis Centre (JSTAC) to fill key evidence gaps in understanding labour market non-compliance and the effectiveness of enforcement. This will be especially important to feed into the SEB development.</p> <p>Specifically, the DLME, in collaboration with the labour market enforcement bodies and other relevant organisations (including the facilitation of access to case information), will seek to review existing and past cases of severe labour exploitation to improve the understanding of how worker exploitation comes to light. This should consider:</p> <ul style="list-style-type: none"> • Who do workers confide in? and • What opportunities are there to encourage people to report labour abuse? <p>The findings should feed into the communication and engagement strategies for the enforcement bodies and the future SEB.</p>				

² The Home Secretary has made minor amendments to the wording of this recommendation to signpost the Government response to the 2019/20 Annual Strategy, and ensure wider proposals are considered in the development of the GLAA's new compliance strategy.

	Lead Body	Recommendation	Delivery time (years from publication)			Relevant to single body design?
			1	2	3+	
10	GLAA and HO	I encourage the GLAA and Home Office to engage with the Department for Environment, Farming and Rural Affairs (DEFRA) to consider the scope to include labour protection compliance as part of the relationship between the new farming subsidies systems and the protection of labour rights.				
11	GLAA	GLAA should continue to work closely with Immigration Policy to ensure the Seasonal Workers Pilot builds on its existing approach of incorporating prevention of exploitation within its programme.				
Section 4.3 Construction						
12	HO and BEIS	a) Home Office and BEIS, in partnership with ODLME, should investigate a sectoral approach into the design of the Single Enforcement Body, to bring together enforcement bodies and wider stakeholders to develop ways of identifying, analysing, mapping and effectively tackling non-compliance in particular industries.				Yes (sectoral approach)
	All Bodies	b) In the interim, the enforcement bodies should build on the Construction Protocol and ODLME will support work to develop the evidence base around the sector. Learning from this would then inform the development of the Single Enforcement Body.				Yes (sectoral approach)
13	GLAA	The GLAA should engage with the Local Government Association to understand whether it would be an effective prevention intervention to provide information to property owners when planning permission is granted for construction work on the signs of labour exploitation and how to report concerns. ³				Yes (working with local government)
14	All bodies	Both in construction and in other high-risk sectors, the enforcement bodies should increase their promotion of instances of good practice where a brand/household name has identified and taken successful action against severe labour abuse within their supply chain. This is both to publicise the work within the industry and increase the deterrent effect. Development of the SEB should be mindful of existing barriers that might prevent the current enforcement bodies from doing this.				Yes
15	All Bodies	Across sectors, where the LME bodies identify severe labour exploitation, there should be an automatic and systematic review of the extended labour supply chain to: <ul style="list-style-type: none"> a) Identify vulnerabilities and potential wider exploitation related to the initial case; b) Inform and educate the organisations in the supply chain about weaknesses in their systems; and c) Identify organisations where there is repeated failure of expected levels of due diligence. 				Yes (enforcement through supply chains)

³ The DLME made this recommendation for the GLAA to take forward, but planning permission is the responsibility of Local Authorities. The Home Secretary has amended the wording to instruct the GLAA to engage with the Local Government Authority to explore if this proposal would be feasible for Local Authorities to take forward.

	Lead Body	Recommendation	Delivery time (years from publication)			Relevant to single body design?
			1	2	3+	
Section 4.4 Hand Car Washes						
16	BEIS/HO/GLAA	The Local Authority pilot scheme being developed by RCWS (in the New Year 2021) should be used to explore and test the effectiveness of interventions across the hand car wash sector. The Home Office should support the pilot through funding and independent evaluation, and if found to be successful it should be considered in the context of the single enforcement body. ⁴				
17	All Bodies	Recognising existing work by HMRC NMW, all enforcement bodies should explore the opportunities to make greater use of innovative technologies such as predictive analytics to complement existing enforcement efforts to identify areas of risk, together building up expertise to feed into the SEB.				Yes (use of data)
18	GLAA and HMRC NMW	As per Recommendation 9, the LME bodies should undertake analysis and work in partnership with academics and JSTAC to fill key evidence gaps in understanding labour market non-compliance and the effectiveness of enforcement. This will be especially important to feed into the SEB development. Specifically, the enforcement bodies and wider law enforcement should seek to better understand why so few referrals result in the identification of modern slavery offences, to help achieve a more efficient use of their resourcing.				
19	GLAA and HMRC NMW	GLAA and HMRC NMW should work more closely with NGOs who are active in the HCW sector, such as the Safe Car Wash app and the Modern Slavery Helpline, to improve the quality of the information and intelligence relating to non-compliance in hand car washes.				

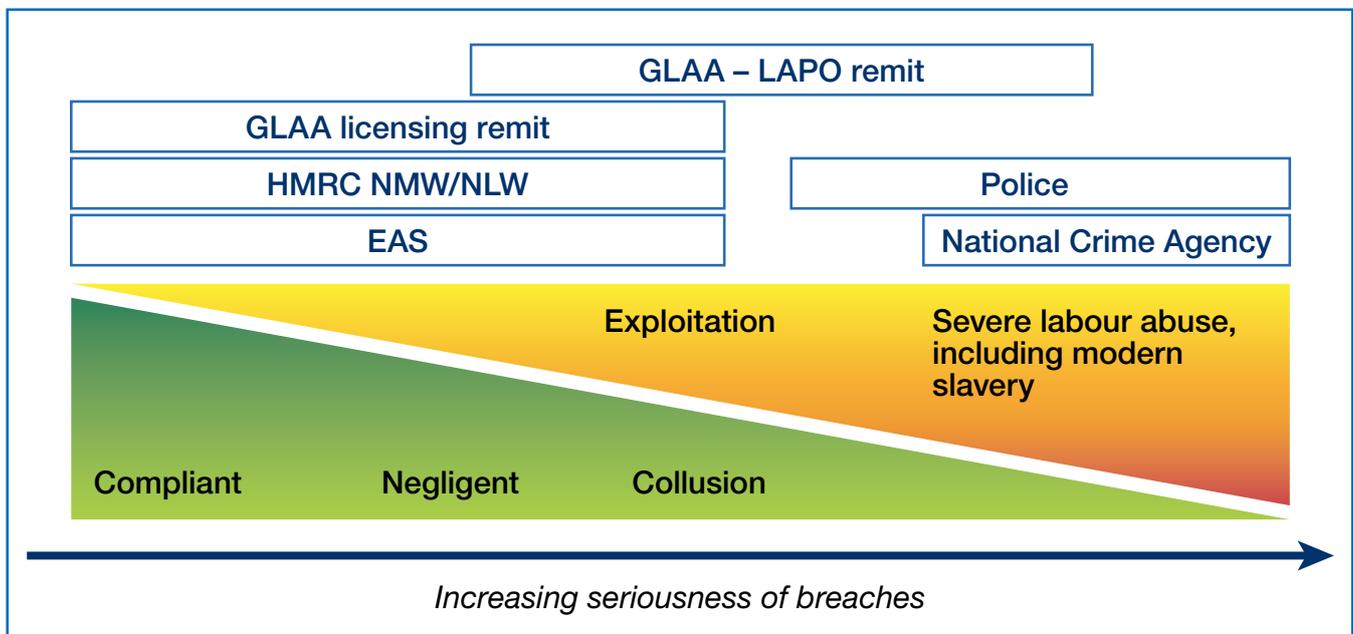
⁴ The Home Secretary has amended the recommendation wording to highlight that the Home Office and BEIS will utilise the findings of the hand car wash pilot to consider the licensing of hand car washes, before committing to rolling out licensing nationally.

Section 1. Introduction

I was appointed the Interim Director of UK Labour Market Enforcement in August 2019, following the retirement of the previous Director, Sir David Metcalf. This role was established through the Immigration Act 2016 to bring together a coherent assessment of the extent of labour market exploitation, identify routes to tackle exploitation and harness the strength of the three main enforcement bodies: HMRC National Minimum Wage (HMRC NMW), the Gangmasters and Labour Abuse Authority (GLAA) and the Employment Agencies Standards Inspectorate (EAS).

My remit spans the whole of the compliance spectrum, from relatively minor underpayment of the National Minimum Wage and National Living Wage, all the way through to serious labour exploitation within modern slavery.

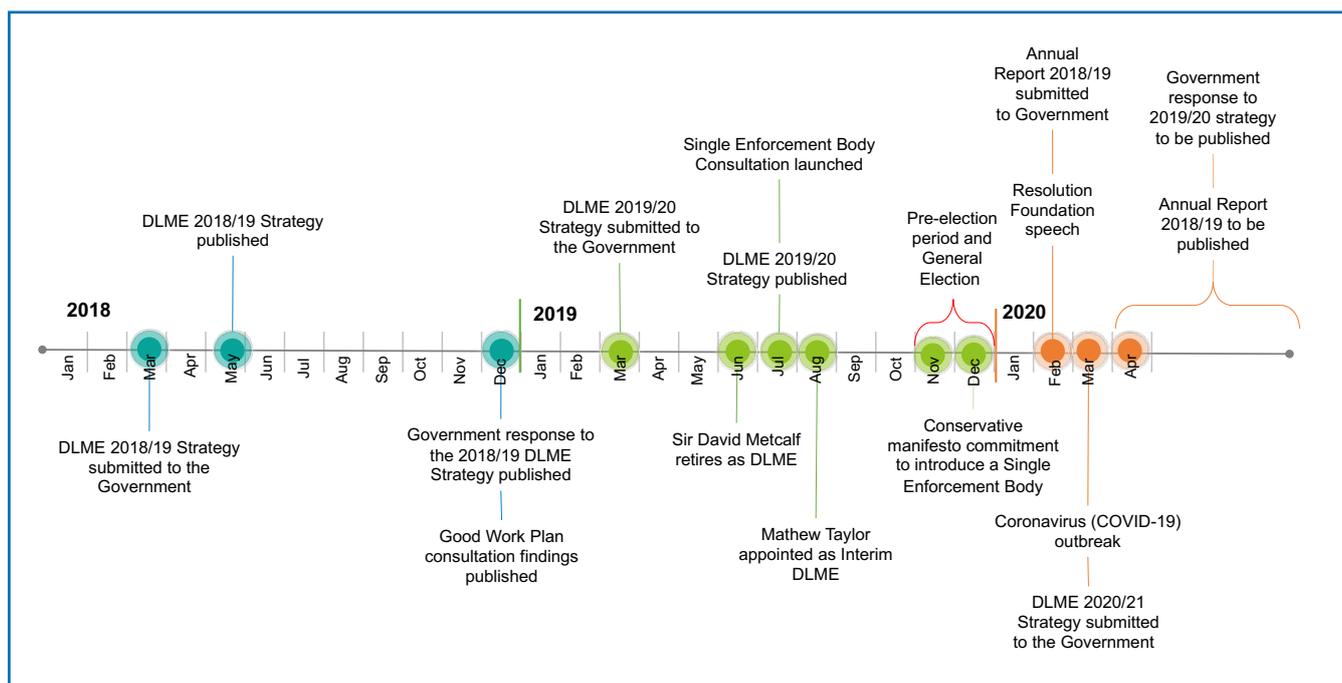
Figure 1.1: Spectrum of non-compliance



Under the terms of the Immigration Act 2016, I am required to deliver an annual labour market enforcement (LME) Strategy. This is the third full Labour Market Enforcement Strategy, but the first under my tenure. The report builds on the previous two strategies and, as is to be expected, there are themes that run through all three of these.

The timeline presented in Figure 1.2 gives the key milestones for the work of this Office since it was set up.

Figure 1.2: DLME timeline



This Strategy was originally researched and written in winter 2019/20 and submitted to government in March 2020. The pandemic and the need for government to refocus its efforts on designing and implementing completely new support schemes for businesses and workers alike, have inevitably delayed the publication of this 2020/21 Strategy until now. In the interim, I have reviewed and modified some of my recommendations, before discussing and agreeing these with government. This should negate the need for a formal government response. The vast majority of the text remains unchanged from March, but where there have been significant modifications in the intervening nine months we have added comments or footnotes to acknowledge this. This delay has also necessitated revising the original timescales for implementation and these will be taken into account when reporting on progress in future Annual Reports.

In reviewing this Strategy in December 2020, I do not find that the pandemic or other changes since spring undermine the validity of the recommendations made in this report. Indeed, the changes in the labour market due to COVID-19, but also a new immigration system and uncertainty around EU exit, only increase the risk of labour exploitation and requires an even greater focus on improving worker protection through effective labour market enforcement. In this Strategy, I suggest a range of incremental measures to further improve the performance of the bodies, but there are also wider themes and issues worth highlighting for the future of enforcement.

This Strategy raises cross-cutting issues such as the potential labour market enforcement implications of changes to the immigration regime, state enforcement of holiday pay and concerns around umbrella companies. However, for the most part, this Strategy concentrates on the analysis of four at-risk sectors as identified by the DLME intelligence assessment from 2019/20:

- Care;
- Construction;
- Hand car washes; and
- Seasonal workers in horticulture.

To inform this analysis, my Office analysed intelligence reports provided by the enforcement bodies, conducted secondary data analysis of national statistics, administrative data and other industry data sources and reviewed both academic and grey literature. Crucially, the Strategy has been underpinned by constructive engagement with a range of stakeholders, including the enforcement bodies, trade unions, academics, businesses and non-governmental organisations (NGOs). Through a call for evidence, my Office engaged with 66 different organisations and firms via roundtables, workshops and one-to-one discussions, and received written evidence from 38 partners.

We have used these sector studies to understand non-compliance within the context of these particular industries and to explore how a tailored enforcement approach could be used to improve worker rights. Obviously, many other sectors, including garment manufacturing, distribution, cleaning, hospitality and others would also benefit from such focused analysis.

Indeed, many of the insights from this analysis can be extrapolated to risks manifesting in the wider labour market. Wherever possible, discussion and recommendations in these sections distinguish between issues that could be addressed in the **immediate term** under current enforcement structures, and issues which should be taken into account when **developing the Single Enforcement Body**.⁵

My Office also commissioned four research projects – one for each at-risk sector – to engage workers in the sector to understand their experiences of work. This sought to understand the perception of the industries in which they worked, their experiences of non-compliance or exploitation (if any), and their knowledge of their employment rights. This research has been valuable in ensuring that the voices of workers are heard and considered in labour market enforcement. These reports will be published alongside this Strategy.

5 The Government published its response to the SEB Consultation in June 2021. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991751/singleenforcement-body-consultation-govt-response.pdf

Section 2. Labour market non-compliance and enforcement body response

2.1 Overview of the scale and nature of non-compliance

In my inaugural speech as interim Director of Labour Market Enforcement, I noted that we were somewhat ‘flying blind’ in terms of our understanding of the overall scale and nature of the risk of labour market non-compliance in the UK (DLME, 2020a). Some non-compliance is reported by workers themselves, but it is likely that the bulk of non-compliance goes unreported.

Previous LME Strategies have been clear about this information deficit and the need for significant work to seek to fill this gap. Some of the existing information we can draw upon to help inform our understanding of the degree of non-compliance and/or where there may be heightened risks, is as follows:

- **Minimum wage non-compliance** – BEIS (2020a) estimates that 424,000 workers were underpaid the minimum wage in 2019. This represents 1.5 per cent of all jobs in the UK undertaken by workers aged 16 and over. Of these, 361,000 were not being paid the National Living Wage (for workers aged 25 and over). As a proportion of all jobs by sector, underpayment was highest in *childcare* (over 7 per cent of jobs), *hair and beauty* (6.6 per cent), *cleaning and maintenance* (5 per cent), and *hospitality and transport* (both 4 per cent).
- **Labour exploitation** – in 2019 there were almost 6,000 referrals to the National Referral Mechanism (NRM) for potential victims of modern slavery for labour exploitation (Home Office, 2020c). Labour exploitation was the most common type of exploitation reported for both adult and minor potential victims in the NRM that year.
- **Employment agencies** – a proxy measure for non-compliance in this sector does not exist. However, we note that the number of employment agencies has grown considerably over the past decade at a time when, until very recently, enforcement resources in this sector had been declining.

2.2 Enforcement resourcing

For the 2019/20 financial year, total government investment in the three enforcement bodies to tackle non-compliance in the UK labour market amounted to around £34.5 million, up by around £1.5 million over the previous year. In 2010/11, the equivalent investment by government was £13.2 million. Much of this increase has been driven by the expansion of HMRC NMW resourcing from £8.1 million to £26.3 million (see Table 2.1).

Together the three bodies now employ around 575 FTE staff, up from around 260 in 2010/11. Again, much of this is due to expansion of HMRC NMW staff, though GLAA staffing has also increased by around a third. By contrast, EAS staffing remains lower than it was a decade ago, despite the significant growth in the employment agency market discussed above.

Over this period, the remits of the three bodies have also broadened (or, in the case of EAS, will do in the near future), notably with the introduction of the National Living Wage (NLW) in April 2016 and the expansion of GLAA's remit in 2017 to tackle labour market offences in England and Wales utilising additional powers in the Police and Criminal Evidence Act (PACE) 1984.

Table 2.1: Overview of the resourcing and scope of the three enforcement bodies

Enforcement body (Responsible department)	Funding (£m)	Full Time Equivalent (FTE staff)	Focus and Scope	Geographic coverage
HMRC NMW (BEIS)	2019/20: 26.4 2018/19: 26.2 2010/11: 8.1	2019/20: 433 2018/19: 429 2010/11: 142	All employers and workers in scope, covering around 2m workers in low-paid jobs	UK
GLAA (Home Office)	2019/20: 7.1 2018/19: 7.1 2010/11: 4.0	2019/20: 112 2018/19: 122 2010/11: 89	Over 1,000 licensed labour providers, supplying around 0.5m workers Modern Slavery: estimated 10-13,000 potential victims*	Licensing: England, Scotland, Wales and by order in Northern Ireland LAPO coverage: England and Wales
EAS (BEIS)	2019/20: 1.125 2018/19: 0.725 2009/10: 1.1**	2019/20: 27 2018/19: 15 2010/11: 31	Around 29,000 Employment Agencies, covering 1.1m workers	England, Wales and Scotland

Sources: BEIS (2020a), GLAA management information, EAS data submission to DLME.

* Based on an estimate of there being between 10,000-13,000 potential victims of Modern Slavery in the UK in 2013 (Silverman 2014).

The Immigration Act (2016) gave GLAA a much broader role addressing labour exploitation across the entire labour market, including Modern Slavery offences. The new activity is carried out by Labour Abuse Prevention Officers (LAPOs). LAPOs have powers to: investigate labour market offences; arrest suspects; enter premises; search and seize evidence.

** Data for 2010/11 not available for EAS.

The evidence on recent performance (see main Strategy, Section 2) provides a good indication of where each of the enforcement bodies is channelling its efforts and where resources are being directed to greatest effect. The quality of that information itself is improving thanks to changes made by the bodies, such as the implementation of a new performance analysis approach by GLAA in 2018/19, and the introduction of a new case management system by EAS. Advances of this kind are encouraging and should enable a more finely tuned understanding of the effectiveness of each body's interventions.

Related to this is the issue of joint working between the bodies and, indeed, with other agencies and law enforcement partners. There are relatively few operations carried out involving two or more of the three enforcement bodies. DLME's own Strategic Coordination Group (SCG) has served a useful role in facilitating some joint working to date, and my expectation is that the bodies should now be increasingly using those established links to pursue joint working without the need for SCG coordination. The SCG – and DLME more broadly – will of course retain an interest in assessing the strategic impact of joint working.

2.2.1 HMRC NMW

HMRC NMW and BEIS should take great credit for their performance over the last year. In headline terms, the amount of arrears now identified almost equates to their overall budget. Once you include the £17 million of penalty income, HMRC NMW more than pays for itself. Admittedly this is a crude measure, as there are other additional enforcement interventions that cannot be so readily monetised, but the point stands.

At the same time, more workers than ever before are benefiting because HMRC NMW are identifying more instances of wage arrears. That HMRC NMW are helping more workers be reimbursed is positive, but the fact that more non-compliance is being uncovered suggests that even more violations are occurring that remain hidden and unreported.

I am hopeful that increases in penalties issued will serve to enhance the deterrence effect. Previous LME Strategies have recommended even stiffer penalties for non-compliant employers. The Government has not favoured this approach, but I believe we need to keep an open mind here depending on what evaluations of the current penalty regime tell us.

I welcome the recent announcement both to resume the Naming Scheme and the changes that have been made to make this an even more effective deterrence tool. The next naming round may well be two years since the last in July 2018, but the reintroduction of this scheme is an important enforcement intervention to tackle minimum wage underpayment through greater publicity and deterrence.⁶

My major concern is around the lack of criminal prosecutions for minimum wage offences. More high-profile prosecutions could, I believe, send out a really strong message to employers to be more diligent and compliant. Over the coming year, I would like to see real progress made here.

2.2.2 GLAA

GLAA continues to adapt and grow following the expansion of its role and powers in 2017. It has had to overcome significant organisational challenges in the last two years and, although at the time of writing some of these changes are still to take effect, I believe GLAA is now in a much stronger position to sharpen its focus and to deliver across the key areas of its remit.

GLAA's licensing scheme is a tried-and-tested model, that receives much recognition and praise from stakeholders, both in the UK and from overseas. GLAA has revised the fundamental licensing standards and the announcement that it is seeking to review its licensing fees is welcome. Nevertheless, as later sections will discuss, there are aspects of the licensing approach that would merit reappraisal. I see the future for the licensing regime as needing to include some level of both:

- Increasing resource and inspection rate, including a programme of routine inspections and, where appropriate, unannounced visits; and
- Becoming much more sophisticated at using data streams to analyse risk and target resource.

⁶ BEIS NMW Naming Scheme was under review and suspended since July 2018. BEIS announced its resumption in February 2020 and published a new naming round in December 2020 where it named 139 employers investigated between 2016 to 2018. <https://www.gov.uk/government/news/rogue-employers-named-and-shamed-for-failing-to-pay-minimum-wage>

As ever, there is a balance to be reached here in terms of potential burdens on business, but I am struck by the approach the Health and Safety Executive already uses here, whereby unannounced visits are used as an important information gathering exercise as well as compliance and enforcement intervention.

I wish to also comment here briefly on GLAA's interventions to tackle more serious labour exploitation. I have raised elsewhere whether labour exploitation aspects of modern slavery offences should fall within the scope of the proposed Single Enforcement Body (DLME, 2019b). This is an issue on which I am keeping an open mind, given the importance of what is a rapidly growing problem. I comment later in the section looking at the hand car wash sector, how we should be seeking to better identify actual modern slavery offences in the labour market and ensuring resources are focused on the most severe cases.

The final area I would like to cover relates to GLAA's approach to transparency and engagement. Here I believe GLAA should be commended, both for its many interactions with industries at risk of labour exploitation – as evidenced by its protocols in construction and textiles – and indeed for its openness and publicity around its work. Again, in the context of the SEB, I am strongly in favour of a new single body that adopts this sort of approach. Increasingly the challenge of promoting compliance and undertaking enforcement in the labour market will only be achieved with the help and involvement of others. Preventative interventions will be key. My hope is that the GLAA's protocol model will increase its impact to raise standards and elicit more intelligence to help enforcement agencies in their work.

2.2.3 EAS

EAS continues to achieve a considerable amount with minimal resources. Although their resourcing has increased recently, it remains below what it was a decade ago, while the sector itself continues to expand. The ability of EAS to meet its demands – just to fulfil its current remit – therefore needs to be kept under close review. Over and above this, they will need to have sufficient capacity to undertake the extension to their role to regulate umbrella companies once that legislation comes into effect.

As noted, EAS has undergone resource expansion in the last two years, principally following DLME recommendations. I do not underestimate the challenges this will have entailed for a small organisation and understand that this is a body in transition. EAS therefore deserves much credit for demonstrating such a marked improvement in performance over the recent period.

As the EAS business delivery plan sets out, there are five key areas of focus:

- Two relate to having a robust underlying case management system and improving their risk profiling and intelligence capability. These are key issues necessary to support its wider work and help target its limited resources more effectively.
- Two more concern their commitment to investigate all complaints – and in doing so, adhere to clear service response times – and work with other enforcement partners, in some cases as part of targeted operations.
- Achieving marked progress on the above will be a challenge, but perhaps EAS' biggest challenge is around the final action: to increase its own profile and visibility to raise awareness and compliance, and to maximise its deterrence effect. EAS has carried out important outreach work and training activity. Plus, now with its own web presence, I am hopeful the EAS brand – and stakeholder awareness of its role and underpinning legislation – will increase too.

2.2.4 Summary of enforcement body response

Overall, I believe the bodies continue to make good progress in their efforts to promote greater compliance and enforce the law in their respective areas. They have been open to suggestions, in particular from DLME but also from the Low Pay Commission (in the case of the minimum wage), about how their work can be done more effectively and efficiently. The changes and improvements they have made are beginning to bear fruit.

As I commented above, the quality of performance metrics is improving, which is welcome. I would also encourage each of the bodies, subject to the caveat in the following paragraph, to consider smarter performance reporting and to make this fully transparent. Currently only GLAA is doing this, using 12 targets which can then be measured as being achieved or not. EAS has published a business delivery strategy for 2019/20 as part of its 2018/19 Annual Report (EAS,2020). This is again welcome, though I would encourage more widespread use of measurable targets within this. HMRC NMW agree an annual Service Level Agreement with BEIS, which will contain target outcomes. It would be helpful for public accountability to present elements of this as part of the BEIS Compliance and Enforcement report.

The important point here is that it remains difficult to connect agency performance with evidence of reducing labour market non-compliance overall. The 2019/20 Strategy highlighted the need to better understand the problem of non-compliance and to directly relate the work of the bodies to tackling this, with a greater focus on evaluation of the different interventions they use to find out what works and what does not.

2.3 Current and future threats

Looking ahead over the coming year, there are several issues that will be highly relevant and important for labour market enforcement:

Impact of COVID-19 on labour market enforcement

I am particularly concerned about the new compliance and enforcement challenges that may arise during this period and the ability of the enforcement bodies to carry out their existing duties. The bodies will need to be mindful of pressures businesses are now under, yet maintain their focus on ensuring that rights of, and protections for, workers in their respective areas are upheld.

Minimum wage

The Low Pay Commission (LPC) estimated that the April 2020 uprating of the minimum wage (across all rates) will affect more than 2.7 million jobs (LPC, 2020). A larger pool of workers will be affected both by coverage of the minimum wage and are likely to be at risk of underpayment, not least as employment has continued to grow up to March 2020. A key concern is whether HMRC NMW resourcing keeps pace with this.

Employment agencies

This sector has been growing rapidly. While EAS resources have grown over the year – and are set to grow further in 2020 – this area is one we will want to monitor very closely and potentially reassess in terms of its overall resourcing.

Labour exploitation

The overall number of potential modern slavery victims referred to the NRM is increasing at a significant rate: surpassing 10,000 in 2019, more than double the level two years earlier (Home Office, 2020c). The majority of referrals in 2019 were for potential victims of labour exploitation. New immigration rules due to enter force from the beginning of 2021 and much tighter control of low skilled migration will impact on labour supply into these sectors generally.

Licensing

As above, the GLAA's regulated sectors are likely to be impacted by reduced labour supply resulting from the new immigration rules in 2021.

2.4 Work of the DLME Information Hub to improve our understanding of the scale and nature of non-compliance

As per my obligation as Director of Labour Market Enforcement to provide an annual assessment of the scale and nature of non-compliance in the UK labour market, I continue the work commenced by my predecessor to seek to fill the significant gaps in our knowledge and understanding of labour market non-compliance.

Scoping work commissioned by my Office in 2018/19 (Cockbain et al., 2019) has laid the foundations for a major piece of work that will aim to improve our understanding of these issues. This will inevitably be resource intensive. Funding from our sponsor departments would cover a significant proportion of the project's likely overall cost, but we have had to seek co-funding partners as well. Subject to government commitment to continue funding this work over the next two financial years (2020/21 and 2021/22) and wider circumstances, I plan to get this project underway during 2020/21.

In the interim, my Office has taken forward other activities to help underpin the work that will be needed for the full project. One such piece is a small research project seeking to assess indicators of precarious work in the UK (Pósch et al., 2020) which has been published alongside this Strategy. International literature has indicated an association between precarious work and labour abuse⁷, so improving our understanding of this vulnerable group will likely prove invaluable for our assessments of labour market non-compliance.

Beyond this, my Office has also commissioned this year four small research projects to provide evidence to support our at-risk sector work for this Strategy. These projects sought to get in-depth views and experiences of the workers themselves in each high-risk sector.

⁷ See, for example, Noack, A., Vosko, L., & Grundy, J. (2015). Measuring Employment Standards Violations, Evasion and Erosion-Using a Telephone Survey. *Relations Industrielles/Industrial Relations*, 70(1), 86-109.

Section 3. Assessment of risk and prioritisation

The role of the Information Hub, as set out in the Immigration Act 2016, is to *'gather, store, process, analyse and disseminate information relating to non-compliance in the labour market'*. As in previous years, the Information Hub has produced a Strategic Intelligence Assessment and reviewed intelligence using the Measurement of Risk in Law Enforcement (MoRiLE) methodology. This covers the whole range of non-compliance ranging from non-payment of the minimum wage resulting from 'technical errors' or misinterpretation of guidance, to deliberate non-compliance including, in the most severe cases, modern slavery. The assessment is based on information shared by the enforcement bodies, stakeholders and partners, including analysis of intelligence, trends in complaints and management information held by the three bodies, as well as relevant open-source material and research.

Table 3.1 below shows the sectors identified as being higher risk for this year, and how this assessment has changed over the previous Management of Risk in Law Enforcement (MoRiLE) assessments reported in past LME Strategies.

MoRiLE is an established methodology within law enforcement. It has been useful for reaching consensus between enforcement bodies around risk of different sectors, and this has helped inform previous Labour Market Enforcement Strategies. However, I believe that the methodology can be adapted to be more useful for the purposes of strategic planning and resource allocation. Looking forward to the development of the Single Enforcement Body, this much bigger organisation will have a broader risk base, making it easier to prioritise resources, and even more important to adequately capture all the information on risks.

Over the coming months, my Office and I will work with the enforcement bodies and wider intelligence, research and analysis community to develop this further to produce a more nuanced version of risk, drawing on as wide a range of expertise and experience as possible.

Table 3.1: MoRiLE assessment of labour market enforcement threats 2020/21 and previous assessments

Sector	Threat Description	2018/19 assessment	2019/20 assessment	2020/21 assessment
Hand Car Washes	Vulnerable workers are being exploited, some cases indicative of modern slavery. Many more in the sector are not receiving NMW/NLW.	Severe	Severe	Severe
Agriculture (horticultural seasonal workers)	Vulnerable seasonal workers are being exploited, some cases indicative of modern slavery. Many more in the sector are not receiving NMW/NLW.	Severe	Severe	Severe
Care Sector	Vulnerable workers are being exploited, some cases indicative of modern slavery. Many more in the sector are not receiving NMW/NLW.	High	High	High
Construction	Vulnerable workers are being exploited, some cases indicative of modern slavery. Many low skilled workers in construction are not receiving NMW/NLW.	Medium	Medium	High
Hospitality	Vulnerable workers are being exploited, some cases indicative of modern slavery. Many more in the sector are not receiving NMW/NLW.	Medium	Medium	Medium
Shellfish gathering	Unlicensed activity and illicit gathering from closed beds present opportunities for exploitation to occur.	Medium	Medium	Medium
Nail bars	Vulnerable adults, and in some cases children, are being exploited. Some cases indicative of modern slavery. Some workers not receiving NMW/NLW.	Medium	Medium	Medium
Poultry and Eggs	Many workers in the sectors are not receiving NMW/NLW.	Medium	Medium	Medium
Warehouses and distribution centres	Many workers in the sectors are not receiving NMW/NLW.	Medium	Medium	Medium
Food Industry (processing and packing)	Many workers in the sectors are not receiving NMW/NLW.	Low	Low	Medium
Garments and textiles	Serious non-compliance, with workers not receiving NMW/NLW.	Low	Low	Medium

*The 2018/19 Strategy reported a list of 'high priority sectors'. This table provides additional information from that analysis.

Section 4. High-risk sectors

This Strategy provides an in-depth analysis of four sectors: care, agriculture, construction and hand car washes. It also provides a shorter summary of issues in textiles, nail bars, the entertainment industry, teachers, and cleaning and hospitality.

The sector analysis shows how structural issues within each sector combine to create the financial pressures and workforce dynamics that contribute towards the exploitation of workers. Some of these are largely immutable (e.g. temporary nature and unattractiveness of seasonal work), while others are within the gift of government to change (e.g. funding levels within social care) but may come at considerable cost and re-prioritisation. Others are a product of a business model and culture that pervades the whole industry, and which needs to be tackled holistically in partnership with employers (e.g. hand car washes and construction). Overall, one of the most important factors increasing the risk of labour exploitation is that the work is low paid, low skilled, and in industries with very low profit margins.

The sector analysis also consistently shows that there are particular groups of workers who are more vulnerable to exploitation than others, in particular, migrant workers. This is due to these groups having fewer choices available, little knowledge of their rights and how to complain, social isolation, poor literacy and language skills and relatively low expectations of their work environment.

Such vulnerabilities are exacerbated and compounded by information on rights and enforcement being overly complicated. Everyone struggles to know who to complain to in our fragmented enforcement landscape, but this is even more difficult for vulnerable workers. It is all too easy for key information on pay to be hidden from workers on purpose, for example through a lack of record keeping in hand car washes, or failures to accurately record working hours on care workers' payslips. Or this may be a by-product of industry practices, as seen with the complex supply chains in construction and mix of employment statuses applied.

The variety of regulatory bodies within each sector is an aggravating factor and creates a challenge for enforcement bodies to make sure the regulators are joined up and have information and referral mechanisms in place to signpost workers appropriately. There are opportunities to improve this, and LME bodies need to raise their profile with Local Authorities and sector regulators.

The deep dives my Office has conducted into these four different sectors bring to light certain themes. Unsurprisingly, most, if not all, have been covered in previous LME Strategies in one way or another. Such issues in enforcement are difficult to resolve and, while there has undoubtedly been improvement since the first LME Strategy, many of the same barriers and overarching issues have been – and will keep – coming to the fore until there is a step change in strategic enforcement against known risks and raising awareness for workers and employers. The creation of a Single Enforcement Body, if properly designed (see my core principles set out in Section 6),

has the potential to act as a major turning point in this respect, by embedding a more strategic and risk-based response to non-compliance and by raising the public profile of labour market enforcement, enabling the organisation to tackle both overarching and sector-specific issues.

As discussed previously, at the time of writing the Government had yet to publish its response to the previous Strategy⁸, so it was unclear which DLME proposals in this area have been accepted and are being progressed. Some of my recommendations in this Strategy therefore build upon previous DLME suggestions, but I have sought to add to the evidence and nuance these recommendations to aid progress in this area, both in the short-term and looking ahead to a Single Enforcement Body.

The first theme of my recommendations is the need to **improve knowledge and information** in order to make it easy for people to identify and report non-compliance. In this Strategy, I make recommendations aimed at improving information for:

- **Workers** about their rights and how to complain: I recommend the improvement of guidance (Recommendation 2b), understanding the effectiveness of different communication methods (Recommendation 9) and making it easier to report problems in such a way that the enforcement body can take action;
- **Employers** about their responsibilities and how to be compliant: I recommend actions to make information timelier (Recommendation 2a), specific and accessible (Recommendations 2b and 3a), and relevant to employers (Recommendation 14); and
- **Other regulators** by raising the profile of LME enforcement bodies where there is high-risk of non-compliance (Recommendation 1a).

My second theme is **better partnership working**. In particular, I recommend actions for LME bodies to:

- Support local government and other regulators by sharing their expertise and training staff to recognise the signs of labour abuse (Recommendation 1b) and helping improve public sector procurement so that non-compliance can be detected and dealt with effectively (Recommendation 4a);
- Improve the sharing of intelligence and signposting between LME bodies and other regulatory bodies (Recommendations 1c and 4b);
- Identify opportunities to include labour market protection into existing regulatory systems (Recommendation 5); and
- Work with wider partners to explore new ways of working, including with the private sector in new ways such as exploring robust voluntarism (Recommendation 6), supporting NGOs and academic partners working in these areas (Recommendation 19), or through focused coordinated taskforce groups that combine the experience and analytical potential, operational resources and legal powers of partners including outside the three bodies (Recommendation 12b).

8 The response was published in October 2020.

<https://www.gov.uk/government/publications/labour-market-enforcement-strategy-2019-to-2020-government-response>

An essential message throughout the report, is that enforcement bodies and departments need to know **‘what works’ and improve the understanding of evolving problems within the labour market**, and how enforcement action impacts on this. My recommendations around this theme include:

- Identifying good practice in promoting workers’ rights through the different models of social care across different regions (Recommendation 5). The principle of this recommendation could be equally applied to other sectors/ enforcement issues where there is variation within the country, or between countries;
- Understanding the impact of communication efforts by the enforcement bodies, and which reporting avenues are actually used by the target audience of vulnerable workers to learn where best to focus resource and effort (Recommendation 9); and
- Understanding which cases are most likely to progress to a successful enforcement outcome, how these can be identified early and the impact this has on systems throughout the enforcement process (Recommendation 18a).

Closely aligned with this theme is my emphasis on the importance of **using data effectively**. HMRC NMW are already doing interesting work here. In terms of the longer-term development of the Single Enforcement Body, I strongly believe that its success or failure will hinge on its ability to make the most of the data analysis: linking different sets of information, building on HMRC’s technical abilities, applying cutting edge techniques to the design of the data framework that will build the Single Enforcement Body. For this reason, I make several recommendations on the long- term and strategic use of data (Recommendations 8b, and 8c). In the meantime, there are shorter-term opportunities to improve the use of data, particularly for GLAA which currently lacks analytical resource (Recommendations 7 and 8a).

The issue of complex supply chains and the role of different tiers within these is a theme that has emerged from my discussions around agriculture, construction and textiles and no doubt applies to many others. The Government is already considering a number of options in this regard but, in the meantime, I recommend that, where the LME bodies identify severe labour abuse, they should use their existing powers to conduct an automatic and systematic review of the extended labour supply chain to identify vulnerabilities and potential wider exploitation, understand weaknesses in the system and inform and educate the organisations in the supply chain to prevent it happening again (Recommendation 15). This applies not just to construction, but for any sector where supply chains are a significant issue.

I make several recommendations on **licensing**. I strongly feel that the GLAA licensing resource and model needs review to ensure it is as effective as possible at dealing with labour market non-compliance (Recommendation 7) both in the short- term and in the longer-term within the Single Enforcement Body.

In addition, I recommend further exploration of licensing in one new sector: hand car washes (Recommendations 16). A recommendation to trial licensing in hand car washes was made in the LME Strategy for 2018/19 and was rejected by the Government in favour of testing a voluntary approach. Since then, the voluntary Responsible Car Wash Scheme has been tried. This proved to be helpful but has reaffirmed widespread and persistent non-compliance across the sector, even among those who voluntarily agreed to undertake an audit. In March, I originally recommended a mandatory licensing scheme be introduced. However, the RCWs have since developed a new proposal to work with Local Authorities to hopefully start in early 2021⁹, and I accept that there is value in using this pilot to explore and test the effectiveness of compulsory licensing across the whole HCW sector. However, in order for this to be effective and robust, the

9 The RCWS launched a pilot project in May 2021, funded by the Home Office.

Home Office should support the pilot through funding and independent evaluation. If found to be successful, this model should be rolled out nationally. The time has come for more impactful measures to address the long tail of the problem.

My last theme is about making sure that **labour market enforcement and worker voice have a higher profile** and place at the table with regard to some of the major policy debates and developments currently progressing. I encourage the three bodies and two departments to be active, engaged and on the front foot given the substantial changes happening in the public policy sphere (Recommendations 10 and 11). The three most obvious dimensions to this are in relation to: the Single Enforcement Body, which must carve out its own remit and relationship with business and the public sector; EU exit with its significant consequences for important public policy areas including immigration, subsidies and regulation; and the current unknown impact on the labour market of the Coronavirus outbreak. Some of these issues are examined further in Sections 5 and 6 of the main Strategy.

Section 5. Thematic issues

The condensed period we have had to produce this current Strategy has meant that there has been insufficient time to examine in any great depth broader issues beyond those relating to our four priority sectors. I raise here some further related areas but do not make any recommendations relating to any of these at the current time.

5.1 Immigration and labour protection

A significant concern for me over the coming year is our wider preparedness for the potential impact on labour market non-compliance of the forthcoming changes in the immigration system following the UK's departure from the European Union. This will likely mean that work migration for low skilled/paid sectors will be severely curtailed.

All four sectors we have focused on in this current Strategy are heavily reliant on migrant labour. It is not for me to comment on sources of labour supply in these sectors, nor indeed on the Government's proposed plans for a new points-based immigration system. But I am conscious of the practical implications and risks for labour market compliance and enforcement that such a change may bring. I recognise that ending free movement of EU nationals to the UK should enable better monitoring of migration flows, but stakeholders have expressed concerns around workers being less inclined to report exploitation if their immigration status may put them at risk, and that labour supply constraints may lead employers to cut corners in their recruitment efforts.

These are important points and, as such, I remain keen that this issue continues to be given a sufficiently high profile, with a view to considering how to mitigate these risks. I intend to write to the chairs of both the Home Affairs and Business House of Commons Select Committees to recommend they jointly undertake a Select Committee inquiry into this.

5.2 Holiday pay

I am pleased that government has committed to extending state enforcement, on behalf of vulnerable workers, to the payment of holiday pay. Now the UK has left the EU, there is an opportunity to revisit how working time provisions generally should be applied, including how 'rolled-up' holiday pay could be combined with new working time rules. In doing so, however, I stress that we must safeguard the working time protections of workers. Equally, reconsideration of the broader working time issue becomes necessary with respect to the gig economy too.

Additionally, once responsibility for enforcing holiday pay falls under the SEB, I strongly believe that holiday pay enforcement should be captured as part of the minimum wage regulations. I believe that powers should be added under the Employment Bill such that it should be a minimum wage offence if not paying holiday pay means that the wages fall below the minimum wage.

5.3 Umbrella companies

The 2018/19 LME Strategy highlighted concerns around the use of intermediaries and umbrella companies, especially within low-paid sectors and, as with my own Good Work Review, recommended that EAS powers be expanded to include intermediaries. The Government agreed with this recommendation.

One concern I have here is where unscrupulous umbrellas are making deductions from their employees. The Government has, therefore, introduced legislation that takes effect from April 2020 to try and resolve this transparency issue. The legislation will require employment businesses to provide work-seekers with a 'Key Information Document' that will set out the ways in which a work-seeker may be engaged and paid before they agree to work through an employment business. It will cover such things as who their 'employer' will be, who will pay them as well as deductions and their entitlement to paid holidays.

A concern raised by stakeholders is that some umbrella companies engage contractors not as workers, but rather as self-employed and thereby denying those workers their employment rights. The sector had hoped the proposed legislation to regulate umbrellas would be in place alongside the extension of the off-payroll rules to the private sector in April 2020. Now, because of the business impact of COVID-19, this extension to the off-payroll rules has been delayed to 2021.

5.4 Recent labour market changes

As well as changes in the enforcement of holiday pay, the Good Work Plan also announced several other significant changes in labour market regulations, including from April 2020: a **day one written statement** of rights will be mandatory for all workers not just employees; a **key information document** must be given to all agency workers registering with an employment business; and the repeal of the **Swedish Derogation** (which provides an exemption to the right to equal pay that an agency worker should receive under the Agency Worker Directive).

I am hopeful that the additional information being provided to a wider section of the workforce through the day one statement and the Key Information Document will improve clarity around people's employment rights and their work agreements, and also reduce the scope for non-compliance through misinformation. The repeal of the Swedish Derogation is also an excellent development for the protection of workers, closing a loophole which enabled agency workers to be underpaid. In 2025, I understand BEIS intends to review how the changes are being implemented, what (if any) impact they have had, including any unintended consequences. ODLME will also be monitoring this closely until then.

5.5 Robust voluntarism

From discussions with trade associations, investors, major brands, public procurers and civil society organisations, I am clear that there is a wide appetite to strengthen compliance and enforcement. In addition, we know and must acknowledge that governmental compliance and enforcement capacity will never fully match the scale of the non-compliance and criminality. I believe there is scope for the LME bodies (and the new SEB) to do more to support non-statutory efforts to enhance compliance. In particular, I would like to explore the scope for the bodies to support the development and audit of robust voluntary assurance schemes (such as trade body membership schemes, kite marks, assured provider status) so that employers, investors, procurers and citizens can be encouraged to make choices which reduce the risk of inadvertently being complicit in non-compliance. I intend to explore this further with the bodies with particular reference to the role of the Single Enforcement Body in developing an overall ecology of good work and compliance.

5.6 Consultation of Employees Regulations

As part of the implementation of the Good Work plan, from this April changes to the Information and Consultation of Employees regulations (ICE) mean the threshold for triggering the negotiation of an information and consultation agreement has fallen to 2 per cent of the workforce from 10 per cent (with a minimum number of employees needed to request set at 15). I believe that the new ICE arrangements offer a major opportunity not only to promote good work but to also provide routes for employees to discuss issues around compliance with labour market regulations. I strongly encourage the Government and other stakeholders – for example, employers' organisations and trade unions – to promote and support the new ICE arrangements.

5.7 Employment Bill

The forthcoming Employment Bill is an important opportunity to take forward the Government's Good Work plan and to take steps to enhance labour market compliance and enforcement. I encourage government to use the Bill, in particular, as an opportunity to clarify issues around employment status.

Section 6. Single Enforcement Body

The Queen's Speech in December 2020 reiterated the Government's intention to establish a Single Enforcement Body (SEB) to address non-compliance in the labour market. In November 2019, I submitted an initial ODLME response to the SEB consultation. Summarised below are the key points I raised and that I would urge the Government to consider in the design of, and legislative preparation for, the Single Enforcement Body.

The DLME response covered three overarching themes:

i) Aims and design principles for the Single Enforcement Body

This includes:

- Having a strong, unified ethos;
- Being high profile and credible;
- Being influential and independent;
- Being accessible and having an enabling culture;
- Having a powerful and innovative use of data;
- Having a credible and proportionate compliance and enforcement capacity;
- Maintaining strong national and local partnerships;
- Being an organisation that is accountable, transparent and is continuously learning; and
- Being properly resourced.

ii) Key issues to be resolved before establishing the Single Enforcement Body

The key underlying principle to guide the remit of the organisation should be to prevent and address harm to workers. There are then fundamental questions around:

- The customer journey (from provision of advice all the way through to tribunals and remedies);
- The scope of its activities – just the work of the three bodies under my remit, plus expansion to include enforcement of holiday pay (as already agreed by government) are significant undertakings for one organisation, therefore any additional responsibilities, such as statutory sick pay, would have to be carefully thought through;

- The Single Enforcement Body's powers – the new organisation provides an opportunity to align or change existing powers and sanctions where this would help deal with new and emerging threats, including throughout the supply chain;
- Access to data (especially from wider HMRC) and the use of intelligence and joint working; and
- The optimal governance structures and how the work of DLME can be aligned with or integrated into this.

iii) Other measures that could improve the Single Enforcement Body's chances of success

To be able to identify non-compliance and evaluate the effectiveness of compliance and enforcement interventions, the SEB must have both baseline and ongoing monitoring data. Additionally, I strongly favour the introduction of a single employment statement for employers which should bring simplification to their reporting requirements and improve transparency as a result.

The Single Enforcement Body provides a real opportunity to effect a step change in how labour market regulations are enforced in the UK and how the state, working with a broad array of partners such as business, trade bodies, unions and NGOs, can help employers be more compliant.

Notwithstanding the current circumstances around COVID-19 and its impact on government work, I understand BEIS will be taking forward a significant programme of work for the SEB over the coming months, culminating, in due course, in an Employment Bill.

Participating in the development of the Single Enforcement Body is a key priority for DLME this year. I have discussed above our intention to take forward significant research this year to help provide a firmer basis to assess the scale and nature of labour market non-compliance. This work is now even more urgent in the context of the SEB.

I have suggested to DLME's sponsor departments that, with some modest additional funding, my Office could play an important role as a bridge between the detailed Whitehall process of designing the Single Enforcement Body and the wider community of stakeholders with an interest in its success.

Section 7. DLME workplan 2020/21

I am delivering this Strategy at a time when the UK and many of the world's economies are in lockdown in an effort to delay the spread of Coronavirus (March 2020). Planning a programme of work for ODLME for 2020/21 that will be practical to deliver is therefore a challenge. I will be discussing with ODLME's sponsor departments how we might reasonably take these workstreams forward over the coming months, subject of course to the resource made available to my Office.

7.1 Statutory obligations

Under the Immigration Act, I have a number of statutory obligations to fulfil.

7.1.1 Annual Report 2019/20

The Director's Annual Report fulfils three functions: for the previous year's Strategy, it assesses the labour market enforcement activities of the three bodies; how the Strategy impacted on the scale and nature of non-compliance; and provides a statement of the work of the ODLME Information Hub.

The Director's Annual Report 2018/19 – submitted to government in February 2020 but as yet unpublished¹⁰ – was the first where a full assessment could be carried out of the progress made by government and the enforcement bodies to implement those recommendations from the 2018/19 LME Strategy that were accepted. In fact, that report covered enforcement activity up to October 2019.

The 2019/20 Annual Report will look to assess the implementation and impact of my predecessor's 2019/20 Strategy recommendations. The ability of my Office to conduct a meaningful assessment to this end is therefore dependent on a government response to the 2019/20 LME Strategy, providing an indication of which recommendations have been accepted.

7.1.2 LME Strategy 2021/22

The next Strategy is due for delivery to government by the end of March 2021. My Office would normally be publishing a call for evidence in summer/autumn 2020. Depending on whether and how quickly the Government intends to establish the Single Enforcement Body, there may be an argument to reconsider the timing of the next Strategy in order for it to contribute as effectively as

¹⁰ The Annual Report was published in July 2020.

<https://www.gov.uk/government/publications/labour-market-enforcement-annual-report-2018-to-2019>

possible to the Government's plans in this area. In addition, I am aware that the current timings of the annual LME Strategies, and the ensuing government response, are not well aligned with the business and resource planning of the enforcement bodies.

7.1.3 Evidencing the scale and nature of labour market non-compliance

Subject to confirmation of the necessary funding from government, I am keen that this significant research work is taken forward early in the 2020/21 financial year, especially as progress has been made in identifying a co-funding partner. Not only is this an obligation of my role, but the resulting findings will be fundamental to how the proposed Single Enforcement Body approaches its work. The necessary research work itself is likely to take two years to complete, so launching this in the coming months should allow the knowledge it elicits to be ready for when the Single Enforcement Body becomes operational.

7.2 Other workstreams

There are workstreams that fall outside of my statutory obligations, encompassing important areas that impact on labour market enforcement and where ODLME is a core stakeholder. I believe our position and expertise afford us the opportunity to make an invaluable contribution here.

7.2.1 Labour market enforcement in the context of COVID-19

The Coronavirus pandemic will impact significantly on labour market enforcement issues over the coming year. As I set out in Section 1, my initial focus will be on the ODLME supporting the three labour market enforcement bodies during this challenging period, and work is already underway here. Further down the track, I believe our role will be to provide a more strategic response to changing enforcement environment.

7.2.2 Establishing a Single Enforcement Body

Both in this Strategy and elsewhere, I have made clear the beneficial role the ODLME can play in helping in the design of and transition towards the Single Enforcement Body. In the current circumstances, it would be understandable if the Government deprioritises the establishment of the new organisation for a few months at least.

7.2.3 Labour market enforcement implications of changes to the immigration regime from 2021

I highlighted in Section 5 that the introduction of a new points-based immigration system from January 2021 may have implications for labour market enforcement issues. It is important the risks are fully recognised and mitigations are sought. Again, I believe ODLME has a key role to play here.

7.2.4 Sector initiatives

This Strategy has highlighted the need for further joint working in the construction and textiles sectors. I see ODLME being a leader in this work and would want to see real progress made over the coming months to better understand the non-compliance risks and begin to tackle some of the long-standing labour abuses.

