



HM Government

# United Kingdom Labour Market Enforcement Strategy 2024/25

Director of Labour Market Enforcement

Margaret Beels

November 2024





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**Director of Labour Market Enforcement**  
**Margaret Beels**

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

November 2024



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ISBN 978-1-5286-5274-2

E03221720 11/24

Printed on paper containing 40% recycled fibre content minimum.

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

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# Section 1: Introduction

This labour market enforcement (LME) strategy for 2024/25 was presented in March 2024 at a time of uncertainty. Economic conditions were improving but there was a legacy of issues affecting the labour market. A general election was in prospect but the timing was unknown which created an uncertain political landscape. The Strategy requires government approval for it to be published. This was not achieved ahead of the General Election being called on 22 May 2024.

All parties pointed to the need for growth in the economy, but the means were different. There is now a new government whose agenda as regards employment rights was trailed in Labour's *Plan to Make Work Pay*, published on 24 May 2024. Specifically, there will be a fair work agency. The government has yet fully to define its scope, but I expect its remit to include my present areas of responsibility. Legislation is expected to be introduced in mid-October.

The act provides for me to submit a revised strategy during the course of the year, I have reviewed the 12 recommendations in the original 2024/25 strategy which, consciously, were drafted to create a framework for the enforcement bodies, within which they were to come up with detailed action plans. Their progress against those plans was to be monitored by the Director of Labour Market Enforcement (DLME) Board which meets quarterly under my chairmanship.

Based on the evidence presented and developed in partnership with the enforcement bodies, I believe that the recommendations made in March, remain valid and important. Accordingly, I am re-presenting the 12 recommendations made in March. Policy direction is evolving and my strategy for 2025-26 will be developed against a clearer sense of the direction of travel. In the meantime, there is still enforcement work to be done; sadly, workers are still being exploited. Businesses still need support to become compliant and I want to do what I can to ensure no momentum is lost.

The recommendations deal with what I see are the labour market enforcement risks, building on evidence, risk assessments and what works. The supporting economic analysis and risk assessment has not been materially updated from March 2024 but remains valid.

My 2024/25 LME Strategy reinforces the four themes I have promoted previously:

- i. **Improving the radar picture** (Section 2)
- ii. **Improving focus and effectiveness** (Section 3)
- iii. **Engage and support** (Section 4)
- iv. **Better joined-up thinking** (Section 5)

Finally, section 6 presents an overview of **DLME's workplan** for 2024-25, which is now underway.

As ever, the development of this strategy has benefited immeasurably from stakeholder input. I am grateful to everyone who either provided submissions in response to my call for evidence (CfE) (held over the summer of 2023) and/or attended various roundtables and other meetings to inform the direction of this strategy. I also consulted with the three devolved administrations in Scotland, Wales, and Northern Ireland.

## 1.1 Economic and policy context

### 1.1.1 Economy and labour market developments

In its most recent report (March 2024) the Office for Budget Responsibility (OBR) predicts the economic outlook is looking brighter in 2024 (with GDP growth of 0.8 per cent) following practically stagnant growth in 2023. Growth is forecast to reach around 2 per cent a year between 2025 and 2027, before slowing a little in 2028.

GDP per head will only exceed pre-pandemic levels in 2025, mostly due to an upward revision in population, including higher net immigration (see below). Economic inactivity is estimated to remain more persistent impacting on labour market participation.

Inflation, and interest rates are forecast to fall as a result: having exceeded 11 per cent in late 2022 inflation is now (Aug 2024) just above 2 per cent.

The labour market has loosened somewhat, with unemployment now at 4.2 per cent (April-June 2024), versus 3.8 per cent in Q4 2023.

Issues with the ONS Labour Force Survey has meant greater uncertainty over employment-related indicators.

### 1.1.2 Policy developments

I believe that workers who are treated well by their employer repay this in their performance, which in turn helps business to grow. This underpins the promotion of compliance, which is a major strand within the work of all three enforcement bodies. Enforcement is the other component.

The previous government paused its plans to create a single enforcement body (SEB) on the basis that it would involve significant organisational change and would be likely to disrupt the work of the existing operational bodies. However, through my office I, sought ways in which some of the benefits associated with a single enforcement agency might be delivered. This includes such as better communication and an even greater cohesive approach between the three enforcement bodies for which I have responsibility. I expect the proposed fair work agency will deliver much more than I was able to achieve, and I welcome this.

Work has progressed in one of the areas identified for enforcement by a single enforcement agency, namely around the oversight of umbrella companies, an area of real concern among stakeholders. Following an evidence-gathering call for evidence in November 2021,<sup>1</sup> the previous government issued a further consultation in June 2023 seeking to define and potentially introduce regulation here.<sup>2</sup> I hope the present government's response to umbrella companies will address the legitimate concerns expressed to me.

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1 <https://www.gov.uk/government/calls-for-evidence/call-for-evidence-umbrella-company-market>

2 <https://www.gov.uk/government/consultations/tackling-non-compliance-in-the-umbrella-company-market>



Significant increases to the National Living Wage (by £1.02 to £11.44 an hour from April 2024) were announced in the autumn statement (November 2023) as well as to other minimum wage rates. Increases of this scale may heighten the risk of non-compliance, which in turn will be a test of HMRC's resources.

Finally, the steep increase in net immigration to over three quarters of a million in 2022, and 685,000 in 2023, led the government to change the criteria for admission. The minimum earnings threshold was raised from £26,200 per annum to £38,000 and the arrangements for migrant workers bringing dependents have been tightened. The government announced from April 2024 the shortage occupation list will be replaced with the immigration salary list (ISL). While different salary thresholds apply, an area likely to be affected is the adult care sector, where over a quarter of a million care workers and their dependents arrived in the UK in the past year. This, along with the requirement for sponsors to be registered with the Care Quality Commission (CQC), could see work migration volumes fall significantly in the sector. Early evidence suggests that this is happening. Adult social care has been one of the sectors at greatest risk of labour non-compliance (see below) and is discussed further in section 5.

## 1.2 Scale and nature of non-compliance

### 1.2.1 Scale and nature assessment of non-compliance

Previous LME strategies have highlighted the challenge of producing a robust measure of the scale of non-compliance. Earlier work by the Office of the Director of Labour Market Enforcement (ODLME) identified a research approach to help fill this gap and this project is now in train, reporting in the second half of 2025.

The updated ODLME risk model shows that the sectors/areas with the greatest non-compliance risk are largely the same as last year and, indeed, previous years (see Table 1.1 below, and annex B for more detail), namely:

- **Agriculture**
- **Hand car washes**
- **Construction**

These three sectors are scored as 'A' for impact of non-compliance reflecting higher assessed prevalence of modern slavery in non-compliant behaviour.

In **agriculture** the scoring reflects the risk of modern slavery, deliberate non-compliance and serious non-compliance. It is a low pay sector with difficult working conditions. There are concerns with fees paid overseas for visas, travel and illegal recruitment fees by Seasonal Worker Visa Scheme workers, lack of the work they were promised before they came and accommodation issues. The disruption in finding new recruitment sources caused by the Russian evasion of Ukraine has reduced with lessons learnt, meaning the risk has reduced but the underlying risk remains high.

**Hand car washes** – The risk model highlights the continuing high risk, particularly, as regards matters under the Director's remit, for non-payment of the National Minimum Wage. Additionally illegal workers form a proportion of the workforce, and the cash-based nature of the industry is believed to enable laundering of criminal profits from other crimes.

**Construction** is an industry with high levels of self-employment but allegations that some is bogus. There are long labour supply chains with informal recruitment practices particularly for lower skilled lower paid roles. There are also reports of modern slavery all contributing to the high-risk scoring.

Only in two sectors – **warehousing and food manufacturing** – has the non-compliance risk assessment reduced, but they remain on the radar, the reduction not sufficient to change their impact of non-compliance score.

The risk in the **care sector** is assessed as having increased over the year, as there is now greater evidence of deliberate non-compliance. The score for impact of non-compliance for the care sector was raised last year to reflect the abuse of care sector workers with visas to work in the industry. The number of cases involving abuse has increased over the last year but the true scale of this type of exploitation remains unknown. However, changes announced to this visa route and implemented in early 2024, coupled with action being undertaken in the sector itself to promote compliance and support workers, may help reduce the risk.

That the same high-risk sectors remain the most non-compliant does prompt the question as to whether more or different activity should be undertaken. This question informs my theme of joined-up thinking discussion in section 5. The table below shows the impact of non-compliance scores in sectors, specified by their standard industry classification (SIC).

**Figure 1.1 – Sectors/areas at highest risk of labour market non-compliance**

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	
01	Crop and animal production, hunting and related service activities	Agriculture	A	Decreasing	A
41	Construction of buildings	Construction	A	No change	A
43	Specialised construction activities	includes interior construction activity	A	No change	A
81299	Cleaning services (other than disinfecting and extermination services) n.e.c.	Hand car washes	A	No change	A
86-88	Care sector	Care sector	B	Increasing	B
	Models		B	No change	B
	Online recruitment fraud		B	No change	B
10	Manufacture of food products	Food processing and packaging	B/C	Decreasing	B/C
96020	Nail bars		B/C/D	No change	B/C/D
52	Warehousing and support activities for transportation		C	Decreasing	B

Source: ODLME analysis; Notes: The list presents the highest risk in term of the impact of non-compliance which ranges from A (includes a proportion of modern slavery), B (Deliberate non-compliance), C (Serious non-compliance), D (Interpretation, non-compliance) to E (Error).

**1.2.2 Issues raised by stakeholders outside of DLME remit**

My call for evidence and the stakeholder roundtables are targeted at gathering evidence in relation to my statutory remit. Good quality stakeholder evidence lies at the heart of helping me formulate my strategy recommendations.

I also receive evidence on issues that fall beyond my remit. As demonstrated in section 5, it is neither possible nor desirable to consider drivers and impacts of non-compliance only in terms of the responsibilities of the three enforcement bodies, and, where I believe the DLME role can add value, I seek to do so.

It is also the case that common factors can contribute to an environment of non-compliance be it workplace rights, accommodation standards, recruitment scams, health and safety issues, exploitation of overseas workers or visa violations. These common factors include low pay, workers who are isolated, lack visibility or voice, those with poor language skills or education, or those who are uncertain about their right to work or the status of their employment. Understanding these factors contributes to our understanding of risk.

Where relevant, I have therefore included discussion of these wider issues.

### 1.3 Enforcement resources

The resources under by remit that are available to promote compliance and tackle non-compliance are set out below. Given the challenging public spending environment, all three bodies face budgetary pressures in 2024/25 which will impact what can be delivered. In presenting this strategy I am mindful of this.

**Figure 1.2 – Resourcing and scope of the three enforcement bodies**

Enforcement body (responsible department)	Funding (£m) 2023/24	FTE staff 2023/24	Focus and scope	Geographical locations covered
HMRC NMW/NLW (Department for Business and Trade)	£31.2 million	436	All sectors	UK
GLAA (Home Office)	£7.77 million	121	Investigate worker exploitation and modern slavery labour offences (including human trafficking and compulsory forced labour)  Licenced labour providers in: <ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Horticulture</li> <li>• Shellfish gathering</li> <li>• Any associated processing and packaging</li> </ul>	1) England and Wales 2) UK
<b>UK</b>				
EAS (Department for Business and Trade)	£1.52 million	34	Employment agencies (other than agencies licensed by GLAA).	England, Scotland and Wales

## Section 2: Improving the radar picture

My first theme is focused on improving the information that the enforcement bodies hold about the nature and scale of the risk. The three bodies over which I have jurisdiction undertake enforcement, partly in response to complaints made to them, and partly proactively based on the information and intelligence they receive and their assessment of risk. It is fundamentally important that they have the best possible picture of activity taking place relevant to their work. This can be difficult, notably where unethical employers actively seek to hide their activity, where some workers do not have a voice or where offered what is seemingly a self-employment route do not understand the implications of their own acceptance of this for example as regards their personal tax liability.

Against this background, I continue to urge the bodies to take steps to improve their own radar picture and highlight two areas in particular where this can be focused – recording the protected characteristics of workers, and improving engagement with and understanding of those reporting complaints to the enforcement bodies.

### 2.1 Characteristics of workers

There are approximately 3.5 million workers (around 10 per cent of total UK employment) covered by the respective legislation underpinning the three bodies<sup>3</sup> and therefore within my remit.

Respondents to the call for evidence suggested that some workers or groups of workers are at higher risk of being exploited because of their protected characteristics. These groups included women, workers from ethnic minorities, disabled workers and younger workers.

Understanding worker characteristics should help improve targeting of specific interventions to tackle worker exploitation. Subsequent discussions with the enforcement bodies indicate there is a potential gap in their understanding and identification of non-compliance risk associated with protected characteristics.

This is a gap that has been recognised recently by the Low Pay Commission,<sup>4</sup> where, they argue, better demographic data would at the very least help with understanding whether the underpayment in official data sources is the same as the underpayment found by HMRC. This would enable a better assessment of the effectiveness of enforcement. I therefore fully support their recommendation to government that HMRC [NMW] should expand the data it collects on its caseload to include the characteristics of underpaid workers.

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<sup>3</sup> Inevitably there will be some double counting here as workers fall into more than one category. Plus, not all EB remits are UK-wide.

<sup>4</sup> Low Pay Commission, Compliance and enforcement of the National Minimum Wage, 13 September 2023 <https://www.gov.uk/government/publications/compliance-and-enforcement-of-the-national-minimum-wage>

**Recommendation 1:**

I recommend that all three enforcement bodies within my remit seek to collect more and better information on those with protected characteristics to enable analysis of whether those with protected characteristic have increased vulnerability to exploitation. In doing so, this would help demonstrate they are fulfilling their requirement in respect of the public sector equality duty.

**Timeframe for delivery:** Reporting to the LME Board by the end of financial year 2024/25 and implementing the following year.

**Lead:** Enforcement bodies – HMRC NMW, EAS and GLAA

## 2.2 Filling data and information gaps

Stakeholder evidence questioned whether ODLME's identification of high-risk sectors is comprehensive, with, cleaning, the fishing sector and supply teachers suggested as additions, for example.

While this may relate to enforcement bodies' focus on their statutory remits, this mismatch may partly be explained by the fact that information available from stakeholders is either not reaching the enforcement bodies, that it is incomplete, or insufficiently specific to be useful. Recommendation 3 in my 2023/24 strategy proposed that the enforcement bodies work with stakeholders to improve the quantity and quality of data reaching them, feeding back to those supplying information and intelligence to help improve the quality and quantity of future flows. This is happening in some measure, but more could be done.

Historically enforcement bodies have not been willing to provide information about action taken in response to reports of abuse from external parties. The complainant represents this as "I reported, "X", and nothing was done". This damages stakeholder confidence levels in the enforcement bodies. I believe some of this relates to terminology used in the dialogue. The enforcement bodies have a duty to protect data and information relating to specific investigations. But sharing trend or sectoral information does not have the same sensitivity.

It may be that if a common language were developed as to what was wanted and what could be shared, third parties might be better informed and correspondingly have greater confidence in the enforcement bodies. Online events aimed, for example, at the business community and non-governmental organisations (NGOs) have been hosted by the enforcement bodies to talk about sharing data and providing intelligence, but the degree of interactivity is limited by virtue of it being online.

**Recommendation 2:**

I recommend that ODLME and the three enforcement bodies, working with external stakeholders for example from businesses, trade associations or NGOs develop a shared understanding of terminology and clarify mutual understanding of ‘data’ ‘information’, and ‘intelligence’.

This might usefully include an in-person workshop providing an open forum for discussion to:

- give stakeholders better understanding about what data can be shared
- understand what data stakeholders feel is missing and to what purpose it might be put.

The aim of the workshop is to promote confidence that processes are in place to ensure that complaints are properly investigated and that the activities of the three enforcement bodies are well targeted.

**Timeframe for delivery:** Before the end of the financial year 2024/25.

**Lead:** ODLME and enforcement bodies: HMRC NMW, EAS and GLAA

# Section 3: Improving focus and effectiveness

At a time when public spending is under significant pressure, it is incumbent on all public bodies to be efficient and effective. It has been put to me that a continued focus on the same sectors raises questions about the effectiveness of current initiatives to address non-compliant behaviour. For their part, enforcement bodies point to underlying risk factors intrinsic within sectors such as hand car washes, agriculture, care and construction, to explain why they continue to appear as higher risk.

Stakeholders also raised concerns about types of work that is not listed as highest risk by the enforcement bodies. They see abuse in the gig economy and no protection of those working for umbrella companies. In part this mismatch relates to the enforcement bodies having to view risk through the lens of their legislative powers while stakeholders reflect on the entirety of exploitation experienced by workers.

## 3.1 Enforcement bodies: raising profile and confidence

The programme of joint webinars run by the three enforcement bodies and attended by a wide range of parties serves to clarify their remit, responsibilities and support business and, in some measure, increase confidence in their effectiveness. I welcome these and other similar initiatives on their part.

However, respondents told us that awareness of the three enforcement bodies remains low with workers not knowing who to approach if they have a problem and a lack of clarity around the respective remits of the enforcement bodies. I know the communications teams of the enforcement bodies are seeking to work more closely together to carry each other's messages and work in a co-ordinated way. This is welcome.

While seeking a stronger media profile for their work would be beneficial, at both national and local levels, competing for media 'space' will increasingly be a challenge. The recent minimum wage naming round,<sup>5</sup> by far the biggest of its kind to date received little media interest.

Part of the solution is using channels developed by others to deliver messages as widely as possible and I know the enforcement bodies already use trade associations and other government bodies such as Acas in this space. Section 4 recommends growth hubs as a possible vehicle.

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5 DBT Press Release: *Over 500 companies named for not paying minimum wage*, 24 February 2024. <https://www.gov.uk/government/news/over-500-companies-named-for-not-paying-minimum-wage>

As well as helping to promote the rights to which workers are entitled, I believe it would be helpful to the credibility of the enforcement bodies if the work they are doing and the successes they are achieving were communicated in a timelier fashion. The government reports covering enforcement of NMW/NLW<sup>6</sup> during 2021/22 was not published till April 2023 and EAS' 2022/23 Annual Report<sup>7</sup> was not published till July 2024.

### **Recommendation 3:**

I recommend the three enforcement bodies redouble their efforts to seek out new and potentially shared communication vehicles and maximise opportunities for public messaging, showcasing the results of their work.

**Timeframe for delivery:** Progress report to LME Board October 2024

**Lead:** Enforcement bodies: HMRC NMW, EAS and GLAA

## 3.2 Enforcement resourcing and impact

One of the requirements when preparing the annual LME strategy is for me to consider the allocation of funding across labour market enforcement functions. The three enforcement bodies employ around 590 staff (measured in full time equivalents (FTEs) of which over 80 per cent are involved in frontline enforcement activity. Combined, public funding for the three bodies within my remit currently totals around £40 million per year. Three quarters of this is funding from the Department for Business and Trade for the work of HMRC's National Minimum Wage enforcement team, with Home Office providing most of the remainder to the GLAA. These proportions have not changed much in recent years.

Many stakeholders have highlighted to me that the ratio of inspectors to workers under their remit fares poorly when compared internationally. Consequently, there are loud and repeated calls for significant increases in resourcing for all three bodies.

But faced with a tight public spending climate before seeking to boost numbers of compliance officers, it is incumbent on us to first ask the question as to whether current resources are being used efficiently and effectively.

I welcome measures the enforcement bodies themselves are taking to improve their performance. For example, the GLAA business plan for 2023-26 outlines ambitious goals and performance targets.<sup>8</sup> Their annual review includes evaluation as part of delivering continuous improvement. GLAA has recently undertaken a comprehensive review of its activity in the regulated sectors and has developed a new operating model which is delivering faster results and enabling the team to increase focus on proactive compliance activity.

There are also questions about how decisions about the deployment of resources are made internally within enforcement bodies how to choose between proactive and reactive, and within proactive, what approach to take. For example, is the sectoral approach to risk assessment the most productive in terms of identifying and dealing with non-compliance?

6 [https://assets.publishing.service.gov.uk/media/6436b033877741000c68d85f/enforcement\\_and\\_compliance\\_report\\_2021\\_2022.pdf](https://assets.publishing.service.gov.uk/media/6436b033877741000c68d85f/enforcement_and_compliance_report_2021_2022.pdf)

7 <https://www.gov.uk/government/publications/employment-agency-standards-eas-inspectorate-annual-report-2022-to-2023>

8 <https://www.glaa.gov.uk/publications/corporate-publications/> – business plan



All LME strategies from 2018/19 onwards have placed an emphasis on evaluation to learn where finite resources can be used to greatest effect. Earlier strategies have also asked whether the performance metrics used give appropriate measures of success.<sup>9</sup> Measuring the volume of activity is not enough. Meeting my statutory duties as regards the allocation of funding requires me to understand the comparative impact.

I recognise measuring direct impact can be challenging, in particular understanding the effect of compliance-oriented interventions (e.g. awareness-raising activity). This is why I recommended more work here in my 2023/24 strategy (recommendation 4).

Although some progress has been made on both points above (notably by HMRC NMW and DBT), there remains a huge gap in our knowledge on impact and this is an area where I believe more needs to be done. Given EAS' size, the capacity to undertake such work is a challenge, and they may need help from DBT.

#### **Recommendation 4:**

I recommend the three enforcement bodies place a greater focus on metrics that assess impact and for work to commence that will provide the information, reporting quarterly to the LME Board.

Such work might draw on expertise within the sponsor departments or where this is not available, the expert guidance the National Audit Office (NAO) may provide.

**Timeframe for delivery:** Reporting quarterly at the LME Board

**Lead:** Enforcement bodies: HRC NMW, EAS and GLAA

## 3.3 Opportunities and threats from artificial intelligence

Artificial intelligence (AI) poses both opportunities and threats across society as a whole. Within public services, and in the labour market enforcement space specifically, I highlight three areas that merit particular attention.

### 3.3.1 Enhanced provision of services using artificial intelligence

Harnessed safely and properly, the use of artificial intelligence (AI) holds real potential to improve the delivery and efficiency of public services, including amongst regulators, across a wide range of policy areas. Within my remit this has the potential to help workers and employers navigate their way through a complex employment law landscape and identify more easily where to go for support.

In 2023, the previous government published its AI regulation white paper setting out a principles-based framework for governing AI.<sup>10</sup> For regulators this framework would be applied allowing AI to be regulated in a targeted, context-specific, and coherent manner across the economy. Regulators will need to demonstrate they are taking the opportunities and risks of AI seriously within their own remits. The previous government asked key regulators – including in human rights and health and safety – to publish an update by 30 April 2024, outlining their strategic approach to AI.<sup>11</sup>

9 Labour Market Enforcement Strategy 2018-19 (2018) available at: <https://www.gov.uk/government/publications/labour-market-enforcement-strategy-2018-to-2019>

10 <https://www.gov.uk/government/publications/ai-regulation-a-pro-innovation-approach/white-paper#section331>

11 <https://www.gov.uk/government/publications/request-for-regulators-to-publish-an-update-on-their-strategic-approach-to-ai-secretary-of-state-letters>

Looking at what other regulators are doing will provide an excellent opportunity for the enforcement bodies within my remit to learn from these examples and to begin to think about how AI might best be used in their own spaces.

In July the government also announced an AI Opportunities Action Plan to identify how AI can drive economic growth, which includes the use artificial intelligence in government to transform citizens' experiences of interacting with the state.

### 3.3.2 Being alert to the threat of AI in the labour compliance space

The increasing use of non-traditional means (such as online apps, social media) to find work and the new and additional forms of exploitation opportunities (e.g. recruitment scams) that arise continue to be a real concern for me. There is an evidential and regulatory challenge to keep up with developments in what is a fast-moving space.

By the same token, artificial intelligence will bring its own set of risks, many of which are yet to be fully known and understood. Currently there are particular concerns around use of AI<sup>12</sup> as a management tool:

- **In recruitment**, to devise job adverts, source candidates and filter CVs. Some recruiters also use automatically scored tests as part of their recruitment process.
- **In task allocation and performance management**, including scheduling shifts and evaluating worker performance.
- **In surveillance and monitoring of the workforce**, tracking workers to monitor productivity or health and safety in the workplace.

### 3.3.3 Maximising the power of AI to improve enforcement

There is already good evidence from the UK and internationally that AI can be used to increase the effectiveness – and therefore efficiency – of enforcement inspections<sup>13,14</sup>. The benefits of using machine learning tools in sectors such as health and safety, water pollution and food standards could also be realised in tackling labour non-compliance.

Properly to consider each of the above will require levels of AI expertise that are beyond the current capabilities of the three enforcement bodies. Moreover, the nature of the AI challenges faced by them will likely be replicated on a much bigger scale across the public sector, both domestically and internationally. I would therefore urge the three enforcement bodies to engage and work closely with wider work in this space, either within government or drawing on expertise in the private or academic sectors.

12 Artificial intelligence and employment law, House of Commons Library Research Briefing, 11 August 2023; <https://commonslibrary.parliament.uk/research-briefings/cbp-9817/>

13 <https://www.theregview.org/2024/02/26/johnson-levine-toffel-making-workplaces-safer-through-machine-learning/>

14 <https://www.gov.uk/government/publications/food-standards-agency-food-hygiene-rating-scheme-ai/food-standards-agency-food-hygiene-rating-scheme-ai>

**Recommendation 5:**

I recommend the three enforcement bodies engage and work closely with wider work in the artificial intelligence space (AI), either within government, or drawing on expertise in the private business or academic sectors.

Furthermore, I would like the three enforcement bodies to share their learning between each other and with ODLME and the LME Board to enhance wider understanding of the implications of AI within the enforcement bodies remit and ODLME's work.

**Timeframe for delivery:** Reporting quarterly to the LME Board

**Lead:** Enforcement bodies: HMRC NMW, EAS, GLAA and the ODLME

## Section 4: Engage and support

Delivering compliance cannot be achieved solely through the activities of the enforcement bodies. Businesses hold up to date information about their sectors and the majority want a level playing field. Best practice can be promoted and delivered harnessing this insight and resource, and by working with trade associations and other representative bodies, including those representing workers, such as trade unions.

A good example of this is the work being done by JobsAware as part of their collective regulation initiative, engaging with enforcement bodies, government departments, businesses and worker representatives promoting initiatives which drive higher standards and provide channels for increase worker voice within the recruitment sector<sup>15</sup>.

### 4.1 Awareness of employment rights and sourcing help

#### 4.1.1 Business community

Polling carried out for Acas in 2021 and 2022 showed that nearly a third of employers and half of employees seek information about workers' rights from within their organisation.

A theme of my strategies has been the importance of ensuring that businesses who wish to be compliant are receiving the support that they need from the three enforcement bodies. The work the enforcement bodies are doing with employers is therefore of paramount importance (e.g. running joint themed webinars aimed at businesses). The approach taken by HMRC NMW when undertaking its geographical compliance approach (conducting a programme of awareness raising and inspections within a defined geographical area) is first to write to all businesses in that area alerting them to the exercise and offering support. This is helpful and constructive, but the numbers of respondents taking up the offer can be disappointing.

The enforcement bodies have in recent years forged much closer links with Acas due to their direct access to workers and businesses, and I urge them to build on this. I shall also be keen to work with Acas to consider what more can be done in terms of wider strategies to engage with key stakeholders to discuss effective mutual signposting. Again, the enforcement bodies should be key partners here.

There are 39 growth hubs which operate across the whole of England with local and national, public, and private sector partners – such as Chambers of Commerce, universities and banks, co-ordinating local business support and connecting businesses to the right help for their needs.

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<sup>15</sup> <https://www.jobsaware.co.uk/ors>

They are locally driven, locally owned and intended to ensure business support is simpler, more joined up and easier to access. Different arrangements exist in Scotland, Wales and Northern Ireland.

#### **Recommendation 6:**

The enforcement bodies have explained to me that promoting compliance, especially in the SME community is very labour intensive. I believe there may be scope to magnify broadcasting of compliance through forging links with 39 growth hubs in England and equivalent in Scotland, Wales and Northern Ireland. I recommend that the three enforcement bodies pilot the promotion of compliance within the SME community using the reach of growth hubs, perhaps taking one or two hubs each, and reporting back to the LME Board.

**Timeframe for delivery:** Reporting quarterly at the LME Board

**Lead:** Enforcement bodies: HMRC NMW, EAS and GLAA

#### **4.1.2 Workers**

A parallel theme has been the importance of ensuring workers are aware of – and are able to exercise – their employment rights, and that there are well known and trusted sources of support and remediation. Being able to rely on statutory employment protection is fundamental to a fair and well-functioning labour market.

At present the data we have on the use by workers of independent sources of information – such as Acas and Citizens Advice – is limited. In their response to a previous DLME call for evidence, Citizens Advice quoted a survey they had conducted which found 45 per cent of workers who experienced unfair treatment did not try to enforce their rights, and nearly a third (29 per cent) had not heard of any enforcement agency. The Acas response noted “*the wide array of sources that users may choose to access for help on employment rights*”. Navigating a complex institutional landscape is a challenge for workers and those seeking to support them. ODLME is told of the frustration of being pushed from one area to another. It can be wearisome to get dispute resolution and remediation for issues even when English is the first language and more so when it is not. Even where there are grievance mechanisms in place, levels of trust may vary, with fears of repercussions for workers, families, or co-workers acting as a deterrent to making a complaint.

One of the benefits stakeholders see in having a single agency responsible for enforcement is creating a single place to go for advice and interventions. A contrary argument is that having multiple entry points for complainants for those seeking help may be beneficial. This might be valid as long as, having entered the system, the enquirer is transferred efficiently to the agency best able to help them. HMRC NMW have done some useful work with Citizen Advice to assist workers in raising complaints – using QR codes.

I welcome this but I feel more needs to be done to satisfy ourselves how existing arrangements work in ensuring that workers’ complaints coming through different entry points do reach the right place and are dealt with efficiently and effectively.

**Recommendation 7:**

I recommend that the three enforcement bodies:

- undertake a combined piece of work to track the entry points and map the processes followed by complainants, particularly when the complaint comes to one agency but requires the attention of another or where one of the three enforcement bodies receives a complaint or report from another statutory body
- report to the LME Board whether/how the processes within the three enforcement bodies might be streamlined.

**Timeframe for delivery:** End financial year 2024/25

**Lead:** Enforcement bodies: HMRC NMW, EAS and GLAA

### 4.1.3 Payslips

Since April 2019, all employers have been required to provide payslips to all ‘workers’ (previously this was just to a narrower category of *employees*). This right for workers is enforceable through Employment Tribunals (ET), though in practice data from Acas suggests relatively few actual ET claims are made solely in relation to this.<sup>16</sup>

Payslips should be accessible for workers to check information and pay, and to use as proof of earnings or other purposes such as applying for a loan or mortgage. Stakeholder responses to my Call for Evidence suggested some workers were not receiving payslips either at all or in a timely fashion. According to research by the Resolution Foundation some 1.8 million workers report not receiving a payslip, and this was a particular concern within smaller firms.<sup>17</sup>

Even when payslips are received, workers may find it difficult to verify whether they are being paid correctly.

Payslips including variances in pay and deductions, the rationale for which is unclear, may lead to workers not receiving their full entitlements. In the adult social care sector stakeholders told us that many workers cannot work out if they are being paid for all the time worked or at the minimum wage levels. With umbrella companies it was reported that many workers are either not getting payslips or, when they do, they are complicated and full of ambiguous jargon. Employers need to make sure payslips are provided at the right time, that these are easy to understand and show a breakdown of pay and, hours worked. They should clearly say what any deductions cover. There should be minimal requirement for a ‘miscellaneous’ category.

The shift towards digital payslips further created access problems for some workers, especially after they have switched employer. Better data and information are required to understand just how widespread this problem may be.<sup>18</sup>

### 4.1.4 Key information documents (KIDs)

Employment businesses have been required to provide a key information document (KID) for agency workers since April 2020, with the aim of improving transparency of information especially around pay.

16 317 Employment Tribunal decisions involving written pay statements were made in England, Scotland and Wales in 2023. Mostly these are combined with other jurisdictions.

17 Enforce for Good, Resolution Foundation (April 2023): <https://www.resolutionfoundation.org/publications/enforce-for-good/>

18 Information on actual receipt of payslips is scant. The Defra seasonal agricultural worker survey 2021 reported a high level of compliance with 93 percent reporting being paid in full and 93 percent being paid on time.

Stakeholders welcome the introduction of KIDs but argue there is a lack of evidence to support their effectiveness, because they say not every agency worker entitled to a KID is getting one. One respondent who had surveyed 3,750 contractors found over half did not know what a KID was and only a quarter employed through agencies said they received one. EAS were praised by unions for their work to improve awareness of KIDs in the teaching supply sector. My concern is that many agency workers may still be missing out, leaving them open to exploitation.

The enforcement bodies themselves were less aware that availability of payslips and/or KIDs was an issue. Their casework has not surfaced the issue.

Given these different perspectives, ODLME need further evidence to understand whether and where there might be an issue as regards payslips/KIDs.

### **Recommendation 8:**

- 1) I recommend that EAS/HMRC NMW/DBT establish a stronger evidence base to determine the extent of lack of provision of comprehensive and accessible payslips and/or Key Information Documents.
- 2) Dependent on the outcome of the above, consider how it can further promote and enforce use of clear, timely and accessible payslips and or more informative KIDs.

**Timeframe for delivery:** End financial year 2024/25

**Lead:** DBT, HMRC NMW and EAS

## 4.2 Targeting support for vulnerable workers

### 4.2.1 Overseas workers with visas

Stakeholders reported that migrant workers coming to the UK on visas are less likely to be aware of their employment rights and also unlikely to seek remedies in cases of labour violations, for fear of losing their jobs. It is more likely that they will seek remedies once they have returned to their country of origin. Language was seen as a main barrier to understanding worker rights. Stakeholders urged for more information on employment rights to be available in different languages including more in central Asian languages and easy read formats.

According to stakeholder responses, migrant workers on visas can be particularly at risk in the following sectors:

In **adult social care** – Where the visa sponsor and the employer are the same person then there is a risk that an unethical employer can exploit the worker threatening to withdraw their sponsorship if the worker complains. If the employer does so, the migrant worker has 60 days to find a new employer, after which time they will breach their visa conditions, and may also be homeless. Some of these workers arrive with significant debts in their home country associated with coming to the UK – some through excessive and illegal charges. The risk of not having income can persuade them not to speak up. It is worth noting that 300 visa sponsors have had their licences revoked in 2023/24. I return to this sector in section 5.

In **seasonal agriculture work** – The seasonal workers visa scheme (SWV) now provides workers with a guaranteed 32 hours per week, though there is no guarantee of the number of weeks of work they will get during the six months their visa lasts. As well as evidence of lack of work, we were told of workers being bullied, worker requests for relocation to another farm not being considered fairly, and poor accommodation. As ever, establishing a representative picture of

worker welfare is challenging, though Defra's surveys of seasonal workers suggest significant improvements in the scheme between 2021 and 2022. Further progress is suggested by the results from their 2023 survey.

Since 2023 teams of inspectors from UK visa and immigration (UKVI) have been visiting farms to achieve a better in-year picture. The Worker Support Centre, funded by the Scottish government, also provides valuable support to the SWV scheme there. But I believe there is scope to improve the handling of complaints in real time.

The Stronger2gether seasonal worker taskforce has a number of workstreams to support workers, including one which will be conducting an independent in-year survey whilst workers are on farms in 2024. In my 2023/24 strategy I recommended a more joined-up approach to monitor SWV impacts on worker welfare and I am pleased to see more of this happening.

#### 4.2.2 Role of local communities in providing support

Local community groups and NGOs do valuable work on the ground to build trust and help channel information which both advises 'harder to reach' communities of their employment rights and offers support. Stakeholders suggest that enforcement bodies could learn a lot from having more engagement with these groups and working together to meet the needs of workers.

In response to recommendation 12 of the 2023/24 strategy, ODLME undertook initial work during the summer/autumn of 2023 to better evidence the role of such organisations in engaging with, and providing support to, vulnerable 'hard to reach' workers. This involved in person and on-line meetings with 12 organisations across the four nations.

Good evidence of the impact of community support was presented. FAB-L, which supports garment workers in Leicester, reported that they had recovered £135,000 of missing or unpaid wages in total for around 90 workers.

Key findings of the initial ODLME review included:

- The importance of building a 'currency of trust' with local communities, where staff had the cultural and language skills<sup>19</sup> to provide a more accessible service for vulnerable migrant workers.
- The need to prevent exploitation within the local informal economy, which can result in workers within a closed community being subject to 'going wage rates' well below the legal minimum wage and feeling that 'good work' (payment at NMW rates) was inaccessible to them.<sup>20</sup>

The report demonstrated the constant challenge for community groups of providing worker support in the face of precarious funding, limited capacity and ambitious expectations, but also their importance in accessing information about workers, providing support and establishing a feedback loop to inform future policymaking.

The importance of using channels of communication and styles of communication familiar to the workers was emphasised – rather than simply translating existing leaflets into more languages.

19 Romanian project – Available at: <https://www.gla.gov.uk/whats-new/latest-press-releases/15032023-glaa-supports-workers-rights-training-for-romanian-communities-in-uk/>

20 *Perspectives of Migrant Workers from Turkey in London's Labour Markets*, Refugee and Workers Cultural Association and GIK-DER UK, 2022



**Recommendation 9:**

- 1) I recommend that with the help of community organisations who are promoting workers' rights in the communities they serve, the three enforcement bodies pilot the enhancement of their communications to workers at risk of exploitation by co-producing communications in easy-to-read versions and alternative formats.
- 2) I recommend ODLME engages with Greater Manchester combined authority and Scottish government to explore how, through existing initiatives,<sup>2122</sup> increasing prominence and support for community organisations improve business compliance and prevent labour exploitation.

**Timeframe for delivery:** 1) Progress report to LME Board December 2024; 2) By end of the financial year 2024/25

**Lead:** 1) Enforcement bodies: HRC NMW, EAS and GLAA; 2) ODLME

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21 <https://www.gmgoodemploymentcharter.co.uk/>

22 <https://www.employabilityinscotland.com/>

## Section 5: Better joined-up thinking

### 5.1 Addressing sector wide risks

A longstanding concern for me has been the existence of enforcement gaps that may be exploited by unscrupulous employers, sometimes with little to fear by way of sanctions or penalties. Remits of individual enforcement bodies are defined by legislation. Measures of success are similarly framed around delivering against immediate responsibilities.

Opportunities and incentives to ‘think bigger’ can therefore be missed. ODLME’s risk modelling, and its interaction with the multi-party Strategic Co-ordination Group, demonstrates the complexity of non-compliance inherent across the identified high-risk sectors. But labour market non-compliance in sectors such as hand car washes or agriculture is only one element of the non-compliance in that sector requiring intervention. Even effective joint working among the enforcement bodies within my own remit cannot on its own tackle bigger sector-wide failings.

#### 5.1.1 Expanding multi-agency working

Following recommendations I made in my 2023/24 strategy, the enforcement bodies have over the past year been giving greater focus to improving joint strategic collaboration and communications.<sup>23</sup> This activity has focused predominantly where the bodies have areas of overlapping interest (e.g. care, construction), which in practice only represents a proportion of their work.

In terms of **collaboration**, a joined-up approach among the enforcement bodies:

- means a better understanding of each other’s compliance plans over the next three years
- creates a deeper understanding of sector structures and business models
- ensures timely and efficient referrals between the bodies
- exploits opportunities to learn from one another, sharing methodologies and best practice
- acts as an early warning system for new or increasing risks, building on the work of DLME’s Strategic Co-ordination Group (SCG)
- ensures best use of available data within the restrictions of legal gateways

The enforcement bodies meet periodically to take this work forward, reporting into the quarterly LME Board and providing updates for the DLME annual report.

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<sup>23</sup> Labour Market Enforcement Strategy 2023/24 recommendation 9 – (2023) available at: <https://www.gov.uk/government/publications/labour-market-enforcement-strategy-2023-to-2024>

On communications, as well as seeking to promote awareness of regulations in their own remits, the enforcement bodies have now agreed a common purpose, namely:

- cultivating a compliant environment, helping to create a level playing field for business
- ensuring business has the knowledge and tools to meet compliance requirements and are incentivised to comply with them
- ensuring business knows and trusts the enforcement bodies, providing honest advice and intervening proportionately
- ensuring workers/stakeholders are better empowered to understand their rights and protections
- ensuring workers have the confidence to report bad and exploitative businesses.

The bodies have established a community of communications leads to identify opportunities for combined products and events.

These plans represent a good start, but there remains a lot to do. I encourage the enforcement bodies to build on this. Pending the creation of a single enforcement agency greater collaboration and taking a more strategic view of the labour market non-compliance threat is essential.

Work by ODLME's Strategic Coordination Group (SCG) will be a part of this, not least to encourage data sharing and opportunities for joint or complementary operational interventions. But the enforcement bodies themselves should be looking to enhance their collaborative working.

For example, each of the enforcement bodies strives to improve their performance. While they do different things, sharing their experiences and how they have made improvements would be mutually beneficial. Aside from sharing operational information, could more be done to share trend data and deeper insights as regards drivers of non-compliance? Where they have useful links to third parties, are those shared? Could mutual understanding be deepened through a programme of secondments between the bodies?

#### **Recommendation 10:**

I recommend that the three enforcement bodies, the SCG and other enforcement providers take further steps to deepen and broaden their interfaces and mutual understanding that go beyond joint working operations. This could include shared learning, threat assessment, promoting compliance.

**Timeframe for delivery:** Reporting quarterly to the LME Board

**Lead:** SCG and enforcement bodies: HMRC NMW, EAS and GLAA

### **5.1.2 Non-compliance in adult social care**

As mentioned in Section 4, labour exploitation in the adult social care sector is a concern notably, but not only, associated with care workers brought in from overseas.

The sector has been beset by funding problems for a long time. Local authorities who commission the majority of adult social care services (both residential and domiciliary) are under intense financial pressure which feeds through into their commissioning. It is estimated that there are 1.7 million workers employed in the adult social care sector in England. Cost of living changes impacting on low wages and challenging working conditions have contributed to higher staff turnover rates and difficulties with recruitment. The high number of vacancies in 2022 led the

government to expand the skilled worker visa scheme to include adult social care. Skills for Care<sup>24</sup> has recently proposed measures in relation to having a series of qualifications for adult social care workers to follow as they build up their skills, and better career progression to improve the attractiveness of the sector.

Tackling the current reported employment abuses in the sector requires a sound grasp of the exploitation taking place, before then ensuring the various stakeholders work together to address this. Figure 5.1 below provides an overview of the system complexity including those parts of it that fall within my remit.

I have been encouraged by how these stakeholders have responded and how effective joint working can be. ODLME has played a key role in developing a system-wide evidence base. This work has been resource-intensive for both ODLME and all three enforcement bodies, notably EAS and GLAA. Given tight resources, this has impacted the ability to undertake work in other high-risk sectors.

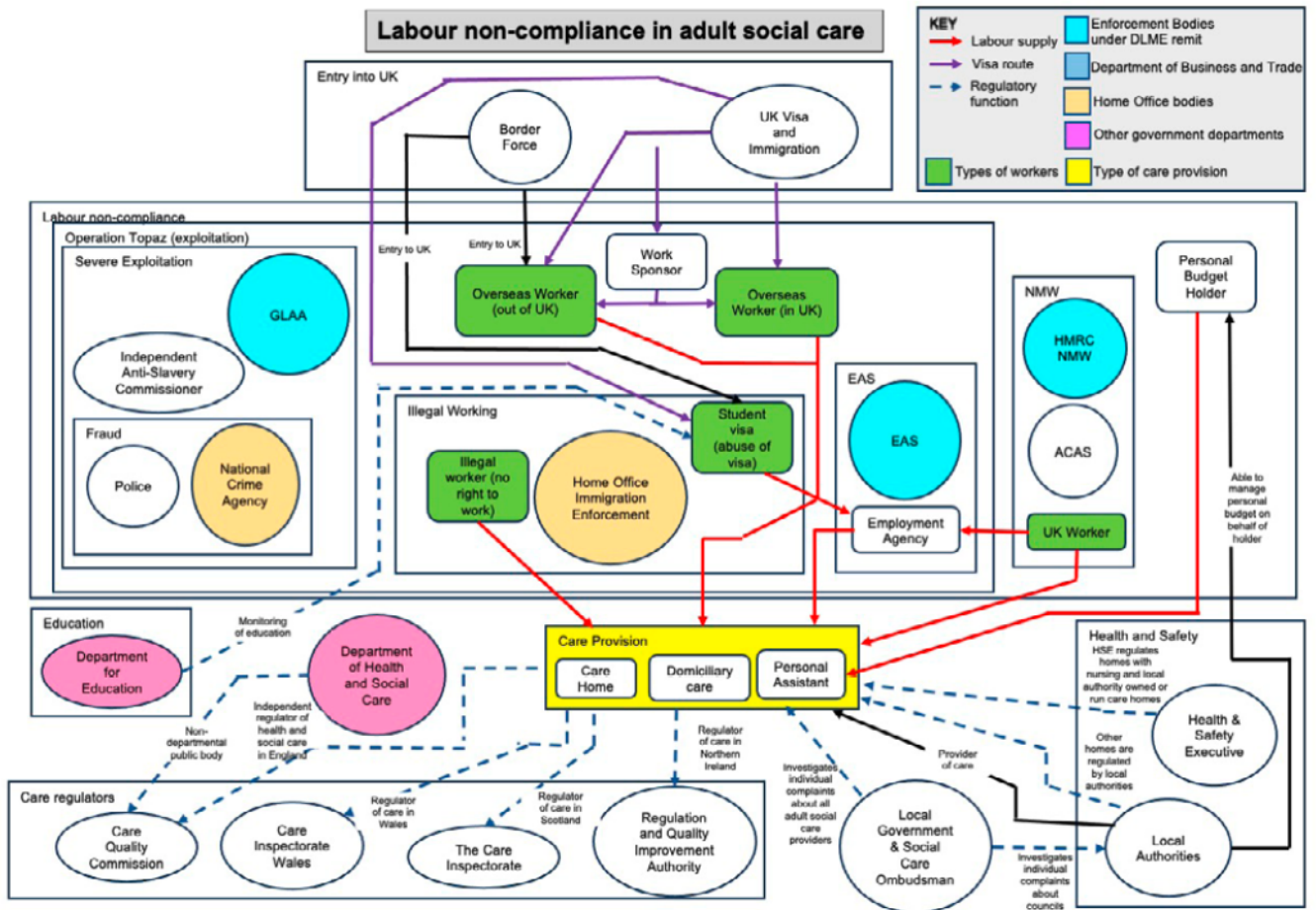
### **Recommendation 11:**

I recommend that, within the next six months, an assessment should be made of the joint approach associated with adult social care sector, looking at the risk assessments, the collaborative working, the sharing of data, availability of resources, communication and compliance, with a particular focus on the roles of ODLME, its information hub, the three enforcement bodies and other key partners.

**Timeframe for delivery:** Reporting to the LME Board by end financial year 2024/25

**Lead:** ODLME and enforcement bodies: HMRC NMW, EAS and GLAA

Figure 5.1 – Overview of stakeholders in the care sector in England (January 2024)



Source: ODLME

## Section 6: DLME work plan 2024-25

### 6.1 Single enforcement agency

ODLME will continue to progress work signalled in my 2023/24 strategy,<sup>25</sup> looking to consider options for improved collaboration and co-ordinated activity within labour market enforcement. Stakeholders responding to my call for evidence remain strongly in favour of a single agency. The government has announced its intention to create a fair work agency. The scope of its responsibilities is under active consideration. Beyond its legislative remit there is much to consider about how the fair work agency will operate, its governance, how it will communicate and its relationship with all its stakeholders. I believe my office can play an important role in working through the key issues.

Areas to consider here could include prioritisation of compliance and enforcement interventions; the use and impact of penalties for employers in cases of deliberate and/or serious labour exploitation; and how best to regulate temporary labour providers (e.g. licensing versus other approaches).

Plans will also need to be considered against the backdrop of any wider employment law changes that may result, and also take account of the cost of creating a new body.

#### **Recommendation 12:**

I recommend that the three enforcement bodies and the sponsor departments, undertake collective strategic thinking examining the respective impact of different approaches to achieving compliance: e.g. naming and shaming, geographical compliance approach, licensing, penalties, inspection programmes, communication campaigns with ODLME playing a facilitation role.

**Timeframe for delivery:** Reporting to the LME Board by spring 2025

**Lead:** Enforcement bodies: HMRC NMW, EAS and GLAA; DBT and Home Office; ODLME

<sup>25</sup> Labour Market Enforcement Strategy 2023/24 – Recommendation 1 – (2023) available at: <https://www.gov.uk/government/publications/labour-market-enforcement-strategy-2023-to-2024>

## 6.2 DLME annual report 2020-23

ODLME is looking to publish an annual report in autumn 2024. This assesses progress made on implementing recommendations from the 2020/21 and 2021/22 LME strategies (produced under Matthew Taylor's tenure as LME Director) as well as from my own interim LME strategy submitted to government in March 2022. (Given the tight submission deadline, this made no new recommendations but reinforced key areas from earlier LME strategies.)

## 6.3 2025/26 Strategy

Work has begun to prepare for the next strategy to be submitted to government by March 2025. This strategy will take account of the pending creation of the fair work agency.

## 6.4 Assessing the scale and nature of labour market non-compliance

This jointly funded ODLME and ESRC project commenced in June 2022 and adopts a mixed methods approach (quantitative surveying and qualitative interviews) to seek to improve our understanding of the extent and shape of labour market violations within the DLME space. The project is in its second phase. A pilot survey scheduled for spring 2024, had to be postponed because of the election campaign. It is now expected to take place in autumn 2024 followed by the full survey (in early 2025). Interviews with workers and other stakeholders will then supplement the survey work to provide a fuller picture of non-compliance. Overall findings are expected in the second half of 2025.

## 6.5 Ongoing engagement

I will continue to chair quarterly meetings of the LME Board (involving senior representatives from the sponsor departments and the three enforcement bodies). I see these as important for agreeing and setting direction for both ODLME and the three enforcement bodies.

Similarly, the ODLME-led Strategic Co-ordination Group (SCG) continues to meet monthly and proves an invaluable vehicle for intelligence sharing and joint enforcement working. The SCG's work is overseen by the LME Board. SCG members are also major contributors to ODLME's risk modelling work to determine sectors most at risk of labour non-compliance within my remit, and which in turn is key to informing my strategy.

The work of my office is supported by an analysis and research group (ARG), comprising labour market analysts working across government with the aim of bringing together a more coherent view of the underlying issues affecting labour market non-compliance. Drawing on their knowledge and analytical expertise, this group has already carried out valuable work and I would like to build on this in 2024/25.

I am keen to strengthen relationships with academics, NGOs and other initiatives who are active in this policy space.

I also look for opportunities to build on the knowledge and expertise of other arms-length public bodies working in adjacent spaces such as the Migration Advisory Committee (MAC), Acas and the Low Pay Commission under its new chair Baroness Phillipa Stroud. I also welcome the appointment of Eleanor Lyons as the new Independent Anti-Slavery Commissioner and hope to work closely with her and her team in relation labour exploitation issues.

# Appendix 1: Abbreviations/Acronyms

**ACAS:** Advisory, Conciliation and Arbitration Service

**ARG:** Analysis and research group

**CfE:** Call for evidence

**DBT:** Department for Business and Trade

**DEFRA:** Department for Environment, Food and Rural Affairs

**DLME:** Director of Labour Market Enforcement

**EAS:** Employment Agency Standards Inspectorate

**ESRC:** Economic and Social Research Council

**ET:** Employment tribunal

**FTE:** Full-time equivalent

**FWA:** Fair work agency

**GCA:** Geographical compliance approach

**GDP:** Gross domestic product

**GLAA:** Gangmasters Licensing Abuse Authority

**HMRC NMW:** HM Revenue and Customs National Minimum Wage

**IASC:** Independent anti-slavery commissioner

**KID:** Key information document

**LME:** Labour market enforcement

**LPC:** Low Pay Commission

**NGO:** non-government organisation

**OBR:** Office of Budget Responsibility

**ODLME:** Office of the Director of Labour Market Enforcement

**ONS:** Office of National Statistics



**MAC:** Migration Advisory Committee

**SCG:** Strategic Coordination Group

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